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A Research on the Prospects of Non-Franchised Public Bus Services in Hong Kong

Executive Summary

The Public Omnibus Operators Association Limited (“POOA”) commissioned The Urban Research Group, Department of Public Policy, City University of Hong Kong to undertake a Research on the Prospects of Non-Franchised Public Bus (“NFB”) Services in Hong Kong (“the Research”) in 2016.

Under the Public Bus Services Ordinance (Cap. 230) and the Road Traffic Ordinance (Cap. 374), non-franchised public buses are licensed to operate eight categories of service (tour, hotel, student, employee, international passenger, resident, multiple service and contract hire) through a Passenger Service Licence (“PSL”) system administered by the Commissioner for Transport. There are currently some 7,000 non-franchised public buses carrying an estimated 1.28 million passengers per day.

Current transport policy emphasises railway as the backbone of the public transportation system in order to alleviate road congestion and reduce roadside emissions. However, the MTR is saturated in the peak hours with multiple lines running at capacity. According to the Legislative Council paper on the “Capacity and Loading of MTR Trains” dated February 2014, the East Rail Line and West Rail Line were running at maximum capacity, 100% and 99% respectively. New developments proposed for New Development Areas (“NDAs”) of Kwu Tung and Hung Shui Kiu will further load the railway lines, aggravate the bottlenecks and create higher interchange friction.

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The implementation of the third Comprehensive Transport Study (“CTS-3”) recommendations based on “better use of railways as the backbone of the passenger transport system” has created excessive and unnecessary restrictions over the operations of NFB services in Hong Kong. POOA regarded such policy as too protectionist and socially unacceptable. Furthermore, the Review of Regulation of Non-Franchised Bus Operation conducted by the Transport Advisory Committee (“TAC”) in 2004 further revamped the regulatory framework for NFB services in areas of licensing and enforcement.

It is argued that the “railway as the backbone or the feeder-trunk concept” can be frustrating due to the reluctance of passengers to interchange, and that the government and service providers should not deprive customers of a choice.

Survey findings support passenger choice of NFB over railways – 87% of respondents expressed that railways cannot take over the role of NFBs. This is attributed to NFB’s sensitivity to passenger needs with regard to comfort, convenience and direct service.

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Over 60% of respondents to the survey strongly agree or agree that NFB services should be expanded to supplement rail and franchised bus services. This further confirms passenger preference and support for NFB services.

By allowing fair choices and healthy competition, passengers will have the right to choose their preferred form of transport at a price and service level they consider reasonable. Improvement to public transport services with emphasis in passenger choice will positively impact the environment by attracting private car users to public transportation. This service-based approach in public transport provision is in line with the recommendations of the Study of Road Traffic Congestion in Hong Kong conducted by the TAC in 2014.

The Research has pinpointed the important role of NFB in urban resilience and emergency preparedness particularly in rail disruptions. The Research also identified NFB possessing spare resources under the current restrictive regulatory regime. If fully utilised, NFB would resemble a better substitute than rail and franchised bus for commuters who would be prepared to give up driving. This role of NFB should be recognised in drawing up the long term measure to ease traffic congestion.

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The main recommendation is: the position of NFB be recognised at the third tier (after rail and franchised bus) of the public transport hierarchy based on carrying capacity, setting up cost, flexibility of route planning, passenger satisfaction, safety standard and emergency preparedness.

Building on the main recommendation, the dual roles of NFB in the designated passenger market and commuter service market should be reaffirmed. In this respect, the Research recommended two proposals on the regulatory framework: first, the Transport Department (“TD”) to exercise different levels of regulation and control for NFB services, separately for designated passenger groups (tour, hotel, student, employee, and contract hire) and commuter service market (international passenger, and resident); and secondly, the HKSAR Government to provide planning and rationalisation guidelines for route development of residents’ service (A06).

To reflect the main concerns of NFB operators, the Research recommended specific proposals, on licensing arrangement, that TD to streamline application procedures for PSL renewal, service endorsement and schedule of services; and on enforcement procedures, that TD to review penalty level and provide prosecution guidelines.

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With regard to measures to assist the NFB trade, the Research recommended three proposals: that the HKSAR Government to explore measures to preserve the traditional NFB market on contract hire (A08) service, coordinate demand to allow co-existence of small and large operators, and enhance transparency in information sharing to facilitate strategic planning for NFB services.

With expansion in the transport network and population re-distribution in New Development Areas, changes in the existing pattern of travelling would be inevitable and to meet these changes, it is important that a close working relationship be established between the HKSAR Government and NFB operators in establishing priorities, in service planning and in promoting Hong Kong as a liveable and resilient city.

