

A Conversation with the Managing Director



“ We ask ourselves whether our operations represent the best and most creative way to serve passengers ”

John CHAN Cho Chak
Managing Director

Q 2006 was clearly a challenging year for the Group, particularly for its core operations. What have been the positives of the year, and what were the less positive?

A

One of the positives of which we are extremely proud is that the corporate values and reputation of the Group as a dependable, innovative, community- and environment-oriented Group continue to grow and be widely recognised. The downward trend in the profits of our franchised public bus business was due largely to factors beyond our control: rising oil prices, staff costs, toll charges and interest rates, and the intense competition from the new railway lines in Hong Kong. But the positives

were also there during the year and across all aspects of our businesses: the expansion of our operations in China Mainland, the successful renewal of KMB's franchise, a new fare adjustment arrangement, new passenger streams to North Lantau, growth in cross-boundary passenger volume, environmental benefits, property development, and ongoing innovations to manage change.

Q You mention innovations to manage change. As TIH's portfolio becomes increasingly diversified and broad, what do you mean by managing change?

A

Public transport is an age-old business and operating such a business can lead to staleness and complacency. The world is changing, people are changing, and technology is changing all the time. To meet the challenge

of change, we must ask ourselves whether our operations represent the best and most creative way to serve passengers, to go forward and to innovate. We are proud of our long track record in this regard, from the provision of the most advanced and environment-friendly buses such as the two new Euro IV buses we have put into service (with much of our fleet already on the Euro II and Euro III standards) to environmental protection measures such as the recycling of used fluorescent tubes, from industry-leading bus pole advertising to intensive management training courses, and from the rationalisation of bus routes following the commissioning of new railways to the widespread adoption of paperless work processes. These are just a few examples of our desire to innovate. We believe that innovation leads to service excellence, better safety, greater efficiency, and preservation of the environment. It also keeps us at the forefront of the industry worldwide.

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Q How does TIH keep abreast of innovations in the public transport industry?

A

Since we are one of the leading and most advanced public transport operators in the world, we are constantly on the lookout for technological improvements, particularly in the environmental sense. TIH is ready to source and customise technologies worldwide for such advancement, and also to work closely with bus manufacturers to design new buses best suited to our customers' needs. This is particularly true and necessary for the Hong Kong operating environment, which is one of the most testing

climatically in the world. We must supply double-deck buses, since single-deck buses would double the fleet and the use of road capacity in a confined geographical area. And we must provide air-conditioning in this climate, so that our buses not only meet basic comfort standards but also go beyond the normal comfort parameters found in other countries. Our passengers are aware of our efforts, as customer satisfaction surveys reveal. But being responsive and customer-oriented also means that we have to satisfy a considerable number of different environmental concerns and parties.

Q Do you foresee a need to raise fares to pay for the costs of these innovations and environment protection measures?

A

We fully understand public transport is a daily livelihood issue. The Group has worked hard to tackle pollution and we are proud of our long track record of innovation in fostering clean technologies. Nonetheless,

there are costs to doing business at the highest international level and eventually the "user pays" principle must apply. The Group needs to invest for service improvement and to meet public expectations. That is our bond with society at large. There are good examples that we have come up with innovative ideas to achieve the goals of both environmental protection and cost saving, such as retreading of used tyres and using energy-saving electrical devices, etc.

Q How will TIH utilise the profits from the sale of Manhattan Hill on its franchised bus operations?

A

Sales of Manhattan Hill units are continuing and we have yet to see what total amount of profit will be yielded by this project. It is likely that part of the profit will be distributed to shareholders and part will be retained to finance the future growth of TIH, but no decisions have yet been taken in this regard. There is, however, one important principle. The Manhattan Hill development is a one-off project and separate from our core operations. Profit from property development cannot be used to subsidise franchised bus operations, just as profit from franchised bus operations cannot be used to finance property development.

Q Among the positives of the year you mention expansion into the Mainland market. What is the reason for this and how do you see the future of this expansion?

A

The public transport market in Hong Kong is mature with stable, moderate growth in the years ahead. The business potential on the Mainland is huge and growing. The rapid economic development of the Mainland

means increased demand for both the quantity and quality of public transport services. Our Group has long experience in Hong Kong and a hard-earned international reputation as a public transport provider, so it is a good time to be entering the markets of Mainland cities such as Beijing, Shenzhen, Wuxi and Dalian. Closer tourism and trade integration with the Mainland means that our cross-boundary services are growing and the 2008 Olympic Games in China hold out promise of further transport development. We continue to identify projects with strong potential and suitable partners on the Mainland.

Q What is the vision and strategy of the Group for the future?

A

To extend operations further into the region, and in particular the China Mainland. To continue developing innovative and environmentally sound technologies and services, advanced bus designs and a diverse business portfolio not only in the mature market of Hong Kong but also in the new markets wherever we operate.

Q You said Hong Kong is a mature market. Is there any scope left for growth in Hong Kong itself?

A

The scope lies in encouraging our colleagues at all levels to think outside the box. So far we have mainly been running buses. There are opportunities ahead for operating other forms of transport and also transport-

related businesses. We must remember that growth does not necessarily mean simply growing in size. A leaner and more streamlined operation using less resources to generate more value added and greater value for our stakeholders is also growth.