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10 April 2012

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

Dear Ms Cheng,

**Franchises of New World First Bus Services Limited,
Long Win Bus Company Limited and Citybus Limited
(Franchise for Airport and North Lantau Bus Network)**

The Transport Advisory Committee (“TAC”) discussed at its meetings on 26 July 2011 and 27 March 2012 the applications of New World First Bus Services Limited (“NWFB”), Long Win Bus Company Limited (“LW”) and Citybus Limited (“Citybus”) in respect of its franchise for the Airport and North Lantau bus network (“Franchise 2”) for the grant of new ten-year franchises when their current ones expire in 2013. This letter sets out TAC’s advice to the Chief Executive-in-Council (“CE-in-Council”).

Basis of TAC’s consideration

When considering the proposed grant of new franchises to the three bus companies, Members have taken into account all relevant factors including –

- (i) the relevant legislative regime governing the grant of bus franchises, including the relevant provisions in the Public Bus Services Ordinance (“the Ordinance”) (Cap. 230) and the various instruments under the Ordinance regulating the delivery of bus services;
- (ii) the performance of the bus companies concerned and their ability to provide proper and efficient bus services;
- (iii) the independent opinion surveys on passengers’ general feedback on the services provided by the bus companies concerned;
- (iv) the terms to be introduced or amended in the proposed new franchises; and
- (v) the commitments made by the bus companies concerned on fare concessions, service enhancement and environmental improvement measures, as well as their willingness to further invest in franchised bus operations.

Relevant legislation governing the grant of bus franchises

Members noted that under section 5 of the Ordinance, the CE-in-Council may grant to a company a franchise conferring the right to operate a public bus service. Under section 6 of the Ordinance, a franchise may be granted for a period not exceeding ten years. Meanwhile, section 12 of the Ordinance prescribes that a grantee of a bus franchise shall, at all times during the franchise period, maintain to the satisfaction of the Commissioner for Transport (“the Commissioner”) a proper and efficient public bus service.

Members also noted that, according to the established practice, bus companies which have proven themselves to be capable of providing proper and efficient services, and are willing to further invest in their franchised bus operations are normally granted new franchises for a period of ten years.

Performance of the bus companies concerned

The main operating area for NWFB is on Hong Kong Island, whereas the main operating areas for LW and Citybus (Franchise 2) are in North Lantau and the Airport. Members noted that the three bus companies have been providing satisfactory services to passengers (in terms of reliability, safety, standard of service and environmental protection) since the commencement of their current franchises in 2003. Over the years, they have implemented service improvement and rationalization to meet changing passenger demand, as well as improved their operational and network efficiency.

Public opinion on bus services

According to the independent opinion surveys commissioned by the Transport Department in June 2011, 86%, 87% and 90% of the respondents were satisfied with the overall quality of services provided by NWFB, LW and Citybus (Franchise 2) respectively. It was noted that customer satisfaction was lower in terms of the bus companies' environmental performance. That, however, is expected to be improved with the new and amended franchise terms regarding the adoption of environmental improvement measures on new and existing buses.

Proposed new and amended franchise terms

TAC Members noted that as the new franchises would be valid for ten years, the terms contained therein should allow an appropriate degree of flexibility so as to cater for matters including changing technology, service needs and public expectations.

Members noted that a number of new and amended franchise terms will be introduced. These include a new franchise clause to empower the Commissioner to reasonably require the bus companies to provide facilities or design features for the enhancement of the general service and safety standard of buses. On the environment front, it is understood that an existing clause in the current franchise will be amended to the effect that the bus companies will be required to acquire the most environmentally friendly buses (including zero emission buses) that are technologically proven and commercially available, after taking into account the feasibility as well as affordability for bus operators and passengers. In addition, clauses in the current franchises will be updated to enhance the Commissioner's regulatory power over the information to be provided by the bus companies to the passengers, as well as the service and financial control by the Government to ensure the bus companies' good corporate governance in managing the bus operations.

Bus companies' commitments on fare concessions and service enhancement

Members noted that the three bus companies have been providing over 100 fare concessions in total and section fares on about 90% of the routes. During the negotiations, they have committed to introduce some 60 new fare concession schemes when the new franchises take effect. They comprise new bus-bus interchange concession schemes, new section fares, reduced fares for existing concession schemes, and same day return discount for airport workers. It is believed that these schemes will bring more convenience and fare savings to passengers, in particular for those commuting in the major service areas of the three bus companies (i.e. airport workers, residents of Tung Chung, Hong Kong Island and Tseung Kwan O). Some of them are specifically designed to meet the practical needs and requests of local passengers.

In addition, Members noted that the bus companies concerned have demonstrated their willingness to continue with the franchised bus operations and invest further on bus facilities to enhance safety and service

to passengers. For example, the bus companies have committed to adopt bus design with barrier-free and elderly-friendly features when setting specifications for new buses and to provide enhanced information to passengers on-board buses, at bus stops and through their company websites. The bus companies have also demonstrated commitments to make considerable capital investment to replace almost 70% of their existing fleet with new buses in the next five years.

TAC's advice

Taking into account all relevant factors, TAC on the whole supports the Administration's recommendation in granting new ten-year franchises to the three bus companies upon the expiry of their current ones in May / July 2013 to ensure a smooth continuation of the bus services in question.

I would be grateful if you would convey TAC's advice to the CE-in-Council for consideration. I confirm that TAC's advice as contained in this letter may be released for public information after the CE-in-Council's decision is announced.

Yours sincerely,



(Rimsky Yuen, S.C.)

Chairman

Transport Advisory Committee