

Conversation with the Managing Director

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Edmond HO Tat Man
Managing Director



Q How would you characterise the performance of Transport International Holdings Limited ("TIH") in 2011?

A 2011 was a very challenging year for the TIH Group, with our franchised bus businesses continuing to face the challenges posed by high oil prices, rising inflationary pressure and the negative impact of the expanded rail network. Our response to these challenges was rooted in seeking means of boosting productivity and controlling costs wherever possible, while identifying ways of increasing revenue. We continued to look at ways of increasing our bus network efficiency through route reorganisation, of strengthening our services in the growing tourist segments, and of trialling and adopting the latest technologies that could stimulate patronage. With regard to our non-franchised transport businesses, we focused on providing tailor-made, value for money services to meet our clients' specific needs. As for our property division, we managed to generate additional rental income in 2011 by expanding our leasing property portfolio. We also continued to provide our customers in Hong Kong and China Mainland with high quality services founded on our key values of sustainable business development, good corporate governance and community care.

Q How do you see the future development of franchised bus services in Hong Kong?

A In spite of the intense competition from the railways, there will always be demand for the safe, comfortable and reliable, often door-to-door, bus services that we provide for our passengers. Taking a longer term view, we are excited about the opportunity to run services in a more innovative way by making use of new technologies such as electric buses with zero roadside emissions. The theme of this annual report, "Excellence through innovation", reflects our commitment not only to providing our customers with greater value but also to helping bring about a cleaner and more environment-friendly Hong Kong.

Q How do you plan to cope with the severe competition from the expanding rail network in the next few years?

A We will continue to focus attention on the reorganisation of our bus network, which will increase the efficiency of our operations, and at the same time bring social, environmental and financial benefits. In 2011, KMB managed to save 28 buses through route reorganisation efforts, significantly more than the saving of nine buses in the previous year. Besides this, we will continue to enhance the user-friendliness of our services, especially for the growing number of overseas visitors, by upgrading the accessibility of our bus service information to ensure that our customers know how to get the best out of our services. This enhancement can be seen in the upgraded signage at bus stops and termini, the Bus Stop Announcement System on buses and the Integrated Bus Services Information Display System at major termini, as well as in the KMB website and smartphone apps.

Q Why is enhancing bus service information provided via smartphones important?

A Given KMB and LWB's large bus network with over 400 routes, casual local travellers and tourists may not know which routes to take. With the rapidly growing popularity of smartphones, KMB and LWB launched the iPhone app and the Android app in March and November 2011 respectively, to provide more convenient and user-friendly services to all our customers, including tourists. These apps boast features which can give passengers enhanced bus-ride experiences, such as the innovative "Alight Reminder" function. Passengers can specify their starting point and destination, and the apps give detailed information on all available routes together with the bus stop locations for boarding and alighting. The apps also provide suggestions on bus routes with the fewest en-route stops and lowest fare to any destination they select.

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Q How important is technology for the continued success of the Company?

A Continuous technological innovation is very important for the successful operation of the Group's various businesses, and we will continue to work closely with our manufacturers and suppliers, as well as the HKSAR Government, in order to remain industry leaders for the provision of attractive and competitive services. Having said that, we are fully aware that our most valuable asset is our staff, who are highly trained and professional individuals. Beyond the further introduction of state-of-the-art technologies and innovative services and products, we will also continue to provide the resources and training that enable our frontline staff to best serve our customers.

Q What strategies are KMB and LWB adopting in the current inflationary environment to cope with the lower than expected fare increases implemented in 2011?

A KMB and LWB submitted applications to the Government for fare increases of 8.6% and 7.4% respectively in July 2010 and were granted increases of 3.6% and 3.2% respectively to take effect from 15 May 2011. The increases granted have proven grossly insufficient to offset increased costs, particularly fuel costs, in the current inflationary environment. We have therefore taken every possible measure to increase our network and cost efficiency. The best way to achieve this is by stepping up our efforts in route reorganisation, which enables not only more effective utilisation of resources but also helps create a greener environment. Should costs continue to rise unabated in spite of our stringent cost control measures, we will consider applying for a fare adjustment in order to maintain our financial viability and service standards.

Q Are there any growth areas in respect of patronage that you see as opportunities?

A The growth of Mainland visitors is certainly an important opportunity. The arrival numbers from China Mainland grew considerably in 2011, surpassing 28 million, an increase of about 24% compared with that of 2010, and are set to grow further with closer social and economic ties between Hong Kong and the Mainland. In 2011, KMB's multiple routes that serve cross-boundary passengers grew significantly in terms of ridership. We will continue to apply innovations and allocate ample resources to effectively serve this growing market segment.

Q How has the Group performed on the Mainland?

A Both of our equity joint ventures in Shenzhen and Beijing made steady progress in 2011. In Shenzhen, SBG continued taking a lead in innovation by not only introducing environment-friendly electric buses for trial, but also electric taxis as a new business.

Q Can you bring us up to date on the latest developments with regard to electric buses?

A KMB introduced Hong Kong's first zero-emission supercapacitor bus, the gBus, for trial from August 2010 to April 2011. In this eight-month intensive trial, the gBus has proven to be safe and reliable when running at full loading and air-conditioning on the test route. As the technology of electric buses is developing rapidly, we are considering putting other electric vehicles on trial runs. KMB has visited a number of electric vehicle manufacturers, and is exploring collaboration with some of them to develop electric vehicles suitable for operation in Hong Kong.

Q What do you see as the major benefits of electric buses?

A There are a number of reasons that we are keen to see the deployment of electric buses which produce zero roadside emissions, whether they are powered by supercapacitor or battery technology. Besides producing zero roadside emission, these types of technologies are more economical, requiring substantially lower capital expenditure on infrastructure compared to rail. Successful large-scale deployment of electric buses will also of course reduce our fuel costs, besides contributing to a greener Hong Kong. Electric buses also offer high flexibility in terms of phased in deployment, making them eminently suited to new development areas where population and travel demand will take time to build up. Despite the higher total cost of purchasing and operating electric buses as compared to conventional diesel-powered buses, the potential benefits of the former have been recognised by the HKSAR Government, which has earmarked a budget of HK\$180 million to support the franchised bus companies' purchase of a total of 36 electric buses for trial deployment to assess their performance under Hong Kong's operating conditions.

Q Does the TIH Group also intend to invest in diesel-electric hybrid buses?

A With the funding support of the HKSAR Government, we are planning to introduce diesel-electric hybrid double-deckers for trial on some of the territory's busiest roads to see how they perform in local operating conditions. We have already drawn up the specifications of the hybrids we would like to test and are currently at the tendering stage.

Q What enhanced measures have you taken to ensure that passengers enjoy safe and comfortable rides?

A By adopting a "Plan-Do-Check-Act" (PDCA) approach, which aims at continual improvement in the safety performance of all aspects of our business, KMB established a fit-for-purpose safety management system based on Occupational Health and Safety Assessment Series ("OHSAS") 18001 in January 2011. This system was fully implemented in January 2012.

We have for some years been running a very successful Civic Education Campaign in both print and broadcast form to encourage our customers to put safety first when travelling with us and to show consideration towards their fellow passengers. In 2011, we took this a step further with the "Priority Seats" trial scheme, which prompts passengers to offer their seats to the elderly, the disabled, pregnant women, and passengers with infants. Accordingly, four priority seats with eye-catching headrests have been earmarked in each bus for the use of those in need. We aim to complete the adoption of this scheme across most routes of the KMB and LWB fleets.