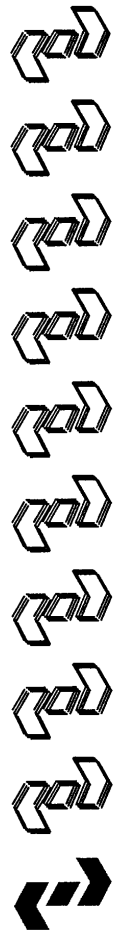


Presentation
to
Legislative Council Transport Panel
by
Kowloon-Canton Railway Corporation
on
2001 Fare Revision

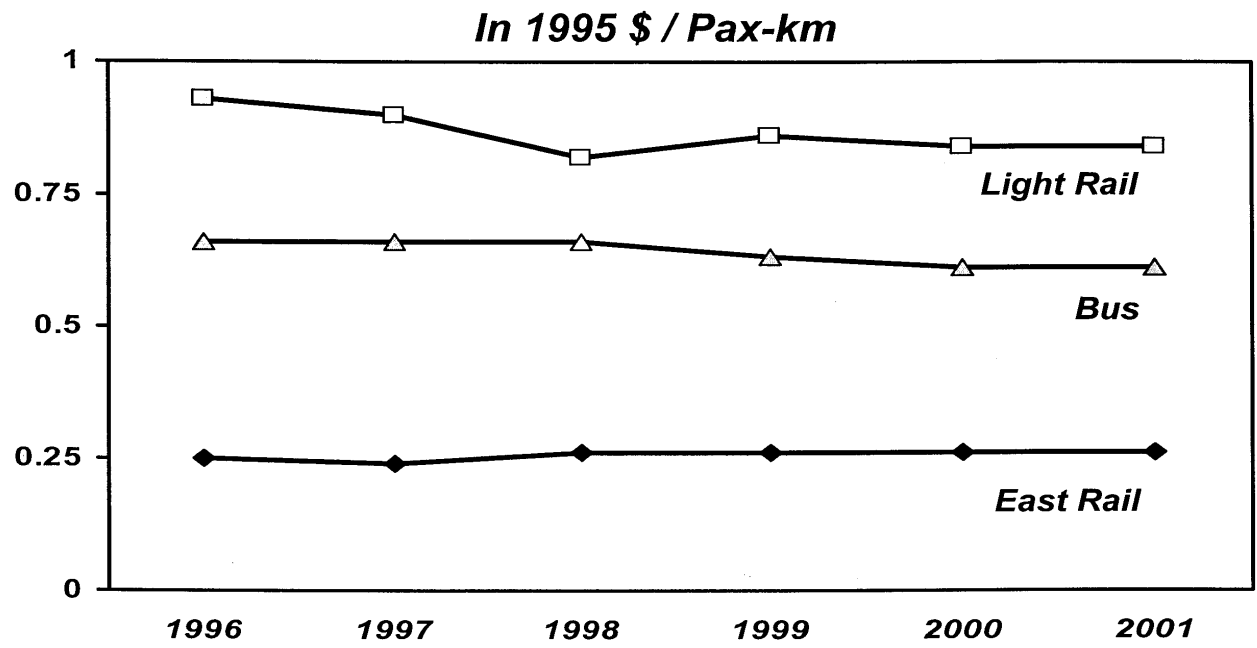
1996-2000 Financial Results Actual and Forecast Profit/[Loss]

| | <i>\$million</i> | | | | | <i>2001</i> |
|------------------------|------------------|-------------|-------------|-------------|-------------|-----------------|
| | <i>1996</i> | <i>1997</i> | <i>1998</i> | <i>1999</i> | <i>2000</i> | <i>Forecast</i> |
| <i>East Rail</i> | | | | | | |
| <i>-Domestic</i> | 73 | 80 | (22) | (83) | (17) | (72) |
| <i>-Cross Boundary</i> | 913 | 1,074 | 1,238 | 1,431 | 1,623 | 1,883 |
| <i>Light Rail</i> | (193) | (165) | (143) | (159) | (116) | (121) |
| <i>Bus</i> | (30) | (25) | (11) | (11) | (11) | (14) |
| <i>Commercial</i> | 294 | 348 | 403 | 373 | 422 | 391 |
| <i>Total recurrent</i> | 1,057 | 1,312 | 1,465 | 1,551 | 1,901 | 2,067 |
| <i>Non-recurrent</i> | 2,433 | 2,328 | 252 | 293 | 388 | 474 |
| <i>Tax</i> | (413) | (377) | (78) | (59) | (1) | (1) |
| <i>Net profit</i> | 3,077 | 3,263 | 1,639 | 1,785 | 2,288 | 2,540 |

