Operational Review

Franchised Public Bus Operations Division

The Kowloon Motor Bus Company (1933) Limited ("KMB") Long Win Bus Company Limited ("LWB")

Operational Excellence

International Organisation for Standardisation ("ISO") Certification

In December 2002, one full year ahead of the 2003 deadline for all ISO 9001: 1994 certificates, the Hong Kong Quality Assurance Agency completed the ISO 9001: 2000 Quality Management System upgrading audit on KMB's five certification areas, namely, KMB Headquarters, Traffic Department and Depots, Overhaul Centre, Bus Body Construction Depot, and Kwai Chung Depot (Service Department). The new ISO 9001: 2000 certificates were issued to KMB in January 2003.

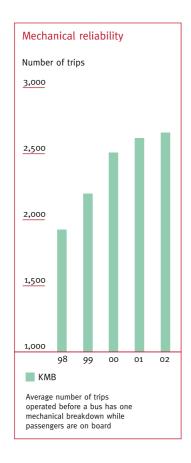
Through effective development and implementation of KMB's Total Quality Management System that fulfils ISO 9001: 2000 requirements, we will continuously assess and improve the efficiency, reliability and user-friendliness of our public bus service to meet and, where possible, exceed the needs and expectations of our customers.

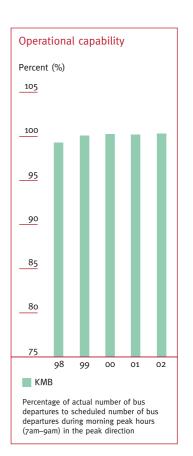
Performance Pledge

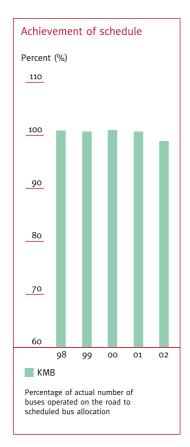
The Performance Pledge on mechanical reliability and operational capability, the two core competencies in bus operations, reflects our commitment to providing passengers with high quality and reliable services.

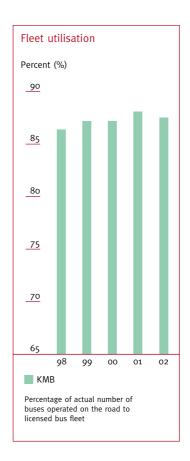
Mechanical reliability is defined as the average number of trips operated by a bus before it experiences one mechanical breakdown on the road with passengers on board. Operational capability is the ratio of actual to scheduled departures in the peak direction, during the peak hours of 7:00 am to 9:00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

According to the Performance Pledge Report 2001/2002 (for the 12 month period ended 30 June 2002), KMB achieved 2,658: 1 on mechanical reliability and 100.31% on operational capability, outperforming our targets of 1,800: 1 and 100% respectively. Moreover, LWB achieved 1,968: 1 on mechanical reliability and 100.81% on operational capability, improving from 1,823: 1 and 100% in 2001 respectively.









Depots

To ensure the highest standard of bus services, we continuously review and improve our maintenance facilities to ensure that they are conducive to a high level of productivity and quality service. The following major projects were carried out in 2002:

New Lai Chi Kok Depot > The construction of KMB's new permanent depot in West Kowloon was completed in April 2002. The new depot was commissioned on 11 May 2002 and renamed as New Lai Chi Kok Depot. The depot provides 400 parking spaces and maintenance services for about 1,000 buses serving the West Kowloon and South-west New Territories regions. The former Lai Chi Kok Depot is being redeveloped into a residential and commercial complex.

KMB Temporary Depots > During 2002, KMB completed the construction of the New Tung Tau Depot for serving the Tin Shui Wai area, and the Tai Po Area 33 Depot for the Sheung Shui and Tai Po areas. These temporary depots provide service facilities and parking spaces for 224 buses. In addition, enhancement work on the bus maintenance facilities at the Shek Wu Hui Depot was completed in January 2003.

LWB Depot > The bus servicing site at Tung Chung Town Centre and the depot at Siu Ho Wan provide support services such as refuelling, coin collection, bus washing, routine maintenance and fleet parking. Siu Ho Wan Depot



is also equipped with a waste water treatment system, which serves to improve the waste water quality as required by local regulations, before it is discharged into the public drainage system.

