

CUSTOMER SERVICE

"Octopus" Contactless Smart Card

The entire KMB fleet was equipped with Octopus Card readers by year-end 2000. On average, about 1.8 million, or 57%, of our passengers used the Octopus Cards to pay bus fares in December 2000, a very positive vote of acceptance for this convenience. Usage has been highest on the cross harbour routes with around 76% of passengers using the card. The Octopus system also allowed us to introduce bus-bus interchange schemes, which offer discounts to passengers who change buses at major designated transfer points.

Bus-bus Interchange Scheme

The bus-bus interchange scheme is designed to provide total customer satisfaction and satisfy the conflicting needs of our customers and the community as a whole. Whilst passengers are

urging for more frequent services, more direct bus routes and wider network coverage, the community is increasingly concerned about traffic congestion and pollution caused by buses. With bus-bus interchange schemes, passengers do not have to wait for buses on a specific route, but can board any bus that is heading in the right direction and then interchange to buses on other routes with certain fare discounts. This would enable us to make better use of spare capacity on existing routes, reduce the need to introduce new routes not justified by demand and attract passengers from other modes of transport. Bus-bus interchange schemes also enable lower bus fares and higher frequency, as well as reduce the number of buses on busy corridors.

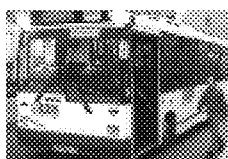
The advantages of bus-bus interchange can be illustrated in the following typical examples:

KMB's Octopus Bus-bus Interchange Scheme for Route No. 296A

The scheme involved Tseung Kwan O Route No. 296A and five other KMB routes (Route Nos. 38, 70X, 74X, 89X, 269C). It was introduced in March 2000 and was well received by passengers, district councils and regulatory authorities. Daily usage increased from 2,000 passenger trips in March 2000 to over 3,300 in December 2000. It improved network coverage between Tseung Kwan O and Sha Tin, Tai Po, North District, Kwai Chung, Tin Shui Wai and Yuen Long.

Joint-operators Octopus Bus-bus Interchange Scheme

KMB pioneered the development of a common software used by other transport operators, including KCR's Light Rail Transit Bus Division ("LRT Bus"), Citybus Limited ("Citybus"), and LWB. With the implementation of this inter-modal scheme, Tin Shui Wai North passengers



Listening to customers





Customer Service Hotline Operators

assist customers seven days a week

taking the LRT Bus's new feeder Route No. 659 (Tin Fu - Tin Shui Wai Town Centre) can interchange at Tin Shui Wai Town Centre for the following bus routes, or vice versa:

Route No.	Destination	Operator
269C	Kwun Tong Ferry	KMB
E34	Airport (Ground Transportation Centre)	LWB
969	Causeway Bay (Moreton Terrace)	Citybus

Implemented in December 2000, this is the first inter-modal bus-bus interchange scheme involving four bus operators and offering a fixed discount on the "second leg" bus trip for Octopus Card users.

We will continue to develop bus-bus interchange schemes both within KMB's own route network and with other bus and rail operators. Already implemented schemes within the KMB route network at the end of 2000 include the Tates' Cairn Tunnel Routes, Package 1 (Route Nos. 82X, 85C, 89D) and Package 2 (Route Nos. 74X, 75X, 85C), which can enhance the network coverage between Sha Tin, Ma On Shan, Tai Po and East Kowloon; and the planned Eastern Harbour Crossing bus-bus interchange scheme that will involve three cross-harbour routes jointly operated by KMB and another franchised bus operator.

Bus Stop Announcement System

An on-board bus stop announcement system incorporating light emitting diode ("LED") displays and voice announcements advising the next stop has been introduced progressively since 1998 with 468 installed in 2000. The total number of buses so equipped was 603 at the end of 2000. This customer service feature, which has been well received as indicated by passenger satisfaction surveys, will be standard equipment on all buses.

Waiting Shelters

About 300 bus waiting shelters have been built or refurbished to improve the waiting environment for passengers. The roof of each shelter is made of a special material that allows natural light to pass through but protects against ultraviolet radiation and provides noise and thermal insulation.

