

**For discussion
on 21 June 2016**

Legislative Council Panel on Transport

New Franchise for Bus Network of The Kowloon Motor Bus Company (1933) Limited

Report on the Public Consultation on the New Franchise

Purpose

The Government invited the public to offer views on the requirements of the new franchise for the bus network of The Kowloon Motor Bus Company (1933) Limited (“KMB”). This paper briefs Members on the views received.

Background

2. The current franchise of the bus network of KMB will expire on 1 July 2017. At the meeting of this Panel on 15 January 2016, Members had no objection to the Government’s plan to engage KMB for discussion on the granting of a new franchise. Members also noted the Government’s plan to invite views from the public on the requirements of the new franchise.

Public Consultation

3. Public consultation took place between 26 January and 18 April 2016. The consultation document was uploaded to the websites of GovHK, Transport and Housing Bureau, Transport Department (“TD”) and Public Affairs Forum of the Home Affairs Bureau. Press releases inviting views from the public were issued on 26 January and 5 April 2016. Moreover, TD invited views from members of the Traffic and Transport Committees (“TTC”) of all District Councils (“DCs”) and at their invitation, attended the meetings of two TTCs¹.

4. A total of 135 submissions were received during public consultation. 27 of them were from DCs, different political parties, individual members of the Legislative Council and DCs, as well as various groups. The remaining 108

¹ They are TTCs of Sham Shui Po and Tsuen Wan DCs.

submissions were from individual members of the public. The major comments received during public consultation are summarised at Annex. They fall under the following five major categories:

- (a) **Service quality** – to suggest that KMB improve passenger facilities at major bus stops, provide free Wi-Fi in buses and enhance reliability of real-time bus arrival information. Comments on the audio-visual broad casting system installed on board were also received.
- (b) **Fare arrangements** – to suggest that KMB provide more fare concessions of various kinds.
- (c) **Staff management** – to suggest that KMB provide more guidelines and training for its bus captains on improving their driving behaviour and attitude towards passengers, and improve the welfare and rest facilities for its frontline staff.
- (d) **Environmental initiatives** – to suggest that KMB use buses that are more environmentally-friendly and better maintain its buses to reduce exhaust and noise emissions.
- (e) **Government regulation** – to suggest that the Government strengthen regulation over KMB's bus service and monitoring of the financial arrangements in respect of non-fare box revenue.

Next Step

5. The discussion with KMB on the new franchise will soon commence. During the discussion, we will take into full consideration comments canvassed through the consultation. It is worth noting that the operating environment of the bus industry in the foreseeable future will continue to be rather difficult. Competition from other public transport services will continue and may even intensify. Staff cost will continue to rise (the average annual increase in the salaries of KMB's staff since the commencement of the current franchise in August 2007 is about 3.6% and the cumulative increase comes to 32%). Moreover, the market share of franchised buses will shrink in the coming few years upon the opening of new railway lines². Currently, about 60% of KMB's routes are loss-making and only about 40% is profitable. In face of

² They include the Kwun Tong Line Extension, South Island Line (East) and Shatin-Central Link.

these challenges, KMB has to actively rationalise its existing service to reduce wastage and explore new service areas in response to passenger demand in order to maintain the overall sustainability of its operation. The Government would do its utmost to seek the best possible franchise terms for the public, in a pragmatic manner. We aim to conclude the discussion with KMB within 2016 and will brief this Panel on the outcome.

6. Members are invited to note this paper.

**Transport and Housing Bureau
Transport Department
June 2016**

Major Comments Received during Public Consultation

A. Service quality

1. Passenger facilities

- (a) to enhance the passenger waiting environment at bus stops, termini and major bus-bus interchanges (“BBIs”) (such as by provision of seating facilities and free Wi-Fi, provision of directional signs with better design, and improvement of ventilation and appearance);
- (b) to provide free Wi-Fi in buses;
- (c) to enhance the accuracy and reliability of the bus stop announcement system;
- (d) to provide suitable facilities to allow carriage of bicycles on buses¹;
- (e) to make the bus ride more comfortable (such as by the use of passenger seats with better design, improvement of ventilation system to cater for temperature changes and avoidance of blocking of natural lighting by bus body advertisement);
- (f) to procure more buses and buses of larger carrying capacity;
- (g) to provide an option to turn off the volume of the audio-visual broadcasting system (the “AV System”) on buses and improve the content and quality of the programmes/airtime for advertisements. There were also comments that the AV System should not be retained²; and

¹ KMB already allows carriage of foldable bicycles on buses as long as such bicycles are properly folded and will not cause hazard to other passengers.

