

LEGISLATIVE COUNCIL BRIEF

Public Bus Services Ordinance (Chapter 230)

NEW BUS FRANCHISES

INTRODUCTION

At the meeting of the Executive Council on 12 July 2022, the Council **ADVISED** and the Chief Executive **ORDERED** that –

- (a) pursuant to section 5(4) of the Public Bus Services Ordinance (the Ordinance), the expiry date of the franchise period of Citybus Limited (Franchise for Hong Kong Island and Cross-Harbour bus network) [CTB(F1)] should be amended from “0400 hours on 1 June 2026” to “0400 hours on 1 July 2023”, i.e. same as that of New World First Bus Services Limited (NWFB), in order to pursue the merger of the NWFB and CTB(F1) franchises;
- (b) the following new franchises should be granted under section 5 of the Ordinance –
 - (i) a new franchise on conditions as set out at Annex A, conferring upon Citybus Limited (CTB) the right to operate the two bus networks of NWFB and CTB(F1) together, under the franchise name of “Citybus Limited (Franchise for the Urban and New Territories bus network)” [CTB(merged)], for ten years from 0400 hours on 1 July 2023 to 0400 hours on 1 July 2033;
 - (ii) a new franchise on conditions as set out at Annex B, conferring upon Long Win Bus Company Limited (LW) the right to operate its bus network for ten years from 0400 hours on 1 May 2023 to 0400 hours on 1 May 2033; and

- (iii) a new franchise on conditions as set out at Annex C, conferring upon Citybus Limited (Franchise for the Airport and North Lantau bus network) [CTB(F2)] the right to operate its bus network for ten years from 0400 hours on 1 May 2023 to 0400 hours on 1 May 2033; and
- (c) pursuant to section 13(1) of the Ordinance, the scale of fares at Annex D should be adopted for CTB(merged).

JUSTIFICATIONS

Granting of Bus Franchises

2. Under section 5 of the Ordinance, the Chief Executive in Council may grant to a registered company¹ a franchise conferring the right to operate public bus service. Under section 6 of the Ordinance, a franchise may be granted for a period not exceeding ten years. Section 12 of the Ordinance prescribes that a grantee of a bus franchise is required to maintain a proper and efficient public bus service to the satisfaction of the Commissioner for Transport (the Commissioner) at all times during the franchise period. According to the established practice, a grantee that has proven to be capable of providing a proper and efficient service and is willing to further invest in franchised bus operation may be granted a new franchise for a period of not exceeding ten years. The certainty of a ten-year franchise will facilitate long-term planning and development of bus service, including operation of loss-making but socially desirable routes. It will enable the grantee to secure financing on more favourable terms, thus reducing operating cost. A ten-year franchise will also provide room for weathering short-term business volatility. As bus operation is a labour-intensive service industry, a ten-year franchise is conducive to a more stable working environment for the grantee's staff and the provision of a proper and efficient service to the travelling public.

3. At present, there are five franchised bus operators (FBOs) operating six bus franchises –

- (a) CTB, which operates two franchises, CTB(F1) and CTB(F2);
- (b) LW;

¹ This means any company registered under the Companies Ordinance (Cap. 622), or under the Companies Ordinance (Cap. 32) as in force from time to time before the commencement date of section 2 of Schedule 9 to the Companies Ordinance (Cap. 622).

- (c) New Lantao Bus Company (1973) Limited (NLB);
- (d) NWFB; and
- (e) The Kowloon Motor Bus (1933) Company Limited (KMB).

4. The current franchises of LW, CTB(F2) and NWFB will expire in mid-2023. LW and CTB(F2) have applied for new franchises each for another ten years, while Bravo Transport Service Limited (Bravo), the holding company of NWFB and CTB, has applied for merging the NWFB and CTB(F1) franchises under a new ten-year franchise to be effective from 1 July 2023. As a starting point in considering their applications, the Transport Department (TD) has reviewed their performance during the existing franchise period as summarised in Annex E. Overall, the Commissioner is satisfied that LW, CTB(F2), NWFB and CTB(F1) have been providing proper and efficient public bus services. On this basis, the Government has further assessed on (i) the merger in paragraphs 5 to 17 below and (ii) the application for new franchises for LW and CTB(F2) in paragraph 18 below.

(A) Merging the Franchises

Government's Policy Objectives

5. At present, about 90% of commuters use public transport services. The Government has been pursuing a public transport-oriented policy with railway as backbone, while promoting diversified and sustained development of other public transport services, with an aim to providing more choices for the public to commute conveniently, and allowing healthy competition amongst various transport modes while maintaining a delicate balance. Meanwhile, it is also the Government's established policy that public transport services should be run by the private sector in accordance with commercial principles to enhance efficiency and cost-effectiveness. As road-based mass carriers, franchised buses play a pivotal role in the public transport system, particularly for serving areas without direct railway access as well as providing feeder service connecting the railway network and inter-district service. Being the second major mode of public transport only after railways, franchised buses carried about four million passenger trips per day prior to the pandemic and accounted for around one-third of overall public transport patronage.

6. Franchised bus services are flexible and can be adjusted readily to meet passenger demand. Such flexibility is achievable through continuous efforts in bus route rationalisation and resources optimisation. Through amalgamation of bus routes with persistently low patronage and streamlining of organisational structure, FBOs may redeploy the resources so saved to

strengthen existing services with increased demand (e.g. frequency enhancement) or introduce new services (e.g. express service), as well as provide more comprehensive and state-of-the-art public transport ancillary facilities. This is especially critical for public bus services on Hong Kong Island which face keen competition from other public transport modes and a declining population. This will also help alleviate traffic congestion, reduce roadside air pollution and create a more convenient and comfortable environment for both staff and passengers. With the above in mind, and taking into account the change of public transport landscape on Hong Kong Island over time, we see particular merits to take forward the merger of NWFB and CTB(F1) franchises.

Overlapping Bus Networks with Duplicated Services

7. NWFB and CTB were separately brought into the franchised bus market in the 1990s with a view to introducing competition having regard to public expectation on the service level of franchised buses on Hong Kong Island. Subsequently, NWFB and CTB(F1) operate two distinct but largely overlapping bus networks inherited from the China Motor Bus Company Limited. The arrangement has initially brought general improvement in the level and quality of bus services. However, as the public transport network on Hong Kong Island continues to develop, there is increasingly more room for rationalisation in the current bus network. Although NWFB and CTB have been under one management group since 2016², attempts for service rationalisation have always been difficult especially under two distinct franchises. With a single franchise, there will be a wider scope to implement bus network re-engineering or service rationalisation on Hong Kong Island for overall gain of network efficiency.

Financial Sustainability of the Bus Networks

8. NWFB and CTB(F1) mainly operate local routes on Hong Kong Island. Given the relatively limited development potential of bus network in the area and the railway network expansion in recent years, it has become increasingly difficult for NWFB and CTB(F1) to sustain their businesses under the existing operating model. With the commissioning of West Island Line and South Island Line (East) in 2014 and 2016 respectively, the total average daily patronage of NWFB and CTB(F1) decreased from 1 071 000 in 2013 to 963 000 (-10%) in 2018. With the COVID-19

² In 2016, NWFB and CTB became wholly owned subsidiaries of NWS Holdings Limited. Since then, NWFB, CTB(F1) and CTB(F2) have come under one management group. In October 2020, Bravo Transport Holdings Limited acquired the controlling interests of NWFB and CTB, with Bravo as their holding company.

pandemic, their patronage has been hard hit, and even reduced to 653 000 and 413 700 respectively in the midst of the fourth and fifth waves. The recent commissioning of the East Rail Line cross-harbour extension further struck the businesses of NWFB and CTB(F1). What has made it worse still, the population on Hong Kong Island is forecast to have a gradual decline in the coming years³. Both NWFB and CTB(F1) have been running deficits since 2017/18⁴. It is crucial to explore feasible measures to break through this situation.

9. From the Government's perspective, it is also of great importance to maintain the financial viability of FBOs for providing safe and quality public bus service. This would ensure that FBOs have the financial capability and incentive to continue investing in enhancing bus safety, enhancing bus service for the public, developing a sustainable bus service network, etc., and to cooperate with the Government in a wide range of policy initiatives, e.g. promoting electric or new energy buses, introducing electronic payment means, etc.

Operational Efficiency and Resources Deployment

10. Merging the franchises of NWFB and CTB(F1) should create synergy for bus route planning and operations through a higher degree of flexibility in the deployment of fleet and other resources, which is conducive to improving operational efficiency of the overall bus network on Hong Kong Island –

- (a) Deployment of bus fleet: As of June 2022, NWFB operates 94 routes with about 650 buses and CTB(F1) operates 98 routes⁵ with about 710 buses. By consolidating the two franchises of NWFB and CTB(F1) which serve largely overlapping networks, it is expected that the merged franchises can achieve economy of scale

³ According to the Planning Department's "Projections of Population Distribution 2021-2029" published on 31 March 2021, the population of the New Territories and Kowloon will increase by 434 300 and 63 700 respectively between 2019 and 2029, reaching 4.40 million and 2.36 million respectively by 2029, while that of Hong Kong Island is expected to decrease gradually from 1.25 million to 1.13 million during the same period.

⁴ Including government subsidies provided to NWFB, CTB(F1) and CTB(F2) under the Anti-epidemic Fund and the Employment Support Scheme in 2019/20 and 2020/21.

⁵ There are a total of 140 NWFB routes and 159 CTB(F1) routes if supplementary routes are counted. Supplementary routes are short or special trips introduced for meeting passenger demands along the catchment of the main route.

through enabling more efficient use of the bus fleets. At present, for example, for better use of resources, TD has given special approval to allow NWFB to hire CTB(F1) buses to meet the ad hoc passenger demand arising from the travelling public during weekends. A consolidated franchise would enable such kind of flexible operational arrangements without having to seek TD's prior approval;

- (b) Staff deployment: Merging the franchises will enable more flexibility in staff deployment, thereby improving operational efficiency. In the event of unforeseen situation requiring temporary redeployment of bus captains, the operator would be able to more easily make necessary arrangement in a timely manner, thus reducing lost trip rates. With a single franchise, CTB plans to improve its mechanism of staff deployment, which will bring about benefits not only in terms of operational efficiency but also to the working conditions of staff;
- (c) Use of bus depots: At present, TD has approved applications for the shared use of some bus depots amongst CTB(F1) and NWFB subject to proper cost apportionment between the two franchises for accounting and regulatory monitoring purposes. Merging the franchises could lead to efficiency gain by getting rid of the heavy administrative and auditing work involved in such special arrangement. It will also help reduce dead mileage and reduce fuel costs by allowing the buses to flexibly use the closest depots or other facilities without being bound by restrictions under two distinct franchises; and
- (d) Entire operation: Merging the franchises will enable full consolidation of operations and resources deployment for other common facilities, including on-street facilities such as bus stop poles, passenger shelters as well as staff kiosks and toilets. At present, NWFB and CTB(F1) each needs to keep its own set of stock for spares and stores under respective franchises, including bus stop flags and panels, frontline staff uniforms, spare parts for buses, etc.. A single franchise will enable it to operate at a lower stock level and reduce the capital expenditure on new buses as the existing fleet can be deployed more efficiently. Efficiency gain in the administrative and maintenance work will also lead to cost savings and help the operator achieve better financial sustainability.

11. The elimination of unnecessary administrative work, more efficient use of resources, reduction in dead mileage and other operational gains set out above would bring about saving in the operating costs. It is expected to help mitigate the financial distress of the franchised bus operation but would not immediately turn it into a profitable one. Bravo has already indicated its intention that the bus and driver resources saved would be redeployed to other areas for enhancement of bus services.

Willingness to Invest in CTB(merged)

12. In considering the grant of a new franchise, the Government also takes into account the willingness of a prospective grantee to further invest in franchised bus operation. It is noted that CTB has committed to a number of passenger service enhancement initiatives under CTB(merged) in paragraphs 15 and 21 below.

The Merger Exercise

13. CTB has indicated its acceptance of the new franchise contained at Annex A. In pursuing the merger, it is important for the Government, together with Bravo, to ensure a smooth transition of the franchise arrangements for the continued provision of proper and efficient public bus services. The following sets out some key parameters of the merger exercise.

(a) Bus Network and Services

14. A major objective of the merger is to enable a wider scope for implementing bus network re-engineering, bus service rationalisation and bus route consolidation on Hong Kong Island. Through amalgamation of duplicated routes currently operated by NWFB and CTB(F1), resources could be pulled together for enhancing the frequency of the consolidated bus services. Service re-structuring proposals will be implemented progressively under the annual route planning programme. Besides, it must be emphasised that the merger is not all about bus service reduction. For example, Bravo is now working on various proposals to be pursued after the merger⁶, including the introduction of interchanging hubs in Southern District and a north shore express service on Hong Kong Island, with a view to benefiting the public in terms of a more efficient network and more value-added bus services.

⁶ The proposals, if pursued, would be considered under the annual route planning programme.

15. Furthermore, CTB(merged) will enhance passenger services including –

- (a) under a single franchise enabling more flexible and efficient use of resources, CTB(merged) will strive to enhance its bus service reliability and further improve its lost trip situation;
- (b) currently, multiple bus stops and information poles of NWFB and CTB(F1) are in close proximity, sometimes causing confusion to passengers especially infrequent users. CTB(merged) will improve its bus stop poles across the territory with simpler and more informative design, thereby enhancing customer experience. The improvement works will commence in Q3 2022 for completion by end 2024, and where possible, the bus stop flags will be incorporated into passenger shelters with a view to reducing the number of poles and decluttering the streets; and
- (c) repainting of all NWFB buses with CTB's livery will be completed in about two years upon commencement of CTB(merged).

(b) Fare Arrangement

16. Under section 13(1) of the Ordinance, fares of franchised bus services are to be charged according to a scale of fares determined by the Chief Executive in Council. In this respect, the Chief Executive in Council has agreed to directly merge the two existing scales of fares of NWFB and CTB(F1) and to adopt the scale of fares at Annex D for CTB(merged) in order to cater for the fares currently charged on all relevant routes. The merger exercise will not come with any changes of actual fares for all existing routes. Therefore, the determination of a new scale of fares for CTB(merged) is a technical exercise which does not entail any changes in fares per se. Any fare adjustment applications, if received by the Government, will be processed according to the established procedures.

(c) Staff Arrangement

17. At present, Bravo, together with NWFB and CTB, employs a total of about 5 000 staff for the franchised bus operations. As mentioned in paragraph 10(b) above, merging the franchises of NWFB and CTB(F1) should enable more flexible and efficient deployment of staff. Bravo has reassured that there would be no redundancy of frontline bus captains for two years from the commencement of CTB(merged), and there would be no

worse-off in the terms and conditions in the employment contracts to be transferred from NWFB to CTB. The management of Bravo would need to ensure timely and effective communication with all relevant staff in respect of the merger, and make every effort to allay and address their concerns. TD, together with the Labour Department, will keep a close watch in this regard.

(B) New Franchises for LW and CTB(F2)

18. LW and CTB(F2) have operated the North Lantau and airport networks since 1997. Subject to the pandemic development and rebound of tourism following possible relaxation of boundary control measures, it is expected that LW and CTB(F2) should have better prospects going forward. In assessing their applications for a new ten-year franchise respectively, the Government notes that both LW and CTB(F2) have been providing proper and efficient public bus services during the existing franchise period (as mentioned in paragraph 4 above). LW and CTB(F2) are also willing to further invest in franchised bus operation as reflected from their respective commitment to a number of safety and service enhancement initiatives for the new franchises in paragraphs 20 to 21 below. Therefore, LW and CTB(F2) are each granted a new franchise for ten years upon the expiry of their current ones on 1 May 2023. LW and CTB(F2) have indicated acceptance of the new franchises contained at Annexes B and C respectively.

New Franchise Conditions and Commitments

19. Generally speaking, generic and long-lasting requirements will be set out as franchise clauses, while specific initiatives or objectives required to be achieved within a certain timeframe will be set out by way of commitments. In respect of the new franchises, LW and CTB have respectively agreed to fully accept the franchise conditions in the most recently granted franchises⁷. Please refer to Annex F for the major conditions rolled over from the most recently granted franchises as well as a few other major changes of existing franchise conditions agreed upon discussion between the Government and the grantees. Moreover, with a view to further enhancing the quality of bus service and government regulation over the grantees, the Government has asked, and LW and CTB have respectively agreed to include new conditions in their new franchises

⁷ According to the established practice, as a starting point in any franchise negotiation, the Government will ask the potential grantee to accept the franchise conditions of the most recently granted franchises. In this particular negotiation, these include the franchises granted to CTB(F1) (commenced on 1 June 2016), NLB (commenced on 1 March 2017) and KMB (commenced on 1 July 2017).

and to make new commitments. Please refer to Annex G for more details, and the highlights are set out below.

Bus Safety

20. The Government attaches great importance to the operational safety of franchised buses. In collaboration with FBOs, the Government has actively pursued the recommendations put forward by the Independent Review Committee on Hong Kong's Franchised Bus Service in its report released in January 2019. For example, TD has drawn up a new set of Safety Performance Indicators⁸ to monitor the safety performance of FBOs which have been adopted by the FBOs since January 2020. In addition, the Government has subsidised FBOs for retrofitting electronic stability control, speed limiting retarder and seat belts on seats in the upper deck of suitable existing buses, and installation of the above safety devices are required on all new buses procured from July 2018 onwards⁹. Taking the opportunity of the franchise negotiation, we have formalised certain measures and introduced additional initiatives with a view to further enhancing the safety of franchised bus operations. Accordingly, LW and CTB will implement a range of bus safety-related items, including –

- (a) providing the requested information and records on accidents involving bus operation for TD's assessment of safety performance of the grantees as well as analysis on accidents and safety-related incidents;
- (b) providing analysis of accidents and improvement measures to TD as well as publishing accident data;
- (c) complying with specifications and requirements issued by TD in respect of bus acquisition;

⁸ There are a total of 19 items under the Safety Performance Indicators covering six areas, namely general safety, bus passenger safety, operation and network safety, bus engineering safety, safety of employees at work, and management assurance systems.

⁹ The relevant retrofitting works have commenced progressively since Q3 2020. Upon completion of the retrofitting works within three to four years, it is estimated that there would be more than 3 000 buses (including newly procured buses) fitted with seat belts on seats in the upper deck and more than 5 500 buses (including newly procured buses) fitted with electronic stability control and speed limiting retarder. In addition, seats in the lower deck on the newly procured buses will also be installed with seat belts.

- (d) establishing a documented bus maintenance system and complying with relevant requirements and guidelines issued by TD;
- (e) specifically for LW and CTB(F2) which mainly operate long-haul routes via expressways with relatively fewer bus stops, installing advanced driver-assisted system, including anti-collision and lane keeping warning systems, as well as driver status monitoring system for all new buses acquired; and
- (f) specifically for CTB, launching a driver management system¹⁰ on its bus fleets by end 2023 for monitoring and subsequent improvements of the driving behaviour of bus captains.

Passenger Services

21. In addition to the provision of proper and efficient services, FBOs are expected to strive continuously to enhance their passenger services in response to rising public expectation. As committed under the franchise negotiation, LW and CTB will install more passenger shelters especially by exploring alternative measures to overcome site constraints at locations with persistent local requests. Besides, CTB will refurbish existing passenger shelters and explore new shelter design for enhancing aesthetics and cleanliness along with enhancement in provision of passenger information. CTB also will upgrade its customer mobile application and website and introduce a customer loyalty programme in 2023.

Fare Concessions

22. In discussing possible fare concession initiatives with LW and CTB, we have taken into account the long-standing requests from passengers as well as implications on the financial viability of individual grantees. During the discussion, LW and CTB expressed their concerns on the rising revenue forgone arising from offering voluntary fare concessions for elderly persons¹¹. The Government acknowledges that the ageing population has

¹⁰ LW has already implemented a driver management system on its bus fleet.

¹¹ The Elderly Concessionary Fare Scheme was rolled out in 1993 to provide incentives for public transport operators to offer voluntary fare concessions to elderly persons. Relevant operators are exempted from paying annual vehicle licence fees and are reimbursed the rentals paid in respect of government land. Currently, the relevant revenue forgone of LW and CTB could only be partly offset under the Elderly Concessionary Fare Scheme and are not reimbursed under the Government Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities (the \$2 Scheme).

led to an increase in the voluntary fare concessions being borne by the grantees and thus impact on their financial position. Nevertheless, we encourage both LW and CTB to continue to keep their existing voluntary fare concessions for the elderly.

23. As committed under the franchise negotiation, LW will offer a package of fare concessions, and the key initiative will be the extension of KMB's Monthly Pass to LW's regular and overnight services except airbus services (i.e. "E", "R", "S" and "N" routes) and a 73% fare discount for KMB's Monthly Pass holders when travelling on LW's regular and overnight airbus services (i.e. "A" and "NA" routes). On another front, with its struggling financial performance, CTB is not able to offer new fare concession initiatives at this point of time. Instead, CTB will focus on enhancing customer services provided to its passengers as mentioned in paragraph 21 above.

Support to Government Policies

24. The Government has all along been urging the FBOs to cooperate in a wide range of policy initiatives. In particular, FBOs have been actively collaborating with the Government in pursuing the goals related to improvement of air quality as set out under the Clean Air Plan for Hong Kong 2035. In addition to participating in the trials of electric buses funded by the Environmental Protection Department, individual FBOs have introduced their own electric buses and put them into service by batches. Under the franchise negotiation, LW and CTB have reaffirmed their commitments to cooperate with the Government in promoting the development of electric and other new energy public transport vehicles, such as conducting trials of hydrogen fuel cell buses, in support of the Government's target to formulate a concrete way forward and timetable of new energy public transport and commercial vehicles around 2025.

Staff Welfare and Training

25. Franchised bus operation is a labour-intensive service industry and human capital is one of the most valuable resources of FBOs. It is of utmost importance for FBOs to strive to improve working environment for their staff as well as enhancing their training. To this end, –

- (a) under the franchise negotiation, LW has committed to various staff welfare initiatives (e.g. sponsoring staff members' children in tertiary education, making contributions to charitable foundations which support staff members in need, etc.), while CTB has committed to upgrade its staff kiosks and introduce, where feasible,

solar-powered new-style toilets to enhance the staff working environment; and

- (b) as a franchise condition, LW and CTB will comply with requirements and guidelines issued by TD in respect of bus captain training.

26. The Government regulates and monitors franchised bus services systematically through the Ordinance¹² and the franchises granted under the Ordinance. If a grantee fails to provide a proper and efficient public bus service in accordance with the requirements under the law and its franchise, the Chief Executive in Council may impose a financial penalty on the company or revoke its right to operate any specified routes or its franchise altogether according to the law. As for various operational requirements imposed by TD on FBOs, depending on the persistence and severity of each non-compliance case, TD may issue warning letters to the FBO concerned and require the FBO to make improvement by a specified time. FBOs always take TD's reminders and warning letters very seriously and will make improvement as directed in a proactive manner.

Future Development of Franchised Bus Services

27. We believe that the above new franchise arrangement would pave the way for enhancing the long term sustainability of the territory-wide bus networks. While railways will continue to be the backbone of our public transport system, franchised buses should continue to have a vital role to play not only for providing feeder services to the railways but also for serving as a viable alternative to railways with the provision of reliable, efficient and quality services to commuters. Looking ahead, the Government would continue to regulate and closely monitor the performance of FBOs, and at the same time work closely with FBOs on different aspects for continuous improvement of public bus services. We would also encourage competition by introducing suitable new bus routes under the Operator Selection Exercise. In addition, a multi-pronged approach would continue to be adopted to maintain FBO's financial sustainability. For example, consideration may be given to allowing more regular yet milder fare adjustments from FBOs, so as to better manage the expectation of passengers.

¹² Under the Ordinance, a grantee has to submit its five-year Forward Planning Programme on an annual basis which has to be agreed by the Commissioner.

Other Issue – Profit Control Scheme (PCS)

28. Under section 5(3)(b) of the Ordinance, a franchise shall, except where the LegCo by resolution excludes the application of all or any of the provision of the PCS, be subject to the PCS¹³ as stipulated under Part V of the Ordinance. In keeping with the established practice that new franchises shall not be entitled to the PCS, we shall later seek a LegCo resolution under section 5(3)(b) of the Ordinance for disapplication of the PCS to the new franchises of LW and CTB.

IMPLICATIONS OF THE GRANTING OF NEW FRANCHISES

29. The granting of new franchises has economic, competition, environmental, financial and sustainability implications as set out at Annex H. The granting of new franchises is in conformity with the Basic Law, including the provisions concerning human rights. It has no civil service, family, gender or productivity implications.

PUBLIC CONSULTATION

30. The Government invited views from the public on the requirements of new franchises of LW, CTB(F2) and NWFB between June and September 2021. In conducting the exercise, we also flagged up that the Government would work with NWFB and CTB(F1) to explore options for their future development, including the possible merger of the two franchises. A total of 252 submissions were received, covering aspects including bus safety, service quality, fare related matters, etc.. A summary of the major views received is set out in Annex I. The Legislative Council Panel on Transport (the Panel) and the Transport Advisory Committee (TAC) also discussed on 18 and 29 June 2021 respectively our plan to enter into direct negotiation with LW, CTB(F2) and NWFB on the granting of new franchises and possible merger of the franchises of NWFB and CTB(F1). Both the Panel

¹³ Under the PCS, fares are to be set at a level which allows cost recovery plus a certain level of profit with a cap on the permitted return. Profit exceeding the permitted return in any year will be retained in a development fund. When profit falls below the permitted return, the grantee may make good the shortfall by drawing money from the development fund. In view of strong criticisms by former LegCo and the community that PCS encouraged the grantee to over-expand and inflate its asset value, guaranteed a profit level irrespective of performance, and provided no incentive for cost efficiency and expenditure control and following a decision by the then Governor in Council in June 1992, all bus franchises granted thereafter were awarded without PCS.

and TAC did not object to the granting of new ten-year franchises to LW, CTB(F2) and NWFB, and offered views on areas relating to financial sustainability of FBOs, service quality, environmentally friendly buses, etc.. We have actively followed up with LW and CTB on the major suggestions and views received. The package of the new franchise conditions and commitments agreed with the grantees have addressed most of the key concerns of the public. In respect of the possible merger of the NWFB and CTB(F1) franchises, the views received were mostly supportive as it should help enhance the efficiency and viability of the two bus networks, while there were suggestions from the unions that the Government should pay particular attention to possible lay-off upon the merger.

31. The TAC was subsequently briefed on 24 May 2022 on the negotiation outcome as well as the Government's plan to pursue the merger of the franchises of NWFB and CTB(F1). It supported the granting of new ten-year franchises to LW and CTB(F2) as well as the merger of the two bus networks of NWFB and CTB(F1) under a new ten-year franchise. TAC's advice is set out in the letter by the TAC Chairman to the then Secretary for Transport and Housing at Annex J.

PUBLICITY

32. The new franchises will be published in the Gazette as General Notice for public information. A press release will be issued and a spokesman will be available to respond to media enquiries.

ENQUIRIES

33. Any enquiry concerning this brief can be directed to Mr Honson Yuen, Assistant Commissioner for Transport, at 3842 5515.

