

Honours Project

"Why did CMB lose its bus franchise in 1998?"

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Abstract

It is of essential importance for an urbanised city to acquire an extensive transportation network because of logistical purposes and efficient travelling hooks with productivity. Of the Four Asian Tigers in Southeast Asia, Hong Kong was best known for its flourishing economic status between 1970 and 2000. Meanwhile, the ‘Pearl of the Orient’ population growth was on par with economic diversification, from 3,959,000¹ in 1970 to 6,311,000² in 1996. In this hustle and bustle cosmopolitan city, citizens relied heavily on road transport to travel between Kowloon Peninsula, New Territories, and Hong Kong Island, especially when significant infrastructures like Cross Harbour Tunnel and Mass Transit Railway (MTR) were not established until the 1970s.

There were two major franchised bus companies in colonial Hong Kong, namely China Motor Bus (CMB) and Kowloon Motor Bus (KMB). CMB had established its franchised bus kingdom in Hong Kong Island between 1933 and 1998, while it had accumulated numerous land properties in this densely-populated city. KMB chose Kowloon Peninsular and New Territories as its bases to extend its influence. By the time both companies had been enjoying the scale of economics and the protection from the *Public Bus Services Ordinance*, CMB, however, failed to extend its bus franchise in 1998. Amid all triggering factors of CMB’s public bus service termination, public grievances seemed to be a remarkable reason for

¹ Hong Kong Census and Statistics Department, *Demographic Trends in Hong Kong 1971-82: An analysis based on vital registration statistics of births, marriages, and deaths on census results* (Hong Kong: Govt. Printer; The Branch, 1983), 3.

² Hong Kong Census and Statistics Department, *Demographic Trends in Hong Kong 1981-1996* (Hong Kong: Printing Department of the Hong Kong Special Administrative Region Government, 1997), 3.

affecting government policies. In the meantime, although it is not difficult to observe that traffic congestion contributed to the downfall of CMB, there are limited discussions about the underlying relationships between public sentiments, traffic congestion, and the operational condition that CMB was facing.

This thesis tries to analyse the reasons for the collapse of CMB's bus franchise, a former franchised bus company in Hong Kong and was later succeeded by CityBus (CTB) and New World First Bus (NWFB) in 1998, by studying a series of events which occurred during 1980 and 1998. In particular, the turning points of CMB's quality of management will be identified and illustrated.

This thesis also argues that the root cause of CMB's lapse in 1998 was Paliburg's unsuccessful takeover attempt in 1981. Since then, CMB has become more conservative in bus operation, and its weaknesses were thoroughly revealed in a fatal crash in 1982. When the bus drivers' strike occurred in 1989, CMB was meant to be written off the list of public bus companies because the Hong Kong government no longer treated CMB as a reliable bus service provider. The reducing number of bus routes in 1993 and 1995 was the prelude to the end of CMB's service. Reformatory endeavours were made by the CMB's management board in the early 1990s but in vain. In 1998, CMB's bus routes were taken over by Citybus (CTB) and New World First Bus (NWFB). Together with British colonial Hong Kong, CMB became "the history before the handover of Hong Kong in 1997".

Chapter 1

Introduction

1.1 Objective and Significance of the dissertation

This thesis has attempted to address the following questions:

- i) Why was Paliburg's hostile takeover bid against CMB in 1981 a fundamental reason for CMB's bus franchise lapse in 1998?
- ii) How did poor maintenance of CMB buses contribute to CMB's downfall since the mid-1980s?
- iii) How did CMB suffer from traffic congestion on Hong Kong Island?
- iv) How did public grievance impact CMB's bus franchise extension?

While most relevant academic discussions focus on comparison among bus companies, there is little work investigating CMB as an independent subject, let alone analysis of the reasons leading to the lapse of CMB's bus franchise. However, the existence of the CMB is of vital importance in the history of the development of road transport in colonial Hong Kong because it had engaged in people's daily life. Not only had it boosted the smooth transition between Rickshaw and motorised vehicles in 1920s Hong Kong but it also became a major player in the bus industry that monopolised the bus service in Hong Kong Island until the early 1990s, on par

with the rapid development of Hong Kong after WWII. Moreover, the dissolution of CMB in 1998 in the transportation sector was a huge turning point in the history of Hong Kong because it has seriously impacted the structure of the local transport framework. Since then, KMB has taken over the role CMB used to play before and became the market leader. The dismissal has also led to the rise of CityBus (CTB) and New World First Bus (NWFB). A new page in the history of local transport was hence created. Despite CMB being infamously perceived as a poor bus service provider since the 1980s, it cannot fully address the question of why CMB failed to extend its franchise in 1998. It is hoped that a connect-the-dots analysis and explanation of the key contributing factors to the collapse of CMB's bus franchise can be undergone.

On the other hand, the difficulties encountered by CMB — traffic congestion, fleet maintenance, public discontent, and government policies—are precious experiences for the existing public bus companies to refer to. More specifically, although CTB has developed its 'bus kingdom' extensively in Hong Kong Island and Lantau Island, it does not necessarily mean that CTB needs not to face the similar scenarios that CMB was facing. In fact, despite major constructions like Central-Wan Chai Bypass being launched in the past few years, the traffic conditions in Northern Hong Kong Island show no significant improvement, which implies that CTB (and NWFB) has inherited part—if not all—of the problems which CMB was facing in the last 20 years of the 20th century. As of July 2020, CTB was

facing more than a 1.15 billion³ loss, so she had to sell 2.78 million shares in Octopus Holdings to offset the aggravating financial condition⁴.

Simply put, it is believed that the fall of CMB in 1998 was a milestone in the history of transportation in Hong Kong because it reveals that a traditional bus company ended up falling behind with the evolution of the cyber world. It is also hoped that the story of the ending years of CMB could be taken into account by the existing public bus companies, such that they may reorient the role played by buses under the trend of "Use railways as the backbone of Hong Kong's public transport system" in today's Hong Kong.

1.2 Scope of the Study

This thesis tries to analyse the reasons for the collapse of CMB's bus franchise, a former franchised bus company in Hong Kong and was later succeeded by CityBus (CTB) and New World First Bus (NWFB) in 1998, by studying a series of events which occurred during 1981 and 1998, i.e. discussions will begin from Paliburg's hostile takeover bid of CMB in 1981 to the final lapse of CMB's bus franchise.

1.3 Methodology

Based on a qualitative approach, the methodologies of this dissertation include:

³ CityBus Limited, *CityBus Fuller Disclosure 2020* (Hong Kong: CityBus Limited, 2020), 7.

⁴ Denise Tsang, "Owner of Hong Kong's Citybus, New World First Bus sells 27-year stake in Octopus Holdings amid spiralling coronavirus fifth wave," *South China Morning Post*, Jan 24, 2022, <https://www.scmp.com/news/hong-kong/hong-kong-economy/article/3164580/owner-hong-kongs-citybus-new-world-first-bus-sells>.

- i) Literature review: Analysis of official documents, such as transport planning studies and reports issued by the Transport Department (TD), in addition to newspaper clippings, are incorporated in this paper.
- ii) Case study: This aims to fathom the impacts of several events on CMB's bus franchised service.

1.4 Historical background of CMB

China Motor Bus Company (CMB), better known as the owner of NSK Centre in North Point, was initially founded in 1923. It was generally regarded as a crucial bus company in the history of Hong Kong, in the sense that it received the bus franchise in Hong Kong between 1933 and 1998, in which its sphere of influence lay on Hong Kong Island. **Ngan Shing-kwan** (1900-2001), the core founder of CMB, was the Senior Unofficial Member of the Legislative Council from 1959 to 1961. Under his painstaking management, CMB soon expanded its sphere of influence on Hong Kong Island after the end of World War II. For instance, in 1958 CMB made a net profit of HKD 2,100,746⁵, whereas she was able to expand its fleet size by 63% and made an additional deal to purchase 25 double-decker buses for Islanders. In 1963, she purchased 20 more double-decker buses, precisely due to Hong Kong Island's terrain⁶. 1976 was when the fleet's size expanded to more than

⁵ South China Sunday Post - Herald (1950-1972), "More Buses for Island," *South China Morning Post*, May 24, 1959. <https://www.proquest.com/historical-newspapers/more-buses-island/docview/1532402220/se-2?accountid=11441>.

⁶ South China Morning Post (1946-), "C.M.B. Acquires 20 More Double Deckers," *South China Morning Post*, July 20, 1963. <https://www.proquest.com/historical-newspapers/c-m-b-acquires-20-more-double-deckers/docview/1506860453/se-2?accountid=11441>.

600 double-decker buses⁷ and was when its profit amounted to HKD 2,489,000⁸.

Given that the market value of a flat in Taikoo Shing⁹ in the 1980s did not exceed HKD 200,000¹⁰, providing bus services had already been a profitable business for local bus companies in the 1970s, let alone the advantages brought by purchases of depots and parking sites.

More importantly, spearheaded by the CMB, the introduction of a one-man operation bus in 1971 was a classical move in bus operations¹¹. It was the era when CMB's influence climaxed in. By eliminating the post of ticket-sellers to enhance operation efficiency, the development of local bus services experienced a huge turning point, second to the invention of the Octopus Card in 1994. On par with the opening of essential facilities like Cross Harbour Tunnel and Aberdeen Tunnel, CMB broadened its service areas and its fleets accordingly. As of 1984, CMB owned around 1,100 buses and served more than 3.6 million passengers¹². Nevertheless, the 1980s was the era of the downfall of CMB's regime and, to be exact, the turning point of CMB's bus operation. Although the recession was triggered by various factors (such as the ageing of bus fleets, missing departures), the commencement of the Mass Transit Railway (MTR) in 1979, and the failed attempt of a hostile

⁷ South China Morning Post (1946-), "CMB boosts its fleet," *South China Morning Post*, Mar 19, 1976. <https://www.proquest.com/historical-newspapers/cmb-boosts-fleet/docview/1527171466/se-2?accountid=11441>.

⁸ Malcolm Surray, "Double-Decker Profit from CMB", *South China Morning Post*, November 20, 1976, <https://www.proquest.com/historical-newspapers/double-decker-profit-cmb/docview/1528977337/se-2?accountid=11441>.

⁹ TaiKoo Shing is a private residential estate in Eastern Hong Kong Island and has been favoured by the middle class buyers.

¹⁰ Norman T.L. Chan, "Speech on the Risk of Asset-Price Bubbles" (speech, Hong Kong, December 14, 2009), the Hong Kong Economic Summit", <https://www.hkma.gov.hk/eng/news-and-media/speeches/2009/12/20091214-1>.

¹¹ Kung Syu Yan, Louis, "A Review of Hong Kong's Public Transport Policies with Reference to Impacts on Franchised Bus Services" (MA diss., The University of Hong Kong, 2007), 31. <http://hdl.handle.net/10722/52884>.

¹²

takeover of CMB in 1981 were decisive events that impeded CMB's development on the bus service industry.

Notably, public grievances played an essential role in negotiating CMB's franchise extension during the early 1990s. I want to emphasise that the reputation of CMB was impacted when public sentiments interacted with other key events (which occurred since the 1980s) like fatal traffic accidents, severe traffic congestion, bus drivers' strike, etc. For instance, CMB was involved in a fatal crash in Happy Valley in 1984, which not only indicated that bus maintenance of poor quality had eventually led to severe consequences but also intensified public discontent on CMB's fleets. Iffy bus departures were another clear sign of worsening quality of service, and in the end, it would inevitably lead to a negative perception of CMB. Apart from the long-term congestion in Northern Hong Kong Island and the competition against MTR, the bus drivers' strike in 1989 was an alarming turning point for CMB because it paved the way for the government to introduce CTB and NFWB as new competitors in the scramble of CMB's bus franchise routes. Even though CMB was able to prolong its bus franchise from 1992 to 1998, it lost 28 and 14 franchised bus routes in 1992 and 1995, respectively. The abovementioned problems which CMB was encountering ended up in the termination of CMB's bus franchise in 1998.

1.5 Literature Review

Researches on Public transport—particularly MTR and KMB—in Hong Kong are common-or-garden in Hong Kong. However, researching solely on CMB, let alone researching CMB's franchise's lapse, are scarce.

Various scholars mentioned the undesirable situation that the bus companies have been facing in Hong Kong, whereas some stressed the competitive relationship between railway and bus as an account. Michael Chu¹³ pointed out that CMB was no match with MTR, especially in northern Hong Kong Island, whereas he believed there was room for the bus to compete in the transport market. He also mentioned that a landslide falling number of bus passengers was observed between 1983 and 1994. Chu's findings can be understood as a supplement to why CTB and NWFB partitioned CMB in 1998 because of the unfavourable conditions faced by CMB since the 1980s.

