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By email (ssylau@legco.gov.hk)

Ms Sophie LAU
Clerk to Panel on Transport
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

15 April 2020

Dear Ms LAU,

**Motions on “Fare Increase Applications from Citybus Limited
(Franchise for Hong Kong Island and Cross-Harbour Bus Network)
and New World First Bus Services Limited”
passed at the Legislative Council Panel on Transport meeting
on 20 December 2019**

Regarding the three motions on fare increase applications from Citybus Limited (Franchise for Hong Kong Island and Cross-Harbour Bus Network) (“Citybus (Franchise 1)”) and New World First Bus Services Limited (“NWFB”) passed by Members at the meeting of the Legislative Council Panel on Transport held on 20 December 2019, our reply is as follows.

Processing of fare increase applications

Under the current fare adjustment arrangement, the Government will consider a basket of factors including public affordability, operating costs of bus companies, etc. in scrutinising the fare increase applications of Citybus (Franchise 1) and NWFB. We noted the different views put forth by Members on the fare increase applications at the above meeting.

We will consult the Transport Advisory Committee before making recommendations to the Executive Council and the Chief Executive in Council will make the decision on the fare increase applications.

Fare concessions

The Government has been encouraging franchised bus (“FB”) companies to reduce fare and offer various kinds of fare concessions to passengers as far as possible, taking into account their respective operating and financial conditions, the overall economic environment, service nature of individual bus routes and passenger needs. At present, Citybus (Franchise 1) and NWFB have offered various kinds of fare concession schemes to passengers, including section fares on a number of bus routes, bus-bus interchange (“BBI”) concessions, etc. The two bus companies just introduced new BBI concessions at Aberdeen Tunnel Toll Plaza and at the bus stop at Queen Mary Hospital on Pok Fu Lam Road last December for the benefit of passengers.

The Transport Department (“TD”) will continue to explore the feasibility of introducing more fare concessions with FB companies for the benefit of more passengers. Moreover, to further alleviate commuters’ burden of public transport expenses, the Government implemented an enhanced non-means tested Public Transport Fare Subsidy Scheme (“the Scheme”) on 1 January this year, where the subsidy rate was increased from one-fourth to one-third of the monthly public transport expenses in excess of \$400, while the subsidy cap was raised from \$300 to \$400 per month. In addition, the local economy has been hard hit by the novel coronavirus pandemic. To alleviate the fare burden on commuters, the Government will also relax the monthly threshold of public transport expenses from \$400 to \$200 under the Scheme in the latter half of this year. It is expected that about 3.8 million of beneficiaries can collect the enhanced subsidy from mid-August onwards.

Subsidies to bus companies

It is the Government’s policy that public transport services should be run under the Government’s regulatory framework by private organisations in accordance with prudent commercial principles to increase operating efficiency. In general, public transport service operators do not receive direct subsidy from the Government. The proposal of setting up a “Fare Stabilisation Fund” for FB companies will in a way set a permitted return, thus dampening FB companies’ motivation for cost efficiency and expenditure control. However, to ease the financial burden of bus

companies and alleviate their fare increase pressure, the Government has all along provided subsidies to bus companies through specific subsidy schemes, such as subsidising FB companies to expedite the installation of real-time bus arrival information display panels and seats at bus stops, to retrofit eligible Euro II and III buses with “selective catalytic reduction devices”, and to retrofit in-use buses with electronic stability control (“ESC”) system and speed limiting retarder as well as to retrofit in-use double-decked buses with seat belts on all passenger seats of the upper deck as mentioned below, etc. In addition, in view of the severe impact of the prevailing novel coronavirus epidemic, the Government announced on 21 February this year the increase in fuel subsidy or one-off subsidy to the transport trades under the Anti-epidemic Fund, including reimbursing one-third of the actual fuel cost for FB companies for 12 months. The Chief Executive also announced a series of measures on 8 April to provide further support to members of the public and enterprises affected by the novel coronavirus epidemic, including reimbursing 100% of the actual regular repair and maintenance costs and insurance premium for FB companies for six months.

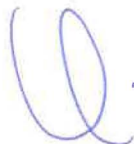
Bus safety

To further enhance the operational safety of franchised buses, new buses procured by all FB companies from July 2018 onwards are installed with ESC and speed limiters with retardation function, and have all passenger seats installed with seat belts. The first batch of new buses installed with the above safety devices was put into operation in October 2019. Citybus (Franchise 1) and NWFB have also pledged to retrofit about 440 existing double-decked buses with seat belts on all passenger seats of the upper deck, and to retrofit about 900 existing buses with ESC and speed limiters with retardation function. The relevant retrofitting work will commence in the next few months and is expected for completion in 2023.

Regarding bus body structure and materials, FBs operating in Hong Kong are required to meet the safety standards for bus body materials as stipulated by TD, which are internationally recognised. At present, the vast majority of FBs operating in Hong Kong are designed by European bus manufacturers and are in compliance with the relevant internationally recognised structural safety standards for vehicle bodies. Like the buses used in other regions (such as the United Kingdom, the United States and Singapore), the bodies of the buses running in Hong Kong are generally made of steel and aluminium alloy. In view of the public concern about the structural safety of bus bodies, TD is exploring with major bus

manufacturers and FB operators ways to further improve bus structure. In the light of Hong Kong's special circumstances, major bus manufacturers will embark on impact analysis by computer simulation to assess the strength and integrity of existing FBs' structure, and explore possible structural enhancement measures accordingly.

Yours sincerely,

A handwritten signature in blue ink, consisting of a stylized 'C' followed by a dot.

(Nick CHOI)

for Secretary for Transport and Housing

c.c.: Commissioner for Transport (Attn.: Mr Keke LEUNG)