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Professor the Honourable Anthony Cheung, GBS, JP  
Secretary for Transport and Housing  
22/F, East Wing  
Central Government Offices  
2 Tim Mei Avenue  
Tamar  
Hong Kong

Dear Professor Cheung,

**New Franchises for the Bus Networks of Citybus Limited  
(Franchise for Hong Kong Island and Cross-Harbour Bus Network)  
and New Lantao Bus Company (1973) Limited**

The current franchises for the bus networks of Citybus Limited (Franchise for Hong Kong Island and Cross-Harbour Bus Network) (“Citybus (Franchise 1)”) and New Lantao Bus Company (1973) Limited (“NLB”) will expire on 1 June 2016 and 1 March 2017 respectively. This Committee discussed at its meetings on 24 June 2014, 30 December 2014 and 28 July 2015 the matters related to the new franchises. This letter sets out this Committee’s advice to the Chief Executive (“CE”) in Council.

Factors for consideration

During the discussions on the matters related to the new franchises, this Committee considered various factors in making a recommendation to CE in Council. These factors include -

- (1) legal and other requirements concerning the grant of bus franchises;
- (2) performance of the grantee concerned;

- (3) passengers' opinion on the service of the grantee concerned;  
and
- (4) new franchise terms and commitments agreed to be adopted  
by the grantee concerned.

(1) *Legal and other requirements governing the grant of bus franchises*

This Committee is aware that according to the Public Bus Services Ordinance ("the Ordinance") (Cap. 230), CE in Council may grant to a company a franchise conferring the right to operate public bus service for a period not exceeding 10 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 of a franchise for a period of 10 years. The new franchise will commence upon the expiry of the current franchise.

(2) *Performance of the grantees*

This Committee noted that since the commencement of their current franchises in 2006 and 2007 respectively, Citybus (Franchise 1) and NLB had been providing proper and efficient services (in respect of service reliability, safety standard, service quality as well as environmental performance) to the satisfaction of the Commissioner. The two grantees have not increased their bus fares since 2008. During their current franchises, they have actively enhanced their service and rationalised bus routes to meet passenger demand. They together have offered fare concessions amounting to \$179 million under the passenger reward arrangement. Meanwhile, the two grantees are willing to further invest in franchised bus operation, including making an investment of a total of around \$770 million for bus fleet replacement in the coming five years.

(3) *Passengers' opinion on the service of the grantees*

The Transport Department commissioned an independent survey during November to December 2013 to gauge passengers' opinions on the service of the two grantees. The results show that 88% of the respondents are satisfied with the overall service quality provided by the

two grantees. With regard to the comparatively lower satisfaction levels on environmental performance and service regularity, this Committee noted that the new franchises would require the grantees to acquire the most environmentally friendly buses in terms of exhaust emissions as far as practicable and deploy low emission buses (buses of emission standards of EURO IV or above) to operate in the low emission zones delineated by the Environmental Protection Department. As for service reliability, this Committee learnt that from January to May 2015, the average lost trip rate of Citybus (Franchise 1) was 1.8%, on par with the industry average. The lost trip rate of NLB was even lower.

*(4) New franchise terms and commitments agreed to be adopted by the grantees*

This Committee noted that according to the established practice, the Government would request a grantee to take on board franchise terms and commitments 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 an individual grantee and passenger demand. To this end, Citybus (Franchise 1) and NLB have agreed to fully take on board the new franchise terms of and service/facility-related commitments made under the three most recently granted franchises (i.e. franchises of New World First Bus Services Limited, Long Win Bus Company Limited and Citybus Limited (Franchise for Airport and North Lantau Bus Network) granted in 2012). Such terms and commitments are mainly about enhancing service quality, providing more passenger information, improving the environment, and strengthening government regulation.

Moreover, this Committee is aware that the two grantees have further agreed to include new franchise terms and make commitments on specific initiatives in three areas, namely provision of passenger information, government regulation and fare concessions. With respect to passengers' information, the two grantees have agreed to roll out real time bus information system through mobile platforms (including computers and mobile applications) and install display panels at major bus stops in phases after the new franchises commence to provide the estimated arrival time of bus routes. The new franchises will also further reinforce regulation of bus services in, for example, the arrangements relating to material procurement contracts and handling of customers' complaints and comments.

This Committee noted that Citybus (Franchise 1) and NLB were at the moment providing a total of 186 fare concession schemes, covering over 90% of their routes with some 130 000 beneficiaries daily. Under the new franchises, Citybus (Franchise 1) has agreed to provide 31 additional fare concession schemes, and NLB has agreed to offer fare concessions to frequent passengers of 10 major bus routes serving South Lantau. These can meet the needs of individual districts and respond to long-standing requests from local passengers.

Transport Advisory Committee's advice

Having regard to the abovementioned factors, this Committee supports the Government's recommendation to grant new ten-year franchises to Citybus (Franchise 1) and NLB upon the expiry of their current ones in 2016 and 2017.

I should be grateful if the Government would convey this Committee's advice to CE in Council for consideration. I confirm that this letter may be released for public information after CE in Council's decision is announced.

Yours sincerely,



( Larry Kwok )  
Chairman

Transport Advisory Committee