Concerning constraints on bus companies, Su Yau On¹⁴ supplemented the abovementioned views. He mentioned that the "regulated" competition among all competitors in various dimensions in the transport sector had maintained the quality of public transport services¹⁵. At the same time, government policy and public sentiments were also the variables of bus operations. In particular, governmental interventions have been decisive in controlling the service providers via both formal and informal ways. For example, the policy of "Use railways as the backbone of Hong Kong's public transport system," which was launched by the Transport Department (TD), would make it difficult for bus companies to survive. Public outrage, including but not limited to all sorts of complaints (such as questionnaires, and the pressure from the LegCo), would also affect the government's decision when

¹³ Michael Kut Fai Chu, "Speed Competition in an Affluent and Densely-Populated City: A Case Study of Bus Transport in Hong Kong" (Master's thesis, the University of Hong Kong, 1997), 9-1. <http://hdl.handle.net/10722/55291>.

¹⁴ Albert Yau On Su, "Regulatory regimes for public transport services in Hong Kong" (M.A diss., the University of Hong Kong, 2001). <http://hdl.handle.net/10722/28469>.

¹⁵ Su, "Regulatory regimes for public transport services in Hong Kong," 98.

imposing new policies. In this regard, it is discovered that Su might not see Chu's point¹⁶ as one of the main reasons because Su listed out the factors which would affect the operation (and government regulation) of a bus company.

The findings by Yang Xue¹⁷ were somehow in the middle. She concluded that the engagement of a property developer on a bus company might not necessarily enhance the service efficiency¹⁸, and it may or may not lead to an increase in bus fares. By the time when the launching of MTR exerted pressure on bus companies¹⁹, MTR had brought down the average bus fare²⁰. In my view, as known as a famous property tycoon, the Ngan-led CMB regime appeared to take few to no actions on improving its quality of service by taking advantage of the ownership of several depots and lands in Hong Kong. Hence, I will adopt the arguments held by Yang to be a part of my research.

A number of researches focused on analysing how the scale of economic matter in the public transport of Hong Kong. Alvin Cheung mentioned that the absence of road infrastructure was already explicit in the 1970s, and the problem had therefore increased the operating costs of bus companies²¹. He also depicted that there was an enormous discontent towards CMB's bus services since the 1990s, resulting in the reduction of its bus routes in 1993 and 1995. In my thesis, I have

¹⁶ Chu held the view that despite CMB lost in the competition with MTR in northern Hong Kong Island, the former (as well as KMB) had regained its sphere of influence by launching heart-to-heart cross-harbour services.

¹⁷ Xue Yang, "The government franchising of bus services in Hong Kong" (Thesis (B.Sc), the University of Hong Kong, 2009). <http://hdl.handle.net/10722/131053>.

¹⁸ Yang, "The government franchising of bus services in Hong Kong," 68.

¹⁹ Yang, "The government franchising of bus services in Hong Kong," 40.

²⁰ Yang, "The government franchising of bus services in Hong Kong," xi.

²¹ Alvin Cho-wing Cheung, "Scale effects in the Hong Kong franchised bus industry" (Thesis (B. Sc), The University of Hong Kong, 2010). <http://hdl.handle.net/10722/131064>.

placed traffic congestion on Hong Kong Island into the context of the flourishing economic development in the 1980s and the 1990s to discuss why it was not practical for CMB to provide timely bus services in different parts of Hong Kong Island. Meanwhile, I have argued that CMB itself should be held accountable for its poor image because the obsolete bus compartment could have been rectified by a vast amount of investment in fleet renewal, such that CMB's image would not have been deemed notoriously by the general public. On top of that, passengers' frustrations with CMB's service did not emerge in the 1990s. Instead, it was a fatal crash in Happy Valley in 1984 that aroused the concern regarding CMB's maintenance by both the Hong Kong government and the mass public.

Chapter 2

1981, the start of the decline of CMB's Management

In terms of political and economic aspects, it is crystal clear that the 1980s was a significant turning point in the history of Hong Kong. This is not only because of the changing economic structure (from manufacturing industries-based economy to service-based and financial-based businesses) but also because the Sino-British negotiations regarding the sovereignty of Hong Kong after 1997 were underway. Unlike the trend of domestic-demand-led economic development in the 1970s, the early 1980s was when high inflation rates, high interests rates, and a scramble for the ownership of big companies co-existed. Under such circumstances, the stock market fluctuated rapidly in 1981, 1983, and 1987. Despite the fact that the outbreak of the 1981 stock market crash in Hong Kong was mainly due to the uncertainty of Hong Kong's future and the overheating economy, property developers sniping listed companies that possess numerous lands was another reason. Notably, China Motor Bus Company (CMB) was one of the companies being targeted in 1981. By providing the contextual factor of Hong Kong in the 1980s as the prelude to discussions, the focus of this chapter is to analyse how CMB's bus operation was regressing since she was sniped by **Paliburg Holdings Limited** (herein as "Paliburg") in 1981.

But two worth-mentioning events should have been mentioned before decoding the slump of CMB's bus service since 1981—one was the enactment of the *Public Bus Service Ordinance* in 1975, which stipulated that franchised bus companies will be strictly regulated while they can enjoy a myriad of privileges. Plus, it specified that "A franchise may be granted for a period not exceeding 10 years"²²; the expansion of MTR's sphere of influence in cross-harbour transport and northern Hong Kong Island was an essential move too. As there would be an alternative to bypass the deteriorating road traffic condition in Northern Hong Kong Island, this implied CMB would soon have to face serious competition with MTR.

More crucially, it should be emphasised that the conservative and old style of Ngan's management paved the way for the CMB's plunge in the 1980s. CMB was a typical example of a Chinese family business in the sense that Ngan Shing Kwan²³ and his sons²⁴ and daughters²⁵ were one of the Board of Directors in CMB. As Ngan Shing Kwan had reached his 80th birthday in 1980, he would have to give up his position of chairman of CMB sooner or later. As a result, Ngan Shing Kwan had added his children to the list of the Board of Directors from the late 1960s to 1976. In 1981, The second generation of the Ngan family, aged from 44 to 53, appeared to have a refreshing image on the antiquated local bus company. However, the conservative side of the Ngan family was revealed during the hostile takeover bid launched by Paliburg. On July 23, 1981, Paliburg initiated a HKD 472.5 million

²² Public Bus Service Ordinance (Cap 230).

²³ Ngan Shing Kwan (1900-2001) is the founder of CMB.

²⁴ Ngan Shing Kwan (1900-2001) has two sons, namely Ngan Kit Keung (1935-2020), and Henry Ngan (1937-).

²⁵ Ngan Kit Ling (1928-) was the daughter of Ngan Shing Kwan, and had been working as the chairman of CMB until 2019.

bid²⁶ as an attempt to purchase 13.5 million CMB shares at the price of HKD 34²⁷, given that CMB shares worthed just around HKD 22²⁸ (per share) in February 1981. Despite CMB refusing the bid, not so surprisingly, it was generally believed that it was because of the room for development of the bus depots which CMB owned that attracted property-based companies to snipe on CMB²⁹. Considering the fact that CMB had to sustain its status as a publicly listed company to comply with the *Public Bus Service Ordinance*, Paliburg declared its offer as a 'partial' takeover. Such strategic moves placed Paliburg into a favourable position, anyhow. If the bid was accepted, she could take over the control of numerous undisclosed properties of CMB. If she failed, she could still "unload its holdings and make money in the process."³⁰

The Ngan family took catch-as-catch-can measures during the tug-of-war against Paliburg, which showed that CMB was facing some degree of challenges. The major battlegrounds between the two major parties, i.e. Paliburg, and the Ngan family, were not only in the stock market but also in newspaper advertisements. While Paliburg was urging more shareholders to accept the HKD 35 (per share) cash offer³¹, the Ngan family bent over backwards to cast doubt on Paliburg's intention

²⁶ South China Morning Post (1946-), "Index falls below 1,700 mark," *South China Morning Post*, July 24, 1981. <https://www.proquest.com/historical-newspapers/index-falls-below-1-700-mark/docview/1536046239/se-2?accountid=11441>.

²⁷ Richard Liu, "Paliburg offer may spark rush for CMB," *South China Morning Post*, July 23, 1981. <https://www.proquest.com/historical-newspapers/paliburg-offer-may-spark-rush-cmb/docview/1536044863/se-2?accountid=11441>.

²⁸ Liu, "Paliburg."

²⁹ Liu, "Paliburg."

³⁰ South China Morning Post (1946-), "CMB tries to halt takeover," *South China Morning Post*, July 26, 1981. <https://www.proquest.com/historical-newspapers/cmb-tries-halt-takeover/docview/1536047020/se-2?accountid=11441>.

³¹ South China Morning Post (1946-), "Attention Shareholders Of The China Motor Bus Company, Limited Who Have Not Already Accepted The Offer Made by Atholone Limited," *South China Morning Post*, August 4, 1981. <https://www-proquest-com.ezproxy.eduhk.hk/historical-newspapers/china-motor-bus-company-limited/docview/1536052585/se-2?accountid=11441>.

and qualification for operating bus services³². Ngan Kit Keung, the younger son of Ngan Shing Kwan, admitted that his family had to spare "huge sums of money"³³ to buy additional shares of CMB at an expensive price, although his family had already known Paliburg was planning the hostile takeover bid since March 1981³⁴.

Therefore, even though the Ngan family was a renowned merchant in Hong Kong, it is an indisputable fact that the key figures would have issues related to cash flow when encountering a takeover. As disclosed by Ngan Kit Keung, the person who had the least involvement in decision-making procedures in the Ngan-led CMB, in 1981 he received HKD 35 million worth of loans by mortgaging his shares of CMB³⁵. This implied that the Ngan family did consume a considerable amount of money to acquire additional shares of CMB in order to strengthen Ngan's control in CMB.

In the end, the Ngan family reassured its control on CMB by acquiring at least 52.1%³⁶ of CMB's issue capital in late August 1981 with exorbitant price — at least 1,677,520 shares at HKD 41 (per share) and at least 74,910 shares at HKD 38.5 (per share) were purchased by the Ngan family and her affiliations³⁷. On the other hand, even though Bill Wyllie, the 'pushing hands' of Paliburg's hostile takeover bid in 1981, did not mention how much did Paliburg make by selling its 20.4% stake

³² South China Morning Post (1946-), "China Motor Bus Company, Limited," *South China Morning Post*, August 1, 1981. <https://www.proquest-com.ezproxy.eduhk.hk/historical-newspapers/china-motor-bus-company-limited/docview/1553801778/se-2?accountid=11441>.

³³ Judy Chan, Patricia Tse, Dawn Leonard, and Elizabeth Ng, "Takeover bid 'a great shock': Cheques repaid loan — Ngan," *South China Morning Post*, August 4, 1983, <https://www.proquest.com/historical-newspapers/takeover-bid-great-shock/docview/1536836624/se-2?accountid=11441>.

³⁴ Chan, Tse, Leonard, and Ng, "Takeover bid 'a great shock'."

³⁵ Chan, Tse, Leonard, and Ng, "Takeover bid 'a great shock'."

³⁶ Lily Yau Lim Chun, "CMB win for Ngans," *South China Morning Post*, August 23, 1981, <https://www.proquest.com/historical-newspapers/cmb-win-ngans/docview/1536066821/se-2?accountid=11441>.

³⁷ South China Morning Post (1946-), "Slow Day as Investors Take a 'rest'," *South China Morning Post*, August 18, 1981. <https://www.proquest.com/historical-newspapers/slow-day-as-investors-take-rest/docview/1536061728/se-2?accountid=11441>.

in CMB shares³⁸, it can be roughly deduced that Paliburg made a profit of HKD 20 to 30 million in 1981, which was equivalent to the total price of 15 TaiKoo Shing flats. I want to mention that the Ngan family to a large extent suffered from the hostile takeover bid by Paliburg, and the takeover had brought negative impacts in both psychological and financial aspects to the Board of Managers of CMB because it was the first time CMB, a franchise bus service provider, being targeted in the stock market. In addition, the consolidated profit made between January 1980 and June 1981 was around HKD 33 million³⁹ was somehow "offset" by the excessive expenditure in the stock market. Although it did not constitute a fatal financial crisis to the Ngan family, it is no surprise that their management style would become more conservative to refrain from being targeted again in the stock market.

Although the main facet of Paliburg's hostile takeover attempt in 1981 was that Paliburg had the insufficient acquisition of CMB shares, another critical facet was left unattended. Bill Wyllie, the initiator of Paliburg's takeover bid on CMB, pinpointed that "CMB's maintenance standards are atrocious."⁴⁰— it was the ostensible agenda during the takeover attempt, however. In fact, CMB's maintenance quality and dowdy bus compartments had been notoriously perceived by the public for years. However, it did not arouse enough attention until the outbreak of a fatal traffic accident in Happy Valley in 1984. The impact of maintenance quality was later proven to be a decisive factor in the lapse of CMB's

³⁸ South China Morning Post (1946-), "Wyllie Defends Role in CMB Takeover Bid," *South China Morning Post*, October 14, 1981. <https://www.proquest.com/historical-newspapers/wyllie-defends-role-cmb-takeover-bid/docview/1536101820/se-2?accountid=11441>.