Transport and Logistics Bureau
12 July 2022

PUBLIC BUS SERVICES ORDINANCE (Chapter 230)

FRANCHISE

In exercise of the powers conferred by section 5 of the Public Bus Services Ordinance, the Chief Executive in Council hereby grants to Citybus Limited, a company registered under the Companies Ordinance, whose registered office is situated at No.8 Chong Fu Road, Chai Wan, Hong Kong, the right to operate a public bus service on the routes specified in the appropriate Schedule of Routes order from time to time in force in respect of the said company under section 5(1), and in any notices under sections 14 and 15, of the Public Bus Services Ordinance, subject to the conditions hereinafter contained namely:—

PART I

PRELIMINARY

1. (1) In this Franchise, unless the context otherwise requires:— Interpretation

“Bus Service”

means the Grantee’s business of operating a public bus service under this Franchise;

“Certification Body”

means a certification body accredited under the Hong Kong Certification Body Accreditation Scheme by the Hong Kong Accreditation Service, Innovation and Technology Commission;

“Clause”

means a clause of this Franchise;

“Commencement Date”

means 04:00 Hours 1 July 2023;

“Facilities”

means each of the following and includes parts thereof:—

bus stop signs, bus stop sign posts, canopies, shelters, seats, queue railings, lighting at bus stops, terminal points and termini; information panels and equipment; customer service centres; bus regulators’ offices and kiosks; air-conditioned passenger waiting areas; television broadcasting and all other audio-visual equipment; and such other facilities that are used by the Grantee for the purpose of or in connection with the

Bus Service, and in the event of any dispute as to the meaning of any of the aforesaid, shall be determined by the Commissioner after consultation with the Grantee;

“Forward Planning Programme”

means a programme which is in force from time to time under section 12A of the Ordinance;

“Franchise”

means this franchise granted to the Grantee pursuant to section 5 of the Ordinance;

"Franchise Period"

means the period referred to in Clause 4 which shall also mean the franchise period as defined in the Ordinance;

“Grantee”

means Citybus Limited;

“Hong Kong”

means the Hong Kong Special Administrative Region of the People’s Republic of China;

“Open Tendering”

means a tendering exercise where all interested persons may participate;

“Ordinance”

means the Public Bus Services Ordinance (Cap. 230);

“Other Grantee”

means any other company which is a grantee of a franchise under the Ordinance;

“Passenger Liaison Groups”

means the passenger liaison groups established pursuant to Clause 14(1);

“Qualified Auditor”

means a person who is qualified for appointment as an auditor of a company under section 393 of the Companies Ordinance (Cap. 622);

“Related Party” or “Related Parties”

means a party or parties that is/are considered to be related for the purposes of the Hong Kong Accounting Standard (HKAS) No. 24 (Revised) “Related Party Disclosures” issued by the Hong Kong Institute of

Certified Public Accountants in November 2016 as the same may be amended from time to time; and

“Schedule of Service”

means a schedule of service issued by the Commissioner from time to time in respect of each bus route of the Bus Service specifying, pursuant to the Ordinance, bus service arrangements including but not limited to the route, timetable, faretable, journey distance, journey time, carrying capacity and type of buses to be used.

- (2) Any expression or word not specifically herein defined shall have the meaning assigned to it by the Ordinance and, if not defined therein, by the Interpretation and General Clauses Ordinance (Cap. 1) and/or the Hong Kong Reunification Ordinance (110 of 1997).
 - (3) For the avoidance of doubt, unless there is express provision to the contrary, the Grantee shall at no cost to the Government comply with any direction and requirement given under this Franchise by the Commissioner, the Financial Secretary or any other public officer.
 - (4) For the avoidance of doubt:—
 - (a) where this Franchise confers upon any public officer power to do or enforce the doing of any act or thing, all such powers shall be also conferred as are reasonably necessary to enable the public officer to do or enforce the doing of the act or thing.
 - (b) without prejudice to the generality of Clause 1(4)(a) above, where this Franchise confers power upon any public officer:—
 - (i) to grant approval, consent or exemption, such power shall include power to impose reasonable conditions subject to which such approval, consent or exemption may be granted;
 - (ii) to approve any person or thing, such power shall include power to withdraw approval thereof; and
 - (iii) to give directions, such power shall include power to couch the same in the form of prohibitions.
2. (1) This Franchise is granted subject to the Grantee complying with the terms and conditions on its part to be performed in Franchise subject to

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| <p>any franchise applicable to the Grantee under the Ordinance and in force in the period ending 04:00 Hours 1 July 2023 and with the provisions of the Ordinance.</p> | <p>performance of obligations, etc.</p> |
| <p>(2) The Ordinance shall apply to this Franchise in full and for all purposes. Nothing in this Franchise is intended or shall be construed to affect, restrict, limit or diminish in any way, any of the powers (including discretion or privilege) of the Government, the Commissioner or any other public officer under the Laws of Hong Kong.</p> | |
| <p>3. The Grantee shall have the non-exclusive right to operate the Bus Service on the routes which are specified in the Schedule of Routes order for the time being in force.</p> | <p>Routes Order</p> |
| <p>4. This Franchise is granted for the period from and including the Commencement Date until 04:00 Hours 1 July 2033 and such period may be extended under section 6(2) or (3) of the Ordinance.</p> | <p>Franchise Period</p> |
| <p>5. For the purposes of section 8 of the Ordinance, a majority of the directors of the Grantee shall be individuals who are ordinarily resident in Hong Kong.</p> | <p>Residential requirement</p> |

PART II

GENERAL

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| <p>6. (1) (a) The Grantee shall, as far as practicable, acquire, provide, adopt, maintain, or modify to the satisfaction of the Commissioner such safety or service enhancement facilities, installation, fixtures, fittings, apparatus or equipment on its buses as may be reasonably required by the Commissioner after consultation with the Grantee.</p> <p>(b) Subject to Clause 26, the Grantee shall, in acquiring new buses for operating the Bus Service, comply with all such specifications and requirements for such acquisition issued by the Commissioner, which may be reasonably amended by the Commissioner from time to time after consultation with the Grantee.</p> | <p>Provision of the Facilities etc.</p> |
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- (2) Subject to Clauses 8 and 9, the Grantee shall acquire, provide, adopt, maintain, modify or remove to the satisfaction of the Commissioner such Facilities as may be reasonably required by the Commissioner after consultation with the Grantee.
7. Subject to Clauses 8 and 9, the Grantee shall acquire, provide, adopt, maintain, modify or remove to the satisfaction of the Commissioner such canteens, washrooms and toilets for its employees and the employees of any Other Grantee as the Commissioner considers appropriate after consultation with the Grantee. Provision of canteens, washrooms and toilets
8. (1) The Commissioner may, after consultation with the Grantee, direct in writing that for a specified period with effect from a specified date the Grantee shall share or permit the sharing of the use of any or all of the bus stops, terminal points, termini, Facilities (other than those provided on-bus), canteens, washrooms and toilets acquired, provided or adopted by the Grantee or any Other Grantee whether under this Franchise or any other franchise, as the case may be. Shared use of bus stops etc.
- (2) The Commissioner may, after consultation with the Grantee, direct in writing that with effect from a specified date the Grantee shall cease using, vacate or remove any bus stops, terminal points, termini and Facilities which are or have been used by the Grantee under this Franchise or any other franchise and which are not required for use by the Grantee for the Bus Service.
- (3) The Commissioner may, after consultation with the Grantee, direct in writing that with effect from a specified date the Grantee shall:–
- (a) make available and transfer the Grantee's whole right, title and interest in the Facilities (other than those provided on-bus) acquired, provided or adopted by the Grantee under this Franchise or any other franchise to any Other Grantee; and
- (b) accept the transfer of and assume responsibility for any facilities (other than those provided on-bus) which are acquired, provided or adopted by any Other Grantee and which are to be transferred to the Grantee by virtue of a direction given by the Commissioner to any Other Grantee under the provisions of any other franchise with similar effect to Clause 8(3)(a).

- (4) In the event that the Commissioner makes a direction:–
- (a) under Clause 8(1), the Grantee shall negotiate in good faith with the concerned Other Grantee to reach agreement as to maintenance responsibilities and the fair and equitable apportionment on the expenses of maintaining the Facilities (other than those provided on-bus), canteens, washrooms and toilets between the Grantee and the Other Grantee; and
 - (b) under Clause 8(3)(a) or (b), the Grantee shall negotiate in good faith with the concerned Other Grantee to reach agreement as to a fair and equitable price for acquiring or providing the facilities or Facilities (other than those provided on-bus).
- (5) In the event that the Grantee and the concerned Other Grantee fail to reach agreement under Clause 8(4)(a) or (b) within a reasonable time to be specified by the Commissioner, the Grantee and the concerned Other Grantee shall enter into an agreement on what the Commissioner may determine to be a fair and equitable apportionment or price for the purpose of Clauses 8(4)(a) and (b).
9. (1) No Facilities, installation, fixtures, fittings, apparatus or equipment shall be constructed, erected, installed or permitted at, on or in any bus stops, terminal points, termini or buses without the prior approval in writing of the Commissioner. The Commissioner may reasonably require the Grantee to remove any Facilities, installation, fixtures, fittings, apparatus or equipment which are constructed, erected, installed or permitted in contravention of this Clause.
- Approval of Commissioner required in connection with the Facilities, canteens, washrooms and toilets
- (2) No canteens, washrooms or toilets referred to in Clause 7 shall be constructed, erected or installed nor shall any structural alteration or change in use be made thereto without the prior approval in writing of the Commissioner. The Commissioner may reasonably require the Grantee to remove any canteens, washrooms or toilets which are constructed, erected or installed or to which structural alteration or change in use is made in contravention of this Clause.
10. (1) The Grantee shall not for the purposes of advertising, sponsorship or commercial promotion use or permit the use of, the Facilities, canteens, washrooms and toilets of the Grantee or any Other Grantee without the prior approval in writing of the Commissioner (such approval shall not be
- Advertising, etc.

unreasonably withheld).

- (2) Any agreement or arrangement in respect of any advertising, sponsorship or commercial promotion entered into by the Grantee with the prior approval in writing of the Commissioner under Clause 10(1) above shall be and be made subject to the terms and conditions of this Franchise.
11. The Commissioner may by notice in writing direct the Grantee to use such terminal points or termini and facilities which will be made available by the Government at no cost to the Grantee for the purposes of parking and turn-around of buses used by the Grantee on any of the specified routes. Government to provide parking facilities at terminal points
12. (1) Subject to Clause 12(3), the Grantee shall, at such place as the Commissioner may direct in writing, make available free of charge for inspection by members of the public a copy of the Schedule of Routes order for the time being in force and any notice given under section 15 of the Ordinance. Display of routes and fares
- (2) Subject to Clause 12(3), the Grantee shall cause to be displayed free of charge for viewing by members of the public in a conspicuous place:—
- (a) at each terminal point or terminus of a specified route; and
- (b) at such bus stops as may be specified by the Commissioner
- information on the location of the bus stops and the fares and timetables applicable to the bus service on such specified routes.
- (3) The Grantee shall provide the information mentioned in Clause 12(1) and 12(2) above in such form and manner, by such means, and at such times as may be reasonably required by the Commissioner, after consultation with the Grantee.
13. (1) The Grantee shall make available to the public, in relation to the bus service on each specified route, the following information:— Making available information on specified route, etc.
- (a) the bus fares;
- (b) the route and timetable; and

- (c) the location of bus stops, journey time and any other related information, as may be reasonably required by the Commissioner after consultation with the Grantee

in such form and manner, by such means and at such times as may be reasonably specified from time to time by the Commissioner.

- (2) The Grantee shall make available to the public the information referred to in Clause 13(1)(a) to (c) above for free or for a fee not exceeding that reasonably determined by the Commissioner.
 - (3) The Grantee shall also make available to the public, the information referred to in Clause 13(1)(a) to (c) above on the Grantee's website and through readily accessible common web browsers as may be reasonably required by the Commissioner after consultation with the Grantee.
14. (1) The Grantee shall, to the satisfaction of the Commissioner, make appropriate arrangements including the establishment of Passenger Liaison Groups to liaise, communicate with and receive opinions of the public for the purpose of assessing and improving standards of the Bus Service.
- Passenger
Liaison Groups
- (2) The Grantee shall, to the satisfaction of the Commissioner, provide the Passenger Liaison Groups with reasonable facilities for meetings including venues, postage and stationery, as they may require from time to time.
 - (3) The Grantee shall promulgate such rules for membership and meetings of the Passenger Liaison Groups, rules for attendance by officers of the Transport Department as observers, terms of reference of the Passenger Liaison Groups and, without limitation, such other terms relating to the Passenger Liaison Groups, their members or constitution as the Commissioner may direct or approve in writing. Any officer of the Transport Department may attend the meetings of the Passenger Liaison Groups as an observer.
 - (4) The Grantee shall use its reasonable endeavours to facilitate meetings of each of the Passenger Liaison Groups at least once every two months or as and when the Commissioner may reasonably require for the purpose of making proposals for maintaining or improving standards relating to the Bus Service.
 - (5) The Grantee shall report to the Commissioner, at least once every two months or as and when directed by the

Commissioner, the details of passenger liaison arrangements made by the Grantee, the proposals made by the Passenger Liaison Groups and implementation of those proposals.

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| 15. | <p>(1) The Grantee shall to the satisfaction of the Commissioner make appropriate arrangements to conduct passenger satisfaction surveys in such form and manner, by such means and at such times as may be reasonably required by the Commissioner, after consultation with the Grantee.</p> <p>(2) (a) The Grantee shall publish</p> <p style="padding-left: 40px;">(i) its passenger service pledge setting a reasonable time frame for responding to complaints and suggestions from the public; and</p> <p style="padding-left: 40px;">(ii) the achievement rate of its passenger service pledge under Clause 15(2)(a)(i) above.</p> <p style="padding-left: 40px;">(b) The Grantee shall respond to complaints and suggestions referred to the Grantee by the Commissioner at such times and in such manner as may be reasonably required by the Commissioner after consultation with the Grantee.</p> | Passenger satisfaction |
| 16. | <p>(1) The Grantee shall furnish the Commissioner, on or before 15 January each year in such form as the Commissioner may specify from time to time, with information on:—</p> <p style="padding-left: 40px;">(a) premises provided and maintained by the Grantee under section 19 of the Ordinance as at 31 December of the preceding year; and</p> <p style="padding-left: 40px;">(b) facilities provided by the Grantee and their locations as at 31 December of the preceding year for the construction, repair and maintenance of the buses and other vehicles used or kept by the Grantee for the purposes of or in connection with this Franchise.</p> <p>(2) The Commissioner may, after consultation with the Grantee, from time to time direct by notice in writing to the Grantee the manner in which the Grantee is to use any of the specified premises provided and maintained by the Grantee under section 19 of the Ordinance.</p> <p>(3) The Grantee shall establish a documented bus maintenance system to the satisfaction of the Commissioner in accordance with which all buses shall be inspected and</p> | List of premises and maintenance facilities |

maintained before deployment for the Bus Service.

- (4) The Grantee and the aforementioned documented bus maintenance system shall comply with all requirements, guidelines, technical notes, practice notes, maintenance arrangements and quality assurance and conformity assessments in respect of bus maintenance as issued by the Commissioner which may be reasonably amended by the Commissioner from time to time after consultation with the Grantee.

17. The Grantee shall, as and when directed by and to the satisfaction of the Commissioner:—

Provision of control centre and contingency arrangement

- (a) provide and maintain for the purpose of regulating, controlling and directing bus movements a control centre which shall be:—
 - (i) situated at such location as the Commissioner may direct; and
 - (ii) manned at all times by competent personnel of the Grantee;
- (b) provide and maintain at all times direct communication links between the control centre and the emergency contact point of the Transport Department designated by the Commissioner;
- (c) design a contingency plan to meet any exigency that may arise in respect of the Bus Service and shall promptly carry out the measures contained in the contingency plan when such exigency arises;
- (d) provide assistance, including sending competent personnel to attend the emergency control centre of the Transport Department; and
- (e) provide bus information relating to any exigency that may arise in respect of the Bus Service to the Government in such form and manner, by such means, and at such times as may be reasonably specified by the Commissioner, including without limitation through digital means for automatic data retrieval.

18. (1) The Grantee may provide, or permit the provision of, ancillary or add-on services subject to prior approval in writing of the Commissioner.

Provision of ancillary and add-on services

- (2) The Grantee shall provide such ancillary or add-on services as may be reasonably required by the Commissioner for the purpose of the Bus Service after consultation with the Grantee.
19. The Grantee shall comply with all requirements, guidelines, technical notes, practice notes and training arrangements in respect of bus drivers issued by the Commissioner which may be reasonably amended by the Commissioner from time to time after consultation with the Grantee.
- Training of bus drivers

PART III

FINANCIAL

20. In this Part, unless the context otherwise requires:—
- Definitions in Part III
- “Appointed Actuary”
means an actuary who
- (a) has the qualifications as prescribed for the appointment of actuaries under the Insurance (Actuaries’ Qualifications) Regulation (Cap. 41A); and
 - (b) is in practice with a firm providing actuarial consultancy services in Hong Kong;
- “Contingency Fund”
means all contingency funds provided or to be provided by the Grantee for meeting its liabilities including without limitation those for third party risks in respect of the Bus Service but excluding any contingency funds for any loss of revenue due to any cause whatsoever;
- “Fair Market Value” of any of the Fixed Assets
means the market price at which the assets could be acquired in a transaction at arm’s length between persons that are not Related Parties;
- “Fixed Assets”
means:—
- (a) land, buildings, furniture, fixtures and fittings, buses, coaches and other motor vehicles, plant, machinery and equipment;
 - (b) other fixed assets;

- (c) all assets mentioned in (a) and (b) which are in the course of construction or in transit; and
- (d) payments on account of all assets mentioned in (a), (b) and (c)

in which the Grantee has any right, title or interest (including assets acquired through leases) and which are used or to be used or kept or to be kept by the Grantee for the purposes of or in connection with the Bus Service;

but excludes stores and spares including but not limited to items which have not been used but may form part of any buses, coaches or other motor vehicles, plant, machinery and equipment which are used or to be used or kept or to be kept by the Grantee for the purpose of or in connection with the Bus Service, irrespective of the amount of the unit cost of each item;

“Funds”

means both the Contingency Fund and the Pension Fund unless the Commissioner determines otherwise;

“Gross Revenue”

means the total income or revenue of the Grantee derived or arising from or connected with the Bus Service, which, for the avoidance of doubt, includes inter alia:—

- (a) revenue of the Grantee from fares directly or indirectly appertaining to the Bus Service;
- (b) income derived or realised directly or indirectly from Fixed Assets including but not limited to rents, advertising and private hire;
- (c) interest on cash and bank balances of the Grantee consisting of or representing funds derived or arising from the Bus Service;
- (d) income derived or realised directly or indirectly from any investment or commercial transactions, other than from Fixed Assets, made by the Grantee of funds derived or arising from the Bus Service;

- (e) income or revenue derived by the Grantee from any transaction, operation, business or activity connected with or otherwise related or ancillary, whether directly or indirectly to the Bus Service; and
- (f) currency gains realised by the Grantee in or in connection with:—
 - (i) the acquisition of Fixed Assets, stores and spares;
 - (ii) the making and maintenance of provision for payment of emoluments for staff engaged in the Bus Service;
 - (iii) deposits in foreign currency accounts of funds derived or arising from the Bus Service; and
 - (iv) other transactions which are directly related to the Bus Service,

but excludes capital gains or capital receipts of the Grantee derived or arising from or connected with the disposal of any right, title or interest in land;

“Pension Fund”

means the fund or funds provided or to be provided by the Grantee for the payment of employees’ pensions or other retirement benefits in respect of employees engaged directly or indirectly in the operation of the Bus Service;

“Service-Related Expenditure”

means the total expenditure of the Grantee incurred or arising from or connected with the Bus Service, which, for the avoidance of doubt, includes inter alia:—

- (a) operating costs directly or indirectly incurred by the Grantee appertaining to the operation of the Bus Service and contributions to the Funds required in accordance with the assessment made by the Appointed Actuary;
- (b) depreciation as charged in accordance with Clause 21;
- (c) expenditure in establishing and maintaining public liaison and arranging for passenger satisfaction surveys in accordance with Clauses 14 and 15(1); and
- (d) currency losses suffered by the Grantee in or in connection with:—
 - (i) the acquisition of Fixed Assets, stores and spares;

- (ii) the making and maintenance of provision for payment of emoluments for staff engaged in the Bus Service;
- (iii) deposits in foreign currency accounts of funds derived or arising from the Bus Service; and
- (iv) other transactions which are directly related to the Bus Service,

but excludes:–

- (A) capital losses of the Grantee derived or arising from or connected with the disposal of any right, title or interest in land;
- (B) capital expenditure incurred in or arising from or connected with the Bus Service (other than that provided in sub-clause (d)(i) above);
- (C) any amount of over-provisioning in the accounts of the Grantee; and
- (D) any amount of amortisation or depreciation effected (if any) in respect of any right, title or interest in land;

“Undertaking”
means:–

- (a) all the assets listed in Schedule I as the same is updated or revised in accordance with Clause 22(2); and
- (b) all Fixed Assets and stores and spares which have been acquired by the Grantee to be included in Schedule I but before the same have been included pursuant to Clause 22(2).

21. For the purpose of this Franchise, the following practice shall be observed in the accounts of the Grantee:–

Depreciation of
Fixed Asset

- (1) With effect from the Commencement Date, depreciation expenses of the Grantee’s Fixed Assets shall be calculated at their costs of acquisition and by applying, on a straight-line basis, annual rates of depreciation derived from the useful lives, and subject to the residual values, as set out in the table below:–

<i>Fixed Assets</i>	<i>Useful Life for Depreciation</i>	<i>Residual Value</i>
Land	Not Applicable	Not Applicable
Buildings	(a) Depots and Servicing Sites - 50 years	\$1
	(b) Other buildings:— 10 years	\$1
Buses and coaches	(a) New ¹ buses and coaches:— 18 years from the date of first registration, unless otherwise approved by the Commissioner	\$10,000 for each bus or coach
	(b) Second-hand buses and coaches:— 18 years from the date of manufacture unless otherwise approved by the Commissioner	\$10,000 for each bus or coach
Other motor vehicles	6 to 15 years	\$1 for each motor vehicle
Computer equipment	5 to 10 years	\$1
Plant, machinery and equipment (other than computer equipment), furniture, fixtures and fittings	7 to 15 years	\$1

¹ Means buses which have been acquired by the Grantee first hand

Except for the fixed asset category of buses and coaches, the Grantee may apply different residual value of an asset other than those listed in the table above. The residual value of that asset will be measured in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, which defines the residual value of an asset as the estimated amount that the Grantee would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. Such residual value shall be certified by the Grantee's auditor and subject to review by the Commissioner. The Grantee shall provide independent third party's evaluations when required by the Commissioner.

- (2) When calculating the depreciation expenses of the Grantee's Fixed Assets, the cost of acquisition of the Fixed Assets shall be net of any subsidies received or receivable by the Grantee from the Government solely for the purpose of the acquisition of such Fixed Assets.
- (3) The cost of acquisition of Fixed Assets acquired through a lease shall be measured and depreciated in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and, where applicable, subject to the provisions in Clause 21(1) above.
- (4) When any Fixed Assets or part thereof are sold or otherwise disposed of or when compensation is received from insurers in respect of damage to or loss of any Fixed Assets or any part thereof, the difference between the proceeds and net book value will be deducted from or added to the Service-Related Expenditure, as the case may be.
- (5) For the purpose of Clause 21(4),
 - (a) Fixed Assets shall exclude land in respect of which the Grantee has any right, title or interest.
 - (b) Where the Fixed Assets comprise buildings which are sold or disposed of together with the land on which they stand, and it is impossible to ascertain which portion of the sale proceeds is attributable to such buildings alone, the Grantee shall provide a valuation report prepared by an independent surveyor on the Fair Market Value of such buildings as of the date of disposal. Such Fair Market Value will be deemed to be the sale proceeds of the buildings for the purpose of Clause 21(4).

- (6) Depreciation of any Fixed Assets shall cease to be effected when the residual values as stipulated at Clause 21(1) have been reached.
 - (7) No amortisation or depreciation shall be effected in respect of any land comprised in the Fixed Assets. Such land shall be valued at cost of acquisition.
 - (8) Whether a building at depots and servicing site shall be depreciated in accordance with Clause 21(1) shall be determined by the Commissioner after having regard, inter alia, to the estimated useful life of that building, the unexpired period of the lease including any extension or renewal period, and land use zoning. If the Grantee disagrees with any determination of the Commissioner on the depreciation of a building at depots and servicing sites for the purpose of this Clause, the Grantee and the Commissioner shall forward the point in disagreement to the Secretary for Transport and Logistics who shall decide on the point having regard to the submissions of the Grantee and the Commissioner and such decision of the Secretary for Transport and Logistics shall, subject to section 33 of the Ordinance, be final.
 - (9) The cost of any structural addition to a building under the Fixed Assets shall, from the date the addition is made, be depreciated in accordance with Clause 21(1) along with such building (as the case may be) over the remainder of the useful life of that building.
 - (10) The net book value of all Fixed Assets brought forward from any public bus franchise applicable to the Grantee immediately before the Commencement Date shall be depreciated in accordance with but over the remainder of the applicable useful life as stipulated in Clause 21(1).
22. (1) The Grantee represents that its Undertaking at the Commencement Date shall be as listed in Schedule I. Subject to Clause 22(3) and (4) and except for that part of the Undertaking listed in Schedule I which is held on short term tenancies, the Grantee shall maintain at all times during the Franchise Period its Undertaking sufficient to operate a proper and efficient public bus service on the specified routes in accordance with section 12(1) of the Ordinance.
- (2) The Grantee shall provide in writing to the Commissioner an annual update of Schedule I within five months after the close of an accounting year.
- (3) The Grantee shall not without the previous written consent of
- Grantee's
Undertaking
and restrictions
on disposal

the Commissioner assign, transfer, mortgage, charge, lease, grant option to lease, part with possession or otherwise dispose of the whole or any part of its Undertaking falling within the following description:—

- (a) land, buildings and buses, or
- (b) any other part of the Undertaking (except for plant, machinery, equipment, furniture, fixtures, fittings, motor vehicles (other than buses), stores or spares being disposed of with a view to replacement in the ordinary course of business), the disposal of which would result in an increase in the cost of the Bus Service

nor shall the Grantee without the previous written consent of the Commissioner cause or permit the forfeiture, surrender, loss, destruction or dissipation of its right, title or interest in the whole or any part of its Undertaking referred to in Clauses 22(3)(a) and (b) above. The Grantee shall observe and perform all the terms, conditions, covenants and provisions contained in any deed, agreement and other instrument under which the Grantee acquired the right, title or interest in the whole or any part of its Undertaking.

PROVIDED that:—

- (i) consent to any disposition of landed property may be withheld if the consequence of the disposition would be to increase the cost to the Grantee of acquiring, using, holding or maintaining the premises referred to in section 19 of the Ordinance; and
 - (ii) consent required under this Clause shall not be unreasonably withheld or delayed.
- (4) Without prejudice to the Ordinance and other provisions of this Franchise, the Grantee shall not develop or cause or permit the development of any land or buildings forming part of its Undertaking or enter into any agreement to do so without the previous written consent of the Financial Secretary (which, subject to Clause 22(5), shall not be unreasonably withheld or delayed).

