

# Chief Executive in Council considers fare increase applications from franchised bus operators

The Chief Executive in Council (CE in C) today (May 30) considered the fare increase applications from franchised bus operators, and decided that:

(a) fares of Long Win Bus Company Limited (LW) should be increased by an overall actual weighted average rate of 4.2 per cent after a 0.3 percentage points (ppts) mitigation effect by its Franchised Bus Toll Exemption Fund (TEF) (i.e. 4.5 per cent before mitigation);

(b) fares of Citybus Limited (Franchise for the Airport and North Lantau bus network) (CTB(F2)) should be increased by an overall actual weighted average rate of 4.2 per cent after a 2.2ppts mitigation effect by its TEF (i.e. 6.4 per cent before mitigation);

(c) fares of New Lantao Bus Company (1973) Limited (NLB) should be increased by an overall weighted average rate of 7.0 per cent;

(d) fares of Citybus Limited (Franchise for Hong Kong Island and Cross-Harbour bus network) (CTB(F1)) and New World First Bus Services Limited (NWFB) should be increased by an overall actual weighted average rate of 4.9 per cent after a 1.3ppts mitigation effect by their TEFs (i.e. 6.2 per cent before mitigation);

(e) fares of the Kowloon Motor Bus Company (1933) Limited (KMB) should be increased by an overall actual weighted average rate of 3.9 per cent after a 1.6ppts mitigation effect by its TEF (i.e. 5.5 per cent before mitigation); and

(f) the fare increases in (a) to (e) above should be implemented on June 18, 2023.

The fare increase applications and the decision of the CE in C are summarised in the table in the Annex. In arriving at the actual fare increase rates of individual routes, the Government has looked into the service nature and existing fare levels of these routes and made adjustments to effect relatively lower rates of increase on routes for daily commuters so as to minimise the impact of fare increases on the public. Upon the implementation of new fares on June 18, 2023, about 87 per cent of passengers are expected to pay no more than \$0.5 extra per trip and almost all passengers are expected to pay no more than \$1 extra per trip.

A Government spokesman said, "As bus services are closely related to people's livelihood, the Government has handled the fare increase applications in a prudent manner as we have always been. While the Government

acknowledges the financial viability of franchised bus operators is crucial to their continued operation in accordance with commercial principles for better efficiency and cost-effectiveness, the Government has a duty to exercise its gatekeeper role and assess the fare increase applications in a holistic manner taking into account also public acceptability and affordability. In considering and reviewing the applications, the Government noted that the franchised bus operators submitted their applications last year against the backdrop of the fifth wave of the epidemic and oil prices also at a higher level. Accordingly, the Government has suitably adopted projections with a relatively positive recovery outlook with the benefit of the most up-to-date patronage figures reflecting the prevailing normalcy and cross-boundary travel situation. The Government has also taken into account the future opportunities of business growth for the franchised bus operators arising from the new population intake of major new developments such as those in Hung Shui Kiu/Ha Tsuen, Anderson Road in Kwun Tong, and Tuen Mun Area 54."

The spokesman added, "Together with the utilisation of the TEFs to mitigate the rates of fare increase, the overall actual weighted average rates of increase are set at relatively mild levels this time round. With the approved fare increases, the franchised bus operators should continue to invest in improvement in their bus services, including upgrading passenger facilities and safety equipment, transitioning to zero-emission bus fleet and, as one of the major groups of employers in the transport sector, continuing to attract and retain workforce through enhancing remuneration package and working environment. Alongside the processing of the fare increase applications, the Government will continue to encourage and assist franchised bus operators to adopt a multipronged approach in raising revenue and reducing expenditure, including further enhancing operational efficiency of the bus services and increasing non-fare revenue."

The Government has been implementing the non-means tested Public Transport Fare Subsidy Scheme (PTFSS) since 2019 to relieve the fare burden of passengers who travel on local public transport services for daily commuting and whose public transport expenses are relatively high. For the beneficiaries of the PTFSS, a portion of the increase in bus fares could be subsidised by the PTFSS.

According to the Fare Adjustment Arrangement for Franchised Buses agreed by the CE in C, the Government has taken into account a basket of factors in assessing the bus fare adjustments:

- (a) changes in operating costs and revenue since the last fare adjustment;
- (b) forecasts of future costs, revenue and return;
- (c) the need to provide the bus operator with a reasonable rate of return;
- (d) public acceptability and affordability;
- (e) the quality and quantity of service provided; and
- (f) the outcome of the supportable fare adjustment rate formula. The formula is only for reference and will not operate as an automatic determinant of the rate of fare adjustment.

In considering the fare increase applications of the franchised bus operators, the CE in C has, based on the above-mentioned arrangement, examined the cases holistically and fully considered the views of the Panel on Transport of the Legislative Council and the Transport Advisory Committee.