² In view of the comments received during public consultation, TD is actively working with KMB on improvement measures to be taken. The outcome will be made public. According to the Public Bus Services Ordinance and franchise conditions, revenue from advertisements shall be regarded as non-fare box revenue and shall be included in the franchise account. Non-fare box revenue helps relieve the pressure for fare increase. At present, a quiet zone has to be designated at the rear end of the lower deck of a bus. The sound volume of the AV System should be set to a level close to the ambient level, with a difference of no more than 2dB. There is also restriction over the airtime allocated for advertisements. A bus company is required to arrange regular checks on the sound volume of the AV System and submit reports to TD. TD also arranges spot checks from time to time. In addition, a bus company has to collect passengers’ views on the AV System regularly and make improvement as necessary.

(h) to use barrier-free and elderly friendly bus facilities (including low-floor buses).

2. Passenger information

(a) to enhance reliability of real-time bus arrival information and provide more information (such as vehicle registration number);

(b) to provide more real-time information (such as information on traffic conditions and weather through display panels at bus stops and on buses);

(c) to open up bus arrival data to third parties for development of software and applications³;

(d) to provide more details about the BBI schemes; and

(e) to provide information about the number of vacant seats on upper deck⁴.

3. Bus operation

(a) to deploy buses more flexibly to maintain service during service disruption and temporary suspension;

(b) to provide more bus interchanges; and

(c) to convert jointly-operated cross-harbour routes into solely-operated ones.

4. Bus safety

(a) to monitor bus captains' driving behavior more closely; and

(b) to improve safety facilities on buses (such as by installation of additional horizontal bars on exit doors and at front windows on upper deck, as well as the use of stronger materials to build the bus

³ Same as other public transport services, franchised bus service is provided by the operators in accordance with commercial principles. The development and operation of real-time bus service information systems by the bus companies is for the purpose of service enhancement. As in the case of other service-related facilities, the bus companies have put in substantial resources in developing and operating the systems. The data are private property of the bus companies and pertain to their commercial operation. Disclosure of data for use by third parties free of charge would require consent of the bus companies.

⁴ KMB is studying the feasibility to provide information on the number of vacant seats on upper deck.

body).

B. Fare-related arrangements

1. More fare concessions

- (a) to provide more BBI schemes;
 - (b) to provide more section fares;
 - (c) to introduce new fare reduction schemes (such as monthly pass, discount for same day return, fare saver, and concessionary fares for specific passenger groups (such as students and passengers aged 60 to 64));
 - (d) to narrow the fare differential between the section fare of cross-harbour routes after crossing the harbour and that of parallel local routes⁵;
2. to introduce a distance-based fare system or two-way section fares; and
 3. to review the fare adjustment arrangement and passenger reward arrangement, and set up a fare stabilisation fund.

C. Staff management

1. to provide more guidelines and training for bus captains to improve their driving behaviour and attitude towards passengers; and
2. to improve staff welfare and rest time arrangements, and provide more rest facilities for frontline staff.

D. Environmental initiatives

1. to expedite the replacement of buses and use buses which are more environmentally-friendly (such as hybrid or electric buses);
2. to ensure that compartment temperature is properly adjusted; and

⁵ TD is exploring with the three bus companies operating cross-harbour routes (i.e. KMB, Citybus Limited and New World First Bus Services Limited) a proposal to narrow the fare differential between cross-harbour routes after crossing the harbour and non-cross harbour routes. The target is to launch a small-scale trial scheme on some cross-harbour routes in the fourth quarter of this year.

3. to do a better job on vehicle maintenance for the bus fleet.

E. Government regulation

1. comments are received on franchise arrangements (including views which object or support the discussion with KMB on a new franchise; suggest opening all or part of KMB's bus network to bring in competition⁶; suggest a shorter or longer franchise period, and suggest a more detailed assessment on KMB's performance).
2. Financial monitoring
 - (a) to require advertisement revenue be included in the franchise account and better regulation of related-party transactions;
 - (b) to require profits generated from sale of property/land be included in the franchise account; and
 - (c) to require fuel expenses be shown in the franchise account.
3. Bus service performance
 - (a) to introduce a penalty and reward system in respect of service performance;
 - (b) to strengthen regulation of service frequency; and
 - (c) to allow pets on buses.

F. Grantee's public engagement measures

1. to improve communication with passengers or set up task groups to allow public participation in route planning and daily monitoring of bus

⁶ The TTC of Shatin DC passed a motion to urge the Government to seriously consider opening up the bus franchise and introducing competition with a view to enhancing service quality and setting more competitive fares. In this regard, as we pointed out in our paper to the Legislative Council in January 2016, the Commissioner for Transport was of the view that KMB had all along been providing a proper and efficient bus service based on its service performance and operational efficiency, safety and service enhancement measures, public opinions on bus service and financial performance; KMB was also willing to continue to invest for further enhancement of the bus service and indicated an interest to apply for a new 10-year franchise. Taking all factors into account, the Government is prepared to engage KMB for discussion on the granting of a new 10-year franchise so that KMB can continue to operate its existing bus network.

operation; and

2. to respond to public complaints and enquiries more expeditiously.