

**For discussion  
on 6 November 2015**

**Legislative Council Panel on Transport**  
**Public Transport Strategy Study -**  
**Statutory Cap on the Number of Public Light Buses**

**Purpose**

Eight topical issues will be covered by the Topical Study under the Public Transport Strategy Study (“PTSS”). One of the topical issues is the review on the statutory cap on the number of public light buses (“PLBs”). This paper aims to brief Members on the findings of this review.

**Background**

2. Our transport policy is underpinned by public transport services with railways as its backbone. Other modes of public transport play supplementary roles (with franchised buses being the primary mode of public transport for connecting areas not yet served by railways). In tandem with further development of our heavy rail network, we consider it necessary to examine the overall strategic arrangements of the public transport system with a view to enhancing the complementarity amongst different services. This is to ensure that the public can enjoy efficient services with reasonable modal choices on the one hand, and public transport operators can enjoy sustainability on the other. To this end, the Government has commenced the PTSS. As explained in our work plan presented to the Legislative Council (“LegCo”) Panel on Transport in November 2014, the PTSS comprises two parts, namely the Role and Positioning Review (“RPR”) and the Topical Study. The RPR will review the roles and positioning of various public transport services, while the Topical Study will look into important topics that are of concern to LegCo members, the community and the public transport trades. The workflow of both parts of the PTSS, which was then explained to the Panel, is now enclosed again at **Annex 1**. During the 2014-15 legislative session, the Government briefed the Panel on five topical issues under the Topical Study. They are franchised bus service, school bus service, seating capacity of PLBs, taxi service and taxi fuel surcharge.

This paper on the statutory cap on the number of PLBs is the sixth topical issue under the Topical Study.

### *The Role of PLBs*

3. There are two types of PLBs, namely green minibuses (“GMBs”) and red minibuses (“RMBs”). GMBs operate scheduled services with their routes, fares, vehicle allocation and timetable subject to approval by the Transport Department (“TD”). At present, there are around 500 GMB routes<sup>1</sup> under 160 route packages granted by TD in operation across Hong Kong. It is the established practice to group appropriate routes into a route package having regard to such factors as the service area and patronage of the individual routes for operation by the same operator. This practice ensures that no routes with unsatisfactory returns will be left without an operator so that GMB service can fully meet the needs of the community.

4. RMBs are not required to operate on fixed routes or timetable and can set their own fares. They, however, are subject to certain restrictions on their service area under existing policy<sup>2</sup>. The Government encourages RMBs to convert to GMBs through planning and introducing new GMB routes.

5. The role of PLBs is to provide supplementary feeder service, as well as to serve areas with relatively lower passenger demand or where the use of high-capacity transport modes is not suitable. There is thus a cap of 4 350 on the total number of PLBs. About 3 180 (approximately 73%) are GMBs and the rest RMBs. The average daily total PLB patronage is approximately 1.8 million passenger trips. This corresponds to a generally stable share of around 15% of the public transport services market over the past five years. A detailed breakdown of patronage by year is at **Annex 2**.

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<sup>1</sup> These include about 350 main routes and around 150 supplementary service routes.

<sup>2</sup> The Government’s established policy is to restrict the total number of PLBs and contain their service area. Taking into account the road congestion problem in Hong Kong and the objective to encourage the conversion of RMBs to GMBs, the Government has imposed certain restrictions on RMB operation. RMBs can operate in their existing service area but are not allowed access to new towns or new housing developments. Besides, there are also restrictions on RMBs in using expressways.

### Statutory Cap on the Number of PLBs

6. Section 23(1) of the Road Traffic Ordinance (Cap. 374) (“Ordinance”) provides that the Chief Executive in Council may, by publication of notice in the Gazette, limit the number of a class of vehicle which may at any time be registered. Section 23(3) of the Ordinance further provides that LegCo may by resolution extend the period for which a limit remains in force. The number of PLBs has been capped at 4 350 since 1976 by way of the Public Light Buses (Limitation on Number) Notice (“the Notice”). LegCo has agreed to extend the effective period of the Notice time and again over the years. It last agreed to extend the effective period of the cap for another five years, from 21 June 2011 to 20 June 2016.

