

# Operational Review



## Hong Kong Franchised Public Bus Operations

Franchised public bus operations are central to the Group's business. The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited offer world-class, innovative and reliable services to their passengers, while setting new standards in terms of design, comfort and the latest green technologies.

NEARBY BUS STOP

FEWEST ENROUTE STOP

LOWEST BUS FARE

INFORMATION UPDATE

ENROUTE INFORMATION

ALIGHT REMINDER



## THE KOWLOON MOTOR BUS COMPANY (1933) LIMITED ("KMB")

*KMB, founded in 1933, a wholly-owned subsidiary of TIH, provides extensive public bus services covering Kowloon, the New Territories and Hong Kong Island. KMB serves approximately 2.6 million passenger trips a day on its fleet of over 3,800 buses running on some 390 routes. Its workforce of about 11,700 employees, including some 8,000 bus captains, is committed to providing a world class service to our customers.*

### OPERATIONAL EXCELLENCE

For 78 years, KMB has stood out for its commitment to providing world class public bus services for the people of Hong Kong. The following service milestones testify to the high standards of its operations:

1999

KMB became the first public bus company in Hong Kong to receive ISO 9001:1994 certification on a corporate-wide basis for its quality management systems. In fact, KMB is the fourth organisation in Hong Kong to achieve such corporate-wide certification.

2002

KMB obtained ISO 9001:2000 certification.

2003

KMB became the only franchised bus company in Hong Kong with both ISO 9001 and ISO 14001 accreditation when its Lai Chi Kok and Sha Tin Depots were awarded ISO 14001:1996 Environmental Management System certification.

2004

KMB's Lai Chi Kok Depot was upgraded to ISO 14001:2004 Environmental Management System certification.

2005

KMB's Sha Tin Depot was upgraded to ISO 14001:2004 Environmental Management System certification.

2007

The four main operating depots of KMB at Lai Chi Kok, Sha Tin, Kowloon Bay and Tuen Mun were certified by the Q-Mark Council of the Federation of Hong Kong Industries as having met the Green Mark Standard under the Hong Kong Green Mark Certification Scheme.

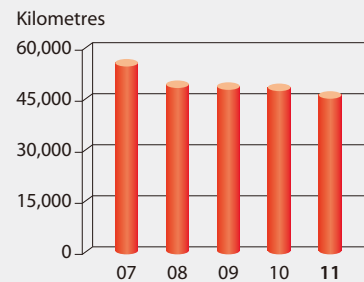
2009

KMB received the newest ISO 9001:2008 certificates from the Hong Kong Quality Assurance Agency ("HKQAA") on completion of upgrading audits in the four certification areas: KMB Headquarters; Traffic Department and the four main operating depots; the Overhaul Centre; and the Unit Overhaul Depot.

2011

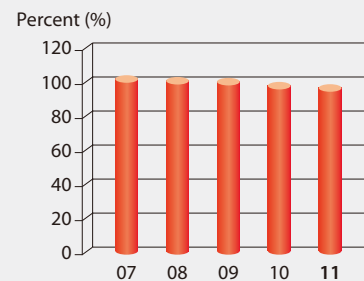
The power of the KMB brand gained further recognition when it won in the Logistics/Transportation category of the Yahoo! Emotive Brand Awards 2010-2011 organised by Yahoo! Hong Kong. KMB also won the 2011 Hong Kong Most Admired Knowledge Enterprise (MAKE) Award organised by The Hong Kong Polytechnic University, and the Bronze Star Award in the 2011 Age Friendly Hong Kong Appreciation Scheme organised by the Hong Kong Council of Social Service.

#### Mechanical reliability – KMB



Average number of kilometres operated before a bus has one mechanical breakdown while passengers are on board

#### Operational capability – KMB



Percentage of actual number of bus departures to scheduled number of bus departures during morning peak hours (7am-9am) in the peak direction

*Download our Corporate Video*



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## Brand Awards

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*In 2011, KMB gained recognition from Yahoo! Hong Kong, the Hong Kong Polytechnic University and the Hong Kong Council of Social Service.*

### PERFORMANCE PLEDGE

We dedicate ourselves to offering our customers safe and efficient bus services of the highest quality. Mechanical reliability and operational capability are two key performance indicators for measuring the operational performance of our public bus services. Mechanical reliability is defined as the average number of kilometres a bus operates 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 operational hours of 7:00 a.m. to 9:00 a.m. across the entire bus network. For 2011, the mechanical reliability of KMB's fleet was 45,780 km : 1 against a target of 45,000 km : 1 and the operational capability achieved was 95.8% against a target of 100%.