- (5) Notwithstanding any other provisions herein, consent to any disposition or development of any land or building under Clause 22(3) and (4) may be withheld by the Commissioner or the Financial Secretary if the consequence of the disposition or development of such land or buildings would be to increase the cost to the Grantee of acquiring, using, holding or maintaining the premises referred to in section 19 of the Ordinance.
23. The Grantee shall not without the previous consent in writing of the Commissioner invest in or dispose of any securities, such consent shall not be unreasonably withheld or delayed. Investment in securities
24. (1) (a) The Grantee shall, at such times as the Commissioner may direct in writing, cause the Funds to be examined by an Appointed Actuary for the purpose of assessing possible under-provisioning or over-provisioning of the Funds. Contingency Fund and Pension Fund
- (b) The Grantee shall provide such information and give access to such of its business and financial records as the Appointed Actuary may reasonably require.
- (c) Any finding by the Appointed Actuary as to any under-provisioning or over-provisioning of the Funds shall be accepted as final and conclusive by the Grantee in the absence of manifest error.
- (d) The Grantee shall, subject to the prior approval in writing of the Commissioner, write back such amount which is certified in an actuarial report prepared by the Appointed Actuary for the purpose of Clause 24(1)(a) to be over-provided in the Funds to the statement of profit or loss kept by the Grantee in respect of the Bus Service.
- (2) The Grantee shall provide such information as the Commissioner may require in writing in respect of the Funds and their use within one month from the date of such request in writing by the Commissioner or within such other period as the Commissioner may reasonably require.
- (3) (a) The balance of the Contingency Fund shall represent liabilities in the accounts of the Grantee and shall not contribute towards its distributable profit or accrue to the benefit of shareholders of the Grantee.
- (b) Notwithstanding the expiry of this Franchise and any other terms or provisions herein, the balance of the Contingency Fund shall remain a liability in the accounts of the Grantee and shall not contribute towards its

distributable profit or accrue to the benefit of shareholders of the Grantee and the balance of the Contingency Fund as at the expiry of this Franchise, howsoever determined, shall be deposited with an authorised institution, other than a deposit-taking company, within the meaning of the Banking Ordinance (Cap. 155) as approved or directed from time to time by the Commissioner.

- (c) The Commissioner may within six months prior to the expiry of this Franchise or within three months thereafter appoint a trustee or a custodian to hold the Contingency Fund after the said expiry of this Franchise and may require the title to the Contingency Fund to be vested in the said trustee or custodian for a period of ten years from the date of expiry of this Franchise (“the ten-year period”). In such event, the said trustee or custodian shall:—
 - (i) hold the Contingency Fund in accordance with the terms and conditions as may be determined or approved by the Commissioner;
 - (ii) apply the balance of the Contingency Fund to meet third party claims against the Grantee in accordance with the terms and conditions as may be determined or approved by the Commissioner; and
 - (iii) distribute the remaining balance in the Contingency Fund (if any) at the expiry of the ten-year period to the shareholders of the Grantee whose names appear on the register of shareholders of the Grantee on the date when the Contingency Fund is vested in the said trustee or custodian.
 - (d) For the avoidance of doubt, this Clause, in so far as it relates to the Contingency Fund, shall survive the expiry of this Franchise until the date falling ten years thereafter.
- (4) The Grantee shall procure in such manner as it may be advised by the Appointed Actuary that the Pension Fund is held by an independent trustee under a retirement scheme registered under the Occupational Retirement Schemes Ordinance (Cap. 426) and, where applicable, the Mandatory Provident Fund Schemes Ordinance (Cap. 485).

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| 25. | (1) | By virtue of section 13 of the Ordinance, the Chief Executive in Council may review the scale of fares to be charged for the Bus Service and may determine and adjust such scale of fares upward or downward at any time and from time to time during the Franchise Period as he deems fit. | Revenue and expenditure |
| | (2) | Without derogation from the provisions of section 13 of the Ordinance and the powers conferred on the Chief Executive in Council thereunder, in making recommendations to the Chief Executive in Council for him to determine the scale of bus fares under the provisions of section 13 of the Ordinance, the Commissioner may have regard, inter alia, to:– | |
| | | (a) changes in Gross Revenue and Service-Related Expenditure since the last fare adjustment; | |
| | | (b) forecasts of future Gross Revenue, Service-Related Expenditure, and return on average net fixed assets which takes into account net profit or loss and borrowing costs after tax attributable to the Bus Service; | |
| | | (c) the need to provide the Grantee with a reasonable rate of return; | |
| | | (d) public acceptability and affordability; | |
| | | (e) the quality and level of the public bus service provided by the Grantee; and | |
| | | (f) changes in price of cost elements and improvement in productivity of the franchised bus industry. | |
| | (3) | In applying for an upward or downward adjustment to the fares applicable to its Bus Service, the Grantee shall take into account, inter alia, the factors specified in Clause 25(2)(a) to (f). | |

PART IV

MISCELLANEOUS

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| 26. | (1) | When acquiring new buses and setting specifications for such acquisition, the Grantee shall, as far as reasonably practicable:– | Environmentally friendly buses |
| | | (a) adopt the latest commercially available and proven technologies to reduce noise emissions; and | |

- (b) acquire the most environmentally friendly buses in terms of vehicle exhaust emission (with the ultimate objective of acquiring zero emission buses), that are technologically proven and commercially available

taking into account feasibility in terms of operational and passenger service requirements and affordability for the Grantee and passengers.

- (2) The Grantee shall adopt, at such times and in such manner, such commercially available and proven technologies and products on its buses as the Commissioner may reasonably specify after consultation with the Grantee for the purpose of reducing exhaust and noise emissions in the operation of the Bus Service.
27. (1) The Grantee shall comply with all the provisions, stipulations and requirements set out in a Forward Planning Programme for the time being in force. Forward Planning Programme
- (2) If the Grantee fails to comply with any of the provisions, stipulations and requirements contained in a Forward Planning Programme, the Grantee shall, within such time as may be specified by the Commissioner, submit a report to the Commissioner with full details and the reasons for such failure.
28. (1) The Grantee shall: Operational records and information to be supplied to Commissioner
- (a) provide to the Commissioner the information relating to and records kept by the Grantee in respect of the Bus Service in accordance with Schedule II; and
 - (b) provide and maintain at such times and in such manner as may be reasonably specified by the Commissioner, including without limitation electronic means to enable the Commissioner to at all times access and directly retrieve the information and records referred to under Clause 28(1)(a).
- (2) The Grantee shall without delay provide in writing to the Commissioner such information as he may from time to time reasonably require for the purpose of assessing the financial position of the Grantee, including without limitation:– Financial information to be supplied to the Commissioner
- (a) accounting system manual and costing system manual used by the Grantee for the preparation of

accounts for the Bus Service; and

- (b) procurement policies, procurement procedures and practice manual of goods and services relating to the Bus Service including but not limited to fuel, buses, spare parts, tyres and tubes, plant and machinery, repair and maintenance and cleaning services.
- (3) The Grantee shall provide in writing to the Commissioner with financial information for the purpose of assessing the financial position of the Grantee, including without limitation:—
 - (a) annual audited financial statements prepared and certified by a Qualified Auditor within four months after the close of each accounting year;
 - (b) monthly management accounts (including statement of profit or loss, statement of financial position and statement of cash flows) in such form and manner as the Commissioner may specify within two months from the ending date of the period concerned or such longer period as the Commissioner may specify; and
 - (c) monthly report on the fuel price, fuel cost, fuel consumption, hedging contracts on fuel, in such form and manner as the Commissioner may specify, within two months from the ending date of the period concerned.
- (4)
 - (a) Subject to the provisions of the Ordinance, this Franchise and the accounting policies approved by the Commissioner under Clause 28(4)(b), the Grantee shall prepare and keep its accounts related to the Bus Service in accordance with the prevailing accounting standards and principles generally accepted in Hong Kong.
 - (b) The Grantee shall, not later than three months before the end of each accounting year, submit for the approval of the Commissioner the accounting policies governing the accounts of the Grantee which are related to the Bus Service in the form and manner as the Commissioner may specify. Such approval shall not be unreasonably withheld or delayed. The Grantee shall comply with such accounting policies as approved by the Commissioner for keeping and preparing its accounts relating to the Bus Service. The Grantee

shall not make any change to the accounting policies approved by the Commissioner hereunder without the prior written approval of the Commissioner. Such accounting policies are subject to the provisions of the Ordinance and this Franchise, and unless agreed otherwise between the Grantee and the Commissioner, shall be in accordance with the prevailing accounting standards and principles generally accepted in Hong Kong.

- (5) Without prejudice to the generality of Clause 28(4), the Commissioner may give direction as to the criteria for apportionment of the Grantee's general administration costs between the Bus Service and the Grantee's other businesses.
 - (6) The Grantee shall ensure that contracts that are material to the Bus Service shall be put out for Open Tendering as far as practicable. Where it is not practicable for Open Tendering, prior approval for not pursuing Open Tendering shall be sought from the Grantee's board of directors. The Grantee is also required to specify in any internal paper on procurement of services or goods or both whether or not the tenderers or suppliers and the Grantee are Related Parties.
 - (7) The Grantee shall obtain approval from the Grantee's board of directors before awarding any contract that is material to the Bus Service to a Related Party of the Grantee save and except where such award is effected as a result of an Open Tendering process participated by any third party which is not a Related Party. In seeking the board of directors' approval to award a contract to a Related Party of the Grantee without going through an Open Tendering process, the Grantee shall, in so far as practicable, provide relevant information to satisfy its board with supporting evidence that the terms and conditions of the proposed contract are no less favourable to the Grantee than those in a contract which might otherwise be entered into with a third party which is not a Related Party of the Grantee.
 - (8) The Grantee shall procure and provide to the Commissioner financial information on all transactions which are related to the Bus Service made between the Grantee and any Related Party of the Grantee on an annual basis within five months after the close of each accounting year or as the Commissioner may from time to time require.
29. (1) The Grantee shall keep separate accounts for the Bus Service and its other businesses. The accounts of the Grantee which are related to the Bus Service shall be audited annually by a Qualified Auditor and published for
- Publication of accounts and operational information

the information of the public, in such form and manner as the Commissioner may from time to time require, within five months after the close of each accounting year.

- (2) The Grantee shall publish for the information of the public such records kept by the Grantee which are related to the Bus Service, in such form and manner as the Commissioner may from time to time require after consultation with the Grantee within five months after the close of each accounting year.
30. Without prejudice to any other provisions of this Franchise, all financial statements, management accounts and other accounts of the Grantee, whether or not such financial statements, management accounts or other accounts are related to or connected with the Bus Service:—
- (a) shall give a true and fair view of the state of the Grantee's affairs and explain its transactions;
- (b) shall be kept at the registered office of the Grantee in Hong Kong and shall at all times be open to inspection by the Grantee's directors; and
- (c) shall consist of the Grantee's statement of financial position and statement of profit or loss, which, save with the prior consent in writing of the Commissioner, comply with the applicable requirements of Schedule 4 of the Companies Ordinance (Cap. 622) and Clause 28(3).
31. This Franchise shall be governed by, and construed in accordance with, Hong Kong law and the Grantee shall submit to the exclusive jurisdiction of the courts of Hong Kong.
32. (1) Any notice in writing or other document to be given to the Grantee by the Chief Executive in Council, the Financial Secretary, the Secretary for Transport and Logistics, the Government or the Commissioner under or in relation to this Franchise may be given under the hand of any duly authorised officer of Government and may be served by sending the same in a letter addressed to the registered office of the Grantee.
- (2) Any notice in writing or other documents to be given to the Chief Executive in Council, the Financial Secretary, the Secretary for Transport and Logistics, the Government or the Commissioner by the Grantee under or in relation to this Franchise may be served by sending the same in a letter to the Commissioner.
- Content and Form of Account
- Governing law and jurisdiction
- Notices

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| 33. | All meetings of the board of directors of the Grantee shall be held in Hong Kong unless all the directors of the Grantee unanimously agree to have a meeting elsewhere. | Board meetings in Hong Kong |
| 34. | <p>(1) Without derogation from any provisions of the Ordinance, this Franchise will be subject to review at any time and from time to time by the Commissioner during the Franchise Period starting from and including 1 July 2027. For this purpose, the Grantee shall comply without delay with all reasonable requests by the Commissioner and afford such assistance and co-operation in all respects to facilitate the conduct of the review as the Commissioner may reasonably require.</p> <p>(2) Without prejudice to the generality of Clause 34(1) and any other provisions of this Franchise, the Grantee shall, for the purpose of this Clause:–</p> <p style="margin-left: 40px;">(a) upon request by the Commissioner, provide without delay to the Commissioner such information as may be reasonably required; and</p> <p style="margin-left: 40px;">(b) appoint a person with such qualification or experience as the Commissioner may from time to time require to examine such aspects of the Bus Service as he may reasonably direct.</p> <p>(3) During the period of such review, the Commissioner may consult with and receive written submissions or recommendations from such persons as he sees fit.</p> | Mid-term review |
| 35. | <p>The Grantee shall publish its code on corporate social responsibility within six months from the Commencement Date and, annually thereafter:–</p> <p style="margin-left: 40px;">(a) publish the achievement of individual items contained therein; and</p> <p style="margin-left: 40px;">(b) review and update its content for the purpose of continuous improvement.</p> | Corporate social responsibility |
| 36. | The Grantee shall, throughout the Franchise Period, submit to the Commissioner annually a report prepared by a Qualified Auditor or a Certification Body certifying that the Grantee has put in place internal control systems and procedures which are adequate to enable, as far as practicable, the Grantee to measure and record, in all material respects, its operation statistics and other information to ensure that such statistics and other information which may be required by the Commissioner under the Ordinance or this | System audit |

Franchise are accurate in all material respects and if the Qualified Auditor or Certification Body forms the view that those control systems and procedures are not adequate, the nature and extent of such inadequacies.

Dated this day of July 2022

COUNCIL CHAMBER

Clerk to the Executive Council

SCHEDULE I
Clause 22(1)
Grantee's Undertaking
(as at 1 July 2023)

1. *Buses*

(A) Requirement

	<i>Operating Requirement</i>	<i>Number of Buses Required in Fleet</i>
(i) For operating the Bus Service	1,261	
(ii) Total requirement for operating the Bus Service based on 92% availability		1,371

(B) The requirement of buses in paragraph 1(A) above will be represented by –

<i>Bus Fleet</i>	<i>Number</i>	<i>Average Age (Yr.)</i>	<i>Estimated Net Book Value (HK\$'000)</i>	<i>Nature of Interest</i>
(i) Double-Deck – diesel	1,330	7.30	1,835,117	Wholly owned
(ii) Single-Deck – diesel	29	8.60	22,344	Wholly owned
(iii) Double-Deck – hybrid	3	8.63	-	Wholly owned
(iv) Double-Deck – electric	1	0.33	2,574	Wholly owned
(v) Single-Deck – electric	8	7.39	-	Wholly owned
Total fleet	1,371	7.33	1,860,035	

2. *Land and Buildings*

	<i>Approx. Site Area (m²)</i>	<i>Estimated Net Book Value (HK\$'000)</i>	<i>Nature of Interest</i>
(A) Depots			
(1) Chong Fu Road Depot (EHX-260)	13,000	188,837	Short term tenancy commencing on 1 July 2023.
(2) Depot at 38 Sheung On Street, Chai Wan (EHX-286)	11,297	114,227	Short term tenancy commencing on 10 December 2001 up to 30 June 2006 and thereafter quarterly.
(3) Wong Chuk Hang Bus Depot (P1004)	3,002	713	Short term tenancy commencing on 1 July 2023.
(4) Hing Wah Street West, Kowloon (KX-2245)	8,200	7,745	Short term tenancy commencing on 1 July 2023.
(5) Junction of Lin Cheung Road and Hing Wah Street West, Lai Chi Kok, Kowloon (KX-2851)	7,750	-	Short term tenancy commencing on 1 July 2023.
(B) Bus Servicing/Parking Areas			
(1) Servicing site at Hoi Wong Road, Area 16, Tuen Mun (STT-1092)	11,000	-	Short term tenancy commencing on 2 January 2001 up to 1 January 2004 and thereafter quarterly.
(2) Servicing site at Heung Yip Road, Wong Chuk Hang (SHX-1168)	3,826	-	Short term tenancy commencing on 19 July 2006 up to 18 July 2009 and thereafter half-yearly.
(3) Parking site at Wong Chuk Hang (SHX-956)	8,700	-	Short term tenancy commencing on 1 December 1998 up

	<i>Approx. Site Area (m²)</i>	<i>Estimated Net Book Value (HK\$'000)</i>	<i>Nature of Interest</i>
			to 30 November 2001 and thereafter quarterly.
(4) Western Fire Services Street (NHX-761)	1,480	210	Short term tenancy commencing on 1 July 2023.
(5) Tseung Kwan O Area 26 Depot (SX-4126)	2,200	10,580	Short term tenancy commencing on 1 July 2023.
(C) Customer Service Centre			
Mass Transit Railway Admiralty Station (East) Bus Terminus, Queensway, Hong Kong	25	152	Short term tenancy commencing on 1 September 1998 up and thereafter quarterly.
(D) Bus Regulator's Office			
Bus Terminus at Exchange Square, Central, Hong Kong	112	210	Short term tenancy commencing on 1 September 1998 up and thereafter quarterly.
Total		<hr/> 322,674 <hr/>	

3. *Other Fixed Assets*

	<i>Estimated Net Book Value (HK\$'000)</i>	<i>Nature of Interest</i>
(A) Bus Assembly Assets	26,123	Wholly owned
(B) Motor Vehicles, other than buses	9,492	Wholly owned
(C) Computer Equipment	31,452	Wholly owned
(D) Furniture, Fixtures and Office Equipment	995	Wholly owned
(E) Machinery and Other Equipment	68,123	Wholly owned
(F) Construction in Progress	0	Wholly owned

4. *Others*

	<i>Estimated Value (HK\$'000)</i>	<i>Nature of Interest</i>
Inventories	47,665	Wholly owned

SCHEDULE II

Information and Records Relating to the Bus Service to be Kept and Provided by the Grantee under Clause 28(1) including all of the following:

<u>Item</u>	<u>Records and Information</u>
(a)	the number of passengers carried on every day on each specified route.
(b)	the number of passengers boarding and alighting at bus stops and the occupancy of buses when leaving each of the stops at hourly interval on each specified route as collected by surveys or any other means as the Commissioner may specify after consultation with the Grantee. For the purpose of this Clause, the Grantee shall collect such information at least once in each year on a weekday, other than a public holiday or a day on which the storm signal Number 8 (or higher) or a black rainstorm warning is issued or extreme conditions after a super typhoon are announced by the Government.
(c)	the number of passengers and the occupancy of buses when leaving such stops at half-hourly interval on any of the specified routes as the Commissioner may specify.
(d)	the number of buses in use on each specified route on every day and the carrying capacity of each of such buses for the purpose of or in connection with this Franchise.
(e)	the journey time for journeys between terminal points on each specified route as reflected from the survey hereinafter mentioned. For the purpose of this Clause, the Grantee shall conduct surveys at such times and in such manner as the Commissioner may specify.
(f)	(i) the scheduled and actual departure time of each journey on every day on each specified route, where the scheduled departure time refers to the time when the journey departs from the terminus in accordance with the Schedule of Service of each specified route; and (ii) the actual departure time of adjusted journey departs from the designated stop.
(g)	the number of scheduled journeys, actual journeys and additional journeys operated by the Grantee on every day on each specified route in each of the periods of a day specified by the Commissioner, where the number of scheduled journeys refers to the number of journeys that shall be operated by the Grantee in accordance with the Schedule of Service of each specified route.
(h)	the number of scheduled journeys that the Grantee fails to operate on every day on each specified route due to vehicle breakdown, vehicle shortage, driver shortage, traffic congestion, accidents, inclement weather, public events, redeployment of buses and others, or any other categorisation of reasons as specified by the Commissioner.
(i)	the carrying capacity and technical specifications of buses kept by the Grantee for the purpose of or in connection with this Franchise in each calendar month.

- (j) the number of buses of each bus type and other vehicles used and the number of buses ordered by the Grantee for the purpose of or in connection with this Franchise in each calendar month.
- (k) the number of journeys and total kilometres travelled with breakdowns of revenue-generated kilometres and non-revenue-generated kilometres on each specified route on every day.
- (l) the number of bus driver duties scheduled to operate all specified routes in accordance with the Schedule of Service on a day required by the Commissioner and the percentage of bus drivers, selected on the sample size as specified by the Commissioner, in compliance with the guidelines on arrangements in relation to working hour and rest time of bus drivers issued by the Commissioner after consultation with the Grantee.
- (m) the number of bus drivers at the end of each calendar month required and available to operate all specified routes in accordance with the Schedule of Service; and the surplus or shortage of bus drivers.
- (n) the total number of bus drivers resigned, retired, separated with other reasons, newly recruited and re-employed in each calendar month.
- (o) the daily receipts from the passengers carried on every day on each specified route.
- (p) the maintenance schedule of the buses.
- (q) the maintenance schedule of other vehicles and inventory of stores.
- (r) all such data, records and measurements to show safety performance of franchised buses as stated in the Safety Performance Indicators For Franchised Buses issued by the Commissioner or in such form and manner as may be from time to time required by the Commissioner.
- (s) all such data and records in relation to accidents or safety-related incidents in such form and manner as from time to time required by the Commissioner.
- (t) the data, records and information relating to the interchanging patterns of bus passengers at specified sections of bus journeys of the specified routes of the Grantee's Bus Service during specified periods of time as may be prescribed by the Commissioner from time to time.

PUBLIC BUS SERVICES ORDINANCE (Chapter 230)

FRANCHISE

In exercise of the powers conferred by section 5 of the Public Bus Services Ordinance, the Chief Executive in Council hereby grants to Long Win Bus Company Limited, a company registered under the Companies Ordinance, whose registered office is situated at 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong the right to operate a public bus service on the routes specified in the appropriate Schedule of Routes order from time to time in force in respect of the said company under section 5(1), and in any notices under sections 14 and 15, of the Public Bus Services Ordinance, subject to the conditions hereinafter contained namely:—

PART I

PRELIMINARY

1. (1) In this Franchise, unless the context otherwise requires:— Interpretation

“the Airport”

means an airport for civil aviation in the vicinity of Chek Lap Kok;

“the Airport Authority”

means the Airport Authority within the meaning of the Airport Authority Ordinance (Cap. 483);

“Airport Terminal Building”

means the passenger terminal building of the Airport;

“Bus Service”

means the Grantee’s business of operating a public bus service under this Franchise;

“Certification Body”

means a certification body accredited under the Hong Kong Certification Body Accreditation Scheme by the Hong Kong Accreditation Service, Innovation and Technology Commission;

“Clause”

means a clause of this Franchise;

“Commencement Date”

means 04:00 Hours 1 May 2023;

“Customer Service Centre”

means the customer service centre established pursuant to Clause 15;

“Facilities”

means each of the following and includes parts thereof:—
bus stop signs, bus stop sign posts, canopies, shelters, seats, queue railings, lighting at bus stops, terminal points and termini; information panels and equipment; customer service centres; bus regulators’ offices and kiosks; air-conditioned passenger waiting areas; television broadcasting and all other audio-visual equipment; and such other facilities that are used by the Grantee for the purpose of or in connection with the Bus Service, and in the event of any dispute as to the meaning of any of the aforesaid, shall be determined by the Commissioner after consultation with the Grantee;

“Forward Planning Programme”

means a programme which is in force from time to time under section 12A of the Ordinance;

“Franchise”

means this franchise granted to the Grantee pursuant to section 5 of the Ordinance;

“Franchise Period”

means the period referred to in Clause 4 which shall also mean the franchise period as defined in the Ordinance;

“Grantee”

means Long Win Bus Company Limited;

“Hong Kong”

means the Hong Kong Special Administrative Region of the People’s Republic of China;

“Open Tendering”

means a tendering exercise where all interested persons may participate;

“Ordinance”

means the Public Bus Services Ordinance (Cap. 230);

“Other Grantee”

means any other company which is a grantee of a franchise under the Ordinance;

“Passenger Liaison Groups”

means the passenger liaison groups established pursuant to

Clause 14(1);

“Qualified Auditor”

means a person who is qualified for appointment as an auditor of a company under section 393 of the Companies Ordinance (Cap. 622);

“Related Party” or “Related Parties”

means a party or parties that is/are considered to be related for the purposes of the Hong Kong Accounting Standard (HKAS) No. 24 (Revised) “Related Party Disclosures” issued by the Hong Kong Institute of Certified Public Accountants in November 2016 as the same may be amended from time to time; and

“Schedule of Service”

means a schedule of service issued by the Commissioner from time to time in respect of each bus route of the Bus Service specifying, pursuant to the Ordinance, bus service arrangements including but not limited to the route, timetable, faretable, journey distance, journey time, carrying capacity and type of buses to be used;

- (2) Any expression or word not specifically herein defined shall have the meaning assigned to it by the Ordinance and, if not defined therein, by the Interpretation and General Clauses Ordinance (Cap. 1) and/or the Hong Kong Reunification Ordinance (110 of 1997).
- (3) For the avoidance of doubt, unless there is express provision to the contrary, the Grantee shall at no cost to the Government comply with any direction and requirement given under this Franchise by the Commissioner, the Financial Secretary or any other public officer.
- (4) For the avoidance of doubt:—
 - (a) where this Franchise confers upon any public officer power to do or enforce the doing of any act or thing, all such powers shall be also conferred as are reasonably necessary to enable the public officer to do or enforce the doing of the act or thing.
 - (b) without prejudice to the generality of Clause 1(4)(a) above, where this Franchise confers power upon any public officer:—
 - (i) to grant approval, consent or exemption, such power shall include power to impose reasonable conditions subject to which such approval, consent or

exemption may be granted;

(ii) to approve any person or thing, such power shall include power to withdraw approval thereof; and

(iii) to give directions, such power shall include power to couch the same in the form of prohibitions.

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| 2. | (1) | This Franchise is granted subject to the Grantee complying with the terms and conditions on its part to be performed in any franchise applicable to the Grantee under the Ordinance and in force in the period ending 04:00 Hours 1 May 2023 and with the provisions of the Ordinance. | Franchise subject to performance of obligations, etc. |
| | (2) | The Ordinance shall apply to this Franchise in full and for all purposes. Nothing in this Franchise is intended or shall be construed to affect, restrict, limit or diminish in any way, any of the powers (including discretion or privilege) of the Government, the Commissioner or any other public officer under the Laws of Hong Kong. | |
| 3. | | The Grantee shall have the non-exclusive right to operate the Bus Service on the routes which are specified in the Schedule of Routes order for the time being in force. | Routes Order |
| 4. | | This Franchise is granted for the period from and including the Commencement Date until 04:00 Hours 1 May 2033 and such period may be extended under section 6(2) or (3) of the Ordinance. | Franchise Period |
| 5. | | For the purposes of section 8 of the Ordinance, a majority of the directors of the Grantee shall be individuals who are ordinarily resident in Hong Kong. | Residential requirement |

PART II

GENERAL

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| 6. | (1) | (a) | The Grantee shall, as far as practicable, acquire, provide, adopt, maintain, or modify to the satisfaction of the Commissioner such safety or service enhancement facilities, installation, fixtures, fittings, apparatus or equipment on its buses as may be reasonably required by the Commissioner after consultation with the Grantee. | Provision of the Facilities etc. |
| | | (b) | Subject to Clause 27, the Grantee shall, in acquiring new buses for operating the Bus Service, comply with all such specifications and requirements for such acquisition issued by the Commissioner, which may be reasonably amended by the Commissioner from time to time after consultation | |

with the Grantee.

- (2) Subject to Clauses 8 and 9, the Grantee shall acquire, provide, adopt, maintain, modify or remove to the satisfaction of the Commissioner such Facilities as may be reasonably required by the Commissioner after consultation with the Grantee.