Fleet Upgrade

Continual fleet upgrade, from stylish exteriors to tiny mechanical parts, is one of KMB's major operational priorities. We look into the details carefully to cater for customer demand and expectations.

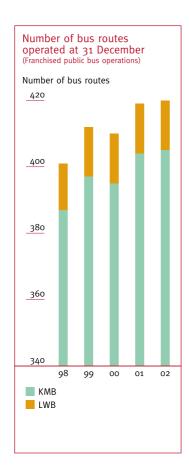
Air-conditioned Buses > KMB added 356 new air-conditioned double-deck buses to its fleet in 2002. During the year, the total number of air-conditioned buses increased from 2,963 to 3,327, comprising 3,084 double-deck and 243 single-deck buses.

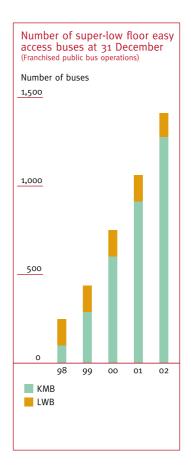
At 31 December 2002, KMB had a total of 4,441 buses, of which 75% was air-conditioned. Also, KMB had on order 134 new buses for delivery by 2003 and 60 buses under construction which will also be put into service in 2003.

The new generation of buses purchased by KMB in 2002 are equipped with electrostatic air filters and improved temperature control mechanisms. Such filters can remove 80% more dust particles, whilst the mechanisms provide a more comfortable interior environment in terms of temperature, humidity and ventilation.

Strategically located at West Kowloon and equipped with many environment-friendly facilities, KMB's New Lai Chi Kok Depot is one of our important assets that helps enhance our operational efficiency.







Super-low floor easy access buses > KMB introduced 356 super-low floor easy access buses in 2002, bringing the total number of such buses to 1,275 by the year-end. With super-low floor design and wheelchair access, these buses provide improved accessibility to all passengers, especially the disabled and elderly. To further enhance accessibility, KMB continued to upgrade the fleet during the year by taking delivery of the first 120 Super Buses, the first of their kind in Hong Kong that have a wider bus saloon, a wider entryway, and a straight staircase providing easier access to and from the upper deck. These environment-friendly Super Buses equipped with Euro III engines and electrostatic air filters will be gradually put into service in 2003.

Bus tracking capability > KMB continued its trial of bus tracking systems on 30 buses operating on route no. 1A. The satellite global positioning technology being tested helps locate bus positions within the KMB network. The technology will enable KMB to provide passengers with an estimated arrival time of the next bus at the en route bus stops and to respond quickly to incidents such as breakdowns, traffic accidents and congestion.

Electronic tachograph > The electronic tachograph (electronic black box), a new technology for recording vehicle speed and associated information during bus operation, helps KMB monitor the driving skills and manners of its bus captains. In 2002, 287 KMB buses and 40 LWB buses were installed with these devices.

LWB buses > LWB upgraded three air-conditioned double-deck buses to Airbus configuration with moquette seating and enlarged luggage spaces for operation on the new Airbus route no. A33. At the end of the year, LWB had 136 air-conditioned double-deck buses and nine air-conditioned single-deck buses serving Tung Chung and Hong Kong International Airport. All double-deck buses are of the super-low floor type and equipped with wheelchair access and features recommended by the United Kingdom Disabled Persons Public Transport Advisory Committee for the convenience of the elderly and passengers with luggage as well as the disabled.



LWB provides quality service linking the Hong Kong International Airport with the other parts of the New Territories.

We continue to upgrade our depot facilities to improve productivity and quality of bus maintenance services.



New Bus Routes and Service Network

New KMB routes > Seven new KMB bus routes were launched in 2002: three serving the overnight demand, one serving the Hong Kong Science Park and three serving the New Territories. At the end of 2002, KMB operated a total number of 405 bus routes.