### BUS FLEET AND FLEET UPGRADES

Constant innovation and bus fleet modernisation are two of KMB's major priorities. Since 1997, when we collaborated with our bus suppliers to bring the world's first super-low floor, wheelchair accessible double-decker to Hong Kong, we have continuously been introducing technologically advanced and environment-friendly buses to the KMB fleet.

Today's bus models include a raft of innovative features, such as straight staircases for easier access to the upper deck, wider bodies, 2+2 seating, priority seats, a wheelchair space, brightly coloured handrails, easy-reach bell pushes, and advanced air-conditioning systems for better control of temperature and humidity. In 2009, KMB was the first public bus





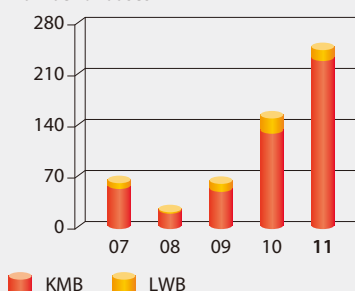


KMB's service network takes you to the heart of the city

### Number of new buses introduced to the fleet

(Franchised Public Bus Operations)

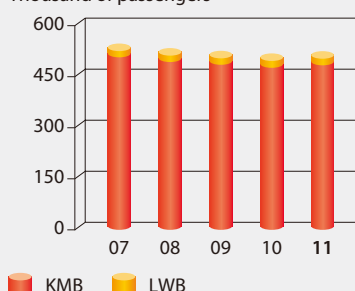
Number of buses



### Total fleet capacity at 31 December

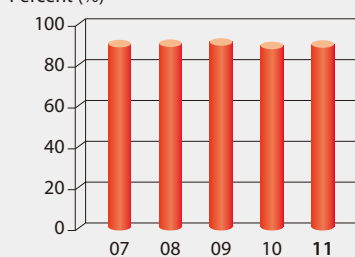
(Franchised Public Bus Operations)

Thousand of passengers



### Fleet utilisation – KMB

Percent (%)



Percentage of actual number of buses operated on the road to licensed bus fleet

company in Asia to introduce the Euro V double-deck bus. Our single-deck fleet has also been upgraded, with retiring single-deck buses being replaced by brand new wheelchair accessible super-low floor single-deck models which combine stylish design with greater headroom.

In 2011, substantial investment was made in new buses featuring the latest safety, environmental and

design features. A total of 231 new super-low floor air-conditioned buses, consisting of 11 Euro IV and 188 Euro V double-deckers and 32 Euro V single-deckers, were added to the KMB fleet.

As at 31 December 2011, KMB operated a total of 3,891 buses, comprising 3,726 double-deck buses and 165 single-deck buses, of which 98.7% were air-conditioned.

KMB's bus fleet	Air-conditioned double-deck buses	Air-conditioned single-deck buses	Non air-conditioned double-deck buses	Total number of buses
As at 1 Jan 2011	3,534	157	131	3,822
Additions during year	214 <sup>(1)</sup>	32	–	246 <sup>(1)</sup>
Disposals during year	(72)	(24)	(81)	(177)
As at 31 Dec 2011	3,676	165	50	3,891

<sup>(1)</sup> Includes 15 air-conditioned double-deck buses transferred from Long Win Bus Company Limited.

At the end of 2011, KMB had on order 77 air-conditioned double-deck Euro V buses and 28 air-conditioned single-deck Euro V buses, for delivery in 2012.

### BUS SERVICE NETWORK

KMB operated a network of 393 bus routes at the end of 2011. In furtherance of its aim of deploying its resources more effectively while meeting the travel demand of its passengers, we continue to implement service rationalisation measures that mitigate the effects of passenger shift to the railways. To enable redeployment of resources

from routes with low passenger use to areas of increasing demand, KMB's route reorganisation efforts continue to focus on proposals to reroute, truncate and combine routes for greater operating efficiency and to adjust service frequencies where necessary. During the year, we submitted to the Government 42 proposals on route reorganisation and 55 on service frequency, involving a reduction of 123 buses. However, only four of the reorganisation proposals and 23 of the service frequency proposals were approved, involving a reduction of just 28 buses.