Survey Findings

- 1) NFB has an important and irreplaceable role in public transport; survey findings support the expansion of NFB to supplement public transportation in Hong Kong
- 2) NFB's niche satisfies the need of door-to-door, tailor-made and premium-type (esp. for some residents' service users) services
- 3) NFB plays a key role in maintaining the public transport service during emergencies, and public opinion in favour of more public transport choices

Telephone Survey

27 – 30 June 2016

720 respondents

Telephone Survey (Excerpts)

Do you think that the railway can replace residents' service and shuttle service?

- Yes – 7.5%
- **No – 87.4%**
- Do not know – 5.1%

Do you agree with the opinion that we can expand NFB to supplement public transport in Hong Kong?

- **Agree – 63.6%**
- Neutral – 14.4%
- Disagree – 17.3%
- Do not know – 4.7%

Telephone Survey (Excerpts)

How far are you satisfied with the emergency bus services provided by the MTR in railway breakdowns?

- Satisfy – 37.4%
- **Neutral – 22.3%**
- **Do not satisfy – 16.4%**
- Do not know – 23.9%

Do you think that the following measures can reduce the negative impact on passengers during such rail disruption?

- **Increase public transport options – 55.2%**
- **Increase the number of emergency buses – 54.6%**
- Increase regular connecting bus services – 50.7%
- None of the above – 3.8%
- Other/Do not know – 2.6%

Face-to-Face Survey

11 July 2016 – 9 August 2016

821 respondents (30 housing estates, 5 shopping malls)

Face-to-Face Survey (Excerpts)

How often do you travel by residents' service?

- **> 4 times/week – 73.1%**
- 1 to 3 times/week – 16.7%
- 1 to 3 times/month – 4.9%
- < Once/month – 4.2%
- Other/Never – 1.1%

How often do you travel by free shuttle bus to shopping malls?

- **> 4 times/week – 30.4%**
- **1 to 3 times/week – 31.9%**
- 1 to 3 times/month – 27.5%
- < Once/month – 10.3%
- Other/Never – 0.0%

Face-to-Face Survey (Excerpts)

Do you agree with the opinion that we can expand NFB to supplement public transportation in Hong Kong?

- **Agree – 64.4%**
- Neutral – 24.6%
- Disagree – 7.0%
- Do not know – 4.0%

Why do you choose to travel by residents' service or free shuttle bus? (can choose more than one)

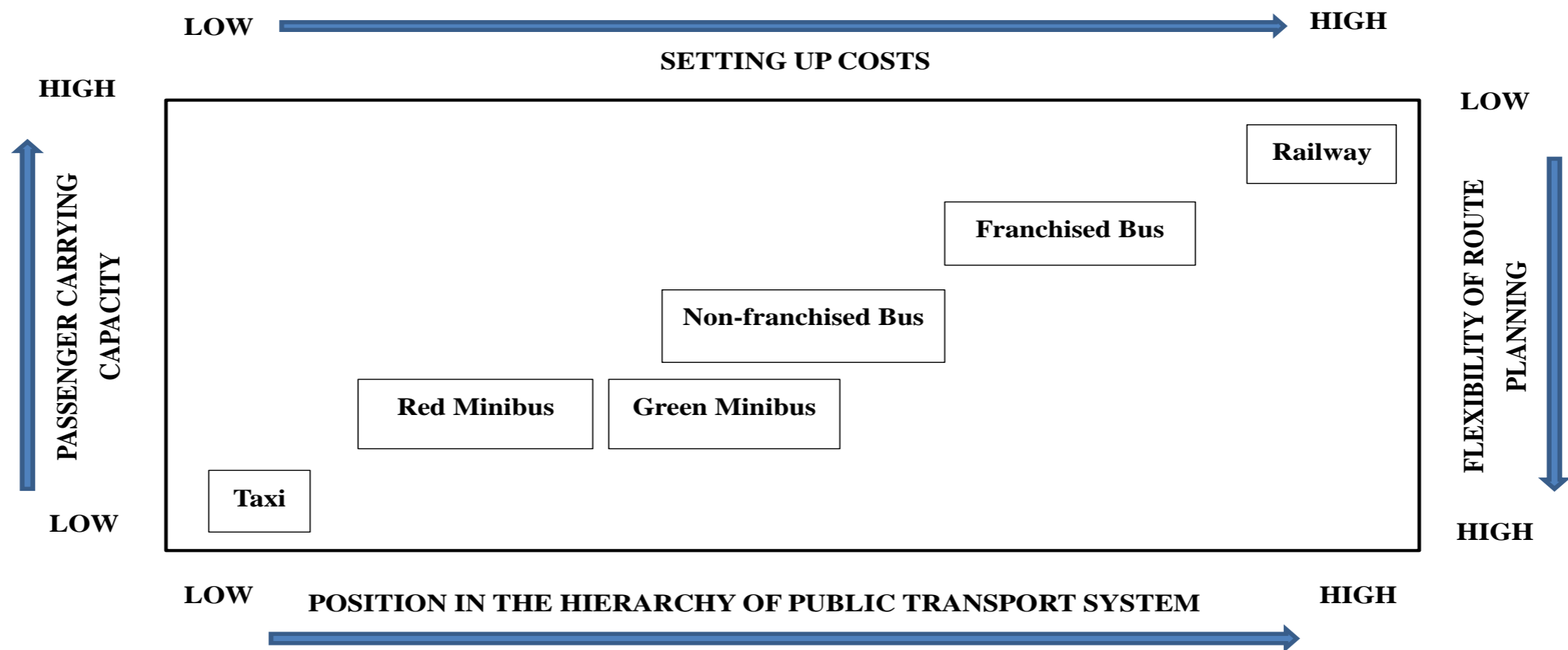
- **Door-to-door/
No transfer – 53.6%**
- Reasonable fare – 25.3%
- Inadequate/Other public transport not available – 21.8%
- Short journey time – 18.7%
- Comfortable – 15.0%
- High frequency – 7.9%
- Other/Do not know – 2.1%