³⁹ South China Morning Post (1946-), "China Motor Bus Company Limited Chairman's Statement," *South China Morning Post*, November 10, 1981. <https://www.proquest.com/historical-newspapers/china-motor-bus-company-limited-chairmans/docview/1536117043/se-2?accountid=11441>.

⁴⁰ South China Morning Post (1946-), "Wyllie Defends Role in CMB Takeover Bid."

bus franchise in 1998 because it exploded a series of internal problems in the CMB.

Further analysis will be carried out in the next chapter.

Chapter 3

How did CMB's mismanagement of bus service hinder the extension of its bus franchise since the mid-1980s —using CMB maintenance as an example

3.1 Introduction

Having extended 10 years of franchised bus service successfully from 1975 to 1985, CMB was busy attempting to extend its franchise in the 1980s and the 1990s. After the failed hostile takeover bid by Paliburg in 1981, CMB had then encountered two different nightmares in 1984 and 1985, in which the maintenance quality of CMB's fleet was spotlighted by the government in 1984, and the launching of Island Line in 1985 made MTR the greatest rivalry of CMB. This chapter aims at analysing the nonchalant manner of CMB's management in bus services using the *Report of The Working Group of The Transport Advisory Committee on CMB Maintenance*⁴¹ (herein as "*Report of TAC on CMB Maintenance*") (see **Figure 1**), and a series of newspaper articles. It should be emphasised that despite *Report of TAC on CMB Maintenance* is an official report which evaluated CMB's service performance, especially on maintenance and which the scope was confined to CMB-related issues during the late 1970s and 1984, the *Report of TAC on CMB Maintenance* itself is an iconic example to illustrate i) the

⁴¹ Transport Advisory Committee (TAC) is a group of consultants who give advice to the Chief Executive-in-Council on transport matters.

agenda of CMB maintenance was tabled by the Coroner's Court in Hong Kong, and had been on the Hong Kong government's radar since then, and ii) CMB maintenance was a persistent problem which CMB's leaders found it hard to get through during the applications of extension of the franchise since the mid-1980s. Meanwhile, poor maintenance is a quintessence of the faltering management of CMB. In the end, it became the last straw of CMB's bus franchise when it crossed over with other unfavourable conditions like traffic congestion and dissatisfaction from the passengers.

As prescribed by the *Public Bus Service Ordinance*, a bus franchise may be granted for a period not exceeding 10 years. In addition, it is generally known that the government will issue long years of a franchise to increase the incentive of long-term investments and the necessary forward planning⁴², especially when it involves important daily services like public transport. However, it is observed that CMB was granted 2 years of extension in 1987, whereas 10 years of extension were given to the Kowloon Motor Bus Company (KMB). The situation was even more unfavourable to CMB since the 1990s. Although it successfully extended its bus franchise in 1991, 1993, and 1995 respectively, it had lost more than 42 franchised routes, all of which were taken over by CityBus (CTB). There are different reasons for the short prolongation of CMB's bus franchise during the late 1980s and 1998. Though, unsatisfactory maintenance work was meant to be a constant and persistent factor that led to the dissolution of CMB's bus franchise.

⁴² Hong Kong Transport Branch, *Restricted: Public Bus Services Ordinance (Chapter 230) The China Motor Bus Company Limited: Extension of franchise* (Hong Kong: Transport Branch, 1986), 1. https://legco.primo.exlibrisgroup.com/permalink/852LEGCO_INST/1r6eabp/alma991000498049706976.

3.2 The Report of The Working Group of The Transport Advisory Committee on CMB Maintenance

Criticisms of CMB's maintenance work and its service reliability were not new news in the 1980s society. As mentioned in the conclusion part of Chapter 2, it was used as one of the accusations for a private corporation to doubt the CMB's mismanagement. In fact, CMB had, from time to time, rebutted the condemnations. For instance, in 1977 she posted a statement on Hong Kong Standard⁴³ to defend her bus service, including the low accident rate she had made:

"In the first six months of this year [1977], out of a total of 38 fatal accidents involving franchised buses, six were connected with CMB buses. Out of the total of these six fatal accidents, CMB drivers were held directly responsible for one only."⁴⁴

Even so, it was not until the outbreak of a fatal crash in Happy Valley in 1984 (herein as "LX326 Incident") that CMB's maintenance became an alarming issue at the government level. In particular, despite the LX326 Incident not being the direct cause of termination of CMB's bus franchise in 1998, the incident had triggered serious consequences which affected the operation of CMB's fleets. Simply put, it paved the way for a series of public discontent—which will be discussed further in Chapter 5—towards CMB. Therefore, the Hong Kong government decided to review CMB's service quality on a regular basis. Since

⁴³ "Hong Kong Standard" was an English newspaper in Hong Kong. The name was changed to "The Standard" in 2001.

⁴⁴ Ngan Shing-Kwan, "China Motor Bus Company Limited: Statement of facts," *Hong Kong Standard*, October 28, 1977. https://hknews.lib.hku.hk/newspaper/view/16_03.01/76545.pdf.

maintenance quality was always in conjunction with bus availability, passengers would be dismayed by the service provided by CMB owing to CMB's inattentive investment in bus service.

The agenda of CMB's maintenance has to be traced back to January 28 1984, the date when a CMB double-decker bus ('LX 326' was the corresponding fleet number) ploughed through the pavement outside a primary school in Happy Valley, causing 6 deaths and 8 injuries⁴⁵. It was discovered that the brake hose was broken, and the fact that the brakes of LX326 had not been applied before the fatal crash happened⁴⁶. The legal proceedings finished on 28th March 1984, and all members of the jury agreed to define LX326 Incident as "Involuntary manslaughter by person or persons unknown within the China Motor Bus Co Ltd."⁴⁷ Notably, none of the CMB workers and managers was penalised because no single party was liable to the prosecutions. At the end of the hearing, the jury suggested a working group should be established by the Hong Kong government to "examine the practices, methods and procedures of the CMB...for the running, repair and maintenance of its passenger bus fleet..."⁴⁸. It is worth mentioning that numerous flaws related to CMB's mismanagement were revealed in the *Report of TAC on CMB Maintenance*, which galvanised different levels of dissatisfaction in the general public and the

⁴⁵ South China Morning Post (1946-), "Six killed as bus rams into crowd: Parents queue...for their date with death Morning strolling tragedy," *South China Morning Post*, January 29, 1984. <https://www.proquest.com/historical-newspapers/six-killed-as-bus-rams-into-crowd/docview/1536782912/se-2?accountid=11441>.

⁴⁶ Patricia Tse, "Crash: Doubt about Braking," *South China Morning Post*, March 22, 1984. <https://www.proquest.com/historical-newspapers/crash-doubt-about-braking/docview/1536815340/se-2?accountid=11441>.

⁴⁷ South China Morning Post (1946-), "Unanimous manslaughter verdict in bus crash," *South China Morning Post*, March 28, 1984. <https://www.proquest.com/historical-newspapers/unanimous-manslaughter-verdict-bus-crash/docview/1536810485/se-2?accountid=11441>.

⁴⁸ The Working Group of the Transport Advisory Committee, *Report of the Working Group of the Transport Advisory Committee on CMB Maintenance* (Hong Kong: the Government Printer, 1984), 2.

government. I want to emphasise the fact that the LX326 Incident was the reason for the birth of the *Report of TAC on CMB Maintenance*, and CMB's poor maintenance was blatantly obvious insofar as the government was driven to conduct a thorough investigation on CMB's mismanagement. On top of that, it was because CMB's mismanagement was a persistent problem that made it more unlikely for the government to extend its bus franchise in the 1990s, and it can be shown in the following paragraphs that maintenance problem was a long-term factor in the lapse of CMB's bus franchise in 1998.

According to the *Report of TAC on CMB Maintenance*, the qualification of repairmen in CMB was a huge problem. To kick off, of those 15 in-service engineers (See **Figure 2**), it was discovered that only the Chief Engineer possessed relevant experience in bus repair before joining CMB. However, he did not hold any professional qualification or degree⁴⁹. In contrast, although the rest of the engineers held a mechanical degree, none had "relevant previous experience."⁵⁰ The implication of such a phenomenon was significant because it revealed that if most of the high-ranking architects of CMB were not keen on bus repair, it would not be possible for the foremen and craftsmen to receive adequate instructions about repair work. It was also astonishing that even though all CMB depots had a series of Manuals and Service Bulletins supplied by manufacturers, Chinese translated versions were usually unavailable. In addition, the copies, which were generally uncirculated within the Maintenance workforce, were held by the Chief Engineer in each depot⁵¹. At this point, it can be deduced that the Manuals and Service Bulletins

⁴⁹ The Working Group of the Transport Advisory Committee, *Report on CMB Maintenance*, 9.

⁵⁰ The Working Group of the Transport Advisory Committee, *Report on CMB Maintenance*, 10.

⁵¹ The Working Group of the Transport Advisory Committee, *Report on CMB Maintenance*, 15.

were not referenced by the Maintenance workforce owing to the availability (in particular, unpopular circulation) of these books.

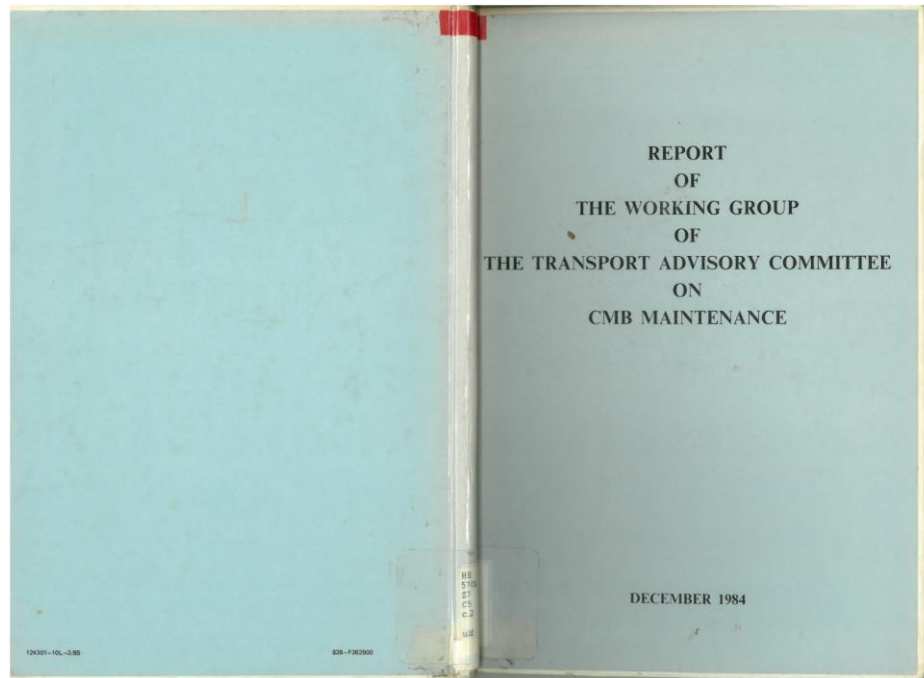


Figure 1 The cover page of the Report of the working group of the Transport Advisory Committee on CMB maintenance

On top of that, the Working Group of the TAC had confirmed that not only the foremen in CMB did not "possess any formal technical or craft qualifications,"⁵² but also the craftsmen attended only a few preliminary courses that "are not recognised as craft qualifications."⁵³ It should be clarified that although one should not expect that all members in the maintenance workforce were a tertiary degree holder, an elementary conclusion can still be drawn that the backbone of the maintenance workforce, i.e. the engineers, the foremen, and the craftsmen, did not

⁵² The Working Group of the Transport Advisory Committee, *Report on CMB Maintenance*, 10.

⁵³ The Working Group of the Transport Advisory Committee, *Report on CMB Maintenance*, 11.

receive sufficient vocational and systematic training before they performed their routine duty, let alone nurturing newbies in the maintenance force. Thus, the Working Group of the TAC criticised CMB for putting "inadequate emphasis on the need for formalised training,"⁵⁴ and its "management indicated a lack of knowledge of who was doing what." In other words, the maintenance team did not amount to a decent level of professionalism.

Likewise, the "hardware" of CMB's maintenance service had been notorious even before the LX326 Incident. As depicted by the Maintenance Sub-Group of the TAC in 1984, the facilities in Chai Wan Depot and North Point were classified as "being between poor and very poor."⁵⁵ For instance, instruments like pit boards are hazardous to work safety, but they were frequently used in the depots. Furthermore, it was observed and documented that "depot floors were covered with dirt and oil," "Loose components were strewn about the floor...Electrical safety standards were low and many power connections were found to be unsafe."⁵⁶ It was the first time that the routine management of CMB was scrutinised by the government official, and it was one of the most struggling times that CMB management was facing.

⁵⁴ The Working Group of the Transport Advisory Committee, *Report on CMB Maintenance*, 11.

⁵⁵ The Working Group of the Transport Advisory Committee, *Report on CMB Maintenance*, 12.