To improve its service delivery efficiency, KMB is committed to reviewing the viability of bus routes that are no longer required as a result of railway expansion, as well as reducing the frequency of routes with decreased passenger demand. The resources saved from such route reorganisation will be redeployed to areas with higher or increasing demand. Besides benefiting our

passengers, this will also help relieve traffic congestion and protect the environment, while easing fare adjustment pressure. Strategic bus network reorganisation will remain the cornerstone of KMB's response to changing market conditions.

A summary of the bus network rationalisation carried out in 2011 is tabulated below:

	Proposed		Implemented	
	Number of proposals	Number of buses to be saved	Number of proposals	Number of buses saved
Rationalisation	42	66	4	5 (8%)
Frequency reduction	55	57	23	23 (40%)
<b>Total</b>	<b>97</b>	<b>123</b>	<b>27</b>	<b>28 (23%)</b>

# 231

*new super-low floor buses*

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*In 2011, 231 new super-low floor air-conditioned buses were added to the KMB fleet.*



A modern service for a modern city

## Luminous Crystal Bus Stop Pole

Perfectly integrating aesthetic appearance and user-friendly functionality, the luminous crystal bus stop pole was first introduced to Hong Kong by KMB. The environment-friendly pole is lit by LED lighting, which has treble the lifespan and six times the electricity-saving capacity of fluorescent tubes.



## 7 route promotions

*In 2011, seven route promotion schemes were launched on a total of 34 KMB routes.*

### BUS ROUTE PROMOTION

During 2011, seven route promotion schemes were launched on a total of 34 KMB routes via extensive

advertising on mega panels at bus shelters, on bus-stop poles and on the KMB website.

Promotion schemes	Routes involved
1 Route B1	B1
2 Tai Po Recreation Routes	64K, 74K, 75K, 275R, 275S
3 Sai Kung Recreation Routes	92, 96R, 99, 299
4 Sha Tin Town Centre and Scenic Park Promotion Routes	47X, 48X, 49X, 81, 85, 86, 89, 89X, 263, 269D
5 Tsuen Wan and Kwai Tsing Shopping Routes	35A, 36B, 38, 41A, 42A, 42C
6 Gold Coast and Sham Tseng Promotion Routes	52X, 53, 234A, 234B, 61M
7 Kam Shan Country Park Promotion Routes	72, 81, 86B

### Joint Promotion between major Shopping Malls and KMB

KMB and a number of shopping malls have held a joint promotion campaign since October 2010. Individual customers from China Mainland who spend HK\$400 or more at Sun Yuen Long Centre, Yuen Long Plaza, Metropolis Plaza or Landmark North are eligible to obtain free one-way pre-paid tickets on any of Routes B1, 76K and 276B and subsequently on the Huang Bus service. The promotion has been extended to 31 December 2012.

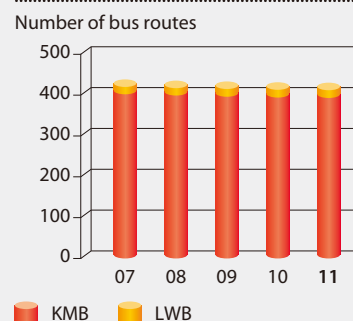
### DEPOTS

KMB's four major depots at Kowloon Bay, Sha Tin, Lai Chi Kok and Tuen Mun provide routine maintenance and repair services for our entire bus fleet. Ten smaller depots provide parking and minor maintenance services, while major bus overhaul services are performed at the KMB Overhaul Centre. Continuous improvements are made to our depot facilities to ensure that a consistently high level of productivity and quality service is maintained for our buses.

