REGULATION OF BUS SERVICES IN HONG KONG

Dr. Yuen Tak Fai, Dorothy
Former Deputy Commissioner for Transport, HKSAR

Hong Kong Special Administrative Region

Area: 1098 km²
Population: 6.9 million

Some Statistics (as at the end of 2006)

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (million)</td>
<td>6.9</td>
</tr>
<tr>
<td>Rail Length (km)</td>
<td>204</td>
</tr>
<tr>
<td>Road Length (km)</td>
<td>1,984</td>
</tr>
<tr>
<td>Total Vehicle Fleet</td>
<td>553,000</td>
</tr>
<tr>
<td>Private Car Fleet</td>
<td>360,000</td>
</tr>
<tr>
<td>Private Car per 1,000 population</td>
<td>52</td>
</tr>
<tr>
<td>Vehicle Density (vehicle/km)</td>
<td>279</td>
</tr>
</tbody>
</table>
| Public Transport                | 11 million     
  passengers/day  
  90% of passenger trips |
### Hong Kong Public Transport System

<table>
<thead>
<tr>
<th>Mode</th>
<th>Average Daily Patronage in 2006 ('000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franchised Bus</td>
<td>3,943</td>
</tr>
<tr>
<td>Mass Transit Railway</td>
<td>2,400</td>
</tr>
<tr>
<td>Kowloon Canton Railway</td>
<td>1,120</td>
</tr>
<tr>
<td>Light Rail Transit</td>
<td>374</td>
</tr>
<tr>
<td>Tram &amp; Peak Tram</td>
<td>242</td>
</tr>
<tr>
<td>Ferry</td>
<td>154</td>
</tr>
<tr>
<td>Taxi</td>
<td>1,067</td>
</tr>
<tr>
<td>Public Light Bus</td>
<td>1,809</td>
</tr>
<tr>
<td>Residents’ Bus Service</td>
<td>263</td>
</tr>
<tr>
<td>Total</td>
<td>11,363</td>
</tr>
</tbody>
</table>

### Market Share of Public Transport System (as at the end of 2006)

- **Franchised buses**: 34.1%
- **Railway**: 36.3%
- **Public Light Bus**: 15.8%
- **Taxi**: 9.4%
- **Ferry**: 0.4%
- **Others**: 2.4%

### Hong Kong Transport Strategy for the Future

1. Better integration of transport and land use planning
2. Better use of railways as the backbone of our passenger transport system
3. Better public transport services and facilities
4. Better use of advanced technologies in transport management
5. Better environmental protection

### Importance of Public Transport

- Constitute over 90% of passenger trips
- An efficient system **without direct subsidy**
- 6,000 double-deck franchised buses carried nearly 3.9 million passenger trips a day
Government Structure - Transport

Chief Executive

Secretary for Justice  |  Financial Secretary

Chief Secretary

Transport and Housing Bureau

Other 11 Bureaus

- Transport Department
- Highways Department
- Civil Aviation Department
- Marine Department
- Housing Department

Transport Department

- Regulates all public transport services in Hong Kong
- Manage roads, tunnels, bridges and car parks
- Licensing of driver and vehicles
- Conduct long term transport studies and planning
- Responsible for road safety, traffic control and traffic management
  [http://www.td.gov.hk/home/index.htm](http://www.td.gov.hk/home/index.htm)

Structure of Transport Department

Transport Department

- Franchised Bus Companies
  - Kowloon Motor Bus Company (KMB)
  - Long Win (LW)
  - City Bus (CTB)
  - New World First Bus (NWFB)
  - New Lantau Bus (NLB)

- All privately owned
- Provide bus services under franchises
Bus Franchise

- Granted by CE in Council under the Public Bus Services Ordinance
- Granted by tender or other means as appropriate
- Not more than 10 years, extended every 5 years
- Application for renewal in advance
- Provide proper and efficient service
- A combination of profitable/unprofitable routes
- Government can appoint two Directors to the Board

Features

- Territorial franchise abolished in 1975
- Replaced by area based route by route franchise
- Fares determined by Chief Executive in Council
- Free use of roads and termini
- Bus depots provided by franchisees
- Staff employed by franchised bus companies
- Exempted from fuel tax and annual licence fees

Franchise Sanction

- Financial penalties
- Network growth restriction
- Network reduction
- Non-renewal and revocation of franchise

Transport Department Regulates:

- Schedule of service (route, timetable)
- Fares charged according to fare scale
- Designate terminal points
- Set standards on maintenance of vehicles
- Monthly reports on:
  - passengers carried
  - mileage
  - accidents
  - loss trips
### Monitoring
- Government representatives attending Board meetings
- Meeting with Commissioner for Transport
- Passenger Satisfaction Survey
- Annual Performance Assessment
  - Standard of services
  - Maintenance and safety
  - Service planning and development
  - Financial performance
  - Customer feedback
  - Complaints from commuters, newspapers and other channels

