

立法會
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**Subcommittee on Two Proposed Resolutions under Section 5(3)(b) of the
Public Bus Services Ordinance (Cap. 230)**

Background brief prepared by the Legislative Council Secretariat

Purpose

This paper provides information on the provisions of the Profit Control Scheme ("PCS") under the Public Bus Services Ordinance (Cap. 230) ("the Ordinance") and summarizes the major discussions of the Panel on Transport ("the Panel") on issues relating to the renewal of the franchises of Citybus Limited (Franchise for Hong Kong Island and Cross-Harbour Bus Network) ("Citybus") and New Lantao Bus Company (1973) Limited ("NLB").

Background

The bus franchises of Citybus and NLB

2. The current franchise of Citybus will expire on 1 June 2016, and that of NLB will expire on 1 March 2017. The two franchised bus companies have indicated interests to apply for new 10-year franchises upon the expiry of the existing ones.

3. On 22 September 2015, the Chief Executive-in-Council ("CE-in-Council") approved the granting of new ten-year franchises to Citybus and NLB. The new franchise of Citybus will be from 0400 hours on 1 June 2016 to 0400 hours on 1 June 2026; and that for NLB will be from 0400 hours on 1 March 2017 to 0400 hours on 1 March 2027.

New franchises of Citybus and NLB

4. Under section 5 of the Ordinance, CE-in-Council may grant to a company a franchise conferring the right to operate a public bus service. Under section 5(3)(b) of the Ordinance, a franchise shall be subject to PCS except where Legislative Council ("LegCo") by resolution excludes the application of all or any of the provisions in Part V of the Ordinance to the franchise. According to section 28 of the Ordinance, a company to which a franchise to operate a public bus service is granted ("the grantee") can earn a permitted return in an accounting year. Profit exceeding the permitted return in any accounting year will be added to the Development Fund provided under section 27. When profit falls below the permitted return, the grantee shall recover the deficiency by drawing money from the Fund. Section 29 further provides for the deductions that must be made from the permitted return in each accounting year. Under section 31, CE-in-Council shall review the operation of PCS in respect of the grantee every two years.

5. According to paragraph 3 of the LegCo Brief (File Ref: THB(T)CR 6/5541/00) issued by the Transport and Housing Bureau in November 2015, PCS has been strongly criticized by the then LegCo before 1997 and the community in that it would guarantee the franchised bus companies a profit level irrespective of their performance, thereby reducing the incentive of the franchised bus companies to enhance cost effectiveness and to reduce expenditure. In 1992, the then Executive Council decided that PCS would not be applicable to all new bus franchises granted thereafter. Since then, the Government would, after granting of each new franchise, move a resolution in LegCo to exclude the application of PCS to the franchise. A total of 20 such resolutions had been passed in respect of franchises granted since then (including all six franchises currently in force). Meanwhile, the Administration would then take into account a basket of factors under the Fare Adjustment Arrangement for franchised buses when assessing franchised bus fare adjustment applications. The basket of factors includes changes in operating costs and revenue since the last fare adjustment; forecasts of future costs, revenue and return; the need to provide the bus operator with a reasonable rate of return; public acceptability and affordability; quality and quantity of service provided; and outcome of a fare adjustment formula¹.

¹ The formula is : $(0.5 \times \text{Change in Nominal Wage Index for the Transportation Section}) + (0.5 \times \text{Change in Composite Consumer Price Index}) - (0.5 \times \text{Productivity Gain})$.

Discussions of the Panel on franchises of Citybus and NLB

6. The Panel was consulted on the new franchise requirements of Citybus and NLB at its meetings on 23 June 2014 and 17 July 2015. Panel members expressed concerns over a number of issues, including the financial viability of Citybus with the commissioning of the West Island Line, the need for the two franchised companies to strengthen bus service, especially those on Lantau Island, the requirement for franchised bus companies to provide real time bus arrival information through mobile application and the provision of passenger seating facilities at bus stops and resting facilities for drivers. The Panel also raised concern over the lost trip rate of Citybus and urged the two bus companies to provide bus-bus interchange concessions for passengers. The Panel did not specifically discuss PCS under section 5(3)(b) of the Ordinance at the said meetings.