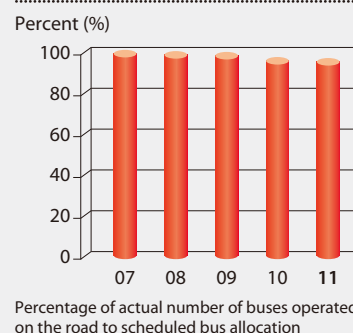
Major Depots Serving KMB and LWB Buses

Depot	Areas served/main purpose of depot	Gross floor area (square feet)	Number of buses served as at 31 December 2011	Year in which operations commenced
<b>KMB depots:</b>				
Kowloon Bay Depot	East Kowloon	768,038	1,059	1990
Sha Tin Depot	North and East New Territories	720,005	1,098	1988
Lai Chi Kok Depot	South and West Kowloon	648,946	866	2002
Tuen Mun Depot	West New Territories	148,961	868	1979
KMB Overhaul Centre	Bus overhaul	380,915		1983
<b>LWB depot:</b>				
Siu Ho Wan Depot	Lantau Island	82,422	164	1998
<b>Total</b>		<b>2,749,287</b>	<b>4,055</b>	

### Number of bus routes operated at 31 December



### Achievement of schedule – KMB



*Continuous improvements are made to our depot facilities to ensure that a consistently high level of productivity and quality service is maintained for our buses.*



## Information Technology

Through extensive use of advanced information technology, KMB has been able to closely monitor the performance of its daily operations, foster internal and external communications and enhance productivity.



*Information Technology*



*Customer Service*

### Electronic Bus Stop Announcement System

The On-Board Electronic Bus Stop Announcement System, installed across KMB's entire bus fleet, delivers voice announcements in Cantonese, English and Putonghua while showing the name of the next bus stop on light emitting diode ("LED") displays. The system also broadcasts safety reminders and bus service messages.

### Bus Service Information Display System

The Integrated Bus Service Information Display System ("IBSID") is installed at KMB's major termini to provide passengers with information on bus route

destinations, departure times and fares. Up-to-date messages on contingencies such as major traffic disruptions are also displayed on the large LED display panels. At the end of 2011, 28 termini were equipped with IBSID, which can also enable monitoring of the traffic and operating conditions in the area surrounding the termini at headquarters and at the termini themselves via closed circuit television.

### Lost Property Management System

Launched in 2009, the Lost Property Management System ("LPM"), which tracks lost items from initial recovery to reclaim by passengers or eventual disposal, enables efficient handling of lost property claims and inquiries. Besides improving the handling of passenger inquiries about lost property, LPM also helps our staff keep accurate track of the status of lost property. In 2011, an average of some 2,100 lost property cases a month (representing around 5,800 lost property items) were processed by the system.



*Operation*

### Octopus Management System

Developed by our Information Technology Department, the Octopus Management System ("OMS") retrieves detailed maintenance records of Octopus readers and traces the location of any readers whose fare revenue record has not been downloaded or which lack the latest fare table. Besides providing accurate reports on Octopus revenue reconciliation, OMS enhances user interface and data analysis functions. After thorough testing, OMS came into full operation in late 2011.

*At the end of 2011, KMB facilities were equipped with a total of 1,720 personal computers. These computers are interlinked via high-speed communication lines to 163 computer servers located at KMB headquarters. In this way, the information channels between headquarters, eight Customer Service Centres, 14 bus depots and 163 bus termini are integrated by a sophisticated data network. A total of 38 software applications, including in-house developed programs and proprietary software, are used in our daily operations and financial management. By constantly upgrading our information technology systems, we can improve our customer service delivery, while enhancing our human resources management, fleet and depot operations, and financial management.*

### Terminus Management System

KMB's Terminus Management System ("TER") facilitates the management of daily bus operations in 163 termini by automatically displaying bus captains' next departure time and special instructions on their personalised Octopus cards. Bus arrival and departure data are recorded and made available to headquarters, depots and relevant departments so that necessary service adjustments can be made.

### Traffic Operations Management System

KMB's Traffic Operations Management System ("TOM") improves the efficiency of bus captain duty assignment by equipping depot staff with an RFID reader which identifies the parking location of buses and uploads the information for retrieval by bus captains at Duty Dispatch Offices. TOM also keeps management informed on duty dispatch, as well as prioritising the deployment of buses with lower emissions on routes running on busy roads.

### Operations Communications Management System

KMB's Operations Communications Management System ("OCM") streamlines the recording and dissemination of real-time information on operational incidents logged by KMB's Radio Control Section.