### **Policy Considerations**

7. Our railways have been serving as the backbone of our public transport system to ensure the latter’s efficiency. Meanwhile, given their high carrying capacity, franchised buses serve as our mass carriers for road-based public transport. PLBs, on the other hand, assume a supplementary role as mentioned in paragraph 3 to 5 above by providing feeder service. Following the continuous development of the railway network in recent years, the network and service of PLBs are being adjusted accordingly so that they can continue to perform their supplementary function. Subsequent to the full commissioning of the West Island Line earlier on, new railway lines including the South Island Line (East), Kwun Tong Line Extension and Shatin to Central Link will come into operation one after another in the coming few years. TD will enhance the routing and service of GMBs in a timely manner to ensure that they can serve the public in an even more efficient and competitive manner, thereby continuing to discharge effective feeder functions.

### Service and Operating Conditions of PLBs

8. TD conducts surveys on PLB service and operating conditions from time to time. According to the findings of a large-scale survey conducted by the department between May and June 2015, depending on the routes and periods of the day, the average daily occupancy rate of all PLBs was around 50%. The rate was as high as some 80% for some routes and the service of some routes was not sufficient to meet demand during peak periods. Overall speaking, cases in which passengers could not board the first vehicle available at the

termini as it was already fully loaded happened in around 70% of GMB routes. Although the operating conditions might vary from one route package to another, the operating costs of PLBs have generally been increasing in tandem with inflation. In addition, the labour market has remained tight in recent years and it is not easy to recruit drivers. There is also keen competition from other public transport services. Against such a backdrop, the trade has indicated that the overall operating environment is becoming more challenging, with close to 60% of route packages not being able to balance their books. Nevertheless, as mentioned in paragraph 5 above, the demand and supply of PLB service remain generally stable, with PLB patronage accounting for some 15% of the public transport market share over the past five years.

### Views of the PLB trade

9. TD consulted all PLB registered owners, holders of PLB passenger service licence<sup>3</sup>, GMB associations and major RMB associations in June 2015 on whether the existing cap on the number of PLBs should be maintained. Of the 38 written submissions received by TD, 36 contains clear views on the cap on the number of PLBs and all show support to the retention of the existing cap of 4 350 PLBs. The main reasons quoted are that increasing the number of PLBs under the current operating environment would intensify competition and adversely affect the operation of the trade. 22 of these submissions further say<sup>4</sup> that in view of rising operating costs, recruitment difficulties and traffic congestion, the Government should first consider increasing the seating capacity of PLBs, rather than relaxing the cap on the number of PLBs, so as to use road spaces more effectively. This would also help the trade to meet passenger needs more effectively, thereby increasing their revenue. These submissions also point out that the Government should refrain from increasing the number of PLB to avoid aggravating traffic problems.

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<sup>3</sup> Under the law, PLBs should obtain a passenger service licence from TD before they are allowed to provide the service of carriage of passengers at separate fares. At present, there are 845 holders of PLB passenger service licence.

<sup>4</sup> The remaining 16 submissions did not put forward specific views on the issue of increasing the seating capacity of PLBs.

### Views of Other Public Transport Operators

10. Operators of other public transport services (including franchised buses, non-franchised buses and taxis) have conveyed to TD, through regular communication channels, their views. They hope that the Government would maintain the cap on the number of PLBs without further increase, in view of the supplementary role played by PLBs in the public transport system.

