

Executive Council approves bus fare increase

The Executive Council today (April 19) considered the fare increase applications from the Kowloon Motor Bus Company (1933) Limited ("KMB") and Long Win Bus Company Limited ("LW"), and approved an overall average fare increase of 3.6% for KMB and an overall average fare increase of 3.2% for LW. The new fares will take effect on May 15, 2011.

Compared with the proposed fare increase rates applied by KMB and LW at the rate of 8.6% and 7.4% respectively, the approved rates of fare increase are lower by over 50%.

The Executive Council, in their deliberations, have fully considered and balanced all relevant factors in the fare adjustment arrangement for franchised buses, which include:

- (a) changes in operating costs and revenue of the bus companies since the last fare adjustment in June 2008;
- (b) forecasts of future costs, revenue and return;
- (c) the need to provide the operator with a reasonable rate of return;
- (d) public acceptability and affordability;
- (e) the quality and quantity of service provided by the bus companies; and
- (f) a formula (Supportable fare adjustment rate = $0.5 \times \text{Change in Wage Index} + 0.5 \times \text{Change in Composite Consumer Price Index ("CCPI")} - 0.5 \times \text{Productivity Gain}$).

A Government spokesman said that the approved fare increases have struck a balance between minimising the impact of bus fare increase on passengers and at the same time enabling the franchised bus operators to continue to provide public bus services at its current standard.

"In processing KMB and LW's application, the Government has assessed relevant operating information carefully and comprehensively, and considered that there was a case for fare increases for the two franchised bus companies in order to

maintain their financial viability and service sustainability. On the other hand, the Government understands that, under an inflationary environment, the general public is very concerned about the impact of bus fare increases on their livelihoods. The Government has therefore handled the fare increase applications with caution," a spokesman said.

"The change in CCPI from the last fare increase in June 2008 to February 2011 is +5.72%. The approved fare increase rates for KMB and LW are in effect lower than the inflation during the same period."

As regards the fact that the approved fare increase rates do not follow the formula outcome (+3.92%), the Government spokesman explained that the formula reflects changes in the macro-economic conditions and past operating costs of the bus companies, and does not operate as an automatic determinant of bus fare adjustment outcome.

The Government spokesman added that the Government understands that KMB and LW are facing challenges in their operations. In particular, fuel prices have been subject to an upward trend and remained at a high level since the two companies submitted fare increase applications last year. The additional costs incurred have put immense pressure on the two bus companies. However, having regard to public affordability and acceptability in the inflationary environment, it is hoped that the bus companies would share the hard times with the community, and continue to provide quality services. In considering the bus fare increase applications, the Executive Council has fully considered the views of the Panel on Transport of the Legislative Council and the Transport Advisory Committee.

Ends/Tuesday, April 19, 2011

Issued at HKT 15:35