### Bus Maintenance Information System

The Bus Maintenance Information System ("BMS") helps management assign jobs and monitor maintenance costs by providing useful information, including bus type, repair and maintenance records, overhaul of major units and maintenance workers' work records.

### Bus Onboard Monitoring System

Developed in 2011, the Bus Onboard Monitoring System ("BOM") generates reports on bus captains' driving performance for analysis by depots and relevant departments, thus enhancing driving safety and passenger comfort coaching.



### Human Resources & Financial Management

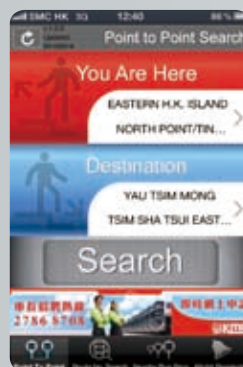
#### Advanced Finance and Administration Systems

SAP ERP e-Business Software is adopted by KMB for financial and human resources management. These advanced proprietary information management systems enhance the efficiency of financial planning, control and reporting, and improve administration and planning. Together with the deployment of an advanced electronic document management system, e-tendering, e-payslips, and company-wide e-mail, paper usage has been greatly reduced and internal and external communications, document distribution, filing and retrieval all improved.

## KMB Smartphone Apps



In March 2011, in line with the rapidly growing popularity of smartphones, KMB launched its free iPhone app, which was downloaded by more than 700,000 iPhone, iPad and iPod Touch users. The KMB smartphone app was also released on the Android platform in November 2011. These apps give suggestions on bus routes with the fewest en-route stops and lowest fare to any destination passengers select. They also offer users a choice of ways to search for a bus route, providing route maps, timetables and photos of every bus stop. The apps' powerful "Nearby Bus Stops" function makes use of the Global Positioning System to automatically identify the location of the user and list all bus routes within 200 metres and the location of their corresponding bus stops. In addition, for greater peace of mind, the apps feature the pioneering "Alight Reminder" function, which emits an alert sound (or vibration) two bus stops before the selected destination is reached. The apps come in traditional Chinese, simplified Chinese and English versions.



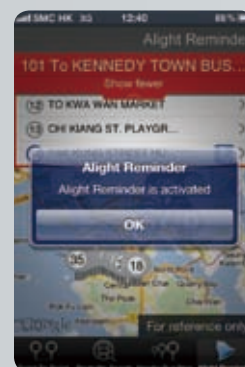
Point-to-Point Search



Route Number Search



Nearby Bus Stops



Alight Reminder





*Download our  
Smartphone Apps*



iPhone Version



Android Version

In recognition of the popularity and positive social impact of KMB's smartphone app, KMB won the Best Marketing Smartphone Apps (Social Wellness) Award in the 2011 Hong Kong Marketing Smartphone Apps Popularity Contest and the "Best 10" Award in the 2011 Most Popular Marketing Smartphone Apps Awards.

**LONG WIN BUS COMPANY LIMITED (“LWB”)**

*LWB has been providing bus services linking the New Territories with Hong Kong International Airport and North Lantau since 1 June 1997. LWB’s extensive network covers the airport, Tung Chung as well as leisure and tourism developments on North Lantau, including Hong Kong Disneyland, AsiaWorld-Expo and the Ngong Ping 360 cable car.*



The increasing demand for transport generated by Mainland travellers on the one hand and construction workers involved in new developments at the airport on the other helped boost LWB's ridership in the first half of 2011. This growth was affected, however, in the second half of the year by the negative impact of the financial uncertainty in the U.S. and Europe. LWB's comprehensive network is well placed to serve its growing customer base.

### PERFORMANCE PLEDGE

By constantly reviewing its operations, LWB is able to ensure that safety and efficiency are maintained at the highest levels for its bus fleet. Two key performance indicators, namely mechanical reliability and operational capability, are used to measure LWB's operational performance. Mechanical reliability is defined as the average number of kilometres a bus operates 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 morning

*LWB will continue to look for ways to capitalise on continued tourism growth while maintaining its high standards of network coverage and service.*

hours of 7:00 a.m. to 9:00 a.m. across the whole bus network. In 2011, LWB's buses achieved 54,326 km : 1 in mechanical reliability and 99.4% in operational capability.