⁵⁶ The Working Group of the Transport Advisory Committee, *Report on CMB Maintenance*, 13.

RESOURCES

25. (a) Maintenance Workforce

CMB has advised that maintenance staff of the Company comprise engineers, foremen, craftsmen, semi-skilled and unskilled labour, trainees of various ranks and apprentices :

(1)	Chief Engineer	-	1
(2)	Engineers	-	14
(3)	Foremen (including deputies and assistants)	-	62
(4)	Tradesmen		
	(i) Craftsmen	-	501
	(ii) Semi-skilled	-	129
	(iii) Non-skilled	-	203
(5)	Trainees	-	344
(6)	Apprentices	-	25

Figure 2 The framework of maintenance staff (ranking in descending order) in CMB in 1984

3.3 Post-1984: a variation of the CMB maintenance problem

It is observed that CMB enhanced her maintenance quality right afterwards due to the fatal crash. Despite the fact that incorrect repair was no longer the crux of CMB-related traffic accidents between 1985 and 1998, concern regarding CMB maintenance did not disappear owing to CMB's inactive implementation of phasing out ageing bus fleets during the late 1980s. Consequently, the shabby bus compartment became passengers' primary source of CMB dissatisfaction. In other words, although improper maintenance did not constitute a major blow to the struggling negotiations of CMB's franchise extension in the 1990s, CMB still failed to build a better image (by enhancing the cleanliness of the bus compartment, for example) in the eyes of the passengers and the Hong Kong government. This was

evident when the government included new competitors (CTB, in particular) in the franchised bus industry in 1991; CMB did not dedicate itself to improving its service reliability.

3.4 Conclusion

In spite of the limited period which *Report of TAC on CMB Maintenance* was able to cover, the said report is no doubt a precious source for further investigations on the lapse of CMB's franchise not only because the Hong Kong government eventually got round "to doing something about a situation that has been a source of constant complaint from the public for so many years"⁵⁷ but also because the report summarised the glaring deficiencies exhibited by the CMB, whereas maintenance was a miniature of CMB's long-term negligence in bus service and which had finally obstructed the extension of CMB franchise in 1998.

An epitome of CMB's devil-may-care attitude in routine maintenance of franchised buses, which was documented in *Report of TAC on CMB Maintenance*, was its refusal to provide "any of its records of accidents caused by mechanical failure" to the TAC "because such disclosure could influence the outcome of legal proceedings and may therefore hurt the Company's commercial ability."⁵⁸ It was no doubt reasonable for CMB to value its commercial reputation because of its status as a public listed company in the local stock market, but such an attitude was proven to be detrimental to the extensions of CMB's bus franchise when the LX326 Incident triggered the concern on its half-hearted management on bus maintenance in 1984.

⁵⁷ Hong Kong Standard, "A real warning, or just another?," *Hong Kong Standard*, April 9, 1985. https://hknews.lib.hku.hk/newspaper/view/16_03.05/64915.pdf

⁵⁸ The Working Group of the Transport Advisory Committee, *Report on CMB Maintenance*, 23.

On the one hand, the publication of the *Report of TAC on CMB Maintenance* implied that CMB's service quality had already become an alarming issue to the Hong Kong government. Although the TAC was "satisfied with the recent operational performance of the Company [CMB]"⁵⁹, and the fact that it supported its observations with a wide range of evidence, such as less involvement of CMB buses in injury accidents in 1985 to 1986, and "establishment of improved training courses, the setting up of a quality control group...and rationalisation of the bus fleet"⁶⁰, the result was: only a 2-year extension of CMB's bus franchise (from 1987) was approved.

Hence, in contrast with the 10-year extension of KMB's bus franchise in 1986, it should be restated that had the Hong Kong government contented with CMB's management, CMB's franchise would have been extended for longer than 2 to 3 years per application during 1984 and 1998. Some examples of the lack of confidence by the government towards CMB are, to begin with, the TAC had noticed "the management style of the Company [CMB] and the apparent lack of interest in applying modern management technique"⁶¹ in 1987. Furthermore, in exchange for another successful application for a 2-year extension from 1993 to 1995, the Executive Council decided to impose "additional franchise conditions to further improve the monitoring arrangements"⁶² on CMB in 1992. In contrast,

⁵⁹ Hong Kong Transport Branch, *Legislative Council Brief: China Motor Bus Company Limited Review of Performance and Franchise*, 4.

⁶⁰ Hong Kong Transport Branch, *Legislative Council Brief: China Motor Bus Company Limited Review of Performance and Franchise*, 2.

⁶¹ Hong Kong Transport Branch, *Legislative Council Brief: China Motor Bus Company Limited Review of Performance and Franchise*, 4.

⁶² Hong Kong Transport Branch, *Legislative Council Brief: Public Bus Services Ordinance (Chapter 230) Renewal of franchise with China Motor Bus Company (CMB)* (Hong Kong: Transport Branch, 1992), 1.
https://legco.primo.exlibrisgroup.com/discovery/delivery/852LEGCO_INST:LEGCO/1221400180006976.

CityBus, CMB's greatest competitor in the bus market in Hong Kong Island, would take over 28 franchised bus routes from CMB's hands in 1993. It is therefore possible to consider maintenance-related issues as a substantial problem in terms of the considerations on extending CMB's bus franchise during the mid-1980s and the early 1990s by the Hong Kong government.

On the other hand, even though "dissatisfaction" is an abstract concept that is hard to convert into a concrete and objective example⁶³, *The LX326 Incident*, in conjunction with the publication of the *Report of TAC on CMB Maintenance* in 1984, quantified how passengers suffered from CMB services. In particular, albeit no person from the CMB was charged owing to the difficulty of identification of responsible parties, the victims' relatives had finished setting the agenda of monitoring CMB performance, therefore paving the way for the increasing concern on CMB performance from the general public. In addition, unlike other non-circular reports⁶⁴ regarding the evaluation of CMB performance, the *Report of TAC on CMB Maintenance* was available at most of the post offices in Hong Kong, which provided a crucial alternative source of information for the public to understand the specific problems faced by the CMB. The aspiration to end CMB's franchise had been stacking since the LX326 Incident. While there were no significant signs of improvement in CMB's fleets, public discontent became more diverse and intensified when CMB was busy competing with its rivalries and dealing with traffic congestion. Before discovering how the criticism of CMB's service blew out of all

⁶³ There were various forms to demonstrate commuters' resentment against CMB, namely the establishment of pressure groups, organising protests, questionnaires, interpellation in the District Council and the Legislative Council. Among all the mentioned means, parliamentary documents were usually the most concrete evidence owing to the peculiar legal status in Hong Kong.

⁶⁴ The said reports and documents were most likely circulated within the members of the Executive Council in Hong Kong. It was therefore impossible for the public to access the documents.

proportion and how these issues led to the lapse of CMB's franchise, discussions on traffic conditions in Northern Hong Kong Island will be carried out in Chapter 4.

Chapter 4

A bigger picture: How were the traffic conditions on Hong Kong Island since the 1980s? Why did it impede CMB's extension of the bus franchise?

4.1 Introduction

When it comes to CMB's lapse in 1998, it was CMB's lookout that the company dwelled on the crest of a wave between the 1950s and the 1970s, which was why it overlooked the importance of incorporating state-of-the-art systems into its management from 1980 onwards. On top of that, the lack of a modernised management system and concepts had prevented CMB from building up a harmonious relationship with its employees, therefore provoking the bus driver's strike in 1989, which eventually caused gridlock across Hong Kong Island.

That being said, the commencement of the MTR Island Line⁶⁵ in 1985, in conjunction with the deteriorating traffic conditions on the northern shore of Hong Kong Island, were two chronic factors beyond CMB's control. Consequently, not only did CMB lose its patronage to MTR, but it also strengthened passengers' rancour towards its services. In the end, there was no room for CMB, a bus company

⁶⁵ "Island Line", which was launched in 1985, is one of the branches of the Hong Kong MTR. Since the launching of Island Line, MTR basically covers the east end of Hong Kong Island and the central district of Hong Kong Island. It further expanded to the westward of Hong Kong Island (Kennedy Town) in 2014, and to the southern Hong Kong Island (South Horizons) in 2016.

that established most of its franchised bus routes on Hong Kong Island, to make a turnaround in the 1990s when the Hong Kong government decided to introduce Citybus (CTB) as the second franchised bus company to Hong Kong Island.

By providing a contextual analysis of Hong Kong Island in the 1980s, this chapter aims to discuss 1) how did CMB suffer from the worsening traffic condition on Hong Kong Island since the 1980s and 2) why was it increasingly difficult for CMB to survive in the local bus industry after the launching of the Island Line in 1985.

4.2 An overview of economic and demographic information of the 1980s and 1990s Hong Kong

In Hong Kong's context, a burgeoning economy is of high relevance to traffic congestion. The economic growth of Hong Kong had been thriving after WWII, and in spite of the exuberance of investment in the stock market eventually had eventually led to an overheated economy, Hong Kong had become a service-based economy with a 5 million population in the 1980s. As a result of the flourishing economic development in the 1970s, people became more affordable to buy a private car, resulting in the worsening road traffic in Kowloon peninsular and on Hong Kong Island. Furthermore, the surge in population figures implied that more major road infrastructures should be constructed in order to quench the increasing demand for transport needs. Ironically, in some circumstances, it was the construction of new tunnels and highways which intensified the traffic jams on Hong Kong Island since the 1970s.

More vehicles on the road were an outcome of high economic growth in Hong Kong, and, as a result, this had made CMB's fleets less competitive on the road. The magnificent growth of purchasing power of Hong Kong-ers over the past few decades can be reflected by GDP per capita and GDP⁶⁶. For example, there was a drastic increase in the GDP per capita between 1987 and 1996. It began at HKD 91,168 in 1987 and then surged to HKD 102,121 in 1990. The figure reached HKD 120,540 in 1994 and it eventually peaked at HKD 123,504 in 1996, which in other words accumulated a 27.9% increase between 1987 and 1996⁶⁷. Therefore, it can be summarised that the vital prerequisite of cars on the road, i.e. rising purchasing power, was satisfied.

Notably, structural changes in Hong Kong's economy since the late 1970s were successful in terms of GDP, despite it also contributing to the deterioration in traffic conditions on Hong Kong Island—the place where the financial sector is concentrated in. It is crystal clear that the tertiary industry had overtaken the manufacturing industry as the main thrust of economic development in Hong Kong in the 1980s. In **Table 1**, it is revealed that the number of manufactory workers plunged dramatically from 916,000 in 1987 to 482,100 (which is equivalent to a decrease of 47.4%). On the contrary, the demand for service-based occupations grew gradually between 1987 and 1996. For instance, the hospitality industry had a total of 626,100 staff in 1987, and the number rose by around 20% and around 18.7% in 1992 and 1996 respectively⁶⁸. It is noteworthy that apart from the concentration of

⁶⁶ The figures are calculated at constant (1990) market prices.

⁶⁷ Census and Statistics Department of the Hong Kong Special Administrative Region of the People's Republic of China, *Hong Kong Annual Digest of Statistics (1997 Edition)* (Hong Kong: Census and Statistics Department, 1997), xi. https://www.censtatd.gov.hk/en/data/stat_report/product/B1010003/att/B10100031997AN97B0100.pdf.

⁶⁸ Census and Statistics Department, *Hong Kong Annual Digest of Statistics (1997 Edition)*, 16.

financial activities in Central, major shopping malls and high-ranking hotels are "also located in the central urban areas of Central, Causeway Bay and Tsim Sha Shui."⁶⁹ In other words, the transformation of Hong Kong's economy in the 1980s implied that there meant to have a surge in the traffic demand on Northern Hong Kong Island.

Last but not least, although the population size of Hong Kong Island reached a plateau in the 1980s and the 1990s—from 1.2 million in 1981⁷⁰ to 1.3 million in 1996⁷¹—it is observed that more families moved eastward or southward. In **Table 2**, compared with the figures in 1981⁷² and in 1996⁷³, it is found that more than 113,800 residents no longer chose Central and Western District or Wan Chai District as their place to live, whereas the number of residents in the Eastern District and in the Southern District was increased by 119,850 and 66,316, respectively. On the other hand, **Table 3** and **Table 4** display that as of November 1996, there were 910,777 employees and 263,360 students working or studying on Hong Kong Island⁷⁴, which implies that various modes of transport should be facilitated correspondingly.

To summarise, given that Hong Kong Island has long been the centre of economic activities in Hong Kong, the demand for human resources on Hong Kong

⁶⁹ Gavin Ure, and Mary Wong, "Transport in Hong Kong: Coping with Change," *Built Environment* (1978-) 17, no. 2 (1991): 95. <http://www.jstor.org/stable/23286705>.

⁷⁰ Hong Kong Census and Statistics Department, *Hong Kong 1991 Population Census: Summary Results* (Hong Kong: Govt. Printer; The Branch, 1991), 68.

⁷¹ Hong Kong Census and Statistics Department, *1996 Population By-census: Summary Results* (Hong Kong: Govt. Printer; The Branch, 1996), 49.

