Operational Review

Management responds quickly and decisively to meet and, whenever possible, exceed the expectations of **our customers**

from left to right:
Mr. **LUI Pochiu**, Operations Director
Miss **Winnie J NG**, Commercial Director
Mr. **Edmond HO**, Finance and Administration Director

FRANCHISED PUBLIC BUS OPERATIONS DIVISION

The Kowloon Motor Bus Company (1933) Limited ("KMB")

OPERATIONAL EXCELLENCE

International Organisation for Standardisation ("ISO") Certification

In keeping with our commitment to adhere to the highest possible standards of quality and continuous improvement in our operations, KMB has continued to develop and implement systems and mechanisms to ensure that all aspects of its operations, which have been ISO certified, meet world class standards of excellence.

Performance Pledge

The Performance Pledge on mechanical reliability and operational capability, the two core competencies in bus operations, reflects our commitment to provide passengers with high quality and reliable service.

Mechanical reliability is determined by the average number of trips operated by a bus before it experiences one mechanical breakdown on the road with passengers on board. Operational capability is the ratio of actual to scheduled departure trips within the overall bus network during the peak hours of 7:00 a.m. to 9:00 a.m. in the peak direction.

As recorded in the Performance Pledge Report 1999/2000 (for the year ended 30 June 2000), our performance was 2,507:1 for mechanical reliability and 100.26% for operational capability, better than our targets of 1,800:1 and 100% respectively.

Depots

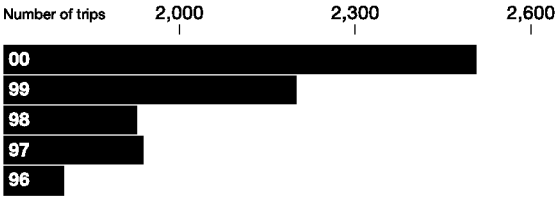
New Depot Construction and Existing Depot Renovation

Modern maintenance facilities are fundamental to upholding our performance in bus services. We assess the capability and forecast our future requirements of our depots continuously to ensure that the working environment is conducive to a high level of productivity and quality service. During the year under review, several major projects were either started or completed.

West Kowloon Permanent Depot

Construction of the new West Kowloon Permanent Depot's three storey superstructure began in September 2000 and is scheduled for completion by the end of 2001 to replace the Lai Chi Kok Depot. The new depot being built on a 23,300 square metre site in the West Kowloon Reclamation area will provide maintenance for some 1,000

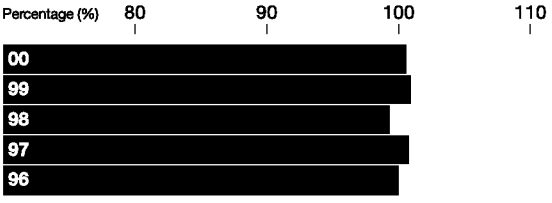
Mechanical reliability



■ KMB

Average number of trips operated before a bus has one mechanical breakdown while passengers are on board

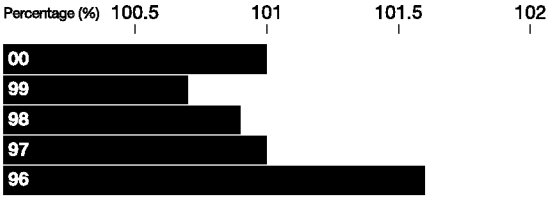
Operational capability



■ KMB

Percentage of actual number of bus departures to scheduled number of bus departures during morning peak hours (7am-9am) in the peak direction

Achievement of schedule



■ KMB

Percentage of actual number of buses operated on the road to scheduled bus allocation

Newly arrived chassis are driven from Yau Tong to the KMB Bus Body Construction Depot in Tuen Mun

buses and be equipped with a wide range of environmental protection measures. The total capital commitment at year-end 2000 for this depot was about HK$311 million.

Tin Shui Wai/Yuen Long Temporary Depots

A new temporary depot site in Tin Shui Wai was granted to KMB at the end of October 2000 in connection with the award of the new Tin Shui Wai North routes. Construction of the depot was completed in January 2001. Discussions with the Government are underway to acquire a second site in Yuen Long. Enhancement work on the bus maintenance facilities at the existing temporary depot at Yuen Long (Tung Tau) will be completed in April 2001.

Sheung Shui Temporary Depot

Vacation from the temporary depot in Sheung Shui Area 30A by the third quarter of 2001 will be required. It will be replaced by the Sheung Shui Shek Wu Hui Depot Extension and Tai Po Area 33 Extension Sites. Construction on the Shek Wu Hui Depot Extension began in November 2000 and the facility was ready for occupation in January 2001. The Tai Po Area 33 Extension was granted to KMB at the end of 2000.