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| 7. | Subject to Clauses 8 and 9, the Grantee shall acquire, provide, adopt, maintain, modify or remove to the satisfaction of the Commissioner such canteens, washrooms and toilets for its employees and the employees of any Other Grantee as the Commissioner considers appropriate after consultation with the Grantee. | Provision of canteens, washrooms and toilets |
| 8. | <p>(1) The Commissioner may, after consultation with the Grantee, direct in writing that for a specified period with effect from a specified date the Grantee shall share or permit the sharing of the use of any or all of the bus stops, terminal points, termini, Facilities (other than those provided on-bus), canteens, washrooms and toilets acquired, provided or adopted by the Grantee or any Other Grantee whether under this Franchise or any other franchise, as the case may be.</p> <p>(2) The Commissioner may, after consultation with the Grantee, direct in writing that with effect from a specified date the Grantee shall cease using, vacate or remove any bus stops, terminal points, termini and Facilities which are or have been used by the Grantee under this Franchise or any other franchise and which are not required for use by the Grantee for the Bus Service.</p> <p>(3) The Commissioner may, after consultation with the Grantee, direct in writing that with effect from a specified date the Grantee shall:—</p> <p style="margin-left: 40px;">(a) make available and transfer the Grantee's whole right, title and interest in the Facilities (other than those provided on-bus) acquired, provided or adopted by the Grantee under this Franchise or any other franchise to any Other Grantee; and</p> <p style="margin-left: 40px;">(b) accept the transfer of and assume responsibility for any facilities (other than those provided on-bus) which are acquired, provided or adopted by any Other Grantee and which are to be transferred to the Grantee by virtue of a direction given by the Commissioner to any Other Grantee under the provisions of any other franchise with similar effect to Clause 8(3)(a).</p> <p>(4) In the event that the Commissioner makes a direction:—</p> | Shared use of bus stops etc. |

- (a) under Clause 8(1), the Grantee shall negotiate in good faith with the concerned Other Grantee to reach agreement as to maintenance responsibilities and the fair and equitable apportionment on the expenses of maintaining the Facilities (other than those provided on-bus), canteens, washrooms and toilets between the Grantee and the Other Grantee; and
 - (b) under Clause 8(3)(a) or (b), the Grantee shall negotiate in good faith with the concerned Other Grantee to reach agreement as to a fair and equitable price for acquiring or providing the facilities or Facilities (other than those provided on-bus).
 - (5) In the event that the Grantee and the concerned Other Grantee fail to reach agreement under Clause 8(4)(a) or (b) within a reasonable time to be specified by the Commissioner, the Grantee and the concerned Other Grantee shall enter into an agreement on what the Commissioner may determine to be a fair and equitable apportionment or price for the purpose of Clause 8(4)(a) and (b).
9. (1) No Facilities, installation, fixtures, fittings, apparatus or equipment shall be constructed, erected, installed or permitted at, on or in any bus stops, terminal points, termini or buses without the prior approval in writing of the Commissioner. The Commissioner may reasonably require the Grantee to remove any Facilities, installation, fixtures, fittings, apparatus or equipment which are constructed, erected, installed or permitted in contravention of this Clause.
- Approval of Commissioner required in connection with the Facilities, canteens, washrooms and toilets
- (2) No canteens, washrooms or toilets referred to in Clause 7 shall be constructed, erected or installed nor shall any structural alteration or change in use be made thereto without the prior approval in writing of the Commissioner. The Commissioner may reasonably require the Grantee to remove any canteens, washrooms or toilets which are constructed, erected or installed or to which structural alteration or change in use is made in contravention of this Clause.
10. (1) The Grantee shall not for the purposes of advertising, sponsorship or commercial promotion use or permit the use of, the Facilities, canteens, washrooms and toilets of the Grantee or any Other Grantee without the prior approval in writing of the Commissioner (such approval shall not be unreasonably withheld).
- Advertising, etc.
- (2) Any agreement or arrangement in respect of any advertising, sponsorship or commercial promotion entered into by the Grantee with the prior approval in writing of the Commissioner

under Clause 10(1) above shall be and be made subject to the terms and conditions of this Franchise.

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| 11. | The Commissioner may by notice in writing direct the Grantee to use such terminal points or termini and facilities which will be made available by the Government at no cost to the Grantee for the purposes of parking and turn-around of buses used by the Grantee on any of the specified routes. | Government to provide parking facilities at terminal points |
| 12. | <p>(1) Subject to Clause 12(3), the Grantee shall, at such place as the Commissioner may direct in writing, make available free of charge for inspection by members of the public a copy of the Schedule of Routes order for the time being in force and any notice given under section 15 of the Ordinance.</p> <p>(2) Subject to Clause 12(3), the Grantee shall cause to be displayed free of charge for viewing by members of the public in a conspicuous place:—</p> <p style="margin-left: 40px;">(a) at each terminal point or terminus of a specified route;</p> <p style="margin-left: 40px;">(b) at the Customer Service Centre at the Airport Terminal Building or at any other appropriate location at the Airport; and</p> <p style="margin-left: 40px;">(c) at such bus stops as may be specified by the Commissioner</p> <p>information on the location of the bus stops and the fares and timetables applicable to the bus service on such specified routes.</p> <p>(3) The Grantee shall provide the information mentioned in Clause 12(1) and 12(2) above in such form and manner, by such means and at such times as may be reasonably required by the Commissioner, after consultation with the Grantee.</p> | Display of routes and fares |
| 13. | <p>(1) The Grantee shall make available to the public, in relation to the bus service on each specified route, the following information:—</p> <p style="margin-left: 40px;">(a) the bus fares;</p> <p style="margin-left: 40px;">(b) the route and timetable; and</p> <p style="margin-left: 40px;">(c) the location of bus stops, journey time and any other related information, as may be reasonably required by the Commissioner after consultation with the Grantee</p> <p>in such form and manner, by such means and at such times as may be reasonably specified from time to time by the Commissioner.</p> | Making available information on specified route, etc. |

- (2) The Grantee shall make available to the public the information referred to in Clause 13(1)(a) to (c) above for free or for a fee not exceeding that reasonably determined by the Commissioner.
 - (3) The Grantee shall also make available to the public, the information referred to in Clause 13(1)(a) to (c) above on the Grantee's website and through readily accessible common web browsers as may be reasonably required by the Commissioner after consultation with the Grantee.
14. (1) The Grantee shall, to the satisfaction of the Commissioner, make appropriate arrangements including the establishment of Passenger Liaison Groups to liaise, communicate with and receive opinions of the public for the purpose of assessing and improving standards of the Bus Service.
- (2) The Grantee shall, to the satisfaction of the Commissioner, provide the Passenger Liaison Groups with reasonable facilities for meetings including venues, postage and stationery, as they may require from time to time.
- (3) The Grantee shall promulgate such rules for membership and meetings of the Passenger Liaison Groups, rules for attendance by officers of the Transport Department as observers, terms of reference of the Passenger Liaison Groups and, without limitation, such other terms relating to the Passenger Liaison Groups, their members or constitution as the Commissioner may direct or approve in writing. Any officer of the Transport Department may attend the meetings of the Passenger Liaison Groups as an observer.
- (4) The Grantee shall use its reasonable endeavours to facilitate meetings of each of the Passenger Liaison Groups at least once every two months or as and when the Commissioner may reasonably require for the purpose of making proposals for maintaining or improving standards relating to the Bus Service.
- (5) The Grantee shall report to the Commissioner, at least once every two months or as and when directed by the Commissioner, the details of passenger liaison arrangements made by the Grantee, the proposals made by the Passenger Liaison Groups and implementation of those proposals.
15. The Grantee shall provide and maintain at its own cost and expense and to the satisfaction of the Commissioner a customer service centre at the Airport Terminal Building or at any other appropriate location at the Airport for the purposes of providing airport bus passengers with:–
- (a) ticketing and luggage handling service;

Passenger Liaison
Groups

Customer service
centre

- (b) information and enquiry service; and
 - (c) any other services that may be necessary to assist passengers in utilising the public bus service at the Airport.
16. (1) The Grantee shall to the satisfaction of the Commissioner make appropriate arrangements to conduct passenger satisfaction surveys in such form and manner, by such means and at such times as may be reasonably required by the Commissioner, after consultation with the Grantee. Passenger satisfaction
- (2) (a) The Grantee shall publish:
- (i) its passenger service pledge setting a reasonable time frame for responding to complaints and suggestions from the public; and
 - (ii) the achievement rate of its passenger service pledge under Clause 16(2)(a)(i) above.
- (b) The Grantee shall respond to complaints and suggestions referred to the Grantee by the Commissioner at such times and in such manner as may be reasonably required by the Commissioner after consultation with the Grantee.
17. (1) The Grantee shall furnish the Commissioner, on or before 15 January each year in such form as the Commissioner may specify from time to time, with information on:– List of premises and maintenance facilities
- (a) premises provided and maintained by the Grantee under section 19 of the Ordinance as at 31 December of the preceding year; and
 - (b) facilities provided by the Grantee and their locations as at 31 December of the preceding year for the construction, repair and maintenance of the buses and other vehicles used or kept by the Grantee for the purposes of or in connection with this Franchise.
- (2) The Commissioner may, after consultation with the Grantee, from time to time direct by notice in writing to the Grantee the manner in which the Grantee is to use any of the specified premises provided and maintained by the Grantee under section 19 of the Ordinance.
- (3) The Grantee shall establish a documented bus maintenance system to the satisfaction of the Commissioner in accordance with which all buses shall be inspected and maintained before deployment for the Bus Service.

- (4) The Grantee and the aforementioned documented bus maintenance system shall comply with all requirements, guidelines, technical notes, practice notes, maintenance arrangements and quality assurance and conformity assessments in respect of bus maintenance as issued by the Commissioner which may be reasonably amended by the Commissioner from time to time after consultation with the Grantee.
18. The Grantee shall, as and when directed by and to the satisfaction of the Commissioner:–
- Provision of control centre and contingency arrangement
- (a) provide and maintain for the purpose of regulating, controlling and directing bus movements a control centre which shall be:–
 - (i) situated at the Airport Terminal Building or such location as the Commissioner may direct; and
 - (ii) manned at all times by competent personnel of the Grantee;
 - (b) provide and maintain at all times direct communication links between the control centre and
 - (i) the emergency contact point of the Transport Department designated by the Commissioner; and
 - (ii) the Ground Transportation Centre – Control Centre of the Airport Authority;
 - (c) design a contingency plan to meet any exigency that may arise in respect of the Bus Service and shall promptly carry out the measures contained in the contingency plan when such exigency arises;
 - (d) provide assistance, including sending competent personnel to attend the emergency control centre of the Transport Department; and
 - (e) provide bus information relating to any exigency that may arise in respect of the Bus Service to the Government in such form and manner, by such means, and at such times as may be reasonably specified by the Commissioner, including without limitation through digital means for automatic data retrieval.
19. (1) The Grantee may provide, or permit the provision of, ancillary or add-on services subject to prior approval in writing of the Commissioner.
- Provision of ancillary and add-on services
- (2) The Grantee shall provide such ancillary or add-on services as

may be reasonably required by the Commissioner for the purpose of the Bus Service after consultation with the Grantee.

20. The Grantee shall comply with all requirements, guidelines, technical notes, practice notes and training arrangements in respect of bus drivers issued by the Commissioner which may be reasonably amended by the Commissioner from time to time after consultation with the Grantee.
- Training of bus drivers

PART III

FINANCIAL

21. In this Part, unless the context otherwise requires:—
- Definitions in Part III

“Appointed Actuary”
means an actuary who

- (a) has the qualifications as prescribed for the appointment of actuaries under the Insurance (Actuaries’ Qualifications) Regulation (Cap. 41A); and
- (b) is in practice with a firm providing actuarial consultancy services in Hong Kong;

“Contingency Fund”
means all contingency funds provided or to be provided by the Grantee for meeting its liabilities including without limitation those for third party risks in respect of the Bus Service but excluding any contingency funds for any loss of revenue due to any cause whatsoever;

“Fair Market Value” of any of the Fixed Assets
means the market price at which the assets could be acquired in a transaction at arm’s length between persons that are not Related Parties;

“Fixed Assets”
means:—

- (a) land, buildings, furniture, fixtures and fittings, buses, coaches and other motor vehicles, plant, machinery and equipment;
- (b) other fixed assets;
- (c) all assets mentioned in (a) and (b) which are in the course of construction or in transit; and

- (d) payments on account of all assets mentioned in (a), (b) and (c)

in which the Grantee has any right, title or interest (including assets acquired through leases) and which are used or to be used or kept or to be kept by the Grantee for the purposes of or in connection with the Bus Service;

but excludes stores and spares including but not limited to items which have not been used but may form part of any buses, coaches or other motor vehicles, plant, machinery and equipment which are used or to be used or kept or to be kept by the Grantee for the purpose of or in connection with the Bus Service, irrespective of the amount of the unit cost of each item;

“Funds”

means both the Contingency Fund and the Pension Fund unless the Commissioner determines otherwise;

“Gross Revenue”

means the total income or revenue of the Grantee derived or arising from or connected with the Bus Service, which, for the avoidance of doubt, includes inter alia:—

- (a) revenue of the Grantee from fares directly or indirectly appertaining to the Bus Service;
- (b) income derived or realised directly or indirectly from Fixed Assets including but not limited to rents, advertising and private hire;
- (c) interest on cash and bank balances of the Grantee consisting of or representing funds derived or arising from the Bus Service;
- (d) income derived or realized directly or indirectly from any investment or commercial transactions, other than from Fixed Assets, made by the Grantee of funds derived or arising from the Bus Service;
- (e) income or revenue derived by the Grantee from any transaction, operation, business or activity connected with or otherwise related or ancillary, whether directly or indirectly to the Bus Service; and
- (f) currency gains realized by the Grantee in or in connection with:—
 - (i) the acquisition of Fixed Assets, stores and spares;

- (ii) the making and maintenance of provision for payment of emoluments for staff engaged in the Bus Service;
- (iii) deposits in foreign currency accounts of funds derived or arising from the Bus Service; and
- (iv) other transactions which are directly related to the Bus Service,

but excludes capital gains or capital receipts of the Grantee derived or arising from or connected with the disposal of any right, title or interest in land;

“Pension Fund”

means the fund or funds provided or to be provided by the Grantee for the payment of employees’ pensions or other retirement benefits in respect of employees engaged directly or indirectly in the operation of the Bus Service;

“Service-Related Expenditure”

means the total expenditure of the Grantee incurred or arising from or connected with the Bus Service, which, for the avoidance of doubt, includes inter alia:–

- (a) operating costs directly or indirectly incurred by the Grantee appertaining to the operation of the Bus Service and contributions to the Funds required in accordance with the assessment made by the Appointed Actuary;
- (b) depreciation as charged in accordance with Clause 22;
- (c) expenditure in establishing and maintaining public liaison and arranging for passenger satisfaction surveys in accordance with Clauses 14, 15 and 16(1); and
- (d) currency losses suffered by the Grantee in or in connection with:–
 - (i) the acquisition of Fixed Assets, stores and spares;
 - (ii) the making and maintenance of provision for payment of emoluments for staff engaged in the Bus Service;
 - (iii) deposits in foreign currency accounts of funds derived or arising from the Bus Service; and
 - (iv) other transactions which are directly related to the Bus Service,

but excludes:—

- (A) capital losses of the Grantee derived or arising from or connected with the disposal of any right, title or interest in land;
- (B) capital expenditure incurred in or arising from or connected with the Bus Service (other than that provided in sub-clause (d)(i) above);
- (C) any amount of over-provisioning in the accounts of the Grantee; and
- (D) any amount of amortisation or depreciation effected (if any) in respect of any right, title or interest in land;

“Undertaking”
means:—

- (a) all the assets listed in Schedule I as the same is updated or revised in accordance with Clause 23(2); and
- (b) all Fixed Assets and stores and spares which have been acquired by the Grantee to be included in Schedule I but before the same have been included pursuant to Clause 23(2).

22. For the purpose of this Franchise, the following practice shall be observed in the accounts of the Grantee:—

Depreciation of
Fixed Assets

- (1) With effect from the Commencement Date, depreciation expenses of the Grantee’s Fixed Assets shall be calculated at their costs of acquisition and by applying, on a straight-line basis, annual rates of depreciation derived from the useful lives, and subject to the residual values, as set out in the table below:—

<i>Fixed Assets</i>	<i>Useful Life for Depreciation</i>	<i>Residual Value</i>
Land	Not Applicable	Not Applicable
Buildings	(a) Depots and Servicing Sites - 40 years	\$1
	(b) Other buildings- Term of lease including extension or renewal period	\$1

Buses and coaches, other than light duty coaches	(a)	New ¹ buses and coaches:– 14 years from the date of first registration, unless otherwise approved by the Commissioner	\$100 for each bus or coach
	(b)	Second-hand buses and coaches:– 14 years from the date of manufacture unless otherwise approved by the Commissioner	\$100 for each bus or coach
Light duty coaches	6 years		\$100 for each light duty coach
Other motor vehicles	6 years		Nil
Computers	5 years		Nil
Plant, machinery and equipment (other than computers), furniture, fixtures and fittings	7 years		Nil

Except for the fixed asset category of buses and coaches, the Grantee may apply different residual value of an asset other than those listed in the table above. The residual value of that asset will be measured in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, which defines the residual value of an asset as the estimated amount that the Grantee would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. Such residual value shall be certified by the Grantee's auditor and subject to review by the Commissioner. The Grantee shall provide independent third party's evaluations when required by the Commissioner.

- (2) When calculating the depreciation expenses of the Grantee's Fixed Assets, the cost of acquisition of the Fixed Assets shall be net of any subsidies received or receivable by the Grantee from the Government solely for the purpose of the acquisition of such

¹ Means buses which have been acquired by the Grantee first hand

Fixed Assets.

- (3) The cost of acquisition of Fixed Assets acquired through a lease shall be measured and depreciated in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and, where applicable, subject to the provisions in Clause 22(1) above.
- (4) When any Fixed Assets or part thereof are sold or otherwise disposed of or when compensation is received from insurers in respect of damage to or loss of any Fixed Assets or any part thereof, the difference between the proceeds and net book value will be deducted from or added to the Service-Related Expenditure, as the case may be.
- (5) For the purpose of Clause 22(4),
 - (a) Fixed Assets shall exclude land in respect of which the Grantee has any right, title or interest.
 - (b) Where the Fixed Assets comprise buildings which are sold or disposed of together with the land on which they stand, and it is impossible to ascertain which portion of the sale proceeds is attributable to such buildings alone, the Grantee shall provide a valuation report prepared by an independent surveyor on the Fair Market Value of such buildings as of the date of disposal. Such Fair Market Value will be deemed to be the sale proceeds of the buildings for the purpose of Clause 22(4).
- (6) Depreciation of any Fixed Assets shall cease to be effected when the residual values as stipulated at Clause 22(1) have been reached.
- (7) No amortisation or depreciation shall be effected in respect of any land comprised in the Fixed Assets. Such land shall be valued at cost of acquisition.
- (8) Whether a building at depots and servicing sites shall be depreciated in accordance with Clause 22(1) shall be determined by the Commissioner after having regard, inter alia, to the estimated useful life of that building, the unexpired period of the lease including any extension or renewal period, and land use zoning. If the Grantee disagrees with any determination of the Commissioner on the depreciation of a building at depots and servicing sites for the purpose of this Clause, the Grantee and the Commissioner shall forward the point in disagreement to the Secretary for Transport and Logistics who shall decide on the point having regard to the submissions of the Grantee and the Commissioner and such decision of the Secretary for Transport

and Logistics shall, subject to section 33 of the Ordinance, be final.

- (9) The cost of any structural addition to a building under the Fixed Assets shall, from the date the addition is made, be depreciated in accordance with Clause 22(1) along with such building (as the case may be) over the remainder of the useful life of that building.
- (10) The net book value of all Fixed Assets brought forward from any public bus franchise applicable to the Grantee immediately before the Commencement Date shall be depreciated in accordance with but over the remainder of the applicable useful life as stipulated in Clause 22(1).

23. (1) The Grantee represents that its Undertaking at the Commencement Date shall be as listed in Schedule I. Subject to Clause 23(3) and (4) and except for that part of the Undertaking listed in Schedule I which is held on short term tenancies, the Grantee shall maintain at all times during the Franchise Period its Undertaking sufficient to operate a proper and efficient public bus service on the specified routes in accordance with section 12(1) of the Ordinance.
- Grantee's Undertaking and restrictions on disposal
- (2) The Grantee shall provide in writing to the Commissioner an annual update of Schedule I within five months after the close of an accounting year.
 - (3) The Grantee shall not without the previous written consent of the Commissioner assign, transfer, mortgage, charge, lease, grant option to lease, part with possession or otherwise dispose of the whole or any part of its Undertaking falling within the following description:—
 - (a) land, buildings and buses, or
 - (b) any other part of the Undertaking (except for plant, machinery, equipment, furniture, fixtures, fittings, motor vehicles (other than buses), stores or spares being disposed of with a view to replacement in the ordinary course of business), the disposal of which would result in an increase in the cost of the Bus Service

nor shall the Grantee without the previous written consent of the Commissioner cause or permit the forfeiture, surrender, loss, destruction or dissipation of its right, title or interest in the whole or any part of its Undertaking referred to in Clauses 23(3)(a) and (b) above. The Grantee shall observe and perform all the terms, conditions, covenants and provisions contained in any deed, agreement and other instrument under which the

Grantee acquired the right, title or interest in the whole or any part of its Undertaking.

PROVIDED that:—

- (i) consent to any disposition of landed property may be withheld if the consequence of the disposition would be to increase the cost to the Grantee of acquiring, using, holding or maintaining the premises referred to in section 19 of the Ordinance; and
 - (ii) consent required under this Clause shall not be unreasonably withheld or delayed.
- (4) Without prejudice to the Ordinance and other provisions of this Franchise, the Grantee shall not develop or cause or permit the development of any land or buildings forming part of its Undertaking or enter into any agreement to do so without the previous written consent of the Financial Secretary (which, subject to Clause 23(5), shall not be unreasonably withheld or delayed).
- (5) Notwithstanding any other provisions herein, consent to any disposition or development of any land or building under Clause 23(3) and (4) may be withheld by the Commissioner or the Financial Secretary if the consequence of the disposition or development of such land or buildings would be to increase the cost to the Grantee of acquiring, using, holding or maintaining the premises referred to in section 19 of the Ordinance.

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| 24. | The Grantee shall not without the previous consent in writing of the Commissioner invest in or dispose of any securities, such consent shall not be unreasonably withheld or delayed. | Investment in securities |
| 25. | <ul style="list-style-type: none">(1) (a) The Grantee shall, at such times as the Commissioner may direct in writing, cause the Funds to be examined by an Appointed Actuary for the purpose of assessing possible under-provisioning or over-provisioning of the Funds.(b) The Grantee shall provide such information and give access to such of its business and financial records as the Appointed Actuary may reasonably require.(c) Any finding by the Appointed Actuary as to any under-provisioning or over-provisioning of the Funds shall be accepted as final and conclusive by the Grantee in the absence of manifest error.(d) The Grantee shall, subject to the prior approval in writing of the Commissioner, write back such amount which is | Contingency Fund and Pension Fund |

certified in an actuarial report prepared by the Appointed Actuary for the purpose of Clause 25(1)(a) to be over-provided in the Funds to the statement of profit or loss kept by the Grantee in respect of the Bus Service.

- (2) The Grantee shall provide such information as the Commissioner may require in writing in respect of the Funds and their use within one month from the date of such request in writing by the Commissioner or within such other period as the Commissioner may reasonably require.
- (3)
 - (a) The balance of the Contingency Fund shall represent liabilities in the accounts of the Grantee and shall not contribute towards its distributable profit or accrue to the benefit of shareholders of the Grantee.
 - (b) Notwithstanding the expiry of this Franchise and any other terms or provisions herein, the balance of the Contingency Fund shall remain a liability in the accounts of the Grantee and shall not contribute towards its distributable profit or accrue to the benefit of shareholders of the Grantee and the balance of the Contingency Fund as at the expiry of this Franchise, howsoever determined, shall be deposited with an authorised institution, other than a deposit-taking company, within the meaning of the Banking Ordinance (Cap. 155) as approved or directed from time to time by the Commissioner.
 - (c) The Commissioner may within six months prior to the expiry of this Franchise or within three months thereafter appoint a trustee or a custodian to hold the Contingency Fund after the said expiry of this Franchise and may require the title to the Contingency Fund to be vested in the said trustee or custodian for a period of ten years from the date of expiry of this Franchise (“the ten-year period”). In such event, the said trustee or custodian shall:–
 - (i) hold the Contingency Fund in accordance with the terms and conditions as may be determined or approved by the Commissioner;
 - (ii) apply the balance of the Contingency Fund to meet third party claims against the Grantee in accordance with the terms and conditions as may be determined or approved by the Commissioner; and
 - (iii) distribute the remaining balance in the Contingency Fund (if any) at the expiry of the ten-year period to the shareholders of the Grantee whose names appear on the register of shareholders of the Grantee on the

date when the Contingency Fund is vested in the said trustee or custodian.

(d) For the avoidance of doubt, this Clause, in so far as it relates to the Contingency Fund, shall survive the expiry of this Franchise until the date falling ten years thereafter.

(4) The Grantee shall procure in such manner as it may be advised by the Appointed Actuary that the Pension Fund is held by an independent trustee under a retirement scheme registered under the Occupational Retirement Schemes Ordinance (Cap. 426) and, where applicable, the Mandatory Provident Fund Schemes Ordinance (Cap. 485).

26. (1) By virtue of section 13 of the Ordinance, the Chief Executive in Council may review the scale of fares to be charged for the Bus Service and may determine and adjust such scale of fares upward or downward at any time and from time to time during the Franchise Period as he deems fit. Revenue and expenditure
- (2) Without derogation from the provisions of section 13 of the Ordinance and the powers conferred on the Chief Executive in Council thereunder, in making recommendations to the Chief Executive in Council for him to determine the scale of bus fares under the provisions of section 13 of the Ordinance, the Commissioner may have regard, inter alia, to:—
- (a) changes in Gross Revenue and Service-Related Expenditure since the last fare adjustment;
 - (b) forecasts of future Gross Revenue, Service-Related Expenditure, and return on average net fixed assets which takes into account net profits or loss and borrowing costs after tax attributable to the Bus Service;
 - (c) the need to provide the Grantee with a reasonable rate of return;
 - (d) public acceptability and affordability;
 - (e) the quality and level of the public bus service provided by the Grantee; and
 - (f) changes in price of cost elements and improvement in productivity of the franchised bus industry.
- (3) In applying for an upward or downward adjustment to the fares applicable to its Bus Service, the Grantee shall take into account, inter alia, the factors specified in Clause 26(2)(a) to (f).