Policy Recommendations

R(1): Role and Function

Recognise the role and raise the position of NFB in public transport hierarchy to the 3rd tier

- NFB's position should be higher than PLB and Taxis
- NFB's role in easing traffic congestion/improving roadside air quality

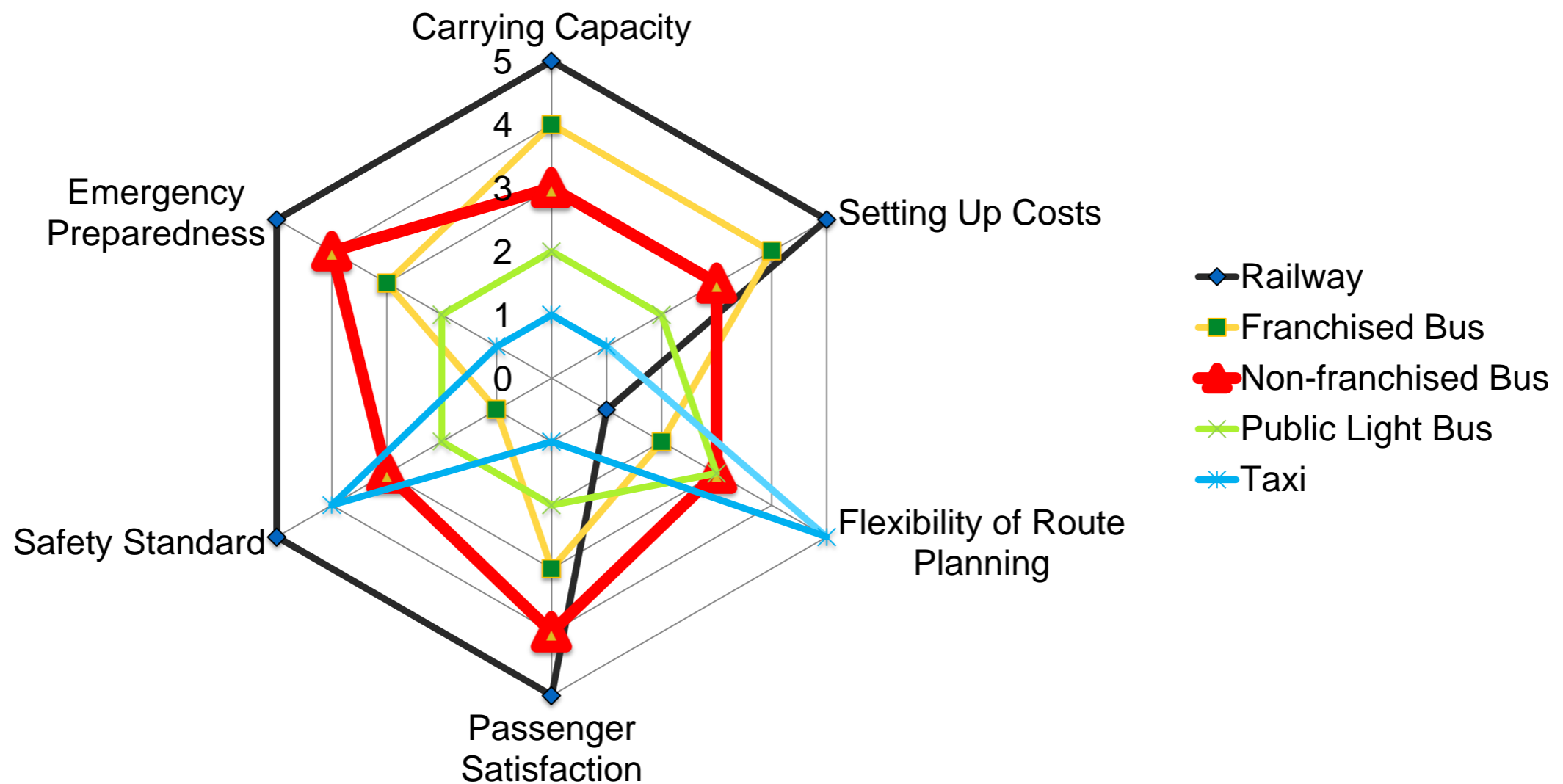


R(1): Role and Function (cont.)

- **Dual function of NFB**
 - Designated passenger groups: A01, A02, A03, A04 and A08
 - Commuter services: A05 and A06
- **Service-based approach**
 - Customer choice, stated preference
- **Transport Advisory Committee (TAC) Traffic Congestion Study 2014**
 - Long term measures to reduce private car growth with improved public transport
 - Optimal utilisation of NFB (7000 vehicles, 250,000+ passenger seats)

R(1): Role and Function (cont.)

- **Basis for determining public transport positioning**



R(2): Regulatory Framework

Exercise different regulation and control for designated passenger and commuter service markets

- To address dual functions of NFB: having regard to the Government's dilemma in A03R and A05R saga

Designated passenger groups:

A01, A02, A03, A04 and A08

- To relax documentary requirements, restrictive endorsement, full fleet vetting and pick-up/set-down points
- No change in vehicle sourcing requirement and enforcement against illegal services

Commuter services:

A05 and A06

- To focus on planning and operational control

R(3): Regulatory Framework

Provide planning and rationalisation guidelines for Residents' Service (RS) (A06)

- Currently deliberate exclusion of RS from planning process, except for service rationalisation in relation to new railway projects
 - Call for new vision of planning and coordination to help curbing private car growth and reduce traffic congestion
- **General principles and guidelines**
 - To develop a set of general principles and guidelines in planning RS
 - To engage local user groups in the service development process and the Government to take into account the views of the locals
 - To review the guidelines from time to time in consultation with NFB operators at regular trade meetings

R(4): Licensing Arrangement

Streamline procedures (PSL renewal, service endorsement and schedule of services)

- At least 7 types of NFB applications
- Applications and approval process time-consuming, causing administrative burden on small operators

Full fleet vetting

- For A05 and A06 applications only (not required for designated group)

Expiry dates

- 5 year term of PSL for decent operators