⁷² Hong Kong Census and Statistics Department, *Hong Kong 1991 Population Census*, 68.

⁷³ Hong Kong Census and Statistics Department, *1996 Population By-census*, 49.

⁷⁴ Hong Kong Census and Statistics Department, *1996 Population By-census*, 52-53.

Island rose rapidly when the economic structure became a service-oriented economy in the 1980s. Meanwhile, when more families moved to the Eastern part and the Southern part of Hong Kong Island, it implied that there would be an increase in transport needs accordingly. However, the slow-moving traffic on the northern shore of Hong Kong Island was even more severe because of the absence of major road infrastructures on Hong Kong Island in the 1980s and the 1990s.

4.3 The worsening traffic conditions on Hong Kong Island, and how did these obstruct CMB's service

4.3.1 More vehicles on the road

In spite of the launching of the MTR Island Line in 1985 had diverted a considerable amount of patronage from road transport and therefore alleviating traffic congestion in Northern Hong Kong Island, the surge in the number of vehicles and the lack of road infrastructures ended up overloading the trunk roads like Queen's Road, King's Road, and Cross-Harbour Tunnels etc. CMB, unfortunately, failed to get rid of the perennial and omnipresent stop-and-go traffic on Hong Kong Island. As a result, CMB became less competitive and hence made its passengers' hackles rise.

The number of vehicles was plumping in the 1980s. More specifically, the number of goods vehicles increased twofold, from 46,000 in 1979 to 99,000 in 1988⁷⁵. On top of that, there was a sharp rise in private car ownership between 1979 and 1988. From 1979 to 1982, the number of private cars increased by 38% to

⁷⁵ Hong Kong Transport Branch, *Moving into the 21st Century: The Green Paper on Transport Policy in Hong Kong* (Hong Kong: Govt. Printer; The Branch, 1989), 5.

193,000⁷⁶. Albeit there was a plunge between 1982 and 1987, **Figure 3** shows that there was a resurgence in demand for private cars since 1987, from 138,000 to 161,000⁷⁷. It comes as no surprise that these vehicles played a predominant role in the long queues of traffic. For example, goods vehicles constituted 46% of total road traffic in 1988. Likewise, low-capacity vehicles, i.e. taxis and private cars, contributed 37% of total road traffic. Bus, in contrast, accounted for only 7%.

It is a cliché to name private cars as the main culprit of worsening traffic conditions on Hong Kong Island, especially when the hilly and precipitous terrain are taken into account. Nonetheless, and unfortunately, CMB's bus services were meant to be disrupted by the stop-and-go traffic all the way through.

4.3.2 Major transport infrastructure in progress

Alongside the growing number of vehicles, the apparent absence of major highways or tunnels on Hong Kong Island made CMB unlikely to provide bus service on schedule. As **Table 5** shows, it was not until the early 1980s that a series of road traffic advancement measures on Hong Kong Island was implemented. However, new problems were brought up during and after the construction. In some scenarios, traffic diversion was required when the construction work was carried out, therefore burdening the road traffic on the trunk roads on Hong Kong Island. The case of the Aberdeen Tunnel—which will be actively involved in the discussions in this session and the upcoming chapter—is more complicated.

⁷⁶ Hong Kong Transport Branch, *Moving into the 2st Century*, 7.

⁷⁷ Hong Kong Transport Branch, *Moving into the 2st Century*, 7.

The Southern District was prioritised in the construction of road infrastructures by the Hong Kong government in the 1970s. This was because the main roads connecting the Southern and Northern Hong Kong Island, i.e. Wong Nai Chung Gap Road, Pok Fu Lam Road or Tai Tam Road, were rugged and mountainous roads that could not endure the increasing travel demand. In conjunction with the establishment of the Ap Lei Chau bridge⁷⁸ in 1980, the Aberdeen Tunnel dilates the artery between the Southern District and the northern shore of Hong Kong Island (See **Figure 4**), and the Tunnel has been very much welcomed by the drivers since its grand opening in March 1982—despite one-tube-two-way operation was implemented before 1983. There were two interesting and worth-mentioning facets of the launching of the Aberdeen Tunnel. First, it was found that the Aberdeen Tunnel was instantly overloaded in a week:

"...Having seen the [Aberdeen] tunnel finished, ...but the traffic jams of the past couple of days in Aberdeen have even exceeded my worse fears...having sat for 30 minutes outside Aberdeen Fish Market hardly moving at all the other morning...I will resume the crawl along Pokfulam Road, and add to the traffic volume there, when it all could have been avoided."⁷⁹

Second, roads adjacent to the Aberdeen Tunnel were also overloaded since the tunnel was opened. Below are three examples which were happened in 1982,

⁷⁸ Ap Lei Chau (also known as Aberdeen Island) is one of the most densely-populated islands in the world, and it is where the South Horizons locates.

⁷⁹ Ann Gaffney, "Roadblocked by old problems in new tunnel," *South China Morning Post*, March 19, 1982, <https://www.proquest.com/historical-newspapers/roadblocked-old-problems-new-tunnel/docview/1536382451/se-2?accountid=11441>.

1988, and 1994 respectively, revealing the impact of the tunnel on the residents of Hong Kong Island:

"...Why didn't the Govern-ment begin to widen the road⁸⁰ between the Hongkong Coun-try Club and the Deep Water Bay golf course before the opening of the Aberdeen Tunnel..."⁸¹

"Consequently, all vehicles com-ing to the junction from Happy Valley and Queen's Road East have to slow down, stop and give way to traffic from the Aberdeen tunnel before they can move on...it is virtually impossible for vehi-cles...to move...without the assistance of a policeman to regulate the traffic flow himself."⁸²

"...One [of the residents from the South Horizons] also said it was standard for commuters to be stranded for up to half an hour in the Aberdeen Tunnel...the problem was not with the buses but with an overloaded road system."⁸³

⁸⁰ "The road" refers to Island Road, which is the main artery between Wong Chuk Hang and Repulse Bay.

⁸¹ S. Chen, "Road congestion is of the Government's own making," *South China Morning Post*, May 30, 1982. <https://www.proquest.com/historical-newspapers/road-congestion-is-governments-own-making/docview/1536444494/se-2?accountid=11441>.

⁸² Kit-ming Wong, "Traffic blackspot hazardous to drivers," *South China Morning Post*, July 9, 1988. <https://www.proquest.com/historical-newspapers/traffic-blackspot-hazardous-drivers/docview/1538649815/se-2?accountid=11441>.

⁸³ Richard Warren, "Traffic delays drive residents from estate: Residents praise the quality of Hutchison's South Horizons estate but transport problems are threatening to undermine its popularity. RICHARD WARREN reports," *South China Sunday Morning Post (1985-2000)*, September 11, 1994. <https://www.proquest.com/historical-newspapers/traffic-delays-drive-residents-estate/docview/1543063052/se-2?accountid=11441>.

The commencement of the Aberdeen Tunnel in 1982 provided a shortcut to the towns on Hong Kong Island. Moreover, as one of the major components of Route 1 (See **Table 5**), it even connected with Sha Tin, a new town in New Territory (East). As shown in **Figure 5**, the daily patronage of vehicles had more than doubled between 1982 and mid-1987, from 20,000 to around 50,000⁸⁴. Therefore, having considered the abovementioned testimonies, in addition to the fact that there was some 20% increase in population in the Southern District between 1981 and 1996—which has been mentioned in session 4.2 of this paper—it can be deduced that CMB’s bus services in the Southern District were hampered severely by the iffy traffic conditions in the Aberdeen Tunnel and its affiliations. Apropos the passengers’ discontent towards CMB, specific messages that were conveyed by the residents in the Southern District will be analysed in Chapter 5.

It should be noted that the reason why CMB can retain its sphere of influence in the Southern District was largely due to its monopolistic status in Southern District. In the battleground of Northern Hong Kong Island, the scenario faced by the CMB was more complicated after the commencement of the MTR Island Line in 1985.

4.3.3 The limited coverage of bus-only lanes on Hong Kong Island and the competition between CMB and MTR

The lack of bus priority measures on Hong Kong Island—in particular, routes parallel to MTR Island Line—was corrosive to CMB’s business environment,

⁸⁴ Hong Kong Government Transport Department, and Wilbur Smith Associates, *Hong Kong Second Comprehensive Transport Study: Final Report* (Hong Kong: Govt. Printer; The Branch, 1989), 45.

and it had no doubt accelerated the lapse of CMB's bus franchise in 1998. As mentioned in session 4.2, the northern coast of Hong Kong Island has long been the political and financial centre locate. Before the thorough launching of IEC in 1989 (See **Table 5**), King's Road and Queen's Road were the only choice for vehicles to travel between the Eastern District and the Central and Western District, in addition to the fact that the Cross-harbour Tunnel was the only tunnel⁸⁵ connecting the Kowloon Peninsular and Hong Kong Island. As a result, the trunk roads on Hong Kong Island had been over-utilised. On the other hand, in sharp contrast to the frequent and punctual services provided by the MTR on Hong Kong Island since 1985, CMB did not stand a chance to maintain its services with good quality. In the end, CMB's patronage decreased gradually starting from 1985.

CMB could not get a head start over the MTR in the battle of the transport market on northern Hong Kong Island⁸⁶ even before the opening of the Island Line in 1985. This was because the proposal to the establishment of the bus-only lanes on different parts of Hong Kong Island encountered a large extent of resistance. For instance, some residents⁸⁷ refused the idea of a bus-only lane on Pok Fu Lam Road before the opening of the Aberdeen Tunnel. Likewise, while IEC was constructed separately throughout the 1980s, the experiment of imposing bus-only lanes on King's Road⁸⁸ (i.e. the only trunk road in the Eastern District) in mid-January 1981

⁸⁵ In 1980, MTR started to provide service between Tsim Sha Tsui and Admiralty. The service was soon evolved as a part of the Tsuen Wan line in 1982, carry passengers from New Territories to Hong Kong Island.

⁸⁶ "Northern Hong Kong Island" comprises Central and Western District, Wan Chai District, and Eastern District.

⁸⁷ Natalie Santos, "Invitation of traffic chaos on Pokfulum Road," *South China Morning Post*, October 11, 1980. <https://www.proquest.com/historical-newspapers/invitation-traffic-chaos-on-pokfulum-road/docview/1539998709/se-2?accountid=11441>

⁸⁸ The idea of bus-only lanes in the Eastern District (East bound) was first initiated on late December 1980, which covered the trunk roads between Hing Fat Street (Tin Hau) and Finnie Street (Quarry Bay). The original

ended up failing "just nine days after it was introduced"⁸⁹ because the road users squawked about the congestion thereafter. The battle of King's Road in 1981 was an epitome of the early attempts to step up law enforcement efforts to improve the stability of bus services on Hong Kong Island, and CMB had argued for such protective measures for 8 years⁹⁰. But such privileges were permanently terminated in the blink of an eye. Just one year later, the road traffic on Queen's Road was depicted as "the notorious traffic congestion prevalent along the way from Quarry Bay to Shauki-wan..."⁹¹. Even though the plan was reinstated in late January 1981, the bus-only lane in King's Road was a complete fiasco and was substituted by a Gyratory system in 1982. Since then, the idea of bus-only lanes was basically marginalised on Hong Kong Island, despite the fact that shortcuts were still available on the roads which connect to the Crossing-harbour Tunnel on the Kowloon bound. The return of bus lanes on Hong Kong Island was too late for CMB—In 1996, the Transport Department (TD) decided to establish bus lanes "running from Ab-erdeen to Central and Ken-nedy Town to Chai Wan" from 1998 onwards⁹².

CMB's patronage was significantly reduced because of the engagement of MTR on northern Hong Kong Island in 1985. It was discovered that the daily patronage of CMB was 900,000 passengers in 1988, which amounted to 90% of the

intention of the proposal was to reduce the journey time of buses and trams. However, King's Road had been in disarray since the implementation.

⁸⁹ South China Morning Post (1946-), "Controversial traffic scheme abandoned," *South China Morning Post*, January 11, 1981. <https://www.proquest.com/historical-newspapers/controversial-traffic-scheme-abandoned/docview/1535794931/se-2?accountid=11441>.

⁹⁰ South China Morning Post (1946-), "Controversial traffic scheme abandoned."

⁹¹ Lam Wong, "Congestion Blamed for Cross-Harbour Bus Delays," *South China Morning Post*, November 23, 1982. <https://www.proquest.com/historical-newspapers/congestion-blamed-cross-harbour-bus-delays/docview/1537892735/se-2?accountid=11441>.

⁹² Naomi Lee, "Bus Lanes to Improve Efficiency," *South China Morning Post* (1946-), February 26, 1996. <https://www.proquest.com/historical-newspapers/bus-lanes-improve-efficiency/docview/1658124663/se-2?accountid=11441>

total number of CMB passengers in 1984⁹³. It further plunged to around 72,000 in 1993⁹⁴. However, in terms of leading to CMB's lapse in 1998, the hostile competition between MTR and CMB was innocuous because both of them had different market orientations and, more crucially, their competition was confined to northern Hong Kong Island and cross-harbour service only. Again, CMB's bus business in the Southern District remained intact until being deprived of 28 routes in 1993.

