

# Report No. 50 of the Director of Audit — Chapter 4

## LICENSING OF VEHICLES UNDER THE PASSENGER SERVICE LICENCE SYSTEM

### Summary

1. The Transport Department (TD) is the authority for administering the Road Traffic Ordinance (Cap. 374) and the legislation regulating the public transport system. Under the Ordinance, the operation of non-franchised public buses, private buses, public light buses and school private light buses under the passenger service licence (PSL) system is regulated through the PSLs and passenger service licence certificates (PSLCs). The PSLs authorise the licensees to operate vehicles whereas the PSLCs are issued to vehicles operating under the PSLs. As at 31 December 2007, there were 12,853 licensed vehicles under the PSL system. The Audit Commission (Audit) has recently conducted a review of the provision of licensing services of vehicles under the PSL system.

#### Provision of licensing services

2. *Enforcement of the licensing condition on application for providing contract hire services with specified route.* As a licensing condition, a licensee of non-franchised public bus is required to submit an application for providing contract hire services with specified route. The application should, as far as reasonably practicable, be delivered to the TD not less than 14 days prior to the intended service commencement date. Audit noted that, in 2007, of the 22 applications with the intended service periods recorded in the register of applications for providing contract hire services, 16 applications had not been submitted 14 days prior to the intended service commencement date. The periods without approval, from the intended service commencement date to the date of the TD's approval, ranged from 1 to 55 days. *Audit has recommended that the Commissioner for Transport should: (a) ensure compliance with the licensing condition that the licensee should, as far as reasonably practicable, submit the application not less than 14 days prior to the intended service commencement date; and (b) introduce control measures to address the risk that applicants may provide unauthorised services.*

3. *Application submitted prior to the intended service commencement date.* Of the 16 applications mentioned in paragraph 2, 11 applications were submitted less than 14 days prior to the intended service commencement date. The Public Vehicles Unit followed the normal procedures in processing these applications. In one case, the Public Vehicles Unit continued to process the application after the last date of the intended service period. In Audit's view, to continue processing the application after the expiry of the service contract was a waste of staff resources. *Audit has recommended that the Commissioner for Transport should: (a) review the procedures for handling such applications submitted less than 14 days prior to the intended service commencement date, especially for applications with a short intended service period; and (b) ensure that TD staff should stop processing applications with expired service contract.*

4. ***Application submitted after the intended service commencement date.*** Of the 16 applications (for contract hire services) mentioned in paragraph 2, 5 applications were submitted after the intended service commencement date. The intended service periods without approval ranged from 2 to 51 days. Some applications for providing other services of non-franchised public bus were also submitted after the intended service commencement date. In one case, the Public Vehicles Unit followed the normal procedures in processing the application, which was submitted 6 months after the commencement date of the intended 12-month service period. *Audit has recommended that the Commissioner for Transport should review the procedures for handling such applications submitted after the intended service commencement date.*

5. ***Extension of PSL and PSLC.*** A licensee shall submit his application for extension of PSL/PSLC within 4 months and at least 14 days prior to expiry. Audit found that 7 (47%) out of 15 applications were submitted, on average, 10 days after the expiry of the PSL/PSLC. The average period without a valid PSL/PSLC was 21 days. *Audit has recommended that the Commissioner for Transport should: (a) implement measures to ensure that the licensees apply for extension of PSL/PSLC before the expiry date; and (b) expedite the processing of applications submitted after the expiry of the PSL/PSLC.*

6. ***Follow-up procedures for expired licences.*** The Public Vehicles Unit issues warning letters to the licensees holding expired PSLs/PSLCs. Upon the issue of the first warning letter, a refraining order is manually input into the computer system to alert the responsible officer to watch out for the relevant licensing matters. There were cases without the input of the refraining orders. Audit noted that, apart from the issue of warning letters and imposition of refraining orders, the cases were not referred to the TD regional offices and Prosecution Unit for taking enforcement actions. *Audit has recommended that the Commissioner for Transport should: (a) explore the feasibility of computerising the records of the applications, warning letters and refraining orders; and (b) step up the enforcement action to deter the licensees from providing services under the PSL system without valid PSLs/PSLCs.*

## **Performance measurement**

7. ***Extent of achieving the pledged targets.*** From 1997 to 2006, the TD reported that it had met all the pledged targets for licensing services of vehicles under the PSL system. However, there was no documentary evidence (e.g. conducting a survey) to substantiate the extent of achieving the pledged targets. *Audit has recommended that the Commissioner for Transport should review regularly the extent of achieving the pledged targets for licensing services of vehicles under the PSL system so as to identify room for improvement.*

8. ***Methods for measuring application processing time.*** The TD's method for measuring the extent of achieving the target for the applications for the replacement of vehicle of public light bus was unsatisfactory. As the notice informing the applicant to complete the relevant procedures was issued on the date of receipt of the application, the TD considered that the processing of the applications had been completed within the target processing time of five working days. Audit considers that the time required to complete

the processing of the applications should be used. *Audit has recommended that the Commissioner for Transport should review the methods for measuring the processing time and consider revising the pledged targets for licensing services of vehicles under the PSL system, taking into account the processing time for delivering the services.*