New waiting shelters will be installed along busy corridors in Kowloon and the New Territories, including Argyle Street, Nathan Road, Waterloo Road, Prince Edward Road, Cheung Sha Wan Road, Lai Chi Kok Road, Kwai Chung Road, Lung Cheung Road, Kwun Tong Road, Sai Sha Road and Tai Chung Kiu Road. A total

of some 1,000 advertising panels will be fitted to such shelters.

Solar Powered Waiting Shelter

KMB constructed Hong Kong's first solar powered bus waiting shelter at Nathan Road, Tsim Sha Tsui. The adjustable photovoltaic grids installed on the shelter roof can generate sufficient power to operate the shelter's electronic information system and illuminated advertising panels. This development is another example of KMB's commitment to environmental protection and resource sustainability.

Cyber Bus Stop

KMB was granted a patent certificate for its pioneering Cyber Bus Stop by the Intellectual Property Department of the HKSAR Government. Fitted with a speaker system and two LED display panels, the Cyber Bus Stop offers continuous up-to-date information to passengers. In addition, a microcomputer and a touch-screen liquid crystal display ("LCD") panel allow passengers to browse KMB's homepage and obtain KMB bus route information.

The speaker system of the Cyber Bus Stop announces bus route information in Cantonese,

English and Putonghua. In addition, the bus stop name can be broadcast to waiting passengers at the end of each announcement. The first 100 Cyber Bus Stops will be installed along Nathan Road starting in the second half of 2001.

Bus Terminus Upgrading

Another improvement in passenger waiting facilities is the major upgrading project at Sha Tin New Town Plaza Terminus completed in December 2000. The project included refurbishment of paving and walls, improvement of illumination, replacement of obsolete railings with a new stainless steel design, installation of an integrated bus service information display system, seating for elderly passengers, recycling bins, illuminated signs denoting bus stops and buildings in the vicinity, and a new customer service centre. The service centre provides bus routes information, KMB homepage browsing facilities, departure time display, KMB souvenir and Octopus Card sales and Octopus add-value service.

We also refurbished twelve bus termini at Pak Tin, Hung Hom Ferry, Lai King North, Sai Kung,

Ngau Tau Kok, Yue Man Square, Mei Lam, Hin Keng, Fu Heng, Tai Po Industrial Estate, Tai Hing and Siu Hong. More terminus upgrading work will be carried out during 2001.

Electronic Fare Display

Electronic fare display machines were installed on all buses to provide complete and clear information on full and concessionary fares. This is an improvement to the previous display system using cardboards.

Integrated Bus Service Information Display System

These systems are in operation at the Star Ferry, Tsuen Wan MTR, Tuen Mun Town Centre and Sha Tin New Town Plaza bus termini. Large LED or plasma display boards in the central part of the termini provide destinations, departure times, fares and emergency messages such as major traffic problems. Smaller LED display boards at individual platforms show the bus

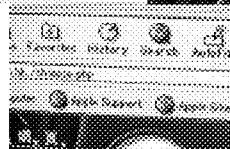
routing, departure times and the fares. There are also a public address system and a closed circuit television system that allow monitoring at the terminus regulator's office and at the Radio Control Section at KMB headquarters. Similar systems will be installed in five termini in 2001 and eventually in all major termini.

Marketing and Advertising

Building a Positive Brand Image

The marketing strategy during the year was devised to reinforce KMB's leadership in the transportation industry by highlighting specific products, services and achievements, such as its extensive network coverage, the first green bus and the daily patronage of three million customers. A mix of mass and local media was used to convey our messages, including TV, newspapers, brochures and KMB's own

KMB's website was redesigned in 2000 to meet and exceed our customers' expectations



outdoor advertising channels.

In terms of brand and advertising awareness, market surveys reflected that KMB surpassed all other public transport operators, with a substantial lead over the second industry player. KMB's marketing and advertising initiatives gained industry recognition in various award programmes.

Enhancing Passenger Information

Work continued to familiarise passengers with KMB's services. A comprehensive Bus Guide, illustrated with maps, was produced covering all routes and bus stops. Passenger information was also distributed to customers in respect of bus services in specific areas, such as the Tin Shui Wai district and the overnight N-route service.

Generating Advertising Revenue

KMB's advertising revenue amounted to HK\$70.1 million in 2000, an increase of 45.8% over 1999. The significant growth was due to the increased recognition of the effectiveness of bus body advertising among outdoor advertising media and the refurbishment of bus waiting shelters.