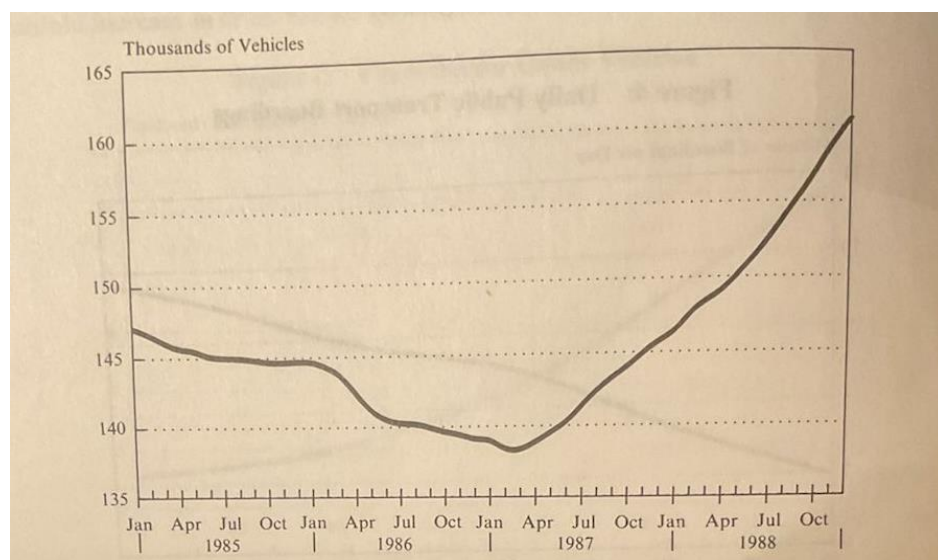


Figure 3 Grow in Cars between 1985 and 1988⁹⁶

⁹³ Hong Kong Government Transport Department, and Wilbur Smith Associates, *Hong Kong Second Comprehensive Transport Study*, 161-162.

⁹⁴ China Motor Bus Company Limited, *China Motor Bus: ADVERTISING RATE CARD No. 1 Effective May 1993* (Hong Kong: America Advertising Limited, 1993), i.

⁹⁵ As specified in the CMB's leaflet, the number of passengers carried by CMB and the MTR in January 1993 was 21,554,000 and 62,350,000 respectively.

⁹⁶ Hong Kong Transport Branch, *Moving into the 21st Century*, 8.



Figure 4 Major Transport Projects Completed since 1979⁹⁷

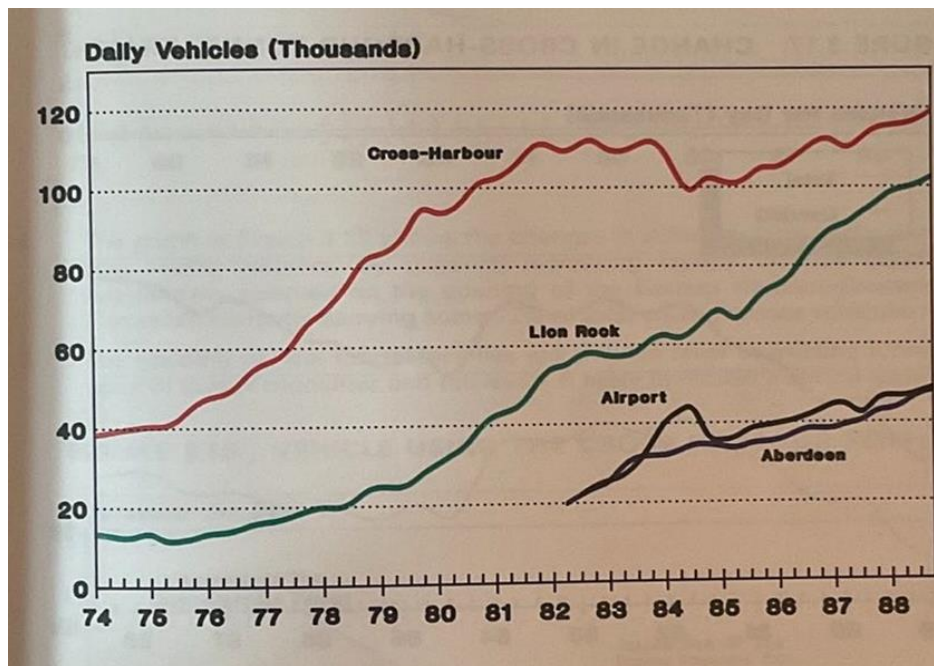


Figure 5 Growth in tunnel traffic (from 1974 to 1988)

4.4 Conclusion

Unlike other chapters in this thesis, this chapter has adopted a panoramic angle to analyse what the CMB had encountered since 1980. Factors including

⁹⁷ Hong Kong Government Transport Department, *Hong Kong Second Comprehensive Transport Study: Final Report*, 45.

economic and population growth, social mobility, the construction of road infrastructure, the increasing number of vehicles on the road etc, have been considered, too. CMB used to fight for a bus-only lane in both parts of Hong Kong Island. Nevertheless, most of the bus priority measures were left in abeyance (except in Cross-harbour Tunnel) because of the resistance that the Hong Kong government had encountered. Thus, CMB failed to take the initiative before the opening of the MTR Island Line in 1985. On top of that, CMB was discouraged from developing express bus services using the newly-opened part of the IEC in 1984 because of the potential impact on the would-be Island Line. At this point, MTR, the greatest rival of CMB, is meant to steal a march on the transport market on Hong Kong Island.

The patronage of CMB decreased gradually since the engagement of MTR on Hong Kong Island kicked off in 1985. As explained in Chapter 3, CMB's reluctance on fleet renewal had been shown even after the publication of the *Report on CMB Maintenance*, and the fact that lost trips were often found in CMB's fleets, when CMB's quality of service could not catch up with its competitors, it would be no surprise that CMB's passengers huffed and puffed about the services. Subsequent to the LX326 Incident—the fatal crash which was mentioned in Chapter 3—the bus drivers' strike in 1989 was a critical turning point in terms of the extension of CMB's bus franchise, in the sense that the Hong Kong government did not regard CMB as a reliable bus operator on Hong Kong Island, anyhow.

Simply put, this chapter has suggested that the trunk roads on Hong Kong Island have been more congested year after year since the 1980s, but providing bus services in the Southern District was still a profitable business because of its

monopolistic status in the Southern District. That said, when the bus drivers' strike broke out in 1989, the traffic on Hong Kong Island was thoroughly paralysed for a few days. The greatest frustrations were vented from the residents in the Southern District, as there was no alternative mode of transport available there. In the end, CMB was heavily penalised—it lost 28 routes in 1993 and 14 more routes in 1995. Despite CMB endeavoured to increase the portion of air-conditioned bus in its fleets in the early 1990s, the Hong Kong government and the majority population was more willing to have some fresh air added into the bus market—especially when CTB purchased a lot of air-conditioned double-decker buses and placed them into its franchised routes. Till this point, it was too late for CMB to keep its head above water.

Table 1 Employed Persons by Industry

Source: Hong Kong Annual Digests of statistics (1997 edition)

Industry	1987	1992	1996
Manufacturing	916,000	650,500	482,100
Wholesale, retail and import/export trades, restaurants and hotels	626,100	747,900	887,400
Financing, insurance, real estate and business services	170,300	231,900	353,600
Community, social and personal services	464,500	542,100	649,500
Construction	215,500	231,200	269,600

Table 2 Resident Population by District Board District, 1981-1996

Source: Hong Kong 1991 Population Census: Summary Results (p. 68), and 1996

Population By-census: Summary Results (p. 49)

Part of Hong Kong Island	Resident Population in 1981	Resident Population in 1986	Resident Population in 1991	Resident Population in 1996
Central and Western	283,916	257,131	253,383	259,224
Wan Chai	236,149	200,403	180,309	171,656
Eastern	474,237	500,451	560,200	594,087
Southern	221,354	243,474	257,101	287,670
Sub-total	1,215,656	1,201,459	1,250,993	1,312,637

**Table 3 Working Population by Place of Work and Area of Residence,
1996**

Source: 1996 Population By-census: Summary Results (p. 52)

	Area of Residence					
	Number (Percentage share in brackets)					
Place of work	Hong Kong Island	Kowloon	New towns	Other areas in the New	Marine	Total
Hong Kong Island	525,401 (17.3)	190,075 (6.2)	172,856 (5.7)	22,192 (0.7)	253 (0.0)	910,777 (29.9)
Total number of working population						3,043,698 (100.0)

**Table 4 Persons Studying Full-time in Schools or Educational Institutions
in Hong Kong by Place of Study and Area of Residence, 1996**

Source: 1996 Population By-census: Summary Results (p. 53)

	Area of Residence					
	Number (Percentage share in brackets)					
Place of study	Hong Kong Island	Kowloon	New towns	Other areas in the New	Marine	Total
Hong Kong Island	232,637 (17.4)	14,693 (1.1)	12,551 (0.9)	2,940 (0.2)	539 (0.0)	263,360 (19.7)
Total number of full-time students						3,043,698 (100.0)

Table 5 List of the trunk roads built on Hong Kong Island since the 1970s

Year of commencement	Name of the infrastructure	Hong Kong Strategic Route and Exit Number System
1972	Cross-harbour Tunnels	Route 1
1980	Ap Lei Chau Bridge ⁹⁸	
1982	Aberdeen Tunnel ⁹⁹	
1984	Island East Corridor (Causeway Bay-Taikoo Shing)	Route 4
1985	Island East Corridor (Taikoo Shing-Shau Kei Wan)	
1989	Island East Corridor (Shau Kei Wan-Chai Wan)	
1989	Eastern Harbour Crossing ¹⁰⁰	Route 2
1990	Rumsey Street Flyover	Route 4
1997	Connaught Road West Flyover	
1997	Western Harbour Crossing	Route 3

⁹⁸ This is the first Ap Lei Chau Bridge. The second bridge was built adjacent to the former and was launched in 1994.

⁹⁹ As of April 2022, the Aberdeen Tunnel is the only tunnel for vehicles to travel from the Southern District to the Northern Hong Kong Island (or vice versa). Despite the launching of the MTR South Island Line (in 2016) have alleviated the burden of Aberdeen Tunnel, the traffic in the tunnels are often paralysed owing to the limited coverage of the MTR line and the tailback from the Cross-harbour tunnels.

¹⁰⁰ The Hong Kong Island Bound intersects with Island East Corridor (IEC) at Taikoo shing. The Eastern-Harbour Crossing is the second cross-harbour tunnel in Hong Kong, connecting Kowloon (East) and the Eastern District.

Table 6 Number of years of bus franchise extension granted by CMB and KMB

Bus company	Year (number of years of extension granted)
CMB	<p>1975 (10 years)</p> <p>1985 (2 years)</p> <p>1987 (2 years)</p> <p>1989 (2 years)</p> <p>1991 (2 years)</p> <p>1993 (2 years)</p> <p>1995 (3 years)</p>
KMB	<p>1975 (10 years)</p> <p>1985 (10 + 2 years)</p> <p>1997 (10 years)</p> <p>2007 (10 years)</p> <p>2017 (10 years)</p>

Chapter 5

In what ways did public grievances contribute to the extension of CMB's franchise?

5.1 Introduction

The voices of dissent in the society towards the ageing bus fleets that CMB owned had been developing in the late 1970s. However, this kind of dissatisfaction did not amount to citywide antagonism even during the outbreak of the LX326 incident in 1984. When the Hong Kong government treated the fatal crash as a high-profile case, public opinion was eventually valued by the power brokers. Having managed to get over the hard-hitting *Report of TAC con CMB Maintenance*, CMB soon found it more arduous for itself to stay in business because of the tightened control by the government and the deteriorating tolerance from the public.

Among all contributing factors to the lapse of CMB in 1998, passengers' outrage was the most lethal one because their daily lives—no matter on the way to work or their leisure time celebrating important festivals—were obstructed by the increasing number of lost trips since the late 1980s. The travelling public in the Southern District, in particular, walked right into the plight of no transport means

available¹⁰¹ on several working days. In fact, the bus drivers' strike in 1989 and the lost trips in the Mid-Autumn Festival in 1995 were two remarkable examples that lit the fuse of dissatisfaction towards CMB. As such, the government penalised CMB by various means like allowing more companies to join the franchised bus market or pecuniary sanctions.

By studying relevant parliamentary documents and newspaper reports, this chapter uses two vital events (which were happened in 1989 and 1995 respectively) to assess how did the backlash against CMB's services affect the process of extension of CMB's bus franchise, namely 1) the during and aftermath of the bus drivers' strike in 1989, and 2) CMB's lost trips in the Mid-Autumn Festival in 1995.