#### **Enforcement action against unauthorised services**

9. ***Offences for common breaches of licensing conditions.*** The TD can hold an inquiry under the Road Traffic Ordinance for any contravention of the licensing conditions under the PSL system. However, it takes a long time to conclude an inquiry on unauthorised services. More time is required if the licensee appeals to the Transport Tribunal. Audit analysis of the 78 inquiries and reviews completed from 2004 to 2006 indicated that it took, on average, 17 months to conclude them and impose sanctions on the licensees. The same enforcement procedures leading to prosecution or inquiry also apply to minor breaches of licensing conditions. According to a report of the Transport Advisory Committee (TAC) issued in July 2004, the fixed penalty ticketing system was the simplest and least resource-intensive means of enforcement action. The TAC recommended that the TD should streamline the enforcement procedures by turning common breaches of licensing conditions into scheduled offences that were subject to fixed penalty ticketing system. Up to 31 December 2007, the TD had not implemented the TAC's recommendation. *Audit has recommended that the Commissioner for Transport should expedite the implementation of the TAC's recommendation.*

10. ***Imposition of sanctions.*** Of the 83 completed inquiries from 2004 to 2006, sanctions could not be implemented on the licensees of 18 inquiries because they had transferred the ownership of the vehicles to other licensees before the imposition of sanctions, or had not applied for extension of PSL. The percentage of such cases had increased substantially from 11% in 2004 to 40% in 2006. In 2004, the TAC expressed concern about the effectiveness of sanctions and recommended that the TD should review the administrative sanctions with particular emphasis on the need to impose heavier penalties on repeated offenders. *Audit has recommended that the Commissioner for Transport should: (a) review the effectiveness of the administrative sanctions with particular emphasis on the need to impose heavier penalties on repeated offenders; and (b) keep track of the performance of licensees and take into account past performance record, including non-compliance with the licensing conditions, when granting additional service endorsements or extension of licences.*

11. ***Identification of unauthorised services.*** The TD regional offices conduct surveys to confirm the existence and collect evidence of unauthorised services. Audit review of 20 surveys conducted in 2006 and 2007 found that 19 surveys were conducted as a result of complaints by and/or referrals from the general public and public transport operators. There is a risk that the licensees, who submitted their applications for providing services with specified route after the intended service commencement date, or submitted the applications for extension of PSL/PSLC after the expiry of licences, had provided unauthorised services without approval or without valid PSLs/PSLCs. *Audit has recommended that the Commissioner for Transport should: (a) conduct surveys for identifying unauthorised services, taking into account the number of complaints received and previous surveys conducted; and (b) improve the internal communications among the*

*regional offices and the Public Vehicles Unit in handling late applications, with a view to finding out whether unauthorised services exist.*

#### **Vehicle examination under the passenger service licence system**

12. ***No-show cases for call-up inspections.*** All vehicles reported to be defective are liable for call-up inspections. From 2003 to 2007, 595 vehicles under the PSL system were called up for inspections. Of the 595 cases, 127 (21%) were no-show cases. A registered vehicle owner can book an appointment for annual examination up to four months before the vehicle licence expiry date. He can advance the annual examination date, instead of producing his vehicle for the call-up inspection, if the period between the call-up inspection and the annual examination is less than four months. *Audit has recommended that the Commissioner for Transport should monitor closely the appointment date of the call-up inspection if the period between such inspection and the annual examination of the vehicle is less than four months, and introduce measures to cancel the call-up inspection after the annual examination.*

13. ***No-show cases for spot checks.*** From 2006 to 2007, the TD issued vehicle examination orders to the registered owners of 1,086 selected vehicles (i.e. 1,037 non-franchised public buses and 49 private buses) for spot checks. Of the 1,086 cases, there were 44 (4%) no-show cases. The vehicle examination orders of 32 out of the 44 cases were returned by the post office. No refraining order was input into the computer system for 2 of the 32 cases. The ownership of these two vehicles was transferred despite the fact that these vehicles had not been produced for spot checks. Apart from inputting the refraining orders, no action was taken on the cases where the vehicle examination orders were returned by the post office. *Audit has recommended that the Commissioner for Transport should: (a) ensure that follow-up actions are promptly and properly taken; and (b) take follow-up action in cases where the vehicle examination orders could not be delivered to the registered owners, encourage registered owners to notify the TD of the changes of addresses and draw their attention to the consequences of not doing so.*

14. ***Cancellation of vehicle licence.*** From 2006 to 2007, of the 10 no-show cases with delivered vehicle examination order for spot checks, the vehicle licences of 9 buses were subsequently cancelled. The time taken to cancel the vehicle licences of the 9 buses ranged from 7 to 95 days, with an average of 27 days. Cancellation of vehicle licence is an effective enforcement action. Timely enforcement actions could encourage registered owners to comply with the requirements of spot checks. *Audit has recommended that the Commissioner for Transport should take prompt action to cancel the licences of vehicles not produced for spot checks.*

#### **Response from the Administration**

15. The Administration agrees with all the audit recommendations.

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