

10 March 1990

## \$1b to be invested if application succeeds

By TAD STONER  
and PATRICIA TSE

CITYBUS said yesterday it would invest \$1 billion in buses, depots and network development if its application for Hongkong's first new bus franchise in more than 55 years was successful.

Sources close to transportation officials also said yesterday that Government-imposed limits on the annual profits of both China Motor Bus (CMB) and Kowloon Motor Bus (KMB) would not necessarily apply to a Citybus franchise. This would mean the company could set fares without reference to the Executive Council.

The same sources also indicated that Citybus would file applications for three new residential coach services linking Admiralty with

Wah Fu Estate, Chai Wan and Stanley.

The managing director of Citybus, Mr Lyndon Rees, said yesterday that the company's chairmen, Mr Tsui Tsin-tong, would offer major investments in transportation infrastructure in Kowloon and Hongkong Island.

Depots would be built in Chai Wan and Western, at either end of the Hongkong Island route network the company plans to operate, while a regional office and third depot would be located on the Sha Tin site of Citybus headquarters.

Mr Rees said the headquarters would move to Rediffusion House, home of its parent China Paint group in Lai Chi Kok in May.

"We have outgrown our capacity and we have to get in a bigger management

team for our expansion," he said.

Sources close to transportation officials have indicated that Citybus' application for a franchise had received tacit approval from Government authorities, resulting in a \$136 million order by Citybus for 61 new buses. The new vehicles will take the company's fleet to 200.

"These are intended for the franchise application, and by the end of the year all their vehicles should have arrived," the source said.

He said that the "scheme of control", limiting CMB's and KMB's annual profits to a percentage of their asset value, was not a requirement for franchised operations and pointed to the territory's third bus franchise, the New Lantau Bus Company, as an example.

"The scheme of control is something that was designed originally to encourage operators to expand their assets, but it really has been overcome by events.

"In the early days, expansion was the major issue, but now the priority is more on efficiency, and a scheme of control is not appropriate for that," the source added.

Mr Rees said that Citybus fares were determined by charges on alternate transport.

"There is plenty of competition these days from private cars, trains and minibuses, and when you're in touch with your market the fare structures and revenues tend to fall into place," he said.