

LCQ9: Fare concessions offered by franchised bus companies

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Following is a question by the Hon Pan Pey-chyou and a written reply by the Secretary for Transport and Housing, Ms Eva Cheng, at the Legislative Council meeting today (May 18):

Question:

It has been reported that the total revenue of the Citybus Limited (CTB) last year amounted to \$1.5 billion, with a surplus of more than \$96 million over the permitted return. Under the passenger reward arrangement modified by the Government in 2006, any return achieved by a franchised bus operator exceeding the rate of return on the average net fixed asset of 9.7% shall be shared equally on a 50/50 basis between the operator and passengers. According to the above arrangement, CTB should have apportioned to the passenger reward balance about \$50 million of the surplus. Although CTB introduced the concessionary fare scheme entitled "\$2 Discount for Each Second Trip within the Same Day" (the Discount) in February this year, the company cancelled the scheme with effect from May this year without giving a clear account. In this connection, will the Government inform this Council:

(a) whether it knows the total amount of passenger reward provided by CTB through offering the Discount, as well as whether CTB has any plan to fully utilise the sum of around \$50 million in last year's surplus to reward passengers through offering same day return fare concessions; if it knows, of the details; if not, the reasons for that;

(b) whether the authorities have monitored the implementation of the relevant mechanism for "the passenger reward balance" mentioned above, such as holding discussions between the Government and franchised bus companies on utilising "the passenger reward balance accumulated" or reducing the magnitude of fare increase required in the future, or providing fare concessions, as well as whether the government departments concerned have monitored and assessed the effectiveness of fare concessions offered by bus companies under this mechanism; if not, of the reasons for that; and

(c) whether the authorities at present have any channel to encourage various franchised bus companies to offer fare concessions to members of the public and monitor such efforts, such as requesting bus companies to retain certain popular fare

concessions, and further extend the coverage of the fare concessions for senior citizens and people with disabilities; if they have, of the details, as well as whether the authorities will request CTB to offer the Discount once again; if not, the reasons for that?

Reply:

President,

(a) Under the current "passenger reward arrangement", any return achieved by a franchised bus operator exceeding the rate of return on average net fixed assets of 9.7% shall be shared equally on a 50/50 basis between the franchised bus operator and passengers. The passengers' share is maintained as "passenger reward balance" to be used for providing fare concessions or relieving the pressure for future bus fare increase. Franchised bus operators are required to announce their "passenger reward balance" within five months after the end of their respective financial year, and to use any amount in the "passenger reward balance" exceeding the equivalent of 1% of the annual revenue for provision of fare concessions within 12 months after the annual disclosure of the "passenger reward balance".

Based on the announcement made on November 30, 2010, the "passenger reward balance" accumulated by the Citybus Limited (Franchise for Hong Kong Island and Cross Harbour Routes) (CTB(F1)) and Citybus Limited (Franchise for North Lantau and Chek Lap Kok Airport Routes) (CTB(F2)) as at June 30, 2010 (i.e. the end date of the financial year) was about \$42 million and \$8 million respectively.

Under the above "passenger reward arrangement", CTB(F1) would offer three fare concession schemes, i.e. extending the effective period of the "\$2 Holiday Concession Scheme for Octopus-paying Senior Citizens" to January 31, 2012, and introducing two short-term Octopus fare discount schemes, namely "Same Day Return Fare Discount of 20%" and "Same Day \$2 Discount for Every Second Trip", for three months from February 3 to May 2, 2011.

CTB(F1)'s fare revenue foregone due to the introduction of the two short-term schemes was estimated to be about \$21 million in total. Moreover, the fare revenue foregone due to the "\$2 Holiday Concession Scheme for Octopus-paying Senior Citizens" from July 1, 2010 to end-April 2011 was about \$6 million. CTB(F1) plans to use the remaining "passenger reward balance" to continue providing the "\$2

Holiday Concession Scheme for Octopus-paying Senior Citizens". The Citybus Limited expects that the "passenger reward balance" will be reduced gradually to less than 1% of its annual revenue by November 30, 2011, and the remaining balance will be carried forward as provision for use in the next financial year.

CTB(F2) has fully used its "passenger reward balance" (i.e. about \$8 million) in offering the "\$2 Holiday Concession Scheme for Octopus-paying Senior Citizens", discounted Cityflyer Return Tickets, Cityflyer Same Day Return Discount of 50%, and fare concessions to airport staff.

(b) The Government regularly monitors the use of the "passenger reward balance" by the franchised bus operators. Besides, to enhance transparency, the franchised bus operators are required to publish a booklet of "Fuller Disclosure" within five months after the end of their respective financial year to disclose their operational and financial information, including the "passenger reward balance" accumulated.

The franchised bus operators will consult the Transport Department (TD) when determining the use of their "passenger reward balance" and the relevant fare concession proposals. Fare concession arrangement can only be implemented with the consent of TD.

(c) The Government has all along been encouraging public transport operators to introduce fare reduction or concessions as far as possible to help reduce passengers' travelling expenses, taking into account the operators' respective operating and financial conditions, overall economic environment and passenger needs. In line with the spirit of free enterprise, the provision of fare concessions, including the detailed arrangements, is the commercial decision of the individual public transport operators.

The "Same Day \$2 Discount for Every Second Trip" introduced by the Citybus Limited between February 3 and May 2, 2011 was a short-term fare concession under the "passenger reward arrangement". As mentioned above, the fare revenue foregone as at end-April 2011 due to the three fare concession schemes implemented in 2010-11 by CTB(F1) added up to about \$27 million. Considering that CTB(F1) plans to use the remaining "passenger reward balance" to extend the "\$2 Holiday Concession Scheme for Octopus-paying Senior Citizens", the Government does not intend to request the Citybus Limited to introduce the "Same Day \$2 Discount for Every Second Trip" again for the time being.

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