Tseung Kwan O Temporary Depot

The new temporary depot at Area 85 was completed and occupied in November 2000 to house buses originally parked at the Area 13 Depot that was decommissioned in early December 2000. Demolition of the structures on the latter site is scheduled for completion in March 2001 when the site will be returned to the Government.

Fleet Upgrade

Air-conditioned Buses

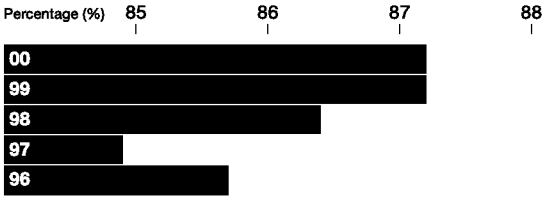
KMB continued to deploy additional air-conditioned buses to provide better quality services to passengers. During 2000, the number of air-conditioned buses increased by 298 (including addition of 313 double-deck buses and scrapping of 15 single-deck buses) from 2,355 to 2,653, comprising 2,403 double-deck and 250 single-deck buses. At year-end 2000, about 62% of KMB's fleet was air-conditioned.

We introduced Hong Kong's first 'Multi-media On-board' (MMOB) system with liquid crystal display monitors to provide bus service information and infotainment to passengers

Information and entertainment

with a brand new cyber

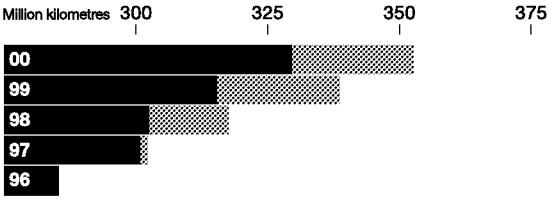
Fleet utilisation



KMB

Percentage of actual number of buses operated on the road to licensed bus fleet

Bus kilometres operated



Franchised public bus operations

KMB

LWB

Super-low Floor Easy Access Buses

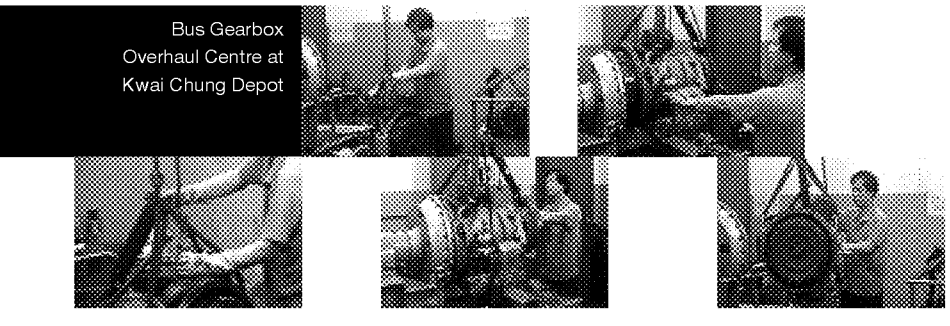
The new air-conditioned double-deck buses are all super-low floor easy access buses. A total of 578 easy access buses, comprising 566 double-deck and 12 single-deck buses, were deployed on 55 routes by the end of 2000 serving various segments of our bus network. With super-low floor design and wheelchair access facility, these buses provide better accessibility to passengers with disabilities, the elderly and young travellers.

A further 260 new super-low floor easy access buses were on order at the end of 2000 for delivery or construction in 2001. To further improve air quality in bus compartments, electrostatic air filters were installed for testing in July 2000 on two air-conditioned double-deck buses. By eliminating some 80% of the fine dust present in the air, electrostatic filters will enable passengers to enjoy a more comfortable journey. If the test results are satisfactory, we will consider retrofitting all air-conditioned buses with the filters. Meanwhile, KMB has requested bus manufacturers to incorporate these filters as a standard feature on all new buses.

Thirty MAN bus chassis coupled with Berkhof bodies, another model of the super-low floor double-deck bus, have joined the Dennis Trident, Neoplan Centroliner and Volvo Super Olympian buses in the KMB super-low floor fleet.

Bus Tracking Capability

The trial of bus tracking systems continued in 2000. While results are promising, there remain technical problems to be overcome. The aim is to develop a system to allow our operations staff to accurately locate buses so that they can react quickly to traffic incidents and deploy our resources more effectively.



Bus Gearbox Overhaul Centre at Kwai Chung Depot

Other Technologies

Other technologies under trial or development include the electronic tachograph that records the speed and other performance indicators of buses in operation, and a communication system between the control centre and the buses. We ordered 170 electronic tachographs for selected highway routes that will improve monitoring of bus captains' driving performance. The two-way messaging system will provide real-time communication between the buses and the control centre and, in conjunction with the vehicle location system, will enable the control centre to react quickly to incidents.