Tseung Kwan O / Yau Tong bus network reorganisation > Upon the opening of the MTR Tseung Kwan O Extension in August 2002, KMB reorganised its Tseung Kwan O and Yau Tong bus service network to adapt to changing market conditions. Certain bus routes were cancelled and bus frequency in areas with low demand was reduced. The rationalised resources were redeployed to high demand areas such as Tin Shui Wai. The reorganisation is an ongoing process to enhance operational efficiency. A summary of the results of the reorganisation up to the end of 2002 is tabulated below:

Number of bus routes involved	Number of buses saved
9	37
20	79
29	116
	9 20

Rationalisation of LWB bus routes > The ongoing development of Tung Chung new town generated an increase in bus service demand in North Lantau and at Hong Kong International Airport (the "Airport"). To accommodate the demand and to deploy resources more effectively and efficiently, two shuttle bus routes, viz., S63 (Tung Chung MTR – Catering Area) and S64 (Yat Tung – Chek Lap Kok Ferry) were merged during the year. A new Airbus route no. A33 plying between Tuen Mun (Fu Tai) and the Airport was introduced in August 2002. At the end of 2002, LWB operated 15 bus routes.

Information Technology

Given the scale of our operations, we have been using information technology extensively for performance monitoring, efficiency optimisation and forward planning purposes. We have a total of 1,259 personal computers installed at KMB headquarters, six major depots and eight satellite depots. These computers are inter-linked to the 80 server computers located at the headquarters via high-speed communication lines. There are some 53 software applications including in-house developed programmes and proprietary software used for our day-to-day operational and financial management.

Following the implementation of the SAP e-Business Software (mySAP.com) for our financial management in 2001, we successfully implemented the SAP human resources management module in late 2002. During the year, we also completed our electronic document management system for our entire organisation, resulting in substantial savings in the volume of paper used as well as document distribution, filing and retrieval time.

Through continual upgrading of our information technology systems, we have been able to improve our cost control processes, human resources management, fleet and depot operations as well as customer service for the delivery of reliable, safe and value for money bus services.

Customer Service

Bus Fare Discount for Local Domestic Helpers

KMB and the Employees Retraining Board ("ERB") operate a Joint Scheme offering fare concessions to trained local domestic helpers who can enjoy a 50% discount on bus fares when they travel on over 300 KMB bus routes, including nine cross-harbour bus routes solely operated by KMB. This six-month trial scheme commenced on 1 November 2002 to encourage the ERB local domestic helpers to fill the job vacancies available in Urban Kowloon, the New Towns and Hong Kong Island. The scheme helps to relieve the current problem of a geographical mismatch between available trained local domestic helpers and the unfilled job vacancies for them, resulting in a winning situation for all parties involved.

The "Octopus" Smart Card

The entire KMB fleet has been equipped with Octopus card readers since late 2000. On average, about 78% of KMB's customers used Octopus cards for fare payment in December 2002, up from 69% in December 2001. This indicates a strong vote of acceptance for this payment method. The reduction in the coin volume has enabled KMB to save costs on coin collection and administration. KMB's bus-bus interchange ("BBI") schemes also use the Octopus system to offer fare discounts to customers on the second leg of their bus journeys.

KMB was one of the founders of the consortium that introduced the Octopus Smart Card system, the world's largest and most sophisticated fare payment system of its kind. Today, we have the largest number of Octopus card readers among Hong Kong's public transport operators.

Octopus Bus-bus Interchange Schemes ("Octopus BBI schemes") > The introduction of more Octopus BBI schemes offers both value for money and extended network coverage for KMB passengers. In addition to the Octopus BBI schemes operating within the KMB route network, KMB also participated in inter-modal schemes with other bus operators such as Citybus Limited and New World First Bus Services Limited. This helps to improve network coverage, maximise utilisation of resources and minimise road congestion on busy corridors. As at 31 December 2002, there were 42 Octopus BBI schemes covering over 200 bus routes.

Since December 2000, LWB has participated in a joint-operator Octopus BBI scheme at Tin Shui Wai Town Centre. This scheme offers discounted fares to passengers switching between LWB bus route no. E34 and KCR Light Rail feeder bus route no. 659. This scheme has recorded an increased number of interchanging passengers as a result of the population growth of Tin Shui Wai (North). In January 2003, LWB and The New Lantao Bus Company (1973) Limited ("NLB") introduced another joint-operator Octopus BBI scheme at Tung Chung Town Centre, involving LWB's bus routes no. E32, E33, E34, E41 and E42 and NLB's bus routes no. 37, 37A and 38.

Bus-stop Announcement System

The on-board electronic bus-stop announcement system, equipped with light emitting diode ("LED") display panels, was first introduced on KMB's buses in 1998. The voice announcements and LED displays have been well received by passengers, especially those with hearing or visual difficulties. In 2002, KMB equipped 692 buses with the announcement system, bringing the total number so equipped to 2,044 at the year-end. KMB intends to make this system standard equipment on all buses in the near future.