PART IV
MISCELLANEOUS

27. (1) When acquiring new buses and setting specifications for such acquisition, the Grantee shall, as far as reasonably practicable:— Environmentally friendly buses
- (a) adopt the latest commercially available and proven technologies to reduce noise emissions; and
- (b) acquire the most environmentally friendly buses in terms of vehicle exhaust emission (with the ultimate objective of acquiring zero emission buses), that are technologically proven and commercially available
- taking into account feasibility in terms of operational and passenger service requirements and affordability for the Grantee and passengers.
- (2) The Grantee shall adopt, at such times and in such manner, such commercially available and proven technologies and products on its buses as the Commissioner may reasonably specify after consultation with the Grantee for the purpose of reducing exhaust and noise emissions in the operation of the Bus Service.
28. (1) The Grantee shall comply with all the provisions, stipulations and requirements set out in a Forward Planning Programme for the time being in force. Forward Planning Programme
- (2) If the Grantee fails to comply with any of the provisions, stipulations and requirements contained in a Forward Planning Programme, the Grantee shall, within such time as may be specified by the Commissioner, submit a report to the Commissioner with full details and the reasons for such failure.
29. (1) The Grantee shall: Operational records and information to be supplied to Commissioner
- (a) provide to the Commissioner the information relating to and records kept by the Grantee in respect of the Bus Service in accordance with Schedule II; and
- (b) provide and maintain at such times and in such manner as may be reasonably specified by the Commissioner, including without limitation electronic means to enable the Commissioner to at all times access and directly retrieve the information and records referred to under Clause 29(1)(a).

- (2) The Grantee shall without delay provide in writing to the Commissioner such information as he may from time to time reasonably require for the purpose of assessing the financial position of the Grantee, including without limitation:–
- Financial information to be supplied to the Commissioner
- (a) accounting system manual and costing system manual used by the Grantee for the preparation of accounts for the Bus Service; and
 - (b) procurement policies, procurement procedures and practice manual of goods and services relating to the Bus Service including but not limited to fuel, buses, spare parts, tyres and tubes, plant and machinery, repair and maintenance and cleaning services.
- (3) The Grantee shall provide in writing to the Commissioner with financial information for the purpose of assessing the financial position of the Grantee, including without limitation:–
- (a) annual audited financial statements prepared and certified by a Qualified Auditor within four months after the close of each accounting year;
 - (b) monthly management accounts (including statement of profit or loss, statement of financial position and statement of cash flows) in such form and manner as the Commissioner may specify within two months from the ending date of the period concerned or such longer period as the Commissioner may specify; and
 - (c) monthly report on the fuel price, fuel cost, fuel consumption, hedging contracts on fuel, in such form and manner as the Commissioner may specify, within two months from the ending date of the period concerned.
- (4) (a) Subject to the provisions of the Ordinance, this Franchise and the accounting policies approved by the Commissioner under Clause 29(4)(b), the Grantee shall prepare and keep its accounts related to the Bus Service in accordance with the prevailing accounting standards and principles generally accepted in Hong Kong.
- (b) The Grantee shall, not later than three months before the end of each accounting year, submit for the approval of the Commissioner the accounting policies governing the accounts of the Grantee which are related to the Bus Service in the form and manner as the Commissioner may specify. Such approval shall not be unreasonably withheld or delayed. The Grantee shall comply with such accounting policies as approved by the Commissioner for

keeping and preparing its accounts relating to the Bus Service. The Grantee shall not make any change to the accounting policies approved by the Commissioner hereunder without the prior written approval of the Commissioner. Such accounting policies are subject to the provisions of the Ordinance and this Franchise, and unless agreed otherwise between the Grantee and the Commissioner, shall be in accordance with the prevailing accounting standards and principles generally accepted in Hong Kong.

- (5) Without prejudice to the generality of Clause 29(4), the Commissioner may give direction as to the criteria for apportionment of the Grantee's general administration costs between the Bus Service and the Grantee's other businesses.
- (6) The Grantee shall ensure that contracts that are material to the Bus Service shall be put out for Open Tendering as far as practicable. Where it is not practicable for Open Tendering, prior approval for not pursuing Open Tendering shall be sought from the Grantee's board of directors. The Grantee is also required to specify in any internal paper on procurement of services or goods or both whether or not the tenderers or suppliers and the Grantee are Related Parties.
- (7) The Grantee shall obtain approval from the Grantee's board of directors before awarding any contract that is material to the Bus Service to a Related Party of the Grantee save and except where such award is effected as a result of an Open Tendering process participated by any third party which is not a Related Party. In seeking the board of directors' approval to award a contract to a Related Party of the Grantee without going through an Open Tendering process, the Grantee shall, in so far as practicable, provide relevant information to satisfy its board with supporting evidence that the terms and conditions of the proposed contract are no less favourable to the Grantee than those in a contract which might otherwise be entered into with a third party which is not a Related Party of the Grantee.
- (8) The Grantee shall procure and provide to the Commissioner financial information on all transactions which are related to the Bus Service made between the Grantee and any Related Party of the Grantee on an annual basis within five months after the close of each accounting year or as the Commissioner may from time to time require.

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| 30. | <ol style="list-style-type: none"> (1) The Grantee shall keep separate accounts for the Bus Service and its other businesses. The accounts of the Grantee which are related to the Bus Service shall be audited annually by a Qualified Auditor and published for the information of the | Publication of accounts and operational information |
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public, in such form and manner as the Commissioner may from time to time require, within five months after the close of each accounting year.

- (2) The Grantee shall publish for the information of the public such records kept by the Grantee which are related to the Bus Service, in such form and manner as the Commissioner may from time to time require after consultation with the Grantee within five months after the close of each accounting year.

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| 31. | Without prejudice to any other provisions of this Franchise, all financial statements, management accounts and other accounts of the Grantee, whether or not such financial statements, management accounts or other accounts are related to or connected with the Bus Service:— | Content and Form of Account |
| | <ol style="list-style-type: none"> (a) shall give a true and fair view of the state of the Grantee's affairs and explain its transactions; (b) shall be kept at the registered office of the Grantee in Hong Kong and shall at all times be open to inspection by the Grantee's directors; and (c) shall consist of the Grantee's statement of financial position and statement of profit or loss, which, save with the prior consent in writing of the Commissioner, comply with the applicable requirements of Schedule 4 of the Companies Ordinance (Cap. 622) and Clause 29(3). | |
| 32. | This Franchise shall be governed by, and construed in accordance with, Hong Kong law and the Grantee shall submit to the exclusive jurisdiction of the courts of Hong Kong. | Governing law and jurisdiction |
| 33. | <ol style="list-style-type: none"> (1) Any notice in writing or other document to be given to the Grantee by the Chief Executive in Council, the Financial Secretary, the Secretary for Transport and Logistics, the Government or the Commissioner under or in relation to this Franchise may be given under the hand of any duly authorised officer of Government and may be served by sending the same in a letter addressed to the registered office of the Grantee. (2) Any notice in writing or other documents to be given to the Chief Executive in Council, the Financial Secretary, the Secretary for Transport and Logistics, the Government or the Commissioner by the Grantee under or in relation to this Franchise may be served by sending the same in a letter to the Commissioner. | Notices |
| 34. | All meetings of the board of directors of the Grantee shall be held in Hong Kong unless all the directors of the Grantee unanimously agree | Board meetings in Hong Kong |

to have a meeting elsewhere.

35. (1) Without derogation from any provisions of the Ordinance, this Franchise will be subject to review at any time and from time to time by the Commissioner during the Franchise Period starting from and including 1 May 2027. For this purpose, the Grantee shall comply without delay with all reasonable requests by the Commissioner and afford such assistance and co-operation in all respects to facilitate the conduct of the review as the Commissioner may reasonably require.
- (2) Without prejudice to the generality of Clause 35(1) and any other provisions of this Franchise, the Grantee shall, for the purpose of this Clause:—
- (a) upon request by the Commissioner, provide without delay to the Commissioner such information as may be reasonably required; and
- (b) appoint a person with such qualification or experience as the Commissioner may from time to time require to examine such aspects of the Bus Service as he may reasonably direct.
- (3) During the period of such review, the Commissioner may consult with and receive written submissions or recommendations from such persons as he sees fit.
36. The Grantee shall publish its code on corporate social responsibility within six months from the Commencement Date and, annually thereafter:—
- (a) publish the achievement of individual items contained therein; and
- (b) review and update its content for the purpose of continuous improvement.
37. The Grantee shall, throughout the Franchise Period, submit to the Commissioner annually a report prepared by a Qualified Auditor or a Certification Body certifying that the Grantee has put in place internal control systems and procedures which are adequate to enable, as far as practicable, the Grantee to measure and record, in all material respects, its operation statistics and other information to ensure that such statistics and other information which may be required by the Commissioner under the Ordinance or this Franchise are accurate in all material respects and if the Qualified Auditor or Certification Body forms the view that those control systems and procedures are not adequate, the nature and extent of such inadequacies.
- Mid-term review
- Corporate social responsibility
- System audit

Dated this day of July 2022

COUNCIL CHAMBER

Clerk to the Executive Council

SCHEDULE I
Clause 23(1)
Grantee's Undertaking

(As at 1 May 2023)

1. *Buses*

(A) Requirement

	<i>Operating Requirement</i>	<i>Number of Buses Required in Fleet</i>
(i) For operating the Bus Service	256	
(ii) Total requirement for the Bus Service based on 91% availability		282

(B) The requirement of buses in paragraph 1(A) above will be represented by –

<i>Bus Fleet</i>	<i>Number</i>	<i>Average Age (Yr.)</i>	<i>Estimated Net Book Value (HK\$)</i>	<i>Nature of Interest</i>
(i) Double-Deck – diesel	282	3.8	597,265,000	Wholly owned
(ii) Single-Deck – diesel	0	0	0	Wholly owned
(iii) Double-Deck – electric	0	0	0	Wholly owned
(iv) Single-Deck – electric	0	0	0	Wholly owned
Total fleet	282	3.8	597,265,000	

2. Land and Buildings

	<i>Approximate Site Area (m²)</i>	<i>Estimated Net Book Value (HK\$)</i>	<i>Nature of Interest</i>
Bus depot at Siu Ho Wan, North Lantau	7,660	Nil	Short term tenancy commencing on 26 April 1997 up to 31 May 2003 and thereafter quarterly.
Bus depot at Dai Wah Street, Tai Po	4,910	Nil	Short term tenancy 18 months from 7 November 2016 and thereafter quarterly.

3. Machinery and Equipment

	<i>Estimated Net Book Value (HK\$)</i>	<i>Nature of Interest</i>
Machinery and equipment including:	6,781,000	Wholly owned
(A) Bus washing machines;		
(B) Brake testers;		
(C) Forklift trucks;		
(D) Mobile vehicle lifts; and		
(E) Others		

4. Other Fixed Assets

	<i>Estimated Net Book Value (HK\$)</i>	<i>Nature of Interest</i>
(A) Other vehicles	599,000	Wholly owned
(B) Computers	2,242,000	Wholly owned
(C) Fare boxes	0	Wholly owned
(D) Furniture and fittings	316,000	Wholly owned
(E) Electronic payment systems (including Octopus)	1,680,000	Wholly owned
(F) Passenger facilities (including ETA panels, seats at bus stops and shelters)	5,068,000	Wholly owned
(G) Major motor vehicle components	26,075,000	Wholly owned
(H) Passenger Wi-Fi system	0	Wholly owned
(I) Others	0	Wholly owned

5. *Others*

	<i>Estimated Value (HK\$)</i>	<i>Nature of Interest</i>
Stores and spares	795,000	Wholly owned

SCHEDULE II

Information and Records Relating to the Bus Service to be Kept and Provided by the Grantee under Clause 29(1) including all of the following:

<u>Item</u>	<u>Records and Information</u>
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- | | | | | | |
|------|---|-----|--|------|---|
| (a) | the number of passengers carried on every day on each specified route. | | | | |
| (b) | the number of passengers boarding and alighting at bus stops and the occupancy of buses when leaving each of the stops at hourly interval on each specified route as collected by surveys or any other means as the Commissioner may specify after consultation with the Grantee. For the purpose of this Clause, the Grantee shall collect such information at least once in each year on a weekday, other than a public holiday or a day on which the storm signal Number 8 (or higher) or a black rainstorm warning is issued or extreme conditions after a super typhoon are announced by the Government. | | | | |
| (c) | the number of passengers and the occupancy of buses when leaving such stops at half-hourly interval on any of the specified routes as the Commissioner may specify. | | | | |
| (d) | the number of buses in use on each specified route on every day and the carrying capacity of each of such buses for the purpose of or in connection with this Franchise. | | | | |
| (e) | the journey time for journeys between terminal points on each specified route as reflected from the survey hereinafter mentioned. For the purpose of this Clause, the Grantee shall conduct surveys at such times and in such manner as the Commissioner may specify. | | | | |
| (f) | <table border="0"><tr><td>(i)</td><td>the scheduled and actual departure time of each journey on every day on each specified route, where the scheduled departure time refers to the time when the journey departs from the terminus in accordance with the Schedule of Service of each specified route; and</td></tr><tr><td>(ii)</td><td>the actual departure time of adjusted journey departs from the designated stop.</td></tr></table> | (i) | the scheduled and actual departure time of each journey on every day on each specified route, where the scheduled departure time refers to the time when the journey departs from the terminus in accordance with the Schedule of Service of each specified route; and | (ii) | the actual departure time of adjusted journey departs from the designated stop. |
| (i) | the scheduled and actual departure time of each journey on every day on each specified route, where the scheduled departure time refers to the time when the journey departs from the terminus in accordance with the Schedule of Service of each specified route; and | | | | |
| (ii) | the actual departure time of adjusted journey departs from the designated stop. | | | | |
| (g) | the number of scheduled journeys, actual journeys and additional journeys operated by the Grantee on every day on each specified route in each of the periods of a day specified by the Commissioner, where the number of scheduled journeys refers to the number of journeys that shall be operated by the Grantee in accordance with the Schedule of Service of each specified route. | | | | |
| (h) | the number of scheduled journeys that the Grantee fails to operate on every day on each specified route due to vehicle breakdown, vehicle shortage, driver shortage, traffic congestion, accidents, inclement weather, public events, redeployment of buses and others, or any other categorisation of reasons as specified by the Commissioner. | | | | |
| (i) | the carrying capacity and technical specifications of buses kept by the Grantee for the purpose of or in connection with this Franchise in each calendar month. | | | | |

- (j) the number of buses of each bus type and other vehicles used and the number of buses ordered by the Grantee for the purpose of or in connection with this Franchise in each calendar month.
- (k) the number of journeys and total kilometres travelled with breakdowns of revenue-generated kilometres and non-revenue-generated kilometres on each specified route on every day.
- (l) the number of bus driver duties scheduled to operate all specified routes in accordance with the Schedule of Service on a day required by the Commissioner and the percentage of bus drivers, selected on the sample size as specified by the Commissioner, in compliance with the guidelines on arrangements in relation to working hour and rest time of bus drivers issued by the Commissioner after consultation with the Grantee.
- (m) the number of bus drivers at the end of each calendar month required and available to operate all specified routes in accordance with the Schedule of Service; and the surplus or shortage of bus drivers.
- (n) the total number of bus drivers resigned, retired, separated with other reasons, newly recruited and re-employed in each calendar month.
- (o) the daily receipts from the passengers carried on every day on each specified route.
- (p) the maintenance schedule of the buses.
- (q) the maintenance schedule of other vehicles and inventory of stores.
- (r) all such data, records and measurements to show safety performance of franchised buses as stated in the Safety Performance Indicators For Franchised Buses issued by the Commissioner or in such form and manner as may be from time to time required by the Commissioner.
- (s) all such data and records in relation to accidents or safety-related incidents in such form and manner as from time to time required by the Commissioner.
- (t) the data, records and information relating to the interchanging patterns of bus passengers at specified sections of bus journeys of the specified routes of the Grantee's Bus Service during specified periods of time as may be prescribed by the Commissioner from time to time.

PUBLIC BUS SERVICES ORDINANCE (Chapter 230)

FRANCHISE

In exercise of the powers conferred by section 5 of the Public Bus Services Ordinance, the Chief Executive in Council hereby grants to Citybus Limited, a company registered under the Companies Ordinance, whose registered office is situated at No.8 Chong Fu Road, Chai Wan, Hong Kong, the right to operate a public bus service on the routes specified in the appropriate Schedule of Routes order from time to time in force in respect of the said company under section 5(1), and in any notices under sections 14 and 15, of the Public Bus Services Ordinance, subject to the conditions hereinafter contained namely:—

PART I

PRELIMINARY

1. (1) In this Franchise, unless the context otherwise requires:— Interpretation

“the Airport”

means an airport for civil aviation in the vicinity of Chek Lap Kok;

“the Airport Authority”

means the Airport Authority within the meaning of the Airport Authority Ordinance (Cap. 483);

“Airport Terminal Building”

means the passenger terminal building of the Airport;

“Bus Service”

means the Grantee’s business of operating a public bus service under this Franchise;

“Certification Body”

means a certification body accredited under the Hong Kong Certification Body Accreditation Scheme by the Hong Kong Accreditation Service, Innovation and Technology Commission;

“Clause”

means a clause of this Franchise;

“Commencement Date”

means 04:00 Hours 1 May 2023;

“Customer Service Centre”

means the customer service centre established pursuant to Clause 15;

“Facilities”

means each of the following and includes parts thereof:–

bus stop signs, bus stop sign posts, canopies, shelters, seats, queue railings, lighting at bus stops, terminal points and termini; information panels and equipment; customer service centres; bus regulators’ offices and kiosks; air-conditioned passenger waiting areas; television broadcasting and all other audio-visual equipment; and such other facilities that are used by the Grantee for the purpose of or in connection with the Bus Service, and in the event of any dispute as to the meaning of any of the aforesaid, shall be determined by the Commissioner after consultation with the Grantee;

“Forward Planning Programme”

means a programme which is in force from time to time under section 12A of the Ordinance;

“Franchise”

means this franchise granted to the Grantee pursuant to section 5 of the Ordinance;

“Franchise Period”

means the period referred to in Clause 4 which shall also mean the franchise period as defined in the Ordinance;

“Grantee”

means Citybus Limited;

“Hong Kong”

means the Hong Kong Special Administrative Region of the People’s Republic of China;

“Open Tendering”

means a tendering exercise where all interested persons may participate;

“Ordinance”

means the Public Bus Services Ordinance (Cap. 230);

“Other Grantee”

means any other company which is a grantee of a franchise under the Ordinance;

“Passenger Liaison Groups”

means the passenger liaison groups established pursuant to

Clause 14(1);

“Qualified Auditor”

means a person who is qualified for appointment as an auditor of a company under section 393 of the Companies Ordinance (Cap. 622);

“Related Party” or “Related Parties”

means a party or parties that is/are considered to be related for the purposes of the Hong Kong Accounting Standard (HKAS) No. 24 (Revised) “Related Party Disclosures” issued by the Hong Kong Institute of Certified Public Accountants in November 2016 as the same may be amended from time to time; and

“Schedule of Service”

means a schedule of service issued by the Commissioner from time to time in respect of each bus route of the Bus Service specifying, pursuant to the Ordinance, bus service arrangements including but not limited to the route, timetable, faretable, journey distance, journey time, carrying capacity and type of buses to be used.

- (2) Any expression or word not specifically herein defined shall have the meaning assigned to it by the Ordinance and, if not defined therein, by the Interpretation and General Clauses Ordinance (Cap. 1) and/or the Hong Kong Reunification Ordinance (110 of 1997).
- (3) For the avoidance of doubt, unless there is express provision to the contrary, the Grantee shall at no cost to the Government comply with any direction and requirement given under this Franchise by the Commissioner, the Financial Secretary or any other public officer.
- (4) For the avoidance of doubt:—
 - (a) where this Franchise confers upon any public officer power to do or enforce the doing of any act or thing, all such powers shall be also conferred as are reasonably necessary to enable the public officer to do or enforce the doing of the act or thing.
 - (b) without prejudice to the generality of Clause 1(4)(a) above, where this Franchise confers power upon any public officer:—
 - (i) to grant approval, consent or exemption, such power shall include power to impose reasonable conditions subject to which such approval, consent or exemption may be granted;
 - (ii) to approve any person or thing, such power shall include power to withdraw approval thereof; and

(iii) to give directions, such power shall include power to couch the same in the form of prohibitions.

- | | | |
|----|---|---|
| 2. | (1) This Franchise is granted subject to the Grantee complying with the terms and conditions on its part to be performed in any franchise applicable to the Grantee under the Ordinance and in force in the period ending 04:00 Hours 1 May 2023 and with the provisions of the Ordinance. | Franchise subject to performance of obligations, etc. |
| | (2) The Ordinance shall apply to this Franchise in full and for all purposes. Nothing in this Franchise is intended or shall be construed to affect, restrict, limit or diminish in any way, any of the powers (including discretion or privilege) of the Government, the Commissioner or any other public officer under the Laws of Hong Kong. | |
| 3. | The Grantee shall have the non-exclusive right to operate the Bus Service on the routes which are specified in the Schedule of Routes order for the time being in force. | Routes Order |
| 4. | This Franchise is granted for the period from and including the Commencement Date until 04:00 Hours 1 May 2033 and such period may be extended under section 6(2) or (3) of the Ordinance. | Franchise Period |
| 5. | For the purposes of section 8 of the Ordinance, a majority of the directors of the Grantee shall be individuals who are ordinarily resident in Hong Kong. | Residential requirement |

PART II

GENERAL

- | | | |
|----|--|----------------------------------|
| 6. | (1) (a) The Grantee shall, as far as practicable, acquire, provide, adopt, maintain, or modify to the satisfaction of the Commissioner such safety or service enhancement facilities, installation, fixtures, fittings, apparatus or equipment on its buses as may be reasonably required by the Commissioner after consultation with the Grantee. | Provision of the Facilities etc. |
| | (b) Subject to Clause 27, the Grantee shall, in acquiring new buses for operating the Bus Service, comply with all such specifications and requirements for such acquisition issued by the Commissioner, which may be reasonably amended by the Commissioner from time to time after consultation with the Grantee. | |

- (2) Subject to Clauses 8 and 9, the Grantee shall acquire, provide, adopt, maintain, modify or remove to the satisfaction of the Commissioner such Facilities as may be reasonably required by the Commissioner after consultation with the Grantee.
7. Subject to Clauses 8 and 9, the Grantee shall acquire, provide, adopt, maintain, modify or remove to the satisfaction of the Commissioner such canteens, washrooms and toilets for its employees and the employees of any Other Grantee as the Commissioner considers appropriate after consultation with the Grantee. Provision of canteens, washrooms and toilets
8. (1) The Commissioner may, after consultation with the Grantee, direct in writing that for a specified period with effect from a specified date the Grantee shall share or permit the sharing of the use of any or all of the bus stops, terminal points, termini, Facilities (other than those provided on-bus), canteens, washrooms and toilets acquired, provided or adopted by the Grantee or any Other Grantee whether under this Franchise or any other franchise, as the case may be. Shared use of bus stops etc.
- (2) The Commissioner may, after consultation with the Grantee, direct in writing that with effect from a specified date the Grantee shall cease using, vacate or remove any bus stops, terminal points, termini and Facilities which are or have been used by the Grantee under this Franchise or any other franchise and which are not required for use by the Grantee for the Bus Service.
- (3) The Commissioner may, after consultation with the Grantee, direct in writing that with effect from a specified date the Grantee shall:—
- (a) make available and transfer the Grantee's whole right, title and interest in the Facilities (other than those provided on-bus) acquired, provided or adopted by the Grantee under this Franchise or any other franchise to any Other Grantee; and
- (b) accept the transfer of and assume responsibility for any facilities (other than those provided on-bus) which are acquired, provided or adopted by any Other Grantee and which are to be transferred to the Grantee by virtue of a direction given by the Commissioner to any Other Grantee under the provisions of any other franchise with similar effect to Clause 8(3)(a).
- (4) In the event that the Commissioner makes a direction:—
- (a) under Clause 8(1), the Grantee shall negotiate in good faith with the concerned Other Grantee to reach agreement as to maintenance responsibilities and the fair and equitable apportionment on the expenses of maintaining the Facilities (other than those provided on-bus), canteens, washrooms and

toilets between the Grantee and the Other Grantee; and

- (b) under Clause 8(3)(a) or (b), the Grantee shall negotiate in good faith with the concerned Other Grantee to reach agreement as to a fair and equitable price for acquiring or providing the facilities or Facilities (other than those provided on-bus).
 - (5) In the event that the Grantee and the concerned Other Grantee fail to reach agreement under Clause 8(4)(a) or (b) within a reasonable time to be specified by the Commissioner, the Grantee and the concerned Other Grantee shall enter into an agreement on what the Commissioner may determine to be a fair and equitable apportionment or price for the purpose of Clause 8(4)(a) and (b).
9. (1) No Facilities, installation, fixtures, fittings, apparatus or equipment shall be constructed, erected, installed or permitted at, on or in any bus stops, terminal points, termini or buses without the prior approval in writing of the Commissioner. The Commissioner may reasonably require the Grantee to remove any Facilities, installation, fixtures, fittings, apparatus or equipment which are constructed, erected, installed or permitted in contravention of this Clause. Approval of Commissioner required in connection with the Facilities, canteens, washrooms and toilets
- (2) No canteens, washrooms or toilets referred to in Clause 7 shall be constructed, erected or installed nor shall any structural alteration or change in use be made thereto without the prior approval in writing of the Commissioner. The Commissioner may reasonably require the Grantee to remove any canteens, washrooms or toilets which are constructed, erected or installed or to which structural alteration or change in use is made in contravention of this Clause.
10. (1) The Grantee shall not for the purposes of advertising, sponsorship or commercial promotion use or permit the use of, the Facilities, canteens, washrooms and toilets of the Grantee or any Other Grantee without the prior approval in writing of the Commissioner (such approval shall not be unreasonably withheld). Advertising, etc.
- (2) Any agreement or arrangement in respect of any advertising, sponsorship or commercial promotion entered into by the Grantee with the prior approval in writing of the Commissioner under Clause 10(1) above shall be and be made subject to the terms and conditions of this Franchise.
11. The Commissioner may by notice in writing direct the Grantee to use such terminal points or termini and facilities which will be made available by the Government at no cost to the Grantee for the purposes of parking and turn-around of buses used by the Grantee on any of the specified routes. Government to provide parking facilities at terminal points
12. (1) Subject to Clause 12(3), the Grantee shall, at such place as the Display of routes

Commissioner may direct in writing, make available free of charge and fares for inspection by members of the public a copy of the Schedule of Routes order for the time being in force and any notice given under section 15 of the Ordinance.

- (2) Subject to Clause 12(3), the Grantee shall cause to be displayed free of charge for viewing by members of the public in a conspicuous place:—

- (a) at each terminal point or terminus of a specified route;
- (b) at the Customer Service Centre at the Airport Terminal Building or at any other appropriate location at the Airport; and
- (c) at such bus stops as may be specified by the Commissioner

information on the location of the bus stops and the fares and timetables applicable to the bus service on such specified routes.

- (3) The Grantee shall provide the information mentioned in Clause 12(1) and 12(2) above in such form and manner, by such means and at such times as may be reasonably required by the Commissioner, after consultation with the Grantee.

13. (1) The Grantee shall make available to the public, in relation to the bus service on each specified route, the following information:—
- Making available information on specified route, etc.

- (a) the bus fares;
- (b) the route and timetable; and
- (c) the location of bus stops, journey time and any other related information, as may be reasonably required by the Commissioner after consultation with the Grantee

in such form and manner, by such means and at such times as may be reasonably specified from time to time by the Commissioner.

- (2) The Grantee shall make available to the public the information referred to in Clause 13(1)(a) to (c) above for free or for a fee not exceeding that reasonably determined by the Commissioner.
- (3) The Grantee shall also make available to the public, the information referred to in Clause 13(1)(a) to (c) above on the Grantee's website and through readily accessible common web browsers as may be reasonably required by the Commissioner after consultation with the Grantee.

14. (1) The Grantee shall, to the satisfaction of the Commissioner, make Passenger Liaison

appropriate arrangements including the establishment of Passenger Liaison Groups to liaise, communicate with and receive opinions of the public for the purpose of assessing and improving standards of the Bus Service.