5.2 A summary of the extension of CMB's bus franchise between 1985 and 1989

As suggested in chapter 3, the publication of the *Report of TAC on CMB Maintenance* in 1984 was another turning point in CMB's extension of the franchise because no long-term extensions have been issued by the government since then. In 1985, CMB's operation of franchised bus service was in jeopardy because the government warned that from 1987 onwards, "any extension to CMB's franchise would largely depend on how it [CMB] shaped up to official expectations."¹⁰² Although the citizens saw the warning as "a case of having cried wolf too often,"¹⁰³

¹⁰¹ The context of the Southern District in the late 20th century was peculiar, in the sense that CMB solely operated the bus services in the Southern District whilst railway was not available. Plus, the time spent on a single journey was usually fluctuated because of the notorious congestion in the Aberdeen Tunnel.

¹⁰² Francis Li, "CMB franchise depends on improved practices," *South China Morning Post*, April 6, 1985. <https://www.proquest.com/historical-newspapers/cmb-franchise-depends-on-improved-practices/docview/1537953893/se-2?accountid=11441>.

¹⁰³ South China Morning Post, "Another threat on bus franchise," *South China Morning Post*, April 9, 1985. https://hknews.lib.hku.hk/newspaper/view/16_03.05/64917.pdf.

CMB was just managed to overcome the crisis under close scrutiny by the government. After conducting regular liaison meetings with the Transport Department (TD) from April 1985 to March 1986, the government admitted that "[t]he improvement in maintenance standards over the past twelve months has been both notable and encouraging...CMB is prepared to maintain its efforts to build upon the progress achieved to date."¹⁰⁴

In April 1986, CMB made a successful attempt to renew its franchise from 1987 to 1989. Although CMB had been painstakingly rectifying the structural problems in the maintenance workforce, the Transport Branch shifted its focus of concern to the CMB's ageing bus fleets—routine maintenance on obsolescent vehicles is not cost-effective in bus operation, and the outmoded appearance of CMB's fleets would not give a good impression to both commuters and the government officials. Furthermore, the Transport Branch mentioned that CMB lacked "a management information system"¹⁰⁵ to determine how to strike a balance between scrapping old buses and purchasing new buses. More specifically, the crux of the matter was whether CMB would be able to "computerise its management information system,"¹⁰⁶ such that it would convince the government to issue an extension of franchise for a longer duration.

¹⁰⁴ Hong Kong Transport Branch, *Restricted: Public Bus Services Ordinance (Chapter 230)*, 2-3.

¹⁰⁵ Hong Kong Transport Branch, *Legislative Council Brief: China Motor Bus Company Limited Review of Performance and Franchise*, 3.

¹⁰⁶ Hong Kong Transport Branch, *Legislative Council Brief: China Motor Bus Company Limited Review of Performance and Franchise*, 5.

In 1987, CMB was more confident and aggressive in an extension of its franchise which aimed at a 6-year renewal¹⁰⁷, but its endeavour was in vain because of the long-lasting maintenance issues. It is found that TD concerned that the high average age of CMB's bus fleet would make CMB's maintenance problem more complicated¹⁰⁸. Additionally, CMB was facing a wave of resignation, that "both skilled and mechanics and apprentices have left for other employment...the intake of new apprentices is now declining."¹⁰⁹As a result, a 2-year extension of franchise from 1989 to 1991 was approved by the government in December 1987 owing to the abovementioned concerns. Because of satisfactory fulfilment of its obligations¹¹⁰, CMB was granted another 2 years of extension, which would be effective from September 1991 to 31 August 1993, with effect from January 1989. However, had the bus drivers' strike broken out a few months earlier, CMB would have been in dire straits in the application for renewal of its franchise.

The long-term negotiations for retirement benefits between the drivers of CMB and the management board resulted in large-scale conflicts—residents on Hong Kong Island languished in the dispute, however. It was another important turning point in the destiny of CMB because the government decided to break the monopolistic status of CMB in the bus service market on Hong Kong Island. The following section will focus on discussing the impact of the bus drivers' strike on

¹⁰⁷ Hong Kong Transport Branch, *Transport Departments Review of CMB's Performance in 1986 and 1987* (Hong Kong: Transport Branch, 1987), 3. https://legco.primo.exlibrisgroup.com/permalink/852LEGCO_INST/1r6eabp/alma991000498082906976.

¹⁰⁸ Hong Kong Transport Branch, *Transport Departments Review*, 3.

¹⁰⁹ Hong Kong Transport Branch, *Transport Departments Review*, 2.

¹¹⁰ Hong Kong Transport Branch, *Legislative Council Brief: Public Bus Service Ordinance (Chapter 230) China Motor Bus Company Limited (CMB) Extension of Franchise* (Hong Kong: Transport Branch, 1989), 2. https://legco.primo.exlibrisgroup.com/permalink/852LEGCO_INST/1r6eabp/alma991000498188606976.

daily lives on Hong Kong Island and how did the government address the aspirations of penalising CMB.

5.3 How did the bus drivers' strike in 1989 damage CMB's extension of the franchise

The bus drivers' strike in 1989 was another paragon of CMB's mismanagement resulting in serious consequences. According to a source close to CMB management, the mass strike could have been avoided if the Ngan did not deem a concession to the workers "a loss of face"¹¹¹. Since there reached no consensus on the long-lasting negotiations, the dispute between CMB management and CMB staff was escalated to a two-day bus drivers' strike on 29-30 November 1989. In view of the unprecedented traffic chaos, pre-emptive measures were carried out by different sectors. To begin with, the red minibuses would be permitted to enter the Southern District. Other modes of transport, including MTR, trams, and ferries, would increase their service to accommodate the commuters. More importantly, The Education Department called off the morning lessons in all schools on Hong Kong Island¹¹². As expected, the Southern District was paralysed during the strike because of the lack of alternative modes of transport. Despite the strike being ended in two days owing to the compromise between the drivers and the Ngan family, it is found that public pressure on CMB management had been increasingly obvious since the outbreak of the bus drivers' strike.

¹¹¹ Tad Stoner, and Chris Chapel, "Family Affair at the Crossroads?: Tad Stoner and Chris Chapel Look at the CMB Dispute and Why Possible Loss of Face could be an Obstacle to a Quick Solution," *South China Morning Post* (1946-), November 30, 1989. <https://www.proquest.com/historical-newspapers/family-affair-at-crossroads/docview/1540469450/se-2?accountid=11441>.

¹¹² Jimmy Leung, "CMB Drivers on 4-Hour Strike," *South China Morning Post* (1946-), November 29, 1989. <https://www.proquest.com/historical-newspapers/cmb-drivers-on-4-hour-strike/docview/1695940936/se-2?accountid=11441>.

Two studies were conducted by a District Council member and the Southern District Council in 1990 and 1992 respectively. Both of them are useful indicators to gauge how the residents in the Southern District perceived the CMB management after the bus drivers' strike. To be exact, the report *The research report on the external transport policies of the Southern District and the residents' demand on transport—a case analysis of public housing estates: May 1990* (herein as "the May 1990 report") had studied whether the residents' demand on transport were catered by the existing (i.e. 1990) transport policy. It was observed that more than 80% of the interviewees rested on CMB's service to set off from the Southern District, despite the fact that they were pissed off by the iffy departures and the fare level of CMB's bus routes. Therefore, the report warned that "the external transport of the Southern District will be paralysed if CMB's service goes wrong (such as the bus drivers' strike in last year [1989])."¹¹³ It is also noteworthy that although the majority of residents were aware of the increasing fare of CMB's routes, most of them will still travel by bus¹¹⁴ as usual because of the inelastic demand for bus services in the Southern District. To rectify the dilemma, introducing more residential routes¹¹⁵ in the Southern District was the most frequently mentioned option by the interviewees. Moreover, 61.7% of the interviewees from Tin Wan Estate, Wong Chunk Hang Estate, Wah Fu Estate, and Shek Pai Wan Estate said that they would be willing to use residential routes to commute when they were in a hurry or when these routes were available at the place they live. In the meantime,

¹¹³Councilor Wong King Cheung Office. *The research report on the external transport policies of the Southern District and the residents' demand on transport—a case analysis of public housing estates: May 1990*. (Hong Kong: Councilor Wong King Cheung Office (Ap Lei Chau District), 1990), 28.

¹¹⁴ Councilor Wong King Cheung Office, *The research report*, 28.

¹¹⁵ Residential routes are mostly operated as a non-franchised route.

CTB had been operating three residential bus routes in 1990, but more than 70% of the Ap Lei Chau residents had never chosen CTB's residential service to leave Ap Lei Chau.

Likewise, the study by the Southern District Council in 1992 revealed how public grievances matter in CMB's bus operations. The dominating possession of antagonism towards CMB's bus service was reflected across different occupations¹¹⁶. Most of the complaints were about the iffy departures, the attitude of bus drivers, and the shabby and obsolete bus compartments. The District Council added that "the response by the residents in the Southern District is increasingly intense because CMB showed no significant improvement or breakthrough of its service over the years."¹¹⁷ It is also worth-mentioning that the District Council explained there was an improvement in living standards in the Southern District—which echoes with the analysis provided in session 4.2 of this project—that elevated the expectations on bus services.

The bus drivers' strike was no doubt a decisive turning point in the lapse of CMB's franchise in 1998 because the government had yet paid attention to the drawbacks of the monopoly of bus service on Hong Kong Island¹¹⁸. The government pinpointed that "...the CMB strike showed there is a need for...public transport...this

¹¹⁶ Traffic and Transport Committee of the Hong Kong Southern District Council, and Sysplan Group Consultants, *The Southern District Council: Report of the Bus Service Studies: Executive Summary* (Hong Kong: the Hong Kong Southern District Council, 1992), 7.

¹¹⁷ Traffic and Transport Committee of the Hong Kong Southern District Council, and Sysplan Group Consultants, *Executive Summary*, 13.

¹¹⁸ Joon San Wong, "CMB Strike Altered Policy on New Routes," *South China Morning Post* (1946-), December 29, 1989. <https://www.proquest.com/historical-newspapers/cmb-strike-altered-policy-on-new-routes/docview/1540506385/se-2?accountid=11441>.

has influenced the Government to take a more liberal view towards resident coaches..."¹¹⁹ Shortly thereafter, CTB had been operating residential routes in Ap Lei Chau after the strike—despite the interviewees not getting used to CTB's service, as abovementioned. The changing attitude of the government towards transport planning on Hong Kong Island has made CTB a viable candidate in the upcoming scramble for the bus service market on Hong Kong Island. On the other hand, public pressure was immense and was decently reflected via the Southern District Council, making it difficult for the government to refrain from tackling the chronic problems accumulated in the Ngan dynasty. In terms of chronological order, it was crystal clear that the reason CMB lost 26 routes and 14 routes in 1993 and 1995 was because of the punishment imposed by the Hong Kong government.

5.4 The lost trips in the mid-autumn festival in 1995

After losing 26 routes and 14 routes in 1993 and 1995 respectively, CMB was increasingly willing to upgrade its fleet by introducing more air-conditioned buses on major routes. **Figure 6** and **Figure 7** show some examples of the enhancement measures taken by CMB since early 1995—a few months before the government's order of approval of franchise renewal in June 1995. Thanks to the development in Siu Sai Wan¹²⁰ in the early 1990s, routes number 8 and 788 were one of the prevailing and profitable bus routes that CMB owned in the 1990s because its service did not overlap that much with that of the MTR. These two figures showed that CMB was finally eager to take prompt actions to catch up with

¹¹⁹ Joon San Wong, "CMB Strike Altered Policy on New Routes."

¹²⁰ Siu Sai Wan is the northeast end of Hong Kong Island, it is 2 km away from Chai Wan station (i.e. the east end of MTR Island Line).

its rival by incorporating more air-conditioned buses and express routes into its bus operation.

Although CMB had managed to have its franchise renewed from 1995 to 1998 because the government's assumption of "unless something goes wrong"¹²¹ did not come true in June 1995, it had further lost 11 routes. Even so, when CMB raked in HKD 379 million for selling its Wong-Chuk Hang Depot in 1995, the general public was unpleasant with the auction because the profit was not used for "developing the bus service and keeping bus fares down."¹²² When the influence of public resistance appeared to be weakened in the renewal of CMB's franchise starting from 1995, CMB, ironically, failed to provide sufficient service on an important festival a few months after the renewal. Something did go wrong, indeed.

On September 8, 1995—the day before the Mid-Autumn festival, families and friends were heading to the Peak to view not only the scenic vista of the Victoria Harbour but also moon gazing. Having finished enjoying the good vibes on the Peak, none of the visitors recognised that they would have to "celebrate" the first few hours of the Mid-Autumn Festival. The scheduled last bus departure from the Peak at 2345—was departed on time, according to the narrative by CMB— was, in fact, missing. According to the testimony by one of the passengers¹²³, the scheduled departures had already collapsed before 2230. On top of that, after noticing there

¹²¹ Steve Ball, Ada Yuen, and Louis Won, "Poor Service may Cost CMB 10 Routes," *South China Morning Post*, February 10, 1995. <https://www.proquest.com/historical-newspapers/poor-service-may-cost-cmb-10-routes/docview/1535869203/se-2?accountid=11441>.