### **The Cap on the Number of PLBs and Its Effective Period**

11. The considerations and circumstances as set out in paragraph 7 to 10 above suggest that while the demand for PLB service has remained generally stable (with PLB patronage accounting for a steady 15% of the public transport market share over the past five years). There is thus no need to adjust the PLB number cap downward. Notwithstanding that the average occupancy rate of PLBs presently stands at around 50%, the survey conducted by TD earlier this year shows that there is generally greater service demand during peak periods and that the service of some routes is not sufficient to meet demand during those periods. There is thus a need to study whether the carrying capacity of PLBs is sufficient and whether an increase in capacity is warranted. If it is confirmed after the study that an increase in carrying capacity is warranted, one option would be to increase the number of PLBs. This, however, will generate additional traffic flow and aggravate our traffic congestion problem. Increasing the number of PLBs may also not be a good solution in view of the difficulties in recruiting drivers. A more desirable alternative will appear to be increasing the number of seats on PLBs. Yet, the merits and drawbacks of this alternative as well as other policy considerations would need to be considered in greater depth (please refer to paragraphs 13 to 16 below). Having regard to the fact that the Notice will expire by 20 June 2016, we recommend extending it by another five year and maintaining the existing cap on the number of PLBs at 4 350 so that the PLB trade can continue to provide stable service to the public. In the meantime, we will examine the issue of increasing the seating capacity of PLBs in parallel.

12. The effective period of the existing Notice on the cap on the number of PLBs is five years. Such a duration is appropriate as it helps maintain a stable operating environment for the trade on one hand, while allow a certain degree of flexibility on the other such that the Government may conduct another review within a reasonable period (i.e. five years)

having regard to prevailing circumstances. In view of this, we will move a motion at LegCo under section 23(3) of the Ordinance to maintain the cap on the number of PLBs at 4 350 for another five years, from 21 June 2016 to 20 June 2021.

### **Seating Capacity of PLBs**

13. The seating capacity of PLBs has increased from 14 seats to 16 seats in 1988. As for other public transport trades, the operating environment of PLBs is becoming more difficult in recent years. Having regard to the cost and manpower issues, there are views from the trade suggesting the increase of the seating capacity of PLBs. In May this year, we have canvassed Members' views on the proposal for increasing the seating capacity of PLBs. We are now exploring if the proposal of increasing the seating capacity of PLBs is feasible and desirable under the RPR of the PTSS. As mentioned in paragraphs 8 and 11 above, there are quite a number of routes with considerable patronage and may even be in short supply during peak hours. Moreover, in tandem with the completion of new development areas and the opening of new railway lines, we anticipate a need to introduce new routes or enhance the services of certain routes in the coming future.

14. The RPR will look closely into the operation as well as the demand and supply of PLB routes, and assess the impact of the increase of seating capacity to PLB trade in detail. If the proposal to increase seating capacity is considered desirable, we will study the implementation details, including the number of seats to be increased, whether the increase of seating capacity will apply to all PLBs, and whether the same arrangement will be made for both GMBs and RMBs. As the increase of the seating capacity of PLBs requires legislative amendments, we will also formulate the necessary legislative proposals. In the course of the study, we will strike a balance between various considerations, among which, the most important one is to satisfy passenger demand. Other considerations include the impact of increasing seating capacity of PLBs on other public transport services and traffic management.