- Coterminous or same expiry dates for PSL, PSLC, service endorsement

R(5): Enforcement Procedures

Review prosecution guidelines and penalty level with attention to:

- Providing clearer guidelines on the level of offence and penalty
- Pursuing fixed penalty tickets
- Exploring “offence points system” for dealing with minor offences after inquiry (administrative records, no legal amendment)
- Allowing breaching records to be deleted after certain time period

Major offence

- “Mum Mo Ba” (拉毛巴)
- Club service

Minor offence

- Unauthorised free bus (for more than 2 days in 30 days)
- Overrun trips of A06
- Unauthorised spare/over-deployment of vehicles on approved services
- No nannies on A03

R(6): Measures to Assist the Trade

Preserve market share of the traditional NFB contract hire (A08) services

- Current guidelines for approving A08 services too restrictive
- Concern about infringement of A08 market by franchised bus
- For business protection, POOA has urged for clearer guidelines on service approval, and relaxation of restrictions for applying A08 endorsement

○ Review approving criteria for A08 applications

- Processing of A08 service for AWE (more straightforward) applicable to other A08 traditional services
- Under separate regulatory regime proposed for designated group, A08 deserves more lax control to optimise NFB resources

R(7): Measures to Assist the Trade

Coordinate demand by POOA and TD to allow co-existence of small and large operators

- 90% of 1,300 NFB operators are small operators
- Difficulties of small operators to tender service contract
- Many small operators retiring soon with second generation not keen to take over business or to invest

○ Measures to assist small operators

- Small operators would have more room to maneuver under the proposed separate regulatory regime for designated group services
- Subject to the provision of Competition Law, Government to allow incorporation of PSLs in tendering service contracts

R(8): Measures to Assist the Trade

Enhance transparency in information by sharing the TD's NFB utilisation survey

- TD would conduct screen line survey on regular basis to ascertain utilisation of NFB
- Survey findings are for internal use by TD

○ Sharing of utilisation data

- Only non-sensitive information to be released at regular trade meeting to allow NFB trade to understand change in supply and demand
- To facilitate communication between government and the trade in making any policy / operational changes to cope with demand