- (2) The Grantee shall, to the satisfaction of the Commissioner, provide the Passenger Liaison Groups with reasonable facilities for meetings including venues, postage and stationery, as they may require from time to time.
 - (3) The Grantee shall promulgate such rules for membership and meetings of the Passenger Liaison Groups, rules for attendance by officers of the Transport Department as observers, terms of reference of the Passenger Liaison Groups and, without limitation, such other terms relating to the Passenger Liaison Groups, their members or constitution as the Commissioner may direct or approve in writing. Any officer of the Transport Department may attend the meetings of the Passenger Liaison Groups as an observer.
 - (4) The Grantee shall use its reasonable endeavours to facilitate meetings of each of the Passenger Liaison Groups at least once every two months or as and when the Commissioner may reasonably require for the purpose of making proposals for maintaining or improving standards relating to the Bus Service.
 - (5) The Grantee shall report to the Commissioner, at least once every two months or as and when directed by the Commissioner, the details of passenger liaison arrangements made by the Grantee, the proposals made by the Passenger Liaison Groups and implementation of those proposals.
15. The Grantee shall provide and maintain at its own cost and expense and to the satisfaction of the Commissioner a customer service centre at the Airport Terminal Building or at any other appropriate location at the Airport for the purposes of providing airport bus passengers with:—
 - (a) ticketing and luggage handling service;
 - (b) information and enquiry service; and
 - (c) any other services that may be necessary to assist passengers in utilising the public bus service at the Airport.
16.
 - (1) The Grantee shall to the satisfaction of the Commissioner make appropriate arrangements to conduct passenger satisfaction surveys in such form and manner, by such means and at such times as may be reasonably required by the Commissioner, after consultation with the Grantee.
 - (2)
 - (a) The Grantee shall publish:

- (i) its passenger service pledge setting a reasonable time frame for responding to complaints and suggestions from the public; and
 - (ii) the achievement rate of its passenger service pledge under Clause 16(2)(a)(i) above.
 - (b) The Grantee shall respond to complaints and suggestions referred to the Grantee by the Commissioner at such times and in such manner as may be reasonably required by the Commissioner after consultation with the Grantee.
17. (1) The Grantee shall furnish the Commissioner, on or before 15 January each year in such form as the Commissioner may specify from time to time, with information on:—
- List of premises and maintenance facilities
- (a) premises provided and maintained by the Grantee under section 19 of the Ordinance as at 31 December of the preceding year; and
 - (b) facilities provided by the Grantee and their locations as at 31 December of the preceding year for the construction, repair and maintenance of the buses and other vehicles used or kept by the Grantee for the purposes of or in connection with this Franchise.
- (2) The Commissioner may, after consultation with the Grantee, from time to time direct by notice in writing to the Grantee the manner in which the Grantee is to use any of the specified premises provided and maintained by the Grantee under section 19 of the Ordinance.
- (3) The Grantee shall establish a documented bus maintenance system to the satisfaction of the Commissioner in accordance with which all buses shall be inspected and maintained before deployment for the Bus Service.
- (4) The Grantee and the aforementioned documented bus maintenance system shall comply with all requirements, guidelines, technical notes, practice notes, maintenance arrangements and quality assurance and conformity assessments in respect of bus maintenance as issued by the Commissioner which may be reasonably amended by the Commissioner from time to time after consultation with the Grantee.
18. The Grantee shall, as and when directed by and to the satisfaction of the Commissioner:—
- Provision of control centre and contingency arrangement
- (a) provide and maintain for the purpose of regulating, controlling and directing bus movements a control centre which shall be:-

- (i) situated at the Airport Terminal Building or such location as the Commissioner may direct; and
 - (ii) manned at all times by competent personnel of the Grantee;
 - (b) provide and maintain at all times direct communication links between the control centre and
 - (i) the emergency contact point of the Transport Department designated by the Commissioner; and
 - (ii) the Ground Transportation Centre – Control Centre of the Airport Authority;
 - (c) design a contingency plan to meet any exigency that may arise in respect of the Bus Service and shall promptly carry out the measures contained in the contingency plan when such exigency arises;
 - (d) provide assistance, including sending competent personnel to attend the emergency control centre of the Transport Department; and
 - (e) provide bus information relating to any exigency that may arise in respect of the Bus Service to the Government in such form and manner, by such means, and at such times as may be reasonably specified by the Commissioner, including without limitation through digital means for automatic data retrieval.
19. (1) The Grantee may provide, or permit the provision of, ancillary or add-on services subject to prior approval in writing of the Commissioner. Provision of ancillary and add-on services
- (2) The Grantee shall provide such ancillary or add-on services as may be reasonably required by the Commissioner for the purpose of the Bus Service after consultation with the Grantee.
20. The Grantee shall comply with all requirements, guidelines, technical notes, practice notes and training arrangements in respect of bus drivers issued by the Commissioner which may be reasonably amended by the Commissioner from time to time after consultation with the Grantee. Training of bus drivers

PART III

FINANCIAL

21. In this Part, unless the context otherwise requires:– Definitions in Part III

“Appointed Actuary”

means an actuary who:–

- (a) has the qualifications as prescribed for the appointment of actuaries under the Insurance (Actuaries’ Qualifications) Regulation (Cap. 41A); and
- (b) is in practice with a firm providing actuarial consultancy services in Hong Kong;

“Contingency Fund”

means all contingency funds provided or to be provided by the Grantee for meeting its liabilities including without limitation those for third party risks in respect of the Bus Service but excluding any contingency funds for any loss of revenue due to any cause whatsoever;

“Fair Market Value” of any of the Fixed Assets

means the market price at which the assets could be acquired in a transaction at arm’s length between persons that are not Related Parties;

“Fixed Assets”

means:–

- (a) land, buildings, furniture, fixtures and fittings, buses, coaches and other motor vehicles, plant, machinery and equipment;
- (b) other fixed assets;
- (c) all assets mentioned in (a) and (b) which are in the course of construction or in transit; and
- (d) payments on account of all assets mentioned in (a), (b) and (c)

in which the Grantee has any right, title or interest (including assets acquired through leases) and which are used or to be used or kept or to be kept by the Grantee for the purposes of or in connection with the Bus Service;

but excludes stores and spares including but not limited to items which have not been used but may form part of any buses, coaches or other motor vehicles, plant, machinery and equipment which are used or to be used or kept or to be kept by the Grantee for the purpose of or in connection with the Bus Service, irrespective of the amount of the unit cost of each item;

“Funds”

means both the Contingency Fund and the Pension Fund unless the Commissioner determines otherwise;

“Gross Revenue”

means the total income or revenue of the Grantee derived or arising

from or connected with the Bus Service, which, for the avoidance of doubt, includes inter alia:–

- (a) revenue of the Grantee from fares directly or indirectly appertaining to the Bus Service;
- (b) income derived or realised directly or indirectly from Fixed Assets including but not limited to rents, advertising and private hire;
- (c) interest on cash and bank balances of the Grantee consisting of or representing funds derived or arising from the Bus Service;
- (d) income derived or realized directly or indirectly from any investment or commercial transactions, other than from Fixed Assets, made by the Grantee of funds derived or arising from the Bus Service;
- (e) income or revenue derived by the Grantee from any transaction, operation, business or activity connected with or otherwise related or ancillary, whether directly or indirectly to the Bus Service; and
- (f) currency gains realized by the Grantee in or in connection with:–
 - (i) the acquisition of Fixed Assets, stores and spares;
 - (ii) the making and maintenance of provision for payment of emoluments for staff engaged in the Bus Service;
 - (iii) deposits in foreign currency accounts of funds derived or arising from the Bus Service; and
 - (iv) other transactions which are directly related to the Bus Service,

but excludes capital gains or capital receipts of the Grantee derived or arising from or connected with the disposal of any right, title or interest in land;

“Pension Fund”

means the fund or funds provided or to be provided by the Grantee for the payment of employees’ pensions or other retirement benefits in respect of employees engaged directly or indirectly in the operation of the Bus Service;

“Service-Related Expenditure”

means the total expenditure of the Grantee incurred or arising from

or connected with the Bus Service, which, for the avoidance of doubt, includes inter alia:—

- (a) operating costs directly or indirectly incurred by the Grantee appertaining to the operation of the Bus Service and contributions to the Funds required in accordance with the assessment made by the Appointed Actuary;
- (b) depreciation as charged in accordance with Clause 22;
- (c) expenditure in establishing and maintaining public liaison and arranging for passenger satisfaction surveys in accordance with Clauses 14, 15 and 16(1); and
- (d) currency losses suffered by the Grantee in or in connection with:—
 - (i) the acquisition of Fixed Assets, stores and spares;
 - (ii) the making and maintenance of provision for payment of emoluments for staff engaged in the Bus Service;
 - (iii) deposits in foreign currency accounts of funds derived or arising from the Bus Service; and
 - (iv) other transactions which are directly related to the Bus Service,

but excludes:—

- (A) capital losses of the Grantee derived or arising from or connected with the disposal of any right, title or interest in land;
- (B) capital expenditure incurred in or arising from or connected with the Bus Service (other than that provided in sub-clause (d)(i) above);
- (C) any amount of over-provisioning in the accounts of the Grantee; and
- (D) any amount of amortisation or depreciation effected (if any) in respect of any right, title or interest in land;

“Undertaking”
means:—

- (a) all the assets listed in Schedule I as the same is updated or revised in accordance with Clause 23(2); and

- (b) all Fixed Assets and stores and spares which have been acquired by the Grantee to be included in Schedule I but before the same have been included pursuant to Clause 23(2).

22. For the purpose of this Franchise, the following practice shall be observed in the accounts of the Grantee:– Depreciation of Fixed Assets

- (1) With effect from the Commencement Date, depreciation expenses of the Grantee's Fixed Assets shall be calculated at their costs of acquisition and by applying, on a straight-line basis, annual rates of depreciation derived from the useful lives, and subject to the residual values, as set out in the table below:–

<i>Fixed Assets</i>	<i>Useful Life for Depreciation</i>	<i>Residual Value</i>
Land	Not Applicable	Not Applicable
Buildings	(a) Depots and Servicing Sites- 50 years	\$1
	(b) Other buildings - 10 years	\$1
Buses and coaches	(a) New buses ¹ and coaches:– 18 years from the date of first registration, unless otherwise approved by the Commissioner	\$10,000 for each bus or coach
	(b) Second-hand buses and coaches:– 18 years from the date of manufacture unless otherwise approved by the Commissioner	\$10,000 for each bus or coach
Other motor vehicles	6 to 15 years	\$1 for each motor vehicle
Computer equipment	5 to 10 years	\$1
Plant, machinery and equipment (other than computer equipment),	7 to 15 years	\$1

¹ Means buses which have been acquired by the Grantee first hand

furniture, fixtures
and fittings

Except for the fixed asset category of buses and coaches, the Grantee may apply different residual value of an asset other than those listed in the table above. The residual value of that asset will be measured in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, which defines the residual value of an asset as the estimated amount that the Grantee would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. Such residual value shall be certified by the Grantee's auditor and subject to review by the Commissioner. The Grantee shall provide independent third party's evaluations when required by the Commissioner.

- (2) When calculating the depreciation expenses of the Grantee's Fixed Assets, the cost of acquisition of the Fixed Assets shall be net of any subsidies received or receivable by the Grantee from the Government solely for the purpose of the acquisition of such Fixed Assets.
- (3) The cost of acquisition of Fixed Assets acquired through a lease shall be measured and depreciated in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and, where applicable, subject to the provisions in Clause 22(1) above.
- (4) When any Fixed Assets or part thereof are sold or otherwise disposed of or when compensation is received from insurers in respect of damage to or loss of any Fixed Assets or any part thereof, the difference between the proceeds and net book value will be deducted from or added to the Service-Related Expenditure, as the case may be.
- (5) For the purpose of Clause 22(4),
 - (a) Fixed Assets shall exclude land in respect of which the Grantee has any right, title or interest.
 - (b) Where the Fixed Assets comprise buildings which are sold or disposed of together with the land on which they stand, and it is impossible to ascertain which portion of the sale proceeds is attributable to such buildings alone, the Grantee shall provide a valuation report prepared by an independent surveyor on the Fair Market Value of such buildings as of the date of disposal. Such Fair Market Value will be deemed to be the sale proceeds of the buildings for the purpose of Clause 22(4).
- (6) Depreciation of any Fixed Assets shall cease to be effected when the residual values as stipulated at Clause 22(1) have been reached.

- (7) No amortisation or depreciation shall be effected in respect of any land comprised in the Fixed Assets. Such land shall be valued at cost of acquisition.
 - (8) Whether a building at depots and servicing sites shall be depreciated in accordance with Clause 22(1) shall be determined by the Commissioner after having regard, inter alia, to the estimated useful life of that building, the unexpired period of the lease including any extension or renewal period, and land use zoning. If the Grantee disagrees with any determination of the Commissioner on the depreciation of a building at depots and servicing sites for the purpose of this Clause, the Grantee and the Commissioner shall forward the point in disagreement to the Secretary for Transport and Logistics who shall decide on the point having regard to the submissions of the Grantee and the Commissioner and such decision of the Secretary for Transport and Logistics shall, subject to section 33 of the Ordinance, be final.
 - (9) The cost of any structural addition to a building under the Fixed Assets shall, from the date the addition is made, be depreciated in accordance with Clause 22(1) along with such building (as the case may be) over the remainder of the useful life of that building.
 - (10) The net book value of all Fixed Assets brought forward from any public bus franchise applicable to the Grantee immediately before the Commencement Date shall be depreciated in accordance with but over the remainder of the applicable useful life as stipulated in Clause 22(1).
23. (1) The Grantee represents that its Undertaking at the Commencement Date shall be as listed in Schedule I. Subject to Clause 23(3) and (4) and except for that part of the Undertaking listed in Schedule I which is held on short term tenancies, the Grantee shall maintain at all times during the Franchise Period its Undertaking sufficient to operate a proper and efficient public bus service on the specified routes in accordance with section 12(1) of the Ordinance.
- Grantee's Undertaking and restrictions on disposal
- (2) The Grantee shall provide in writing to the Commissioner an annual update of Schedule I within five months after the close of an accounting year.
 - (3) The Grantee shall not without the previous written consent of the Commissioner assign, transfer, mortgage, charge, lease, grant option to lease, part with possession or otherwise dispose of the whole or any part of its Undertaking falling within the following description:-
 - (a) land, buildings and buses, or
 - (b) any other part of the Undertaking (except for plant, machinery,

equipment, furniture, fixtures, fittings, motor vehicles (other than buses), stores or spares being disposed of with a view to replacement in the ordinary course of business), the disposal of which would result in an increase in the cost of the Bus Service

nor shall the Grantee without the previous written consent of the Commissioner cause or permit the forfeiture, surrender, loss, destruction or dissipation of its right, title or interest in the whole or any part of its Undertaking referred to in Clauses 23(3)(a) and (b) above. The Grantee shall observe and perform all the terms, conditions, covenants and provisions contained in any deed, agreement and other instrument under which the Grantee acquired the right, title or interest in the whole or any part of its Undertaking.

PROVIDED that:–

- (i) consent to any disposition of landed property may be withheld if the consequence of the disposition would be to increase the cost to the Grantee of acquiring, using, holding or maintaining the premises referred to in section 19 of the Ordinance; and
 - (ii) consent required under this Clause shall not be unreasonably withheld or delayed.
- (4) Without prejudice to the Ordinance and other provisions of this Franchise, the Grantee shall not develop or cause or permit the development of any land or buildings forming part of its Undertaking or enter into any agreement to do so without the previous written consent of the Financial Secretary (which, subject to Clause 23(5), shall not be unreasonably withheld or delayed).
- (5) Notwithstanding any other provisions herein, consent to any disposition or development of any land or building under Clause 23(3) and (4) may be withheld by the Commissioner or the Financial Secretary if the consequence of the disposition or development of such land or buildings would be to increase the cost to the Grantee of acquiring, using, holding or maintaining the premises referred to in section 19 of the Ordinance.
24. The Grantee shall not without the previous consent in writing of the Commissioner invest in or dispose of any securities, such consent shall not be unreasonably withheld or delayed. Investment in securities
25. (1) (a) The Grantee shall, at such times as the Commissioner may direct in writing, cause the Funds to be examined by an Appointed Actuary for the purpose of assessing possible under-provisioning or over-provisioning of the Funds. Contingency Fund and Pension Fund
- (b) The Grantee shall provide such information and give access to such of its business and financial records as the Appointed

Actuary may reasonably require.

- (c) Any finding by the Appointed Actuary as to any under-provisioning or over-provisioning of the Funds shall be accepted as final and conclusive by the Grantee in the absence of manifest error.
 - (d) The Grantee shall, subject to the prior approval in writing of the Commissioner, write back such amount which is certified in an actuarial report prepared by the Appointed Actuary for the purpose of Clause 25(1)(a) to be over-provided in the Funds to the statement of profit or loss kept by the Grantee in respect of the Bus Service.
- (2) The Grantee shall provide such information as the Commissioner may require in writing in respect of the Funds and their use within one month from the date of such request in writing by the Commissioner or within such other period as the Commissioner may reasonably require.
- (3) (a) The balance of the Contingency Fund shall represent liabilities in the accounts of the Grantee and shall not contribute towards its distributable profit or accrue to the benefit of shareholders of the Grantee.
- (b) Notwithstanding the expiry of this Franchise and any other terms or provisions herein, the balance of the Contingency Fund shall remain a liability in the accounts of the Grantee and shall not contribute towards its distributable profit or accrue to the benefit of shareholders of the Grantee and the balance of the Contingency Fund as at the expiry of this Franchise, howsoever determined, shall be deposited with an authorised institution, other than a deposit-taking company, within the meaning of the Banking Ordinance (Cap. 155) as approved or directed from time to time by the Commissioner.
- (c) The Commissioner may within six months prior to the expiry of this Franchise or within three months thereafter appoint a trustee or a custodian to hold the Contingency Fund after the said expiry of this Franchise and may require the title to the Contingency Fund to be vested in the said trustee or custodian for a period of ten years from the date of expiry of this Franchise (“the ten-year period”). In such event, the said trustee or custodian shall:—
- (i) hold the Contingency Fund in accordance with the terms and conditions as may be determined or approved by the Commissioner;
 - (ii) apply the balance of the Contingency Fund to meet third

party claims against the Grantee in accordance with the terms and conditions as may be determined or approved by the Commissioner; and

(iii) distribute the remaining balance in the Contingency Fund (if any) at the expiry of the ten-year period to the shareholders of the Grantee whose names appear on the register of shareholders of the Grantee on the date when the Contingency Fund is vested in the said trustee or custodian.

(d) For the avoidance of doubt, this Clause, in so far as it relates to the Contingency Fund, shall survive the expiry of this Franchise until the date falling ten years thereafter.

(4) The Grantee shall procure in such manner as it may be advised by the Appointed Actuary that the Pension Fund is held by an independent trustee under a retirement scheme registered under the Occupational Retirement Schemes Ordinance (Cap. 426) and, where applicable, the Mandatory Provident Fund Schemes Ordinance (Cap. 485).

26. (1) By virtue of section 13 of the Ordinance, the Chief Executive in Council may review the scale of fares to be charged for the Bus Service and may determine and adjust such scale of fares upward or downward at any time and from time to time during the Franchise Period as he deems fit. Revenue and expenditure
- (2) Without derogation from the provisions of section 13 of the Ordinance and the powers conferred on the Chief Executive in Council thereunder, in making recommendations to the Chief Executive in Council for him to determine the scale of bus fares under the provisions of section 13 of the Ordinance, the Commissioner may have regard, inter alia, to:—
- (a) changes in Gross Revenue and Service-Related Expenditure since the last fare adjustment;
 - (b) forecasts of future Gross Revenue, Service-Related Expenditure, and return on average net fixed assets which takes into account net profit or loss and borrowing costs after tax attributable to the Bus Service;
 - (c) the need to provide the Grantee with a reasonable rate of return;
 - (d) public acceptability and affordability;
 - (e) the quality and level of the public bus service provided by the Grantee; and

- (f) changes in price of cost elements and improvement in productivity of the franchised bus industry.
- (3) In applying for an upward or downward adjustment to the fares applicable to its Bus Service, the Grantee shall take into account, inter alia, the factors specified in Clause 26(2)(a) to (f).

PART IV

MISCELLANEOUS

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| 27. | <p>(1) When acquiring new buses and setting specifications for such acquisition, the Grantee shall, as far as reasonably practicable:—</p> <ul style="list-style-type: none"> (a) adopt the latest commercially available and proven technologies to reduce noise emissions; and (b) acquire the most environmentally friendly buses in terms of vehicle exhaust emission (with the ultimate objective of acquiring zero emission buses), that are technologically proven and commercially available <p>taking into account feasibility in terms of operational and passenger service requirements and affordability for the Grantee and passengers.</p> <p>(2) The Grantee shall adopt, at such times and in such manner, such commercially available and proven technologies and products on its buses as the Commissioner may reasonably specify after consultation with the Grantee for the purpose of reducing exhaust and noise emissions in the operation of the Bus Service.</p> | <p>Environmentally friendly buses</p> |
| 28. | <p>(1) The Grantee shall comply with all the provisions, stipulations and requirements set out in a Forward Planning Programme for the time being in force.</p> <p>(2) If the Grantee fails to comply with any of the provisions, stipulations and requirements contained in a Forward Planning Programme, the Grantee shall, within such time as may be specified by the Commissioner, submit a report to the Commissioner with full details and the reasons for such failure.</p> | <p>Forward Planning Programme</p> |
| 29. | <p>(1) The Grantee shall:</p> <ul style="list-style-type: none"> (a) provide to the Commissioner the information relating to and records kept by the Grantee in respect of the Bus Service in accordance with Schedule II; and | <p>Operational records and information to be supplied to Commissioner</p> |

- (b) provide and maintain at such times and in such manner as may be reasonably specified by the Commissioner, including without limitation electronic means to enable the Commissioner to at all times access and directly retrieve the information and records referred to under Clause 29(1)(a).
- (2) The Grantee shall without delay provide in writing to the Commissioner such information as he may from time to time reasonably require for the purpose of assessing the financial position of the Grantee, including without limitation:—
- Financial information to be supplied to the Commissioner
- (a) accounting system manual and costing system manual used by the Grantee for the preparation of accounts for the Bus Service; and
- (b) procurement policies, procurement procedures and practice manual of goods and services relating to the Bus Service including but not limited to fuel, buses, spare parts, tyres and tubes, plant and machinery, repair and maintenance and cleaning services;
- (3) The Grantee shall provide in writing to the Commissioner with financial information for the purpose of assessing the financial position of the Grantee, including without limitation:—
- (a) annual audited financial statements prepared and certified by a Qualified Auditor within four months after the close of each accounting year;
- (b) monthly management accounts (including statement of profit or loss, statement of financial position and statement of cash flows) in such form and manner as the Commissioner may specify within two months from the ending date of the period concerned or such longer period as the Commissioner may specify; and
- (c) monthly report on the fuel price, fuel cost, fuel consumption, hedging contracts on fuel, in such form and manner as the Commissioner may specify, within two months from the ending date of the period concerned.
- (4) (a) Subject to the provisions of the Ordinance, this Franchise and the accounting policies approved by the Commissioner under Clause 29(4)(b), the Grantee shall prepare and keep its accounts related to the Bus Service in accordance with the prevailing accounting standards and principles generally accepted in Hong Kong.
- (b) The Grantee shall, not later than three months before the end of

each accounting year, submit for the approval of the Commissioner the accounting policies governing the accounts of the Grantee which are related to the Bus Service in the form and manner as the Commissioner may specify. Such approval shall not be unreasonably withheld or delayed. The Grantee shall comply with such accounting policies as approved by the Commissioner for keeping and preparing its accounts relating to the Bus Service. The Grantee shall not make any change to the accounting policies approved by the Commissioner hereunder without the prior written approval of the Commissioner. Such accounting policies are subject to the provisions of the Ordinance and this Franchise, and unless agreed otherwise between the Grantee and the Commissioner, shall be in accordance with the prevailing accounting standards and principles generally accepted in Hong Kong.

- (5) Without prejudice to the generality of Clause 29(4), the Commissioner may give direction as to the criteria for apportionment of the Grantee's general administration costs between the Bus Service and the Grantee's other businesses.
- (6) The Grantee shall ensure that contracts that are material to the Bus Service shall be put out for Open Tendering as far as practicable. Where it is not practicable for Open Tendering, prior approval for not pursuing Open Tendering shall be sought from the Grantee's board of directors. The Grantee is also required to specify in any internal paper on procurement of services or goods or both whether or not the tenderers or suppliers and the Grantee are Related Parties.
- (7) The Grantee shall obtain approval from the Grantee's board of directors before awarding any contract that is material to the Bus Service to a Related Party of the Grantee save and except where such award is effected as a result of an Open Tendering process participated by any third party which is not a Related Party. In seeking the board of directors' approval to award a contract to a Related Party of the Grantee without going through an Open Tendering process, the Grantee shall, in so far as practicable, provide relevant information to satisfy its board with supporting evidence that the terms and conditions of the proposed contract are no less favourable to the Grantee than those in a contract which might otherwise be entered into with a third party which is not a Related Party of the Grantee.
- (8) The Grantee shall procure and provide to the Commissioner financial information on all transactions which are related to the Bus Service made between the Grantee and any Related Party of the Grantee on an annual basis within five months after the close of each accounting year or as the Commissioner may from time to time require.