Understanding Customer Needs

To help satisfy customer needs and to ensure delivery of the highest quality services, eight research projects were conducted during 2000 to gauge the public's travel patterns and their expectations of transportation services.

The research reflected that KMB is increasingly recognised as a modern, progressive and customer-centred organisation. Its core strengths were seen to be its extensive coverage, door-to-door and value-for-money services. The studies also underscored the importance of speeding up the introduction of modern, electronic communication facilities, as passengers consider these important value-added services.

Customer Service Hotline

Our 24-hour Customer Service Hotline received 4 million calls in 2000, representing an average of 333,000 calls per month. Conducted in Cantonese, Putonghua and English, the Hotline handles bus service enquiries, and provides fax-on-demand services and voice mail recordings.

The Hotline won the Hong Kong Retail Management Association

Customer Service Award in the 2000 Hong Kong Award for Services. The award promotes the importance of customer service in Hong Kong. The service standards of 18 companies that entered the competition were judged by "mystery shoppers". Their proposals to improve customer service were also rated.

In September 2000, Hotline operator service hours were extended to seven days a week, including Saturday afternoons, Sundays and public holidays. The operator service was provided daily from 9:00 a.m. to 6:00 p.m. By extending the service hours, customers' holiday transportation needs can be addressed promptly and effectively. The service has been well received and the number of enquiries received on holidays has increased. The operator service hours were subsequently advanced to 7:00 a.m. at the end of December 2000 and extended to 11:00 p.m. daily at the end of January 2001.

KMB Customer Service Centres

The KMB Customer Service Centres, located at the Sha Tin and Tsuen Wan Bus Termini, and Sha Tin New Town Plaza, offer a direct, one-stop channel for

customers to enquire about bus service information. More new service centres will be opened to serve our customers.

KMB Website <http://www.kmb.com.hk>

KMB's new website takes full advantage of advanced internet technology to offer the public innovative on-line services with up-to-the-minute information on bus operations, such as road works and traffic congestion. The new KMB Bus Route Search engine enables passengers to obtain detailed route information, including all bus stops along their chosen route, at the click of a button. Included on the website is an advanced service called Point-to-point Route Search where customers can enter their starting point and desired destination and receive detailed information regarding all relevant routes. Where no direct route is available, the search function provides bus-bus interchange information. Other features include an e-shopping mall where KMB souvenirs can be purchased on-line and KMB Net Fans can download KMB wallpapers and screen savers or play the site's interactive games.

Our new website has proved extremely popular, with an

average daily hit rate of about 380,500 since its launch on 27 June 2000 to the end of the year. At 31 December 2000, there were 6,739 registered Net Fans.

As a reflection of the quality of information provided, the KMB Website was elected one of Hong Kong's "Ten Healthy Websites" in an election organised by the Television Entertainment and Licensing Authority of the HKSAR Government in December 2000. The final round of voting represented the views of over 10,000 youngsters aged between 12 and 19. KMB was the only public utility company in Hong Kong whose website was thus honoured.

PEOPLE

Our mission, "Caring for People", is demonstrated by our effort to promote team work across the whole organisation and a sense of belonging to KMB. Our success in managing such a highly labour-intensive company with some 13,000 staff can be reflected by the low staff turnover rate when compared with the market. Our main focuses on staff management include safety concerns, continual improvement of skills, appraising and rewarding exemplary

performance, proper communication channels and staff welfare. In particular, we pay full attention to any grievances from staff and adhere firmly to the principle of equal opportunity. On the whole, we aim at achieving a pleasant working environment and fostering harmonious relationships between all staff members and the management.

Bus Captain of the Year Competition

The annual Bus Captain of the Year Competition is a festive occasion that showcases the skills of our bus captains and provides a variety of exciting events, bus displays and game booths for KMB employees and the general public. From over 8,000 bus captains, 42 were selected to compete on their work performance, driving skills and knowledge of passenger safety and traffic regulations.

Safety

Road Safety Award

In recognition of our efforts to reduce bus accidents, the Chairman of the Road Safety Council presented the Transport Department's Road Safety Award to KMB in December 2000. Based on Transport Department statistics, KMB achieved the best



Our Service Enhancement Project instilled a customer service culture throughout the organization to constantly reaffirm our adherence to the highest possible standards of service excellence

Customer service
delivered with the right

touch