¹²² Steve Ball, Ada Yuen, and Louis Won, "Poor Service may Cost CMB 10 Routes."

¹²³ "Focus on Focus: September 11, 1995," The Hong Kong classical moments archives VCRBase, accessed April 17, 2022, <https://fb.watch/crGML6xgT-/>.

were lost trips on Route number 15, CMB sat tight and refused to pick the 400 passengers back home. In the end, it was the Royal Hong Kong Police Force that provided lorry buses to settle down the issue. After a one-year investigation, the TD decided to exercise a HKD 8,000 penalty¹²⁴ on CMB for its negligence in providing adequate bus services to the public. The investigation revealed that CMB was only able to run 60% of the scheduled trips on Route number 15 on September 8, 1995.

The lost trips on the eve of the Mid-Autumn Festival in 1995 were another crucial triggering point for the termination of CMB's franchise in 1998 because of the following reasons. Firstly, although the number of victims was no match with that of the bus drivers' strike, this incident reassured the nature of CMB's bus service as an "unreliable bus operator", which made it challenging for the government to acquire good grounds to affirm its decision to prolong CMB's franchise anymore. On the other hand, *Focus on Focus* and *Teacup in a storm* were renowned television programme and radio show respectively in the 1990s, and they served as the medium of delivering first-hand sources to the public. The passengers had made good use of mass media to accuse the infamous and absurd service that CMB had provided, such that the case of lost trips was in high publicity. Although the fine towards CMB was a piece of cake to the Ngan family, the message conveyed by the penalty was: this was a real warning—instead of another warning—to the CMB management. When chances were repeatedly given to CMB, CMB, however, abused the endurance of the government and the general public. This was

¹²⁴ South China Morning Post (1946-), "CMB Fined \$8,000 for Poor Service," *South China Morning Post* (1946-). July 17, 1996. <https://www.proquest.com/historical-newspapers/cmb-fined-8-000-poor-service/docview/1658226077/se-2?accountid=11441>.

proven in its delayed submission of application for renewal in 1998. Not surprisingly, the termination of CMB's franchise came true in 1998.

一九九五年二月二十七日起
8號線將增設空調巴士行走，
為小西灣、柴灣及東區之乘客
提供更舒適的服務。

From 27 February 1995,
An air-conditioned service will be introduced on Route No.8 to provide a more comfortable service to passengers of Siu Sai Wan, Chai Wan and Eastern District.

小西灣開出 From Siu Sai Wan
 上午5:30a.m. - 午夜12:00midnight 每Every 6-10分鐘 mins.

灣仔碼頭開出 From Wan Chai Ferry Pier
 上午6:15a.m. - 凌晨 00:45a.m. 每Every 6-10分鐘 mins.

普通巴士服務
Non air-conditioned bus service

小西灣往灣仔碼頭
 From Siu Sai Wan to Wan Chai Ferry Pier

小西灣 Siu Sai Wan	\$2.7	路環(愛秩序街) Shau Kei Wan (Aldrich St.)	\$2.2	灣仔碼頭 Wan Chai Ferry Pier
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灣仔碼頭往小西灣
 From Wan Chai Ferry Pier to Siu Sai Wan

灣仔碼頭 Wan Chai Ferry Pier	\$2.7	北角(書局街) North Point (Shu Kuk St.)	\$2.2	小西灣 Siu Sai Wan
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空調巴士服務
Air-conditioned bus service

小西灣往灣仔碼頭
 From Siu Sai Wan to Wan Chai Ferry Pier

小西灣 Siu Sai Wan	\$3.5	路環(愛秩序街) Shau Kei Wan (Aldrich St.)	\$3.1	灣仔碼頭 Wan Chai Ferry Pier
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灣仔碼頭往小西灣
 From Wan Chai Ferry Pier to Siu Sai Wan

灣仔碼頭 Wan Chai Ferry Pier	\$3.5	北角(書局街) North Point (Shu Kuk St.)	\$3.1	柴灣道 Chai Wan Road	\$2.6	小西灣 Siu Sai Wan
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Service Hotline 服務熱線
2565 8556

Figure 6 A notice prepared by CMB regarding the upgrade of service on Route number 8

ROUTE

Siu Sai Wan Bus Terminal → Central (Wing Wo Street) Bus Terminal

via Chai Wan Road o/s Fu Sing Court • Chai Wan Estate Block 13 •

Wing Tai Road o/s Tsui Wan Estate • Island Eastern Corridor • Wan

Chai Police Station • Gloucester Road • Admiralty Centre • Landmark

• Des Voeux Road Central near Jubilee Street

788

SUI SAI WAN
CENTRAL (WING WO STREET)
Via IEC Phases I, II & III

TIMETABLE

From **Siu Sai Wan** Frequency
Mondays to Saturdays 6:42 am to 9:30pm 12 minutes

From **Central** Frequency
Mondays to Fridays 4:30 pm to 7:18pm 12 minutes
Saturdays 12:00 pm to 2:30 pm 12 minutes
No Service on Sundays & Public Holidays

FARETABLE

Non Air-conditioned Bus Service	\$ 4.20
After Eastbound IEC	\$ 2.10
After Westbound IEC	\$ 2.30
Air-conditioned Bus Service	\$ 5.30
After Eastbound IEC	\$ 2.50
After Westbound IEC	\$ 3.00

No half fare for children

ROUTE

Central (wing Wo Street) Bus Terminal → Siu Sai Wan Bus Terminal

via Des Voeux Road • Jardine House • City Hall • Gloucester Road •

Wan Chai Ferry Pier • Island Eastern Corridor • Wing Tai Road • Chai

Wan Eastern opp. Block 13 • Chai Wan Road opp. Fu Sing Court

CHINA MOTOR BUS CO. LTD.
CMB HOTLINE 565 8556

Figure 7 A notice of CMB's Route number 788, providing express and air-conditioned service from Eastern Hong Kong Island to Central¹²⁵

5.5 Conclusion

CMB's mismanagement was deeply entrenched over the years, and it was well reflected in the dimensions of maintenance and punctuality of bus departures.

¹²⁵ "788: Siu Sai Wan—Central (Wing Wo Street) Via IEC Phases I, II & III," China Motor Bus Company Limited, accessed April 17, 2022, https://scontent-hkg4-2.xx.fbcdn.net/v/t1.18169-9/12107059_10153264725744007_4658785206838927504_n.jpg?nc_cat=104&ccb=1-5&nc_sid=a83260&nc_ohc=g5R0a4JOF9YAX_yzA6b&nc_ht=scontent-hkg4-2.xx&oh=00_AT9krO7_dNbKa-5wvVoDSQb_TCcKRcoW56Jg0Xa113i2iQ&oe=62825E42.

Instead of analysing CMB's bus operation in the northern Hong Kong Island, this chapter has chosen the case of the Southern District between 1989 and 1990 as the focus of discussion to illustrate how did the general public contribute to the shrinking services areas that CMB had in the 1990s. Moreover, the examples used in this chapter show how public grievances were converted into specific evidence that made the Hong Kong government get tough on CMB. Consequently, CMB failed to retain its monopolistic status in the Southern District because a green light was given to CTB to join in the scramble for passengers in the Southern District in 1991. While CTB was showing its readiness to become a bus operator on Hong Kong Island by investing a huge sum of money in expanding its fleets, the embattled CMB was doing nothing but protesting the engagement of CTB "infringed their franchised monopoly"¹²⁶.

To compromise with the pressure from the government, CMB had to make concessions—28 franchised bus routes were ceded to CTB in 1993, for instance—to sustain its status as a franchised bus grantee. On the one hand, in 1992, the government displayed its goodwill in assisting CMB to improve by claiming that "reducing CMB's current bus network by 26 routes¹²⁷...will mean scrapping about 200 old buses...thus helping to improve overall service standards and efficiency."¹²⁸ On the other hand, despite the Southern District Board was the only zone that

¹²⁶ Tad Stoner, "CMB Objections Hold Up Citybus Franchise," *South China Sunday Morning Post*, June 24, 1990. <https://www.proquest.com/historical-newspapers/cmb-objections-hold-up-citybus-franchise/docview/1540796244/se-2?accountid=11441>.

¹²⁷ "28" was the actual number of loss of CMB's routes. The number "26" was the narrative used by the Hong Kong government and CityBus because they treated Route number 6 and 6A, number 72 and number 72B as 2 routes (instead of 4).

¹²⁸ Hong Kong Transport Branch, *Legislative Council Brief: Renewal of Franchise with China Motor Bus Company Limited* (Hong Kong: Transport Branch, 1992), 4. https://legco.primo.exlibrisgroup.com/permalink/852LEGCO_INST/1r6eabp/alma991000497945806976.

supported CMB's extension of the franchise¹²⁹ and which echoed the government's stance, what the Southern District Board expected was a conditional offer to "force CMB to improve levels of service."¹³⁰ Plus, considering the fact that people realised that an instant and thorough termination of CMB's franchise in 1992 was not desirable, it can be said that the underlying message of the conditional offers of extension of CMB's franchise was: more time was given to CTB and other possible candidates to expand their bus business, whilst CMB would transfer its bus routes smoothly and steadily in the 1990s.

Subsequent to the bus drivers' strike in 1989, the significance of public discontent was again presented throughout CMB's lost trips during the Mid-Autumn Festival in 1995. Although the affected areas were no match with the citywide disruption in 1989, the lost trips in important festivals became solid evidence of CMB's consistent deficiency in bus departures, which revealed that CMB did not rectify the entrenched problems. However, it was again too lucky for CMB since the last renewal of the franchise was settled in July 1995—2 months before the festival. In lieu of imposing additional constraints on CMB, the government made CMB the antecedent of bus companies being fined for its improper management. Therefore, the general public played a crucial role in the lapse of CMB's franchise not only because they were the users but also the victims of the poor service by CMB. When the de-facto transition of CMB's bus routes was undergone during the early 1990s, CTB displayed its readiness in bus operation and its capability to take over CMB's

¹²⁹ Paul Godfrey, "Renew Franchise for CMB: Southern Board," *South China Morning Post*, Feb 25, 1992. <https://www.proquest.com/historical-newspapers/renew-franchise-cmb-southern-board/docview/1753693815/se-2?accountid=11441>.

¹³⁰ Paul Godfrey, "Renew Franchise for CMB: Southern Board."

role on Hong Kong Island, making it impossible for CMB to continue its story after 1998.

Chapter 6

Conclusion

Instead of listing the short-term factors of the lapse of CMB's franchise in 1998, the core idea of this research paper is to emphasise the chronic problems in CMB had been apparent in the 1980s. The crux of the matter is that the entrenched internal mismanagement in CMB was the root cause of the recession in CMB. Ngan Shing-kwan, the founder of CMB, was already some 80 years old in the 1980s. Considering the fact that CMB is a Chinese family business with no consciousness of the importance of infusing corporate management in CMB, the downfall of the regime on Hong Kong Island was meant to be taken place sooner or later. The hostile takeover attempt by Paliburg in 1981 had in fact reinforced the conservative mindset of the Ngan family, and this explains why CMB was reluctant to renew its fleets even when air-conditioned buses became the prevailing trend in the mid-1990s.

Poor maintenance quality was one of the most explicit branches of CMB's mismanagement. When the LX326 Incident broke out in 1984, the maintenance quality of CMB's fleets was spotlighted. It can even be said that it was CMB that "invited" the Hong Kong government to intervene in its management. Afterwards, when the report on CMB maintenance was published, the general public reassured that the maintenance quality of CMB's buses was infamous and awful. The significance of the LX326 Incident was that CMB had never granted a 10-year

extension of its franchise since 1985. This was largely because of its weaknesses being exposed to the public through the fatal crash in Happy Valley in 1984. Public discontent was growing up insofar that the Hong Kong government had to introduce more competitors to compete with CMB on Hong Kong Island in order to ease the citywide dissatisfaction.

The worsening traffic conditions on Hong Kong Island in the 1980s and the 1990s were beyond CMB's control. As the output of a flourishing economy, the spiralling increase in population figures and the number of vehicles had overloaded the trunk roads on Hong Kong Island. Although CMB had attempted to take pre-emptive measures to improve its service frequencies, such as prompting for bus-only lanes, the idea was refused by the road users. The increasingly iffy bus departures in the late 1980s and the 1990s triggered a series of frustrations from the passengers—as mentioned in Chapter 5. In the end, traffic congestion became one of the major reasons for complaints by the passengers, which made CMB more unfavourable in bus operation on Hong Kong Island.

All things considered, the mismanagement of CMB by the Ngan family was the fatal reason for the lapse of CMB in 1998. Additionally, the destiny of CMB was almost certain when the Hong Kong government approved CTB to be the rival of CMB on Hong Kong Island in 1991.

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