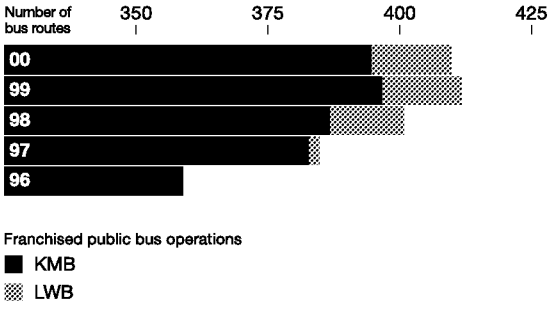
New Routes and Service Expansion

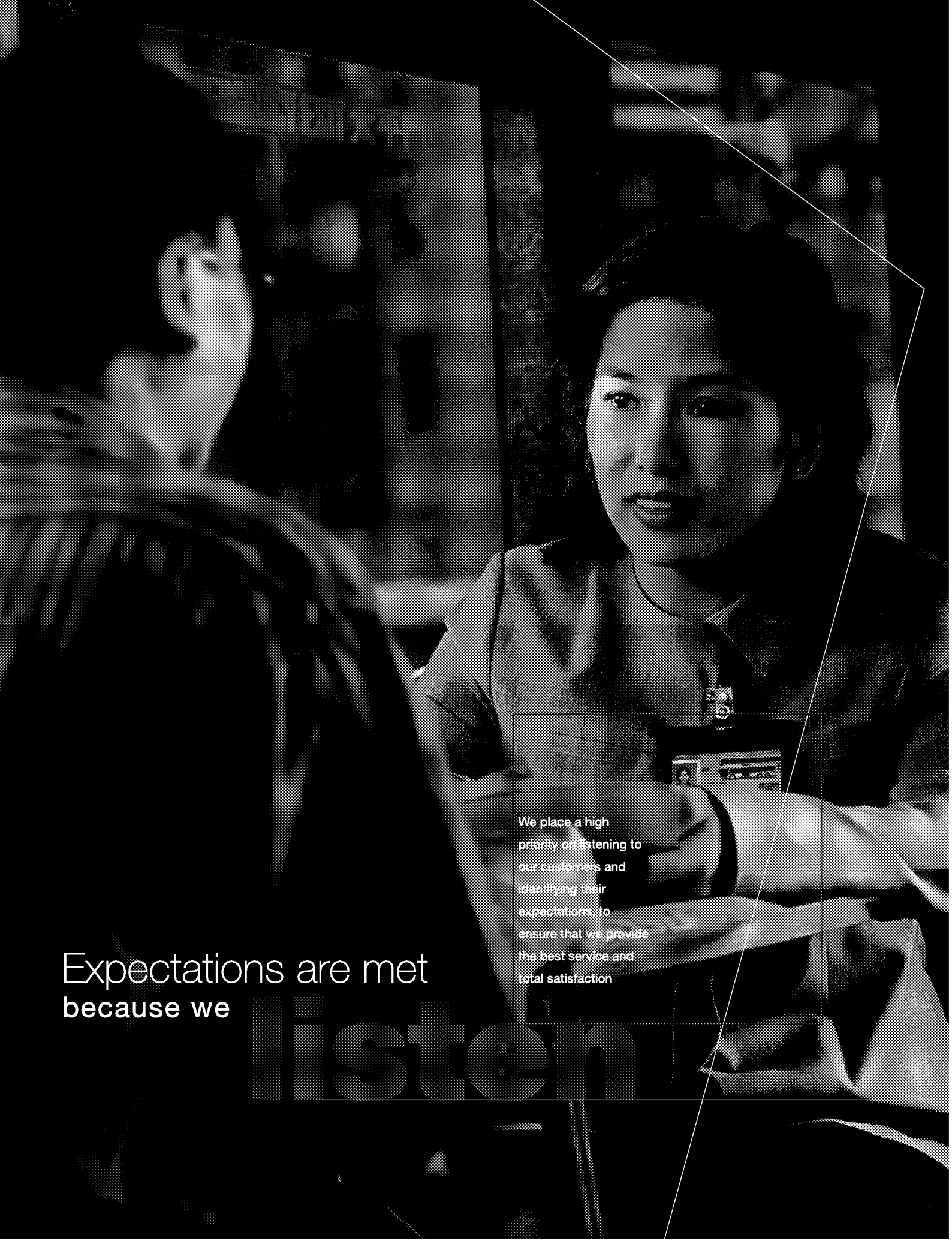
New Routes

During 2000, six new routes were launched. Three of these were designed to meet the demand due to the rapid population growth in the New Territories and the other three were recreation service routes. Included in the three new routes for the New Territories, one was introduced as a result of winning the tender in November 1999 for the operation of bus routes for Tin Shui Wai North. A further three routes under the same tender will be phased in by 2001.

Number of bus routes operated

at 31 December




Expectations are met
because we
listen
We place a high priority on listening to our customers and identifying their expectations to ensure that we provide the best service and total satisfaction