

Executive Council approves bus fare increase

The Executive Council today (May 20) discussed six fare increase applications from five bus companies and approved five applications to have suitable increases. All the approved fare increase rates, except for the New Lantao Bus Company (1973) Limited (NLB), are lower than the proposed fare increase rates in these applications.

Bus Company	Proposed Fare Increase Rate in the Application	Approved Average Fare Increase Rate
The Kowloon Motor Bus Company (1933) Limited	9%	4.5%
Long Win Bus Company Limited	5.9%	4.5%
NLB	7.24%	7.24%
Citybus Limited (Franchise for Hong Kong Island and Cross-harbour Routes)	5.8%	2%
Citybus (Franchise for North Lantau and Chek Lap Kok Airport)	5.8%	0%

Routes)		
New World First Bus Services Limited	5.8%	5%

The new fares will take effect on June 8, 2008.

The Executive Council, in their deliberations, fully considered and balanced all relevant factors in the bus fare adjustment arrangement approved in 2006, including changes in operating costs and revenue since last fare adjustment; forecasts of future costs, revenue and return; the need to provide the operator with a reasonable rate of return; the quality and quantity of service provided; the outcome of the formula; and public acceptability and affordability.

On the different fare increase rates approved for different bus companies, a Government spokesman said the financial situations and forecasts of the different bus companies varied and some cost components, in particular fuel prices, had continued to increase in recent years. The Executive Council, after balancing all related factors including public acceptability and affordability, decided that appropriate fare increase rate for each bus company should be approved with reference to the company's own conditions with a view to setting the bus fares at levels acceptable to the public and providing operators with the conditions for having reasonable rates of return so that they can sustain the provision of quality services to the public and make further

improvements.

“Under this principle, a bus company with less satisfactory financial performance and forecast, as in the case of the NLB, will be approved a higher fare increase,” a spokesman said.

“For those with better financial performances and forecasts, the increases allowed will be lower or even rejected.”

As regards the fact that the approved fare increase rates do not follow the formula outcome, the Government spokesman explained that when announcing the bus fare adjustment arrangement in 2006, the Government already made it clear that the outcome of the formula would not operate as an automatic determinant of the bus fare adjustment outcome. It would only provide a reference indicator for the Government to consider whether a fare adjustment rate sought by a bus company in the prevailing economic environment has any basis for assessment. Based on the latest figures published by the Census and Statistics Department, the outcome of the formula is +4.67% on the basis of the CCPI for the period from January 2006 to March 2008 and the nominal wage index for the transport sector for the period from the first quarter of 2006 to the fourth quarter of 2007 whereas the magnitude of change in monthly median household income has increased by 5.7% from the first quarter of 2006 to the first quarter of 2008.

The Executive Council also took into account the views of the

Transport Advisory Committee (TAC) and Panel on Transport of the
Legislative Council in considering the bus fare increase applications.
The TAC's recommendations are attached as Annex.