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|-----|---|---|
| 30. | <p>(1) The Grantee shall keep separate accounts for the Bus Service and its other businesses. The accounts of the Grantee which are related to the Bus Service shall be audited annually by a Qualified Auditor and published for the information of the public, in such form and manner as the Commissioner may from time to time require, within five months after the close of each accounting year.</p> <p>(2) The Grantee shall publish for the information of the public such records kept by the Grantee which are related to the Bus Service, in such form and manner as the Commissioner may from time to time require after consultation with the Grantee within five months after the close of each accounting year.</p> | Publication of accounts and operational information |
| 31. | <p>Without prejudice to any other provisions of this Franchise, all financial statements, management accounts and other accounts of the Grantee, whether or not such financial statements, management accounts or other accounts are related to or connected with the Bus Service:–</p> <p>(a) shall give a true and fair view of the state of the Grantee's affairs and explain its transactions;</p> <p>(b) shall be kept at the registered office of the Grantee in Hong Kong and shall at all times be open to inspection by the Grantee's directors; and</p> <p>(c) shall consist of the Grantee's statement of financial position and statement of profit or loss, which, save with the prior consent in writing of the Commissioner, comply with the applicable requirements of Schedule 4 of the Companies Ordinance (Cap. 622) and Clause 29(3).</p> | Content and Form of Account |
| 32. | <p>This Franchise shall be governed by, and construed in accordance with, Hong Kong law and the Grantee shall submit to the exclusive jurisdiction of the courts of Hong Kong.</p> | Governing law and jurisdiction |
| 33. | <p>(1) Any notice in writing or other document to be given to the Grantee by the Chief Executive in Council, the Financial Secretary, the Secretary for Transport and Logistics, the Government or the Commissioner under or in relation to this Franchise may be given under the hand of any duly authorised officer of Government and may be served by sending the same in a letter addressed to the registered office of the Grantee.</p> <p>(2) Any notice in writing or other document to be given to the Chief Executive in Council, the Financial Secretary, the Secretary for Transport and Logistics, the Government or the Commissioner by the Grantee under or in relation to this Franchise may be served by sending the same in a letter to the Commissioner.</p> | Notices |
| 34. | <p>All meetings of the board of directors of the Grantee shall be held in</p> | Board meetings |

- Hong Kong unless all the directors of the Grantee unanimously agree to have a meeting elsewhere. in Hong Kong
35. (1) Without derogation from any provisions of the Ordinance, this Franchise will be subject to review at any time and from time to time by the Commissioner during the Franchise Period starting from and including 1 May 2027. For this purpose, the Grantee shall comply without delay with all reasonable requests by the Commissioner and afford such assistance and co-operation in all respects to facilitate the conduct of the review as the Commissioner may reasonably require. Mid-term review
- (2) Without prejudice to the generality of Clause 35(1) and any other provisions of this Franchise, the Grantee shall, for the purpose of this Clause:–
- (a) upon request by the Commissioner, provide without delay to the Commissioner such information as may be reasonably required; and
- (b) appoint a person with such qualification or experience as the Commissioner may from time to time require to examine such aspects of the Bus Service as he may reasonably direct.
- (3) During the period of such review, the Commissioner may consult with and receive written submissions or recommendations from such persons as he sees fit.
36. The Grantee shall publish its code on corporate social responsibility within six months from the Commencement Date and, annually thereafter:- Corporate social responsibility
- (a) publish the achievement of individual items contained therein; and
- (b) review and update its content for the purpose of continuous improvement.
37. The Grantee shall, throughout the Franchise Period, submit to the Commissioner annually a report prepared by a Qualified Auditor or a Certification Body certifying that the Grantee has put in place internal control systems and procedures which are adequate to enable, as far as practicable, the Grantee to measure and record, in all material respects, its operation statistics and other information to ensure that such statistics and other information which may be required by the Commissioner under the Ordinance or this Franchise are accurate in all material respects and if the Qualified Auditor or Certification Body forms the view that those control systems and procedures are not adequate, the nature and extend of such inadequacies. System audit

Dated this day of July 2022

COUNCIL CHAMBER

Clerk to the Executive Council

Schedule I
 Clause 23(1)
Grantee's Undertaking
(As at 1 May 2023)

1. *Buses*

(A) Requirement

	<i>Operating Requirement</i>	<i>Number of Buses Required in Fleet</i>
(i) For operating the Bus Service	199	
(ii) Total requirement for operating the Bus Service based on 92% availability		217

(B) The requirement of buses in paragraph 1(A) above will be represented by –

<i>Bus Fleet</i>	<i>Number</i>	<i>Average Age (Yr.)</i>	<i>Estimated Net Book Value (HK\$'000)</i>	<i>Nature of Interest</i>
(i) Double-Deck – diesel	217	6.41	362,087	Wholly owned
Total fleet	217	6.41	362,087	

2. *Land and Buildings*

	<i>Approx. Site Area (m²)</i>	<i>Estimated Net Book Value (HK\$'000)</i>	<i>Nature of Interest</i>
(A) Depot			
Bus depot at Siu Ho Wan, North Lantau	8,800	24,293	Short term tenancy commencing on 15 May 1997 up to 31 May 2003 and thereafter quarterly.
(B) Bus Servicing/Parking Area			
A bus servicing area at Area 26, Tung Chung, Lantau Island	6,373	5,986	Short term tenancy commencing on 1 March 2002 up to 31 May 2003

	<i>Approx. Site Area (m²)</i>	<i>Estimated Net Book Value (HK\$ '000)</i>	<i>Nature of Interest</i>
			and thereafter quarterly [Note].
Total		<u>30,279</u>	

Note: If the Government shall terminate this tenancy, the Grantee's obligation under Clause 23(1) to maintain its undertaking shall be satisfied by requesting and, if offered, accepting from the Government a tenancy of a comparable site or sites at comparable rates per square metre.

3. *Other Fixed Assets*

	<i>Estimated Net Book Value (HK\$ '000)</i>	<i>Nature of Interest</i>
(A) Bus Assembly Assets	3,436	Wholly owned
(B) Motor Vehicles, other than buses	431	Wholly owned
(C) Computer Equipment	4,860	Wholly owned
(D) Furniture, Fixtures and Office Equipment	326	Wholly owned
(E) Machinery and Other Equipment	15,650	Wholly owned
(F) Construction in Progress	0	Wholly owned

4. *Others*

	<i>Estimated Value (HK\$ '000)</i>	<i>Nature of Interest</i>
Inventories	3,120	Wholly owned

SCHEDULE II

Information and Records Relating to the Bus Service to be Kept and Provided by the Grantee under Clause 29(1) including all of the following:

<u>Item</u>	<u>Records and Information</u>
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- | | | | | | |
|------|---|-----|--|------|---|
| (a) | the number of passengers carried on every day on each specified route. | | | | |
| (b) | the number of passengers boarding and alighting at bus stops and the occupancy of buses when leaving each of the stops at hourly interval on each specified route as collected by surveys or any other means as the Commissioner may specify after consultation with the Grantee. For the purpose of this Clause, the Grantee shall collect such information at least once in each year on a weekday, other than a public holiday or a day on which the storm signal Number 8 (or higher) or a black rainstorm warning is issued or extreme conditions after a super typhoon are announced by the Government. | | | | |
| (c) | the number of passengers and the occupancy of buses when leaving such stops at half-hourly interval on any of the specified routes as the Commissioner may specify. | | | | |
| (d) | the number of buses in use on each specified route on every day and the carrying capacity of each of such buses for the purpose of or in connection with this Franchise. | | | | |
| (e) | the journey time for journeys between terminal points on each specified route as reflected from the survey hereinafter mentioned. For the purpose of this Clause, the Grantee shall conduct surveys at such times and in such manner as the Commissioner may specify. | | | | |
| (f) | <table border="0"><tr><td>(i)</td><td>the scheduled and actual departure time of each journey on every day on each specified route, where the scheduled departure time refers to the time when the journey departs from the terminus in accordance with the Schedule of Service of each specified route; and</td></tr><tr><td>(ii)</td><td>the actual departure time of adjusted journey departs from the designated stop.</td></tr></table> | (i) | the scheduled and actual departure time of each journey on every day on each specified route, where the scheduled departure time refers to the time when the journey departs from the terminus in accordance with the Schedule of Service of each specified route; and | (ii) | the actual departure time of adjusted journey departs from the designated stop. |
| (i) | the scheduled and actual departure time of each journey on every day on each specified route, where the scheduled departure time refers to the time when the journey departs from the terminus in accordance with the Schedule of Service of each specified route; and | | | | |
| (ii) | the actual departure time of adjusted journey departs from the designated stop. | | | | |
| (g) | the number of scheduled journeys, actual journeys and additional journeys operated by the Grantee on every day on each specified route in each of the periods of a day specified by the Commissioner, where the number of scheduled journeys refers to the number of journeys that shall be operated by the Grantee in accordance with the Schedule of Service of each specified route. | | | | |
| (h) | the number of scheduled journeys that the Grantee fails to operate on every day on each specified route due to vehicle breakdown, vehicle shortage, driver shortage, traffic congestion, accidents, inclement weather, public events, redeployment of buses and others, or any other categorisation of reasons as specified by the Commissioner. | | | | |
| (i) | the carrying capacity and technical specifications of buses kept by the Grantee for the purpose of or in connection with this Franchise in each calendar month. | | | | |
| (j) | the number of buses of each bus type and other vehicles used and the number of buses ordered by the Grantee for the purpose of or in connection with this Franchise in each calendar month. | | | | |

- (k) the number of journeys and total kilometres travelled with breakdowns of revenue-generated kilometres and non-revenue-generated kilometres on each specified route on every day.
- (l) the number of bus driver duties scheduled to operate all specified routes in accordance with the Schedule of Service on a day required by the Commissioner and the percentage of bus drivers, selected on the sample size as specified by the Commissioner, in compliance with the guidelines on arrangements in relation to working hour and rest time of bus drivers issued by the Commissioner after consultation with the Grantee.
- (m) the number of bus drivers at the end of each calendar month required and available to operate all specified routes in accordance with the Schedule of Service; and the surplus or shortage of bus drivers.
- (n) the total number of bus drivers resigned, retired, separated with other reasons, newly recruited and re-employed in each calendar month.
- (o) the daily receipts from the passengers carried on every day on each specified route.
- (p) the maintenance schedule of the buses.
- (q) the maintenance schedule of other vehicles and inventory of stores.
- (r) all such data, records and measurements to show safety performance of franchised buses as stated in the Safety Performance Indicators For Franchised Buses issued by the Commissioner or in such form and manner as may be from time to time required by the Commissioner.
- (s) all such data and records in relation to accidents or safety-related incidents in such form and manner as from time to time required by the Commissioner.
- (t) the data, records and information relating to the interchanging patterns of bus passengers at specified sections of bus journeys of the specified routes of the Grantee's Bus Service during specified periods of time as may be prescribed by the Commissioner from time to time.

Scale of Fares for CTB(merged)

Under section 13(1)(a) of the Ordinance, the Chief Executive in Council may determine the scale of fares which may be charged for the carriage of passengers, baggage and goods on any specified route or group of specified routes. The scale of fares for CTB(merged) is set out in the table below –

Route group		Total journey distance of bus route not exceeding (km)	Scale of Fares Notes 1 & 2 (\$)
Air-Conditioned Services			
I.	Hong Kong Island		
	(a) Urban	4	4.5
		6	5.5
		8	6.3
		10	7.8
		13	8.2
		18	12.9
		22	16.3
		27	19.5
	(b) Mid-levels	5	6.3
		8	7.0
		11	8.2
		15	11.5
		20	13.6
	(c) Recreation, Overnight and Special Services	8	10.5
		16	14.2
		21	19.1
		27	23.0
		35	27.8
II.	Urban Kowloon and New Territories		
	(a) Regular Services	3	4.5
		5	6.4
		9	8.9
		12	10.3
		15	11.3
		18	12.5
		25	13.9

Route group		Total journey distance of bus route not exceeding (km)	Scale of Fares Notes 1 & 2 (\$)
		35	16.9
		47	20.6
		65	22.5
	(b) Recreation, Overnight and Special Services	3	5.4
		5	7.7
		9	10.6
		12	12.2
		15	15.2
		18	17.3
		25	20.0
		35	25.7
		47	28.6
		65	32.1
III.	Cross Harbour		
	(a) Regular Services	18	15.8
		25	18.8
		35	22.3
		47	25.2
		65	26.1
		85	31.2
	(b) Recreation, Overnight and Special Services	30	41.5
		35	43.5
		47	49.3
		65	50.9
	(c) Sha Tin Racecourse <small>Note 3</small>	30	45.4
		35	47.5
IV.	Boundary Services <small>Note 3</small>		
	(a) Urban Kowloon and New Territories	30	98.8
		50	123.5
		70	172.9
	(b) Cross Harbour	100	222.3

Notes:

- (1) This denotes the maximum fare chargeable.
- (2) The distance of the two bounds of a round trip may not be identical, and the distance of the two bounds may fall under different fare ceilings. In such cases, the scale of fare for each bound of these routes is set to be identical to avoid confusing the public, which is

equivalent to half of the sum of the scale of fares of the respective distance of the two bounds.

(3) There is currently no bus route under these route groups.

2. As for baggage and goods charges, following the arrangement specified in the existing scales of fares of NWFB and CTB(F1), on any route, a passenger may carry free of charge a package or packages of a total weight not exceeding 5 kilograms and a total volume not exceeding 0.1 cubic metre so long as such package or packages may be safely and conveniently carried.

3. Meanwhile, the following original arrangements are not adopted in the new scale of fares for they are no longer applicable to the situation nowadays –

(a) no additional charge shall be made in respect of one bamboo or wooden pole not exceeding 60 millimetres in diameter and 1.5 metres in length; and

(b) no passenger shall carry more than 5 kilograms of fresh fish or dried fish.

4. Furthermore, section 13(3) of the Ordinance provides that the Commissioner may, where circumstances require a public bus service to be operated on a specified route at a greater frequency, outside the specified operation period or with a bus of a carrying capacity or of a type other than specified, permit the grantee to charge an increased fare during such operation of a route. The maximum rate of such increase which may be permitted by the Commissioner is to be determined by the Chief Executive in Council under section 13(1)(b). Following the same arrangement specified in the existing scales of fares of NWFB and CTB(F1), the maximum rate of increase is 50% of the scale of fares specified in paragraph 1 above.

* * *

**Summary of Assessment on
Performance of LW, CTB(F2), NWFB and CTB(F1)**

To evaluate whether a grantee is providing a proper and efficient service, TD has all along been reviewing the performance of grantees regularly through passenger satisfaction surveys, site surveys, vehicle inspections, examination of regular returns submitted by grantees and feedback from the public, etc. A summary of the assessment on the performance of LW, CTB(F2), NWFB and CTB(F1) is set out below.

(A) Service Performance and Operational Efficiency

LW

2. As at end 2021, LW was operating 39 bus routes. The average daily patronage of LW increased from about 90 900 passenger journeys in 2013 (commencement of its existing franchise) to 125 500 passenger journeys in 2019 (i.e. before the COVID-19 pandemic), representing an increase of about 38%. The growth in passenger demand was mainly driven by continuous developments on the Airport Island, population increase in LW's catchment areas in the New Territories (including Tung Chung) and the commissioning of the Hong Kong Port of Hong Kong-Zhuhai-Macao Bridge (HZMB) in 2018. In tandem with the increase in patronage, the fleet size of LW increased by about 62% from 172 to 279 during the same period. The average daily patronage of LW decreased to about 76 900 and 79 200 in 2020 and 2021 respectively, and the fleet size was 257 as at end 2021. The significant drop in service demand was due to the impact of the pandemic and corresponding social distancing and boundary control measures and therefore did not reflect the normal situation.

3. Under the Ordinance, a grantee has to submit its five-year Forward Planning Programme (FPP) on an annual basis. FPP includes proposals for service improvement and rationalisation, as well as vehicle purchase and replacement programme. Since 2013, LW has implemented 113 service

improvement¹ and 18 service rationalisation² items to enhance its service and network efficiency. According to its FPP (covering the period from 2022 to 2026), LW plans to purchase a total of 71 buses (amounting to about 28% of its bus fleet at end 2021) to renew its fleet and further improve its services.

4. The annual average lost trip rate³ of LW was 1.2% between 2013 and 2019. Its lost trip rate rose significantly to 8.2% in the first half of 2020 as LW adjusted its services in the face of an abrupt and significant drop in patronage particularly during the early stage of the pandemic. The lost trip rate was generally higher during non-peak hours. TD had immediately asked LW to rectify the situation. LW's lost trip rate gradually improved to about 1.0% in the second half of 2020, and it was 1.4% in 2021.

5. Between 2013 and 2021, the annual average number of complaints lodged against LW per million passenger journeys received by the Transport Complaints Unit (TCU) under the TAC was 7.12, higher than the overall industry average of 5.27 during the same period. The average number of LW buses involved in accidents per million vehicle-kilometre was 1.25 per annum, lower than the overall industry average of 3.19 during the same period.

CTB(F2)

6. As at end 2021, CTB(F2) was operating 30 bus routes. The average daily patronage of CTB(F2) increased from about 71 100 passenger journeys in 2013 (commencement of its existing franchise) to 105 200 passenger journeys in 2019 (i.e. before the pandemic), representing an increase of about 48%. The growth in passenger demand was mainly attributable to the continuous growth in passenger demand to and from the airport (with the introduction of ten new airbus routes since 2015) and Tung Chung as well as the commissioning of the Hong Kong Port of HZMB in 2018. In tandem with the increase in patronage, the fleet size of CTB(F2) increased by about 38% from 175 to 241 during the same period. The average daily patronage of CTB(F2) decreased to about 56 800 and 55 300

¹ Service improvement items mainly include introduction of new routes, frequency enhancement and extension of service hours.

² Service rationalisation items mainly include route cancellation, frequency reduction, route truncation and re-routeing.

³ This refers to the percentage of trips not meeting the schedule as agreed with TD over the total number of trips.

respectively in 2020 and 2021 and the fleet size was 188 as at end 2021. The significant drop in service demand was due to the impact of the pandemic and corresponding social distancing and boundary control measures and therefore did not reflect the normal situation.

7. Since 2013, CTB(F2) has implemented 57 service improvement items and 22 service rationalisation items to enhance its service and network efficiency. According to its FPP (covering the period from 2022 to 2026), CTB(F2) plans to add a total of 40 buses (amounting to about 21% of its bus fleet at end 2021) mainly to further improve its services and facilitate new route development.

8. The annual average lost trip rate of CTB(F2) was 1.2% between 2013 and 2019. Its lost trip rate rose to 2.2% in the first half of 2020, as CTB(F2) adjusted its services in the face of an abrupt and significant drop in patronage particularly during the early stage of the pandemic. The lost trip rate was generally higher during non-peak hours. TD had immediately asked CTB(F2) to rectify the situation. CTB(F2)'s lost trip rate gradually improved to about 1.9% in the second half of 2020 and further improved to 0.6% in 2021.

9. Between 2013 and 2021, the annual average number of complaints lodged against CTB(F2) per million passenger journeys received by the TCU was 7.40, higher than the overall industry average of 5.27 during the same period. The average number of CTB(F2) buses involved in accidents per million vehicle-kilometre was 1.86 per annum, lower than the overall industry average of 3.19 during the same period.

NWFB

10. As at end 2021, NWFB was operating 94 bus routes. Following the full commissioning of the West Island Line and South Island Line (East) in 2014 and 2016 respectively, the average daily patronage of NWFB decreased from about 499 000 passenger journeys in 2013 (commencement of its existing franchise) to 458 000 passenger journeys in 2019, representing a decrease of about 8.2%. In tandem with the decrease in patronage, the fleet size of NWFB reduced by about 4% from 715 to 685 during the same period. The average daily patronage of NWFB decreased to about 347 800 and 401 500 respectively in 2020 and 2021, and the fleet size was 688 as at end 2021. The significant drop in service demand was due to the impact of the pandemic and corresponding social distancing measures and therefore did not reflect the normal situation.

11. Since 2013, NWFB has implemented 114 service improvement and 191 service rationalisation items to enhance its service and network efficiency. According to its FPP (covering the period from 2022 to 2026), NWFB plans to purchase a total of 29 buses (amounting to about 4% of its bus fleet at end 2021) to replace its old buses and further improve its services.

12. The annual average lost trip rate of NWFB was 2.5% between 2013 and 2019. Its lost trip rate rose significantly to 11% in the first half of 2020 as NWFB adjusted its services in the face of an abrupt and significant drop in patronage particularly during the early stage of the pandemic. The lost trip rate was generally higher during non-peak hours and late nights. TD had immediately asked NWFB to rectify the situation. NWFB's lost trip rate gradually improved to about 2.3% in the second half of 2020. In 2021, the lost trip rate was 2.9%.

13. Between 2013 and 2021, the annual average number of complaints lodged against NWFB per million passenger journeys received by the TCU was 4.93, lower than the overall industry average of 5.27 during the same period. The average number of NWFB buses involved in accidents per million vehicle-kilometre was 6.00 per annum, higher than the overall industry average of 3.19 during the same period. The number of NWFB buses involved in accidents per million vehicle-km per annum was relatively higher since the majority of its bus routes were operating in urban areas, which were more congested and vulnerable to traffic accidents.

CTB(F1)

14. As at end 2021, CTB(F1) was operating 96 bus routes. The average daily patronage of CTB(F1) decreased from about 540 100 passenger journeys in 2016 (commencement of its existing franchise) to 506 100 passenger journeys in 2019, representing a decrease of about 6.3%. In tandem with the decrease in patronage, the fleet size of CTB(F1) reduced by about 2% from 767 to 751 during the same period. The average daily patronage of CTB(F1) decreased to about 369 500 and 421 400 respectively in 2020 and 2021, and the fleet size was 771 as at end 2021. The significant drop in service demand was due to the impact of the pandemic and corresponding social distancing measures and therefore did not reflect the normal situation.

15. Since 2016, CTB(F1) has implemented 86 service improvement and 132 service rationalisation items to enhance its service and network efficiency. According to its FPP (covering the period from 2022 to 2026), CTB(F1) plans to purchase a total of 173 buses (amounting to about 22% of

its bus fleet at end 2021) to replace its old buses and further improve its services.

16. The annual average lost trip rate of CTB(F1) was 2.0% between 2016 and 2019. Its lost trip rate rose significantly to 7.3% in the first half of 2020 as CTB(F1) adjusted its services in the face of an abrupt and significant drop in patronage particularly during the early stage of the pandemic. The lost trip rate was generally higher during non-peak hours and late nights. TD had immediately asked CTB(F1) to rectify the situation. CTB(F1)'s lost trip rate gradually improved to about 1.5% in the second half of 2020. In 2021, the lost trip rate was 1.5%.

17. Between 2016 and 2021, the annual average number of complaints lodged against CTB(F1) per million passenger journeys received by the TCU was 4.09, lower than the overall industry average of 5.62 during the same period. The average number of CTB(F1) buses involved in accidents per million vehicle-kilometre was 4.44 per annum, higher than the overall industry average of 3.12 during the same period. The number of CTB(F1) buses involved in accidents per million vehicle-km per annum was relatively higher since the majority of its bus routes were operating in urban areas, which were more congested and vulnerable to traffic accidents.

(B) Safety and Service Enhancement Measures

18. LW, CTB(F2), NWFB and CTB(F1) have been taking measures to further enhance safety during the current franchise period. For example, –

- (a) New institutional setup for bus safety: Since 2019, LW, CTB and NWFB have appointed their own Safety Directors to oversee franchised bus safety matters, enhance communications with overseas bus operators in well-respected overseas jurisdictions and implement safety measures;
- (b) Installation of in-vehicle safety devices: With a view to enhancing bus safety, all new double-deck buses procured by LW, CTB(F2), NWFB and CTB(F1) from July 2018 onwards are equipped with seat belt on all passenger seats, electronic stability control which can improve vehicle stability and reduce the risk of rollover, as well as speed limiting retarder (i.e. speed limiter with slow-down function). In particular, to speed up the provision of seat belts on passenger seats for buses operating long-haul routes on expressways, LW purchased 146 new buses equipped with seat belts

on all passenger seats and other safety devices in 2019 for replacing the same number of buses. Besides, LW, CTB(F2), NWFB and CTB(F1) have started to retrofit suitable existing buses with the above devices since the third quarter of 2020. The target is to complete the installation of seat belts for seats on the upper decks of 116, 132, 276 and 165 existing double-deck buses of LW, CTB(F2), NWFB and CTB(F1) respectively in three years (from the third quarter of 2020). Besides, electronic stability control and speed limiting retarder will be installed on 116, 216, 486 and 425 existing double-deck buses of LW, CTB(F2), NWFB and CTB(F1) respectively in four years (from the third quarter of 2020). Moreover, LW and CTB(F2) have installed the advanced driver assistance systems, including anti-collision and lane keeping warning systems, as well as driver monitoring system on all buses running the airport/North Lantau routes;

- (c) Route risk assessment: LW, CTB(F2), NWFB and CTB(F1) completed route risk assessment on all of their bus routes in 2020, which assessed the actual road conditions and environment, activities of other road users, etc., so as to provide appropriate and sufficient driving tips and guidance to bus captains on the specific driving environment on a route-by-route basis. The objective was to ensure that bus captains would deliver safe bus services to the passengers and would not impose hazard to other road users;
- (d) Safety performance management: From 2020 onwards, LW, CTB(F2), NWFB and CTB(F1) have been compiling data in respect of a new set of 19 safety performance indicators required by the TD to review their safety performances. Moreover, LW, CTB(F2), NWFB and CTB(F1) have implemented since 2020 a set of tightened common thresholds for generating real-time alerts and exception reports on speeding and harsh deceleration of bus captains for better monitoring of the driving performance of bus captains; and
- (e) Enhancing working conditions and environment: LW, CTB(F2), NWFB and CTB(F1) fully implemented the latest Guidelines on Bus Captain Working Hours, Rest Times and Meal Breaks promulgated by TD in February 2018, with working hours and driving hours reduced and rest time increased to improve the working conditions for bus captains. Besides, rest facilities for bus captains were enhanced to improve their working environment. For example, new resting facilities were provided at Pok Hong Bus

Terminus by LW, Hong Kong Port of HZMB by CTB(F2), Chai Wan Depot by NWFB and Tuen Mun (Chi Lok Fa Yuen) Bus Terminus by CTB(F1).

19. To further enhance service standards, LW, CTB(F2), NWFB and CTB(F1) have implemented a number of measures for continuous improvement on service quality during the current franchise period. For example, –

- (a) provision of estimated time of arrival information of the next bus for all regular bus routes through mobile phone application and website;
- (b) provision of instant passenger information of affected bus services through mobile phone application and website;
- (c) provision of dynamic display panels inside bus compartments for displaying route and next stop information and passenger safety information⁴;
- (d) provision of free Wi-Fi service on 106 LW, 100 CTB(F2), 87 NWFB buses and 193 CTB(F1)⁵ and USB charging ports on 224 LW, 43 CTB(F2), seven NWFB and 103 CTB(F1) buses⁶;
- (e) promotion of the concept of “Transport for All” by the provision of wheelchair-accessible low-floor buses in their entire fleets, as compared with only 79% of their buses being wheelchair-accessible low-floor buses in 2013;
- (f) provision of double wheelchair parking spaces by CTB(F2) on 11 routes (involving 15 buses), by NWFB on eight routes including one hospital route (involving 13 buses) and by CTB(F1) on 17 routes (involving 101 buses);

⁴ Except four electric buses of LW which are on trial.

⁵ Amounting to about 41.2%, 53.2%, 12.6% and 25.0% of respective bus fleets of LW, CTB(F2), NWFB and CTB(F1).

⁶ Amounting to about 87.2%, 22.9%, 1.0% and 13.4% of respective bus fleets of LW, CTB(F2), NWFB and CTB(F1).

- (g) provision of customer services centres⁷ with more customised services for their passengers, e.g. enquiry service, Octopus Card add-value service, sale of tickets and souvenirs, etc.;
- (h) provision of passenger seats by LW, CTB(F2), NWFB and CTB(F1) at 21, 31, 147 and 200 sheltered bus stops respectively under the Government's subsidy scheme⁸;
- (i) provision of estimated time of arrival information display panels by LW, CTB(F2), NWFB and CTB(F1) at 12, five, 71 and 126 sheltered stops with electricity supply respectively under the Government's subsidy scheme⁹; and
- (j) introduction of electronic payment systems by LW, CTB(F2), NWFB and CTB(F1) supporting QR code payment and contactless payment on their entire fleets.

20. Furthermore, LW, CTB(F2), NWFB and CTB(F1) have been offering a number of bus-bus interchange schemes with fare concessions. As at end 2021, LW, CTB(F2), NWFB and CTB(F1) provided 45, 73, 144 and 156 bus-bus interchange schemes respectively, either on their own or jointly with other companies. LW, CTB(F2), NWFB and CTB(F1) also offered fare concessions for children and elderly on all routes.

(C) Public Opinion on Bus Services

21. TD and FBOs conduct regular passenger satisfaction surveys to gauge passengers' opinions on their bus service. The findings of the passenger satisfaction surveys are used as the basis for TD and each operator to monitor service performance, keep track of passenger satisfaction and identify areas for improvements.

22. Furthermore, TD commissioned an independent survey from March to April 2021 [for LW, CTB(F2) and NWFB] and in October 2021 [for

⁷ LW and CTB(F2) each operates one customer service centre at Airport Ground Transportation Centre, while NWFB operates one customer service centre at Admiralty.

