

Road Passenger Transportation Services (8) - General FAQs and FAQs in relation to CEPA and its Supplements (up to 2006 Liberalization Measures)

(I) Passenger transport companies operating franchised bus services in Hong Kong are allowed to set up wholly-owned or joint venture enterprises in Mainland cities at the municipal level to provide passenger public transport and hire car services at those cities

1. Why is the measure not applicable to all the Hong Kong road passenger service providers?

We appreciate that any trade liberalisation has to be implemented in a progressive manner. Under CEPA I, Hong Kong service suppliers operating road passenger transport services can set up wholly-owned enterprises or joint-venture enterprises in the **Western Region*** of the Mainland to provide road passenger transport services. The liberalisation measure under CEPA V allows these Hong Kong service suppliers to set up joint venture enterprises in the Mainland to provide intercity scheduled passenger transport services. This is a positive step towards the opening up of the road passenger transport market in the Mainland to Hong Kong companies. We will continue to liaise with the Mainland to pursue further liberalisation measures in a progressive manner.

[* Western Region refers to 12 provinces/autonomous regions/municipality including Chongqing, Sichuan, Guizhou, Yunnan, Tibet, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongolia and Guangxi; and Xianxi Tugia-Miao Autonomous Prefecture of Hunan Province, Enshi Tugia-Miao Autonomous Prefecture of Hubei Province and Yanbian Korean Autonomous Prefecture of Jilin Province.]

2. Why is the measure applicable to franchised bus companies only?

Franchised bus companies in Hong Kong have experience in providing major public transport services in a regulated environment. Since the operation of passenger public transport and hire car services in cities in the Mainland are subject to similar regulation, it is understandable that the measure is applicable to

franchised bus companies only at this stage.

3. Will sister companies of franchised bus companies be able to enjoy the preferential treatment?

According to the arrangement of CEPA, a relevant service provider who can enjoy the preferential treatment must be a “juridical persons” (including companies, partnerships and sole proprietorships) and fulfil the definition and related requirements of Hong Kong service suppliers. Please refer to Annex 5 of CEPA and Supplement to CEPA for details of the definition and related requirements of Hong Kong service suppliers.

4. Can franchised bus companies have major shareholding of the joint venture companies set up under the measure?

Franchised bus companies can have major shareholding of the joint venture companies set up under this measure.

5. Why is the measure limited to Mainland cities at the municipal level? Which Mainland cities are at the municipal level?

This measure is to allow Hong Kong franchised bus companies to set up wholly-owned or joint venture enterprises in all the Mainland cities including various levels of local areas thereunder (i.e. district and county, etc.) to operate passenger public transport and hire car services. Specifying mainland cities at the municipal level is to point out that the interested franchised bus companies should apply to the municipal government of the relevant cities for operation of the relevant services.

II. Passenger transport companies operating franchised bus services and companies operating non-franchised bus services (Guangdong–Hong Kong cross-boundary coach services) in Hong Kong are allowed to set up joint venture enterprises in Guangdong, Guangxi, Hunan, Hainan, Fujian, Jiangxi, Yunnan, Guizhou and Sichuan to provide direct inter-city passenger bus services

6. Why is the new arrangement not applicable to all the Hong Kong road passenger service providers?

It is understandable that the Mainland only allows Hong Kong franchised bus companies and non-franchised bus companies currently operating cross-boundary coach services to operate cross-boundary bus services between Hong Kong and the nine provinces mentioned. At the initial stage of opening the market, allowing participation of established companies with proven experience in providing public transport services only will make it easier to regulate the operations and ensure service quality. We hope to seek the Mainland's agreement, after the new arrangement has been operating for some time, to allow other Hong Kong public transport operators to take part, with a view to eventually opening up the Mainland market to all public transport operators in Hong Kong.

7. Is it necessary for operators of the direct inter-city bus services in question to obtain cross-boundary coach quotas?

The service in question is a form of cross-boundary coach service and is therefore subject to the quota system jointly administered by HKSAR and Guangdong authorities. The quota system aims to ensure smooth traffic at our land control points, particularly freight traffic, which is of paramount importance to the economic development of Hong Kong. Hong Kong service providers have to obtain quotas before they can provide such cross-boundary service.

8. Will the measure has negative impact on the existing cross-boundary coach services?

The new arrangement should not have any negative impact on the existing cross-boundary coach services. On the contrary, the existing cross-boundary coach operators will have more opportunities to expand their businesses, and contribute towards the economic development of both Hong Kong and the Mainland.