### BUS FLEET AND FLEET UPGRADE

In 2011, LWB introduced 15 new Euro V super-low floor air-conditioned double-deck buses on its External routes. LWB will continue to purchase new buses in 2012. Enhanced features contributing to passenger comfort and safety will be further introduced in the bus design as appropriate.

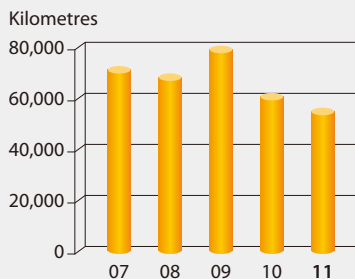
As at 31 December 2011, LWB operated 164 air-conditioned super-low floor double-deck buses, all equipped with wheelchair access, the electronic bus stop announcement system and the electronic tachograph, which records vehicle speed and other operating data.

To meet the demand for service enhancement, at the end of 2011, LWB had on order 15 Euro V super-low floor air-conditioned double-deck buses for delivery in 2012.

LWB's air-conditioned double-deck bus fleet	Total number of buses
As at 1 Jan 2011	166
Additions during year	15
Disposals during year	(17)
As at 31 Dec 2011	164

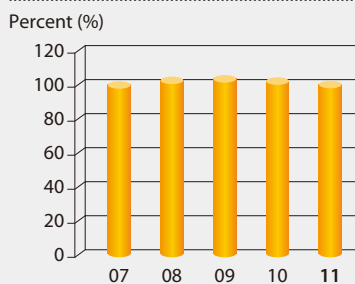


### Mechanical reliability – LWB



Average number of kilometres operated before a bus has one mechanical breakdown while passengers are on board

### Operational capability – LWB



Percentage of actual number of bus departures to scheduled number of bus departures during morning peak hours (7am-9am) in the peak direction



LWB's efficient service matches Hong Kong International Airport

*LWB's introduction of 32 Euro IV buses and 15 Euro V buses helps contribute to a cleaner environment by reducing nitrogen oxide emissions.*

### BUS SERVICE NETWORK

At the end of 2011, LWB operated 19 routes. To improve service levels, one bus was added to Route A31 in July and the route was extended to Tsuen Wan West Railway Station. In addition, a proposal was made in December to introduce a new recreation route, Route X34, plying between AsiaWorld-Expo and Tin Shui Wai Town Centre. This service would meet the demand created by the mega entertainment events held at AsiaWorld-Expo.

LWB is committed to continuing to look for ways to capitalise on continued tourism growth while

maintaining its high standards of network coverage and service for all its passengers. This is in line with its mission of providing the most efficient and direct means of transport to and from North Lantau.

### DEPOT

LWB's depot at Siu Ho Wan provides daily bus maintenance, refuelling, bus washing and parking for its fleet. The depot is equipped with a waste water treatment system to ensure that the quality of waste water complies with statutory requirements before being discharged into the public drainage system.



● LWB's bus termini on Lantau Island

## SAFETY AND CUSTOMER SERVICE

Regular and thorough inspections of LWB's buses are undertaken to make sure that they are maintained to the highest standards. Driving instructors monitor bus captains' driving performance and customer service delivery, while safety briefings are held periodically and safety reminders are circulated to all bus captains. Additionally, LWB runs quality campaigns to recognise and reward good performance at both the team and the individual level.

To provide even greater convenience for passengers using its services, LWB will continue to explore and study ways of enhancing its operational efficiency by such means as the further implementation of the "Terminus Management System" at bus termini and the installation of more electronic route information display boards at bus termini and en-route bus stops.

## ENVIRONMENTAL PROTECTION

The introduction of 32 Euro IV buses and 15 Euro V buses (representing

about 20% and 9% of the LWB fleet respectively) helps contribute to a cleaner environment by reducing nitrogen oxide emissions. To reduce emissions of particulate matter, LWB has retrofitted Diesel Particulate Filters on all of its Euro II and Euro III buses.

The electrostatic air filtration function in the air-conditioning system of LWB's buses greatly improves the air quality in bus compartments, while the Eco-driveline system effectively reduces fuel consumption and exhaust emissions.