⁸ The scheme on provision of passenger seats is fully subsidised by the Government.

⁹ The scheme on provision of display panels is subsidised by the Government on matching basis.

CTB(F1)] respectively to collect passengers' overall opinions on their bus services. The results show that 92.4%, 94.4%, 90.4% and 94.4% of the respondents were satisfied with the overall quality of services provided by LW, CTB(F2), NWFB and CTB(F1) respectively. Survey findings are summarised in **Enclosure I**.

(D) Financial Performance

23. Information on the financial performance of LW, CTB(F2), NWFB and CTB(F1) during their current franchise period is set out in **Enclosure II**.

Summary of Findings of Passenger Opinion Survey on Bus Service

LW

Total number of respondents was 500, which is equivalent to an overall response rate of 94.9%.

Service Performance	Very satisfied / Satisfied	Dissatisfied / Very dissatisfied
Overall quality of service	92.4%	7.4%
Comfort of buses	91.4%	8.6%
Facilities on buses	96.4%	3.2%
Passenger information	92.2%	6.2%
Reliability of bus services	82.2%	17.4%
Driving performance of bus captains	96.0%	3.4%
Service attitude of bus captains or staff	97.0%	1.2%
Performance on environmental protection	83.6%	3.8%

Note: The percentage may not add up to 100% as some respondents indicated “no comment” on some service aspects.

CTB(F2)

Total number of respondents was 500, which is equivalent to an overall response rate of 88.7%.

Service Performance	Very satisfied / Satisfied	Dissatisfied / Very dissatisfied
Overall quality of service	94.4%	5.6%
Comfort of buses	96.2%	3.8%
Facilities on buses	96.6%	3.0%
Passenger information	88.0%	11.6%
Reliability of bus services	78.0%	21.8%
Driving performance of bus captains	94.8%	5.0%
Service attitude of bus captains or staff	93.6%	5.2%
Performance on environmental protection	83.2%	4.8%

Note: The percentage may not add up to 100% as some respondents indicated “no comment” on some service aspects.

NWFB

Total number of respondents was 500, which is equivalent to an overall response rate of 68.2%.

Service Performance	Very satisfied / Satisfied	Dissatisfied / Very dissatisfied
Overall quality of service	90.4%	9.2%
Comfort of buses	91.8%	6.8%
Facilities on buses	94.4%	4.4%
Passenger information	84.4%	11.4%

Service Performance	Very satisfied / Satisfied	Dissatisfied / Very dissatisfied
Reliability of bus services	75.8%	22.6%
Driving performance of bus captains	89.8%	9.4%
Service attitude of bus captains or staff	88.0%	10.8%
Performance on environmental protection	56.8%	11.8%

Note: The percentage may not add up to 100% as some respondents indicated “no comment” on some service aspects.

CTB(F1)

Total number of respondents was 502, which is equivalent to an overall response rate of 66.9%.

Service Performance	Very satisfied / Satisfied	Dissatisfied / Very dissatisfied
Overall quality of service	94.4%	5.6%
Comfort of buses	94.0%	6.0%
Facilities on buses	94.2%	4.2%
Passenger information	88.0%	9.0%
Reliability of bus services	84.1%	15.7%
Driving performance of bus captains	91.6%	6.4%
Service attitude of bus captains or staff	91.0%	8.0%
Performance on environmental protection	60.4%	10.4%

Note: The percentage may not add up to 100% as some respondents indicated “no comment” on some service aspects.

**Financial Performance of LW, CTB(F2), NWFB and CTB(F1)
under the Current Franchise Period**

LW

(The financial year of LW ended on 31 December each year.)

Financial Year	Average Daily Patronage (passenger journeys)	Total Revenue (\$ million)	Total Cost [#] (\$ million)	Profit / (Loss) after Tax* (\$ million)
2013	90 900	397	358	39
2014	95 400	419	384	35
2015	100 400	447	384	63
2016	101 900	467	441	26
2017	107 100	517	483	34
2018	113 700	565	529	37
2019	125 500	659	599	59
2020	76 900	450	453	(3)
2021	79 200	384	421	(37)

[#] Including borrowing cost and tax.

* Figures may not add up due to rounding.

CTB(F2)

(The financial year of CTB(F2) ended on 30 June each year prior to 2020/21. Figures in the financial year 2020/21 covered an 18-month period from 1 July 2020 to 31 December 2021 because of the change in financial year end date from 30 June to 31 December.)

Financial Year	Average Daily Patronage (passenger journeys)	Total Revenue (\$ million)	Total Cost [#] (\$ million)	Profit / (Loss) after Tax* (\$ million)
2013/14	73 300	460	390	70
2014/15	75 700	473	397	75
2015/16	79 200	510	398	112

Financial Year	Average Daily Patronage (passenger journeys)	Total Revenue (\$ million)	Total Cost [#] (\$ million)	Profit / (Loss) after Tax* (\$ million)
2016/17	82 300	537	406	131
2017/18	87 200	563	460	103
2018/19	103 800	680	568	112
2019/20	81 200	548	542	6
2020/21	54 300	487	592	(105)

[#] Including borrowing cost and tax.

* Figures may not add up due to rounding.

NWFB

(The financial year of NWFB ended on 30 June each year prior to 2020/21. The figures in the financial year 2020/21 covered an 18-month period from 1 July 2020 to 31 December 2021 because of the change in financial year end date from 30 June to 31 December.)

Financial Year	Average Daily Patronage (passenger journeys)	Total Revenue (\$ million)	Total Cost [#] (\$ million)	Profit / (Loss) after Tax* (\$ million)
2013/14	502 000	1,283	1,163	120
2014/15	465 900	1,166	1,146	20
2015/16	459 500	1,197	1,127	70
2016/17	455 000	1,183	1,106	77
2017/18	449 800	1,146	1,151	(5)
2018/19	462 600	1,232	1,303	(71)
2019/20	398 600	1,300	1,350	(50)
2020/21	384 400	1,920	1,957	(37)

[#] Including borrowing cost and tax.

* Figures may not add up due to rounding.

CTB(F1)

(The financial year of CTB(F1) ended on 30 June each year prior to 2020/21. The figures in the financial year 2020/21 covered an 18-month period from 1 July 2020 to 31 December 2021 because of the change in financial year end date from 30 June to 31 December.)

Financial Year	Average Daily Patronage (passenger journeys)	Total Revenue (\$ million)	Total Cost [#] (\$ million)	Profit / (Loss) after Tax* (\$ million)
2016/17	521 100	1,391	1,307	84
2017/18	497 700	1,303	1,305	(3)
2018/19	514 000	1,390	1,478	(89)
2019/20	435 300	1,402	1,518	(116)
2020/21	403 500	2,029	2,153	(124)

[#] Including borrowing cost and tax.

* Figures may not add up due to rounding.

* * *

**Incorporating the Most Recently Granted Franchise Conditions
and Updating the Existing Franchise Conditions**

(A) Major franchise conditions incorporated from the most recently granted franchises

- The new franchises enhance the regulation on the grantees' customer service by requiring the grantees to (i) publish the service pledge for responding to complaints and suggestions from the public as well as the achievement rate; and (ii) respond to complaints and suggestions referred to it by the Commissioner within the specified timeframe.
- The new franchises enhance the regulatory power of the Commissioner in monitoring bus services by specifying the operational records and information to be supplied to the Commissioner and the means of transmission to reflect the latest arrangement.
- The new franchises strengthen the regulation on procurement that are material to the bus service by requiring the grantees to conduct open tendering for all material contracts as far as practicable, and to seek prior approval of the board of directors if open tendering cannot be arranged.

(B) Other major updates to existing franchise conditions upon reviewing with the grantees

- There is an existing franchise condition requiring the grantee, if it is a listed company, to take all necessary steps to continue to be listed. LW and CTB are not listed companies. The condition is not applicable and is therefore deleted.
- There is an existing franchise condition requiring the grantee to forego its rights to sue a member of the Passenger Liaison Groups (PLGs)¹ in respect of any statement defamatory of the grantee made by him in the PLG meeting unless such statement is made maliciously. It is

¹ Under an existing franchise condition, the grantee is required to establish PLGs to liaise, communicate with and receive opinions of the public for the purpose of assessing and improving standards of the bus service.

considered not unreasonable for PLG members to bear their own legal responsibility in the manner and words used in expressing their opinions. The condition is deleted and this should not have significant impact on achieving the purpose of PLGs.

- To better reflect the prevailing depreciation policy and to allow the grantee more flexibility in handling different types of fixed assets under the same category, the useful life and residual value specified in the relevant clause are updated. While useful life of some fixed assets are replaced by a range, the grantees are allowed (except for the category of buses and coaches) to apply different residual value of an asset to be measured in accordance with the Hong Kong Financial Reporting Standards other than those specified in the relevant clause provided that such residual value shall be certified by the grantees' auditors and subject to review by the Commissioner.
- The new franchises specify the content and location for keeping the relevant financial statements and management accounts by the grantees.
- The new franchises specify that the franchises shall be governed by Hong Kong law and that the grantees shall submit to the exclusive jurisdiction of the courts of Hong Kong.

* * *

New Franchise Conditions and Commitments

(A) New Franchise Conditions

New franchise conditions have been added for enhancing the Government's regulation over the grantees –

- (a) Bus safety: The new franchises require the grantees to provide specified information and records on accidents involving the bus operation to the Commissioner for assessment of safety performance of the grantees, and analysis on accidents and safety-related incidents associated with franchised buses;
- (b) Acquisition of new buses: On top of the existing franchise condition clause under which the Commissioner can stipulate requirements in respect of on-bus facilities for customer services (e.g. priority seats) or safety-related facilities (e.g. railings and speed limiter), the new franchises require the grantees to comply with any specifications and requirements issued or amended by the Commissioner in acquiring new buses (e.g. fire prevention and body structure);
- (c) Bus maintenance: The new franchises require the grantees to establish a documented bus maintenance system and comply with all guidelines, technical notes, and quality assurance and conformity assessments in respect of bus maintenance as issued or amended by the Commissioner;
- (d) Handling of incidents: The new franchises enable the Commissioner to require the grantees to provide bus information involved in incidents in a specified format through digital means for more efficient incident handling; and
- (e) Bus captain training: The new franchises require the grantees to comply with all requirements, guidelines, and practice notes on training of bus captains issued or amended by the Commissioner.

(B) New Franchise Commitments

Bus Safety

2. LW and CTB have committed to –
 - (a) publish the accident data in the Bus Safety Chapter of the Forward Planning Programme together with other operational and financial information currently published within five months after the close of each accounting year;
 - (b) provide assessments on accidents and improvement measures when reasonably requested by the Commissioner; and
 - (c) subject to technical feasibility, provide information on traffic accidents with damage only with more precise geographical location via electronic means on a monthly basis.
3. CTB(F2) and LW have committed to install advanced driver-assisted system, including anti-collision and lane keeping warning systems, as well as driver status monitoring system for all their buses newly acquired at any time during the new franchise period.
4. CTB has committed to launch a driver management system on bus fleets under its two franchises for monitoring and subsequent improvements of the driving behaviour of bus captains, including harsh acceleration, harsh braking, sharp cornering and tilting.

Passenger Services

5. LW and CTB have committed to, subject to technical feasibility, assist in disseminating traffic and transport related messages in the grantees' mobile applications and information panels on board, at bus stops, public transport interchanges and bus termini as reasonably required by the Commissioner.
6. LW and CTB will continue to explore alternative measures to overcome site constraints at locations with persistent local requests for passenger shelters. Specifically, LW has committed to install at least ten bus passenger shelters during the franchise period. CTB has committed to refurbish (i.e. repainting or light refurbishment) the existing shelters where required commencing from Q3 2022 for completion by Q3 2025, and explore new shelter design for enhancing aesthetics, maintenance, cleanliness and

better protection from the weather, along with the enhancement of passenger information. Subject to site constraints and technical feasibility, CTB(F2) will install at least two shelters whilst CTB(merged) will install at least five shelters with new design commencing from Q4 2023.

7. CTB has committed to upgrade its customer mobile application and website with enhanced passenger information, online live-chat functions and introduce a customer loyalty programme in 2023 for enhanced communication with the public and customer experience.

Fare Concession Initiatives

8. LW has committed to –

- (a) continue the inter-company bus-bus interchange discount between LW's "E" routes and three NLB's routes (i.e. routes no. 3M (Tung Chung Station Bus Terminus – Mui Wo), no. 11 (Tung Chung Station Bus Terminus – Tai O) and no. 23 (Tung Chung Tat Tung Road – Ngong Ping)), subject to the agreement of NLB;
- (b) offer a new inter-modal interchange discount with green minibus routes no. 621 (Hung Shui Kiu (Hung Yuen Road) - Tin Shui Wai (Tin Tan Street)) and no. 623 (Yuen Long (Fung Cheung Road) - Kong Tau Tsuen), subject to the agreement of relevant green minibus operator; and
- (c) with the agreement of KMB, its sister company, extend the coverage of KMB's Monthly Pass to LW's regular and overnight services except airport services (i.e. "E", "R", "S" and "N" routes) and offer a 73% fare discount for Monthly Pass holders when travelling on LW's "A" routes and "NA" routes.

Environmental Improvement Initiatives

9. LW and CTB have re-affirmed their commitments to deploying low emission buses serving the three low-emission zones in Causeway Bay, Central and Mong Kok as required by the Environmental Protection Department.

10. LW and CTB have committed to cooperate with the Government in promoting the development of electric and other new energy public transport vehicles, such as conducting trials of hydrogen fuel cell buses.

11. LW has committed to install solar panels on the roof of new buses.

Staff-related Initiatives

12. LW has made the following commitments for boosting the morale of its frontline staff –

- (a) to continue its scholarship scheme for sponsoring staff members' children in tertiary education;
- (b) to continue making contributions to charitable foundations which support staff members in need;
- (c) to continue providing legal support to staff members involved in traffic incidents;
- (d) to extend the 20 scale points for salary adjustments for frontline bus captains to cover the retired and reemployed bus captains; and
- (e) to arrange the senior management to visit bus termini every month in order to consult the frontline staff on improvement of working environment.

13. To enhance the staff working environment, CTB will upgrade the existing staff kiosks on a need driven basis with either new pre-fabricated kiosks or refurbishment of the existing ones, and introduce solar-powered new-style toilets with improved designs where feasible. In particular, CTB has committed to upgrade at least 10 and 40 of such kiosks under CTB(F2) and CTB(merged) respectively over the first three years of the franchise period.

Other Regulatory Matters

14. LW and CTB have committed to seek prior approval from the respective boards of directors when the accumulated value of charitable donations made within an accounting year exceeds a level to be decided by the respective board of directors that is considered material to the grantee, whether or not the persons or entities that are the recipients or beneficiaries of such donation are related parties of the grantees.

15. LW and CTB have committed to submit the up-to-date (i) group charts showing the grantees' holding company(ies) and (ii) lists of directors of these companies to the Commissioner within 14 days after the

commencement date of new franchises, and inform the Commissioner of any subsequent change in the grantee's group charts and/or lists of directors within two months from the effective date of the change.

* * *

Implications of Granting of New Franchises

Economic Implications

In 2021, LW, CTB(F2), NWFB and CTB(F1) together had a total average daily patronage of about 0.96 million, accounting for about 27.6% of daily passenger trips of franchised buses and 9% of the daily passenger trips of all public transport in Hong Kong. The grant of new franchises of ten years would facilitate long-term planning, development and investment of LW, CTB(F2) and CTB(merged). This would ensure continuity in the provision of reliable and efficient bus services to the community. The general public, particularly residents of Hong Kong Island and North Lantau and users and staff of the airport and HZMB Hong Kong Port, would benefit from the service enhancement measures to be implemented by the grantees.

2. Merging the franchises of NWFB and CTB(F1) should be able to improve the overall efficiency of the bus network on Hong Kong Island, through achieving higher economy of scale in operations and reducing overlaps in service provision and resource usage. At present, Bravo, together with NWFB and CTB, employs a total of about 5 000 staff for the franchised bus operations, with about 70% of them being bus captains. Bravo has indicated that there would be no redundancy of bus captains for two years from the commencement of CTB(merged). As for engineering and supervisory staff, Bravo has all along been working to streamline its corporate structure regardless of the merger. Thus it is expected that the merger would not have a substantial direct impact on existing staff and job availability.

Competition Implications

3. During the public engagement exercise, the Competition Commission (the Commission) submitted a response, highlighting the benefits of competition through periodic tendering, while acknowledging that it may not be feasible for the Government to do so in the current exercise.

The Commission therefore made several recommendations¹ intended to increase the competitive pressure on FBOs short of conducting a public tender at the present stage. On this, the Government's primary objective in considering the granting of new franchises is to ensure that the operator is capable of providing a proper and efficient service and is willing to invest in improving services. Over the years, competition from other public transport modes as well as rising operating costs (notably staff costs and fuel costs) have brought about significant challenges to FBOs in maintaining financial sustainability of their operations. While we appreciate the Commission's views from the competition angle, the established practice of directly granting a new bus franchise to the incumbent operator with proven track record brings more certainty to the operators for long-term commitment and investment in their provision of quality bus service, especially in the face of such a rather difficult operating environment. It should also be noted that LW, CTB(F2) and CTB(merged), despite being granted new franchises through direct negotiation, face no less competitive pressure. LW and CTB(F2) are themselves direct competitors operating the airport and North Lantau bus networks, while CTB(merged) will have to compete with multiple modes of public transport in a well-connected network on Hong Kong Island. Overall, LW, CTB(F2) and CTB(merged) will need to provide quality service at competitive fare levels to maintain and expand its market share in the face of keen competition from other public transport operators. This should be in the interest of the travelling public. Furthermore, the services provided by FBOs are monitored by TD and scales of fares of individual operators are approved by the Chief Executive in Council. These will help to ensure the quality of bus services for the public.

4. On the merger of the franchises of NWFB and CTB(F1), the Commission was of the view that the proposal might bring about genuine efficiencies as it potentially reduced overlaps and allowed streamlining of management. The Commission also reminded the Government to consider ways to allow any increased efficiency generated from the proposal to be passed on to passengers. One example for achieving this would be to re-organise the franchises with the specific intention of having one or more "contestable franchise" which includes routes which would be easy for competing FBOs to operate, and could therefore be subject to more frequent public tendering. On this, it should be noted that the merger of the

¹ They include introducing objective quality control metrics to be applied systemically and transparently to all FBOs (and the franchises of FBOs which failed to meet pre-determined and rigorous thresholds should not be renewed without public tendering), as well as developing stronger contractual provisions that would ensure that public tendering is a credible and feasible option in the future (e.g. involving clear handover provisions, etc.).

franchises by the Government is intended to address the historical legacy of duplicated services under overlapping bus networks of two distinct franchises. It is also meant to be a first step to opening up a wider scope for bus service re-structuring proposals to be implemented in a progressive manner. In addition to a more efficient bus network, the resources so saved would be redeployed for enhancement of bus service for the benefit of the public.

5. With a view to enhancing competition, TD has put in place the mechanism of Operator Selection Exercise for FBOs to compete for operating rights for new cross harbour routes and routes serving new towns, major infrastructures, new sizeable development areas, or areas with more than one FBO. The track record of individual FBOs in areas such as bus safety and service performance forms part of the selection criteria.

Environmental Implications

6. To help improve roadside air quality, the grantees have re-affirmed their commitments to deploying low emission buses serving the three low-emission zones. The grantees have also committed to cooperate with the Government in promoting the development of electric and other new energy public transport vehicles, such as conducting trials of hydrogen fuel cell buses. Out of its own initiative, LW has further committed to install solar panels on the roof of new buses.

7. Merging the franchises of NWFB and CTB(F1) will provide a wider scope for implementing major bus network re-engineering or service rationalisation, hence reducing roadside air pollution.

Financial Implications

8. The grant of new franchises, including the merging of the franchises of NWFB and CTB(F1), has no financial implications to the Government. The impact of the additional fare concessions on the amount of government subsidies required under the Public Transport Fare Subsidy Scheme should be minimal.

Sustainability Implications

9. The granting of new franchises to LW, CTB(F2) and CTB(merged) would ensure the provision of reliable and efficient franchised bus services to the travelling public, which is essential to the sustainable development of the community.

10. Merging the franchises of NWFB and CTB(F1) will facilitate a better integrated bus network on Hong Kong Island which is in line with the sustainability principles of providing safe, accessible and efficient transport systems.

* * *

Summary of Public Views

The Government invited views from the public between 18 June and 10 September 2021. The information paper was uploaded to the websites of GovHK, the former Transport and Housing Bureau and TD. Relevant press releases were issued on 18 June and 27 August 2021. Moreover, TD sent an information paper to members of the Traffic and Transport Committees of all District Councils.

2. A total of 252 submissions were received. Sixteen of them were from political parties, individual members of the LegCo and District Councils, as well as various groups. The remaining 236 submissions were from individual members of the public. The majority of the opinions received on franchise requirements are broadly categorised as follows –

(a) *Franchise arrangement and Government regulation*

- to provide government subsidies for operation of socially desirable routes and electric and new energy buses
- to merge the existing franchises on the Hong Kong Island
- to strike a balance among different public transport modes
- to conduct open tender for the grant of new franchises
- to introduce measures to enhance bus safety

(b) *Fare concessions*

- to provide more fare concession schemes (e.g. monthly pass, more bus-bus interchange / inter-company bus-bus interchange schemes)

(c) *Service quality*

- to improve on-board or passenger facilities
- to enhance provision of passenger information
- to improve bus operation
- to enhance communication with the passengers

(d) *Environmental improvement*

- to use environmental-friendly buses
- to achieve zero emission target

(e) *Staff matters*

- to improve employment conditions of staff



交通諮詢委員會
TRANSPORT ADVISORY COMMITTEE

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30 May 2022

The Honourable Frank CHAN, JP
Secretary for Transport and Housing
22/F, East Wing, Central Government Offices
2 Tim Mei Avenue
Tamar
Hong Kong

Dear Mr Chan,

New Bus Franchises

The current franchises for the bus networks of the Long Win Bus Company Limited (“LW”) and the Citybus Limited (franchise for the Airport and North Lantau bus network) (“CTB(F2)”) will expire on 1 May 2023, and that of the New World First Bus Services Limited (“NWFB”) will expire on 1 July 2023. The Transport Advisory Committee (“TAC”) discussed at its meetings on 29 June 2021 and 24 May 2022 the matters related to the new franchises. This letter sets out TAC’s advice.

Basis of TAC’s consideration

2. TAC considered the following factors during the discussions on the matters related to the new franchises –

- (a) legal and other requirements concerning the grant of bus franchises;
- (b) performance of the grantees;
- (c) overall benefits of the proposed merger of the franchises of NWFB and the Citybus Limited (franchise for Hong Kong Island and Cross-Harbour Bus Network) (“CTB(F1)”) under a

consolidated franchise; and

- (d) new franchise terms and commitments agreed to be adopted by the grantees.

(a) Legal and other requirements concerning the grant of bus franchises

3. According to the Public Bus Services Ordinance (“the Ordinance”) (Cap. 230), the Chief Executive in Council may grant to a registered company a franchise conferring the right to operate public bus service for a period not exceeding ten years. A grantee is required to maintain a proper and efficient public bus service to the satisfaction of the Commissioner for Transport (“the Commissioner”) during the franchise period. As per the established practice, a grantee that is able to prove its ability to provide a proper and efficient service and is willing to further invest in franchised bus operation may be considered for being granted a franchise for a period of ten years.

(b) Performance of the existing grantees

4. TAC noted that since the commencement of their current franchises respectively in 2013, LW, CTB(F2) and NWFB had been providing proper and efficient services to the satisfaction of the Commissioner. The Transport Department commissioned an independent survey during March to April 2021 to gauge passengers’ opinions on services of the three grantees. The results showed that 92.4%, 94.4% and 90.4% of the respondents were satisfied with the overall quality of services provided by LW, CTB(F2) and NWFB respectively. During their current franchises, LW, CTB(F2) and NWFB have actively enhanced their service quality and safety as well as rationalised their bus networks to meet passenger demand. Meanwhile, the three grantees are willing to further invest in the franchised bus operations, including bus fleet replacement to further improve their services.

(c) Overall benefits of the proposed merger

5. TAC noted the Government’s assessment conducted on the proposed merger of the franchises of NWFB and CTB(F1). A new consolidated franchise to be granted to CTB, to be referred as “Citybus Limited (franchise for the Urban and New Territories bus network)”, would enhance the operational efficiency, financial sustainability and competitiveness of the existing bus networks amidst the challenging operating environment.

6. Moreover, TAC noted that the Government, together with Bravo Transport Services Limited (“Bravo”), the holding company of NWFB and

CTB, would ensure a smooth transition of the franchise arrangement. In particular, –

- (a) service re-structuring proposals would be implemented progressively, and CTB was working on various proposals to offer services that can better benefit the public, including a more efficient network and more value-added bus services that could better meet the latest public needs;
- (b) the merged franchise under CTB, if granted, would strive to reduce its lost trip rate and carry out improvement works on bus stops and information poles across the territory;
- (c) the merger exercise would not come with any changes of actual fares for all existing routes. Any fare adjustment applications, if received by the Government, would be processed according to the established procedures; and
- (d) Bravo has reassured that there would be no redundancy of frontline bus captains under the merger exercise, and that there would be no worse-off in the terms and conditions in the employment contracts to be transferred from NWFB to CTB.

(d) New franchise terms and commitments

7. TAC noted that according to the established practice, the Government would request the grantees to take on board franchise terms of the most recently granted franchises, and would introduce new franchise terms and commitments as appropriate, having regard to the changing circumstances as well as the operating situation of the respective grantees and passenger demand. To this end, LW and CTB have agreed to fully take on board the new franchise terms of the three most recently granted franchises. LW and CTB have also agreed to take on board new franchise conditions and commitments to further enhance bus safety and service quality, and introduce fare concessions (for LW only), environmental improvement initiatives and staff related initiatives during the ten-year franchise period.

TAC's views

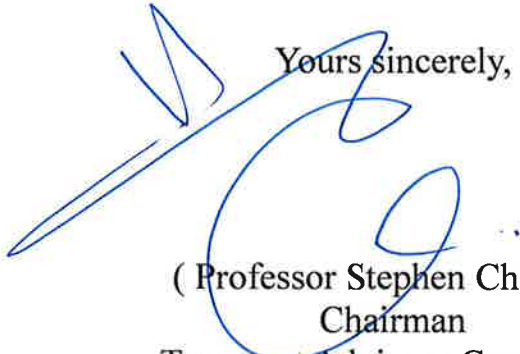
8. Having regard to the abovementioned factors, TAC supports the Government's recommendations to grant new ten-year franchises to LW and CTB(F2) upon the expiry of their current ones on 1 May 2023 and to grant a

new ten-year franchise to CTB to operate relevant bus networks of NWFB and CTB(F1) commencing from 1 July 2023.

9. In particular, TAC is generally supportive of the proposed merger of the franchises of NWFB and CTB(F1), which would attain synergy through better consolidation and use of resources and would be conducive to maintaining financial sustainability of the franchised bus operations. TAC reminded that the Government should explain to the public clearly on the benefits of the proposed merger, for example, the resources so saved could be redeployed to enhance existing services or introduce new service to meet passenger needs.

10. I would be grateful if the Government would convey TAC's advice and views to the Chief Executive in Executive Council for consideration. I confirm that TAC's advice as contained in this letter may be released for public information after the Chief Executive in Council's decision is announced.

Yours sincerely,



(Professor Stephen Cheung)
Chairman
Transport Advisory Committee