Latest development

7. The Administration has given notice to move two motions under Section 5(3)(b) of the Ordinance at LegCo meeting on 9 December 2015 to seek LegCo's approval so that the new 10-year franchises granted by CE-in-Council on 22 September 2015 to Citybus and NLB will not be subject to sections 27, 28, 29 and 31 of the Ordinance. By doing this, the new franchises given to Citybus and NLB will be excluded from PCS if the two proposed resolutions were passed. At the meeting held on 27 November 2015, the House Committee agreed to form a Subcommittee to study the two proposed resolutions made under Section 5(3)(b) of the Ordinance. At the request of the House Committee, the Administration has withdrawn the notice to move the above motions.

Relevant papers

8. A list of relevant papers is in the **Appendix**.

**Background brief on Two Proposed Resolutions under Section 5(3)(b) of the
Public Bus Services Ordinance (Cap. 230)**

List of relevant papers

Date	Meeting	Paper	Paper No.
23.6.2014	Panel on Transport ("TP")	Administration's paper on franchises of Citybus Limited (Franchise for Hong Kong Island and Cross Harbour Bus Network) and New Lantao Bus Company (1973) Limited	CB(1)1621/13-14(04) http://www.legco.gov.hk/yr13-14/english/panels/tp/papers/tp0623cb1-1621-4-e.pdf
		Background brief on franchises of Citybus Limited (Franchise for Hong Kong Island and Cross Harbour Bus Network) and New Lantao Bus Company (1973) Limited prepared by the Legislative Council Secretariat	CB(1)1621/13-14(05) http://www.legco.gov.hk/yr13-14/english/panels/tp/papers/tp0623cb1-1621-5-e.pdf
		Minutes of meeting	CB(1)79/14-15 http://www.legco.gov.hk/yr13-14/english/panels/tp/minutes/tp20140623.pdf
12.2014	-	Information paper on the requirements of the new franchises for the bus networks of Citybus Limited (Franchise for Hong Kong Island and Cross-Harbour Bus Network) and New Lantao Bus Company (1973) Limited provided by Transport and Housing Bureau and Transport Department	CB(4)301/14-15(01) http://www.legco.gov.hk/yr14-15/english/panels/tp/papers/tpcb4-301-1-e.pdf

Date	Meeting	Paper	Paper No.
17.7.2015	TP	Administration's paper on franchises of Citybus Limited (Franchise for Hong Kong Island and Cross-Harbour Bus Network) and New Lantao Bus Company (1973)	CB(4)1306/14-15(01) http://www.legco.gov.hk/yr14-15/english/panels/tp/papers/tp20150717cb4-1306-1-e.pdf
		Background brief on franchises of Citybus Limited (Franchise for Hong Kong Island and Cross-Harbour Bus Network) and New Lantao Bus Company (1973) prepared by the Legislative Council Secretariat	CB(4)1306/14-15(02) http://www.legco.gov.hk/yr14-15/english/panels/tp/papers/tp20150717cb4-1306-2-e.pdf
		Minutes of meeting	CB(4)228/15-16 http://www.legco.gov.hk/yr14-15/english/panels/tp/minutes/tp20150717.pdf
22.9.2015	-	Legislative Council brief on Public Bus Services Ordinance (Chapter 230) New Franchises for the Bus Networks of Citybus Limited (Franchise for Hong Kong Island and Cross-Harbour Bus Network) and New Lantao Bus Company (1973) Limited	THB(T)CR 6/5541/00 http://www.thb.gov.hk/eng/whatsnew/transport/LegCo%20Brief%20-%20Bus%20Franchise%20(E).pdf
11.2015	-	Legislative Council brief on Public Bus Services Ordinance (Chapter 230)	THB(T)CR 6/5541/00 http://www.legco.gov.hk/yr15-16/english/subleg/brief/s101_brf.pdf

Date	Meeting	Paper	Paper No.
		<p>New Franchises for the Bus Networks of Citybus Limited (Franchise for Hong Kong Island and Cross-Harbour Bus Network) and New Lantao Bus Company (1973) Limited</p> <p>Proposed Resolutions to Exclude the Application of the Profit Control Scheme to the New Franchises</p>	
27.11.2015	House Committee	Legal Service Division Report on Two Proposed Resolutions under section 5(3)(b) of the Public Bus Services Ordinance (Cap. 230)	LS13/15-16 http://www.legco.gov.hk/yr15-16/english/hc/papers/hc20151127ls-13-e.pdf

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