

Executive Council approves review of Fare Adjustment Arrangements for franchised buses and bus fare increase of CTB(F1) and NWFB

The Chief Executive in Council today (January 8) endorsed the review outcome of the Fare Adjustment Arrangements for franchised buses (FAA), and approved that the factors which make up the FAA should remain intact, while the Productivity Factor value used in the supportable fare adjustment rate formula and the weighted average cost of capital (WACC) should be adjusted. The Chief Executive in Council also approved, with the mitigating effect from the Franchised Bus Toll Exemption Funds under the two franchisees, overall weighted average fare increases of 7.0 per cent and 5.6 per cent for passengers of Citybus Limited (Franchise for Hong Kong Island and Cross-Harbour Bus Network) (CTB(F1)) and New World First Bus Services Limited (NWFB) respectively. The new fares will take effect on January 20 this year.

As regards the review of the FAA, under the current mechanism, the Government will take into account a basket of factors in assessing a bus fare adjustment, which include:

- (a) changes in operating costs and revenue since the last fare adjustment;
- (b) forecast 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; and
- (f) the outcome of the formula for a supportable fare adjustment rate. The formula is only for reference and the fare level will not be adjusted automatically according to the formula outcome.

"The Government has looked into the existing FAA and considered that it can basically strike a balance between the sound operation of franchised bus services as well as public affordability and acceptability. The Executive Council approves that the factors which make up the FAA be kept intact and that these factors continue to be considered holistically. At the same time, based on the updated financial market data, the Government updated the Productivity Factor value used in the formula for a supportable fare adjustment rate from zero to +0.3 per cent per annum, as well as updated the WACC from 9.7 per cent to 8.7 per cent so that any profit achieved by a franchised bus operator exceeding the rate of return on average net fixed assets of 8.7 per cent shall be shared on a 50:50 basis between the franchised bus operator and passengers through fare concessions. The new arrangement will apply to all franchised bus operators with effect from today," a Government spokesman said.

In order to update the data more frequently to reflect the latest market situation and operating environment of the franchised bus operators, the Government will review the FAA at a regular interval of, say, once every three years, focusing in particular on the updating of Productivity Gain and the WACC.

As for the fare increase for CTB(F1) and NWFB, in vetting and approving the applications, the Executive Council has, based on the above-mentioned arrangement, considered the case holistically and fully considered the views of the Panel on Transport of the Legislative Council and the Transport Advisory Committee.

"CTB(F1) and NWFB last increased their fares in June 2008. Since the commissioning of various railway lines, the patronage of the two bus operators has dropped. Their operating costs on the other hand have been rising due to the annual pay rise and increase in fuel costs. CTB(F1) and NWFB are both running a deficit. In 2017-18, CTB(F1) incurred a loss of \$2.6 million while NWFB incurred a loss of \$5.1 million. If the fare levels remain unchanged, the two bus operators will continue to run a deficit of a much larger magnitude in the coming years," a Government spokesman said.

"According to the financial forecast of the Government, both CTB(F1) and NWFB will still incur losses even if the increase rate is at 12.0 per cent as proposed by the two franchisees. The Government acknowledges the importance of financial viability of a bus franchisee for providing proper and efficient public bus service. That said, we also need to balance the passengers' affordability and acceptability. Gradual fare increases would be more acceptable to the general public at large," the Government spokesman added.

Having taken into account and balanced all factors under the FAA, the Executive Council approved that an overall weighted average fare increase rate for CTB(F1) and NWFB be 9.9 per cent. With the mitigating effect from the Franchised Bus Toll Exemption Funds announced by the Chief Executive in her 2018 Policy Address, the fare increase required to be borne by passengers after the mitigating effect brought by the Franchised Bus Toll Exemption Funds will reduce from 9.9 per cent to about 7.0 per cent for CTB(F1) and 5.6 per cent for NWFB respectively. The approved rates of increase are lower than the changes in the Composite Consumer Price Index (+34.20 per cent) and Median Monthly Household Income (+60.56 per cent) since the last fare increase, as well as the formula outcome of a supportable fare adjustment rate (+33.05 per cent) under the FAA. Should the financial situation remain weak after the fare increase, the two companies may consider, as necessary, to submit applications for another fare increase.

At the same time, the Executive Council approved the fare of cross-harbour routes jointly operated by CTB(F1) and the Kowloon Motor Bus Company (1933) Limited (KMB) be increased by about 7.0 per cent, and those jointly operated by NWFB and KMB be increased by about 5.6 per cent. The additional revenue generated from such fare increase by KMB would be saved under its Franchised Bus Toll Exemption Fund for reducing the magnitude of its fare increase application being processed.

Under the new fares, about 90 per cent of CTB(F1)'s passengers and 97 per cent of NWFB's passenger will either not be affected at all or will need to pay not more than \$1 extra per trip. About 10 per cent and 3.3 per cent of CTB(F1)'s and NWFB's passengers respectively will have to pay more than \$1 extra per trip. For KMB, about 94 per cent of KMB's passengers will not be affected at all while about 6.1 per cent of KMB's passengers will have to pay 20 cents extra or more per trip. Eligible persons enjoying a concessionary fare of \$2 per trip under the Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities will not be affected by the fare increase.

The Government will continue to encourage all the franchised bus operators to take measures in the coming years to improve the financial situation through ongoing service improvement measures to increase patronage and continuous rationalisation of low-utilised bus routes. The Government will also continue to process fare increase applications in accordance with the established mechanism.

No. 3 alarm fire at Lamma Southwest marine area

A No. 3 alarm fire broke out at a vessel at Lamma Southwest Anchorage today (January 8) at 11.29am, and was upgraded to No. 3 alarm at 1.33pm.