### Performance Assessment on Franchised Bus Companies
**Standard of bus service**
- Availability/Utilization
- Lost trips
- Complaints per million passengers carried
- Average bus age
- Safety related defects per bus examination
- Bus accidents per million vehicle-km
- Percentage of air-conditioned buses
- Percentage of Euro buses

### Performance Assessment on Franchised Bus Companies
**Passenger feedback and amenities**
- Number of complaints
- Passenger attitude surveys conducted by bus company
- Passenger liaison group meetings
- Total number of bus stops
- Total number of bus shelters and percentage of bus stops with shelters
- Number of shelters planned/constructed

### Performance Assessment on Franchised Bus Companies
**Service Planning and Development**
- Number of route development programme (RDP) items
- Agreed items introduced
- Agreed items not introduced
Performance Assessment on Franchised Bus Companies

Maintenance & Safety Standards
- Bus defects (per bus examination)
- Bus accidents (per million vehicle-km)
- Vehicle breakdown (per million vehicle-km)
- Driving offence prosecuted

Performance Assessment on Franchised Bus Companies

Financial performance
- Passengers carried per day
- Passengers carried per licenced bus per day
- Maintenance cost per licenced bus
- Financial results per licenced bus per day ($)

Performance Assessment on Franchised Bus Companies

General Management
- Number of drivers (shortage/surplus)
- Number of supervisors
- Number of Engineering and technical staff
- Number of Management staff
- Others
- Number of staff per licenced bus

Five Year Plan

- Route development
- Fleet development
  - Fleet size
  - Fleet replacement plan
- Depot development
  - Number of depots
  - Bus maintenance plans
- Financial forecasts
Fare Regulation

- BASKET OF FACTORS APPROACH (Fare Adjustment Mechanism)
- Acceptability and affordability: CCPI
- Return to operators (9.7%):
  - Historical return in last 10 years
  - Any above average return to be shared equally between passengers and operator
  - Productivity gain to be shared with passengers
  - May result in fare reduction

Hong Kong’s Experience

- Maintain high quality bus service and healthy competition
- Efficient system without direct Government subsidy
- Most of the bus fleet ventilated with facilities for the disabled
- Improved public transport interchanges
- Inter modal co-ordination
- Safety inspection

Hong Kong’s Experience (Con’t)

- Environmental protection
- Public transport priority
  - http://www.brtchina.org/
- Minimize route duplication
- Rationalization
- Fare discount through bus-bus interchange or bus-rail interchange
- Use of new technology

Major Comparison

<table>
<thead>
<tr>
<th>China</th>
<th>Hong Kong</th>
<th>England</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mode of Operation</td>
<td>State owned or joint venture</td>
<td>Private companies</td>
</tr>
<tr>
<td>Financial Status</td>
<td>Low fares lead to Loss-making</td>
<td>Self-financed</td>
</tr>
<tr>
<td>Government Subsidy</td>
<td>Direct subsidy</td>
<td>Indirect subsidy</td>
</tr>
<tr>
<td>Waiving:</td>
<td>First registration tax</td>
<td></td>
</tr>
<tr>
<td>License fees</td>
<td>Fuel tax</td>
<td></td>
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<tr>
<td>Land for depots</td>
<td>low rent</td>
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</table>

Direct subsidy
### Major Comparison

<table>
<thead>
<tr>
<th>Tax</th>
<th>China</th>
<th>Hong Kong</th>
<th>England</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiple taxation</td>
<td>Profit tax (17% of profit)</td>
<td>Profit tax (30% of profit)</td>
<td></td>
</tr>
<tr>
<td>Tax on revenue:</td>
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<td></td>
<td></td>
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<tr>
<td>♦ 3% on income</td>
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<tr>
<td>♦ City construction tax</td>
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<td></td>
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<tr>
<td>♦ Education tax</td>
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<tr>
<td>♦ Utility tax etc</td>
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<tr>
<td>Tax on profits:</td>
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<tr>
<td>♦ Profit tax 25%</td>
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### Major Comparison

<table>
<thead>
<tr>
<th>Route Development</th>
<th>China</th>
<th>Hong Kong</th>
<th>England</th>
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</thead>
<tbody>
<tr>
<td>Directed by</td>
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<tr>
<td>Government</td>
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<tr>
<td>Proposed by bus</td>
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<td>companies, vetted</td>
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<tr>
<td>and approved by</td>
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<td>Transport</td>
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<td></td>
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<tr>
<td>Department</td>
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</table>

| ♦ Commercial      |       |           |         |
| routes proposed   |       |           |         |
| by operators      |       |           |         |
| ♦ Subsidized      |       |           |         |
| routes proposed   |       |           |         |
| by Government     |       |           |         |

### Conclusion: Privatization of Bus Operation

- A world trend
- Government to provide suitable operating environment

### Conclusion: 3 Main Principles

**Improvement of the road system**

1. Improvement of the road system
2. Expansion and improvement of public transport
3. Economic use of road space
Relevant Links

- http://www.td.gov.hk/home/index.htm