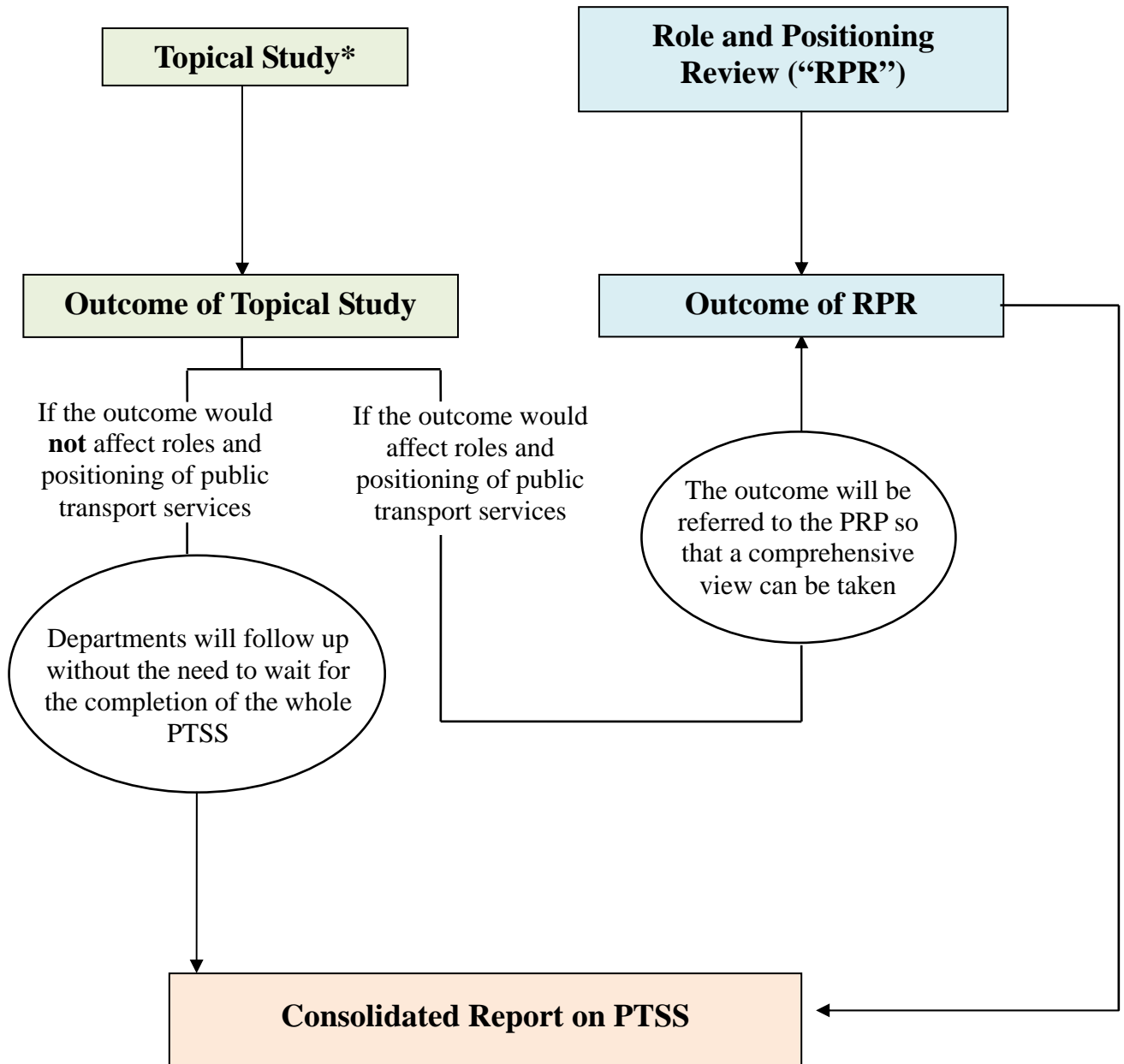
15. The whole PTSS will take about two years (i.e. mid-2017) to complete. We have accorded priority on the review on PLB service (as well as taxi service) and will strive to complete it by third quarter of 2016. We will consult Members and the trade once detailed proposals are formulated.

## **Advice Sought**

16. Members are invited to offer views on the recommendations as set out in paragraphs 11 and 12 above.

**Transport and Housing Bureau  
October 2015**

**Work flow of the  
Public Transport Strategy Study (“PTSS”)**



\* We will report the outcome of individual issues covered by the Topical Study starting from the first quarter of 2015.



## Annex 2

### **Changes in Patronage of Public Light Buses (“PLBs”) from 2011 to 2015**

<b>Year</b>	<b>Green Minibuses (a)</b>		<b>Red Minibuses (b)</b>		<b>PLBs (a) + (b)</b>		<b>Average daily total passenger trips for all public transport services ('000)</b>
	<b>Average daily patronage ('000)</b>	<b>Share in the public transport service market</b>	<b>Average daily patronage ('000)</b>	<b>Share in the public transport service market</b>	<b>Average daily patronage ('000)</b>	<b>Share in the public transport service market</b>	
2011	1 531.6	12.9%	363.4	3.1%	1 895.0	15.9%	11 898.4
2012	1 526.8	12.6%	353.3	2.9%	1 880.1	15.6%	12 078.6
2013	1 512.3	12.2%	351.8	2.8%	1 864.1	15.1%	12 350.2
2014	1 510.8	12.1%	349.0	2.8%	1 859.9	14.9%	12 519.0
2015*	1 505.7	12.1%	340.7	2.7%	1 846.4	14.8%	12 461.8

\* Provisional figures as at July 2015.