Firemen are now fighting the blaze by using four jets.

A person was found dead at scene. Two persons were injured and were sent to hospital for treatment.

EMSD announces latest sampling results for legionella at fresh water cooling towers

The Electrical and Mechanical Services Department (EMSD) today (January 8) announced that the department tested 74 water samples collected from cooling towers in 69 buildings in its routine inspections in December 2018.

None of them was detected to have a total legionella count at or above the upper threshold, which is 1 000 colony-forming units per millilitre. The latest statistics are set out in Annex 1.

The EMSD also announced the locations of buildings which were served with nuisance notices during the preceding three-month period as the total legionella count was found in the fresh water cooling towers to be equal to or above the upper threshold. Details can be found in Annex 2. The EMSD publishes the latest statistics of the above information on a half-monthly basis on its website

(www.emsd.gov.hk/en/other_regulatory_services/cooling_towers/water_sampling/index.html).

The EMSD reminds the owners of fresh water cooling towers that they have the responsibility to design, operate and maintain cooling towers properly. They should arrange regular inspections, timely maintenance and periodic testing of the water quality in their cooling towers in accordance with the Code of Practice for Fresh Water Cooling Towers issued by the department to prevent the proliferation of legionella.

Exchange Fund Bills Tender Results

The following is issued on behalf of the Hong Kong Monetary Authority:

Hong Kong Monetary Authority Exchange Fund Bills Tender Results

Tender date	: January 8, 2019
Paper on offer	: EF Bills
Issue number	: Q1902
Issue date	: January 9, 2019
Maturity date	: April 10, 2019
Amount applied	: HK\$156,965 MN
Amount allotted	: HK\$57,413 MN
Average yield accepted	: 1.67 PCT
Highest yield accepted	: 1.69 PCT
Pro rata ratio	: About 55 PCT
Average tender yield	: 1.73 PCT

Tender date	: January 8, 2019
Paper on offer	: EF Bills
Issue number	: H1931
Issue date	: January 9, 2019
Maturity date	: July 10, 2019

Amount applied	: HK\$56,200 MN
Amount allotted	: HK\$18,000 MN
Average yield accepted	: 1.69 PCT
Highest yield accepted	: 1.72 PCT
Pro rata ratio	: About 35 PCT
Average tender yield	: 1.79 PCT

Hong Kong Monetary Authority tenders to be held in the week beginning January 14, 2019:

Tender date	: January 15, 2019
Paper on offer	: EF Bills
Issue number	: Q1903
Issue date	: January 16, 2019
Maturity date	: April 17, 2019
Tenor	: 91 Days
Amount on offer	: HK\$59,186 MN

Tender date	: January 15, 2019
Paper on offer	: EF Bills
Issue number	: H1932
Issue date	: January 16, 2019
Maturity date	: July 17, 2019
Tenor	: 182 Days
Amount on offer	: HK\$18,000 MN

Illegal worker jailed

An Indonesian illegal worker holding a recognisance form was jailed at Shatin Magistrates' Courts yesterday (January 7).

During an anti-illegal worker operation conducted on November 29, 2018, Immigration Department (ImmD) investigators raided a dishwashing company in Tuen Mun. A female Indonesian illegal worker, aged 33, was arrested. When intercepted, she was found to be washing dishes. Upon identity checking, she produced for inspection a recognisance form issued by the ImmD, which prohibits her from taking employment. Further investigation revealed that she was a non-refoulement claimant. An employer suspected of employing the illegal worker was arrested and the investigation is ongoing.

The illegal worker was charged at Shatin Magistrates' Courts yesterday with taking employment after landing in Hong Kong unlawfully and remaining in

Hong Kong without the authority of the Director of Immigration or while being a person in respect of whom a removal order or deportation order was in force. She pleaded guilty to the charge and was sentenced to 15 months' imprisonment.

The ImmD spokesman warned that, as stipulated in section 38AA of the Immigration Ordinance, illegal immigrants or people who are the subject of a removal order or a deportation order are prohibited from taking any employment, whether paid or unpaid, or establishing or joining in any business. Offenders are liable upon conviction to a maximum fine of \$50,000 and up to three years' imprisonment. The Court of Appeal has issued a guideline ruling that a sentence of 15 months' imprisonment should be applied in such cases.

The spokesman reiterated that it is a serious offence to employ people who are not lawfully employable. The maximum penalty is imprisonment for three years and a fine of \$350,000. The High Court has laid down sentencing guidelines that the employer of an illegal worker should be given an immediate custodial sentence. According to the court sentencing, employers must take all practicable steps to determine whether a person is lawfully employable prior to employment. Apart from inspecting a prospective employee's identity card, the employer has the explicit duty to make enquiries regarding the person and ensure that the answers would not cast any reasonable doubt concerning the lawful employability of the person. The court will not accept failure to do so as a defence in proceedings. It is also an offence if an employer fails to inspect the job seeker's valid travel document if the job seeker does not have a Hong Kong permanent identity card. The maximum penalty for failing to inspect such a document is imprisonment for one year and a fine of \$150,000.

Under the existing mechanism, the ImmD will, as a standard procedure, conduct initial screening on vulnerable persons, including illegal workers, illegal immigrants, sex workers and foreign domestic helpers, who are arrested during any operation, with a view to ascertaining whether they are trafficking in persons (TIP) victims. When any TIP indicator is revealed in the initial screening, the officers will conduct a full debriefing and identification by using a standardised checklist to ascertain the presence of TIP elements, such as threat and coercion in the recruitment phase and the nature of exploitation. Identified TIP victims will be provided with various forms of support and assistance, including urgent interference, medical services, counselling, shelter, temporary accommodation and other supporting services. The ImmD calls on TIP victims to report crimes to the relevant departments.