LWB had 109 double-deck buses equipped with the announcement system at the end of 2002, up from 60 in 2001. These buses serve all Airbus routes and four North Lantau External routes, namely E32, E33, E34 and E42. LWB is planning to extend this feature to its entire double-deck bus fleet in 2003.

Integrated Bus Service Information Display System

KMB installed the integrated bus service information display system at five more bus termini during 2002 and early 2003, namely, Diamond Hill MTR Station, Whampoa Garden, Lam Tin MTR Station, Yu Chui Court and Ma On Shan Town Centre. Such systems have already been installed at the bus termini located at Star Ferry, Tsuen Wan MTR Station, Tuen Mun Town Centre, Sha Tin Town Centre, Po Lam, Mei Foo, Fu Heng and Tin Shui Wai.

At the major termini, large LED or plasma display panels are centrally positioned to provide information on bus route destinations, departure times and fares. Emergency messages such as those about traffic disruptions can also be shown. The public address system and closed circuit television system installed allow monitoring of the traffic and operating conditions at the regulator's office at each terminus and at the control room at KMB headquarters. KMB plans to install these systems at all its major termini in the near future.

Hong Kong's First Air-conditioned Passenger Waiting Lounge

To enhance the waiting environment for its passengers, KMB built Hong Kong's first air-conditioned passenger waiting lounge at Lam Tin Bus Terminus. The lounge, which can comfortably accommodate up to 40 people, is a transparent enclosure made of strengthened glass. In addition to an electronic display panel providing passengers with detailed information on bus route information, departure times and fares, a streamlined multi-media kiosk equipped with a touch-screen liquid crystal display (LCD) monitor is installed in the lounge for passengers to access bus route information via the KMB website point-to-point route search function. A broadcasting system is also installed in the lounge to inform passengers of the departure time of the next bus in Cantonese, English and Putonghua.

Cyber Bus Stop

In early 2002, KMB installed Hong Kong's first cyber bus stop at the Star Ferry Bus Terminus. Three Light Emitting Diode ("LED") panels on this bus stop display bus route information, as well as local and international news and weather information. Its speaker system can announce bus route information in Cantonese, English and Putonghua. The cyber bus stop also provides access to the KMB website for point-to-point route search and comprehensive bus service information.

Waiting Shelters

KMB continued with the refurbishment of bus shelters and the construction of new shelters. A total of 150 new shelters were built and about 2,000 advertising panels were erected for improvement of waiting environment and generation of advertising revenue. New illuminated bus route information panels were also incorporated into KMB's shelters to facilitate passengers reading bus route information at night.

In 2002, LWB constructed two bus shelters to provide a better waiting environment for its customers.

Customer Service Centres

KMB built five new customer service centres during the year. They are located at Tuen Mun Town Centre Bus Terminus, Mei Foo Bus Terminus, Lam Tin Bus Terminus and Tsim Sha Tsui Star Ferry Bus Terminus. These centres provide bus route information, KMB homepage browsing facilities, KMB souvenir sales and Octopus card services. Passengers can obtain bus route information and traffic news either from the multi-media kiosks or KMB customer service staff in the centres.

KMB launched its first outdoor all-weather customer self-service centre at Tsim Sha Tsui in 2002. Centrally located in a popular tourist area, this centre is equipped with an LED display panel and a plasma screen that show bus route information.

LWB set up a new customer service centre in the Airport's arrival hall. Together with the ticketing booth at the Ground Transportation Centre, LWB handled over 158,000 passenger inquiries and ticket sales in 2002.

Bus Terminus Upgrading

In 2002, KMB refurbished 12 bus termini at Tsim Sha Tsui Ferry, Kowloon City Ferry, Cheung Ching, Lee On, Wo Che, Ravana Garden, Fu Shin, Tuen Mun Town Centre, Tin Shui, Tsui Lam, Tsui Ping Road and Choi Wan. The terminus refurbishment programme will continue in 2003.

Marketing and Advertising

Marketing programmes > KMB's marketing programmes, which implement the company's marketing strategy to reinforce its leadership position in the public transport industry, received a number of recognitions in 2002.

KMB was awarded the "Superbrands Hong Kong 2002" certification by the Hong Kong Superbrands Council and qualified as a leading brand in Hong Kong.