- ***For three of past five years [1998 to 2000], only East Rail cross-boundary is profitable for passenger operation.***



Real Cash Operating Cost



- ***ER real cash operating cost level in last 5 years, LR and Bus had real reduction in cost.***

Past Service Improvement Investments 1996-2000

| <i>Year</i> | <i>(\$ million)</i> |
|-------------|---------------------|
| 1996 | 1,435 |
| 1997 | 1,969 |
| 1998 | 1,075 |
| 1999 | 1,136 |
| 2000 | 750 |
| | <hr/> |
| | 6,365 |

Past Service Improvement Investments 1996-2000

| <i>Projects</i> | <i>(\$ million)</i> |
|--|---------------------|
| Train refurbishment | 1,540 |
| Automatic Train Protection | 1,190 |
| Hung Hom Station renovation | 1,132 |
| Noise mitigation | 394 |
| KTT Through Train | 370 |
| LR vehicle purchase | 345 |
| Other stations & facilities improvements | 1,394 |
| | <hr/> |
| | 6,365 |

Future Service Improvement Investments 2001-2003

| <i>Year</i> | <i>(\$ million)</i> |
|-------------|---------------------|
| 2001 | 1,786 |
| 2002 | 1,480 |
| 2003 | 560 |
| | <hr/> |
| | 3,826 |

Future Service Improvement Investments 2001-2003

| <i>Projects</i> | <i>(\$ million)</i> |
|--|---------------------|
| New Trains | 1,155 |
| LR extension & grade separation | 953 |
| Kowloon Tong Station concourse development | 288 |
| Noise mitigation measures | 247 |
| Locomotive replacement | 85 |
| Automatic train operation | 85 |
| Other stations & facilities improvements | 1,013 |
| | <hr/> |
| | 3,826 |

New Railway Projects

| | <i>Estimated cost \$million</i> | <i>KCRC contribution</i> |
|-----------------------------|-------------------------------------|------------------------------|
| <i>East Rail Extensions</i> | 26,400 | 5,300 |
| <i>West Rail, Phase 1</i> | 46,400 | 11,900 |
| | <hr/> 72,800 | <hr/> 17,200 |

New Rail Projects Financing [WR Phase 1 & ER Extensions]

| <i>Source of funds</i> | <i>Estimated cost \$ million</i> | <i>Contribution %</i> |
|---|--------------------------------------|-----------------------|
| <i>Equity injection</i> | 37,000 | 50.8 |
| <i>Debt (Serviced by KCRC earnings)</i> | 18,600 | 25.6 |
| <i>KCRC accumulated profits</i> | 17,200 | 23.6 |
| | 72,800 | 100.0 |

Fares Comparison between ER Domestic and Bus

| <i>To Kowloon South from</i> | <i>Fare (\$)</i> | | |
|------------------------------|------------------|-------------------|----------------------------|
| | <u><i>ER</i></u> | <u><i>Bus</i></u> | <u><i>ER advantage</i></u> |
| <i>Sheung Shui</i> | 8.5 | 12.3 | 3.8 |
| <i>Tai Po</i> | 7.3 | 9.1 | 1.8 |
| <i>Shatin</i> | 5.1 | 5.5 | 0.4 |

- *ER Domestic is cheaper than Bus to urban Kowloon.*

Journey Time Comparison between ER Domestic and Bus

| <i>To Kowloon South from</i> | <i>Journey Time (minutes)</i> | | |
|------------------------------|-------------------------------|-------------------|----------------------------|
| | <i><u>ER</u></i> | <i><u>Bus</u></i> | <i><u>ER advantage</u></i> |
| <i>Sheung Shui</i> | 35 | 75 | 40 |
| <i>Tai Po</i> | 25 | 60 | 35 |
| <i>Shatin</i> | 13 | 52 | 39 |

- *ER Domestic is faster than Bus to urban Kowloon.*

Fares Comparison between ER Cross Boundary and Bus

| | <i>Fare (\$)</i> | | |
|--------------------|-------------------------------|---|----------------------------|
| | <u><i>ER to Lo Wu</i></u> | <u><i>Bus via LMC to Shenzhen</i></u> | <u><i>ER advantage</i></u> |
| <i>Mongkok</i> | 31.3 | 50 to 70 | 18.7 to 38.7 |
| <i>Shatin</i> | 24.2 | 50 to 70 | 25.8 to 45.8 |
| <i>Sheung Shui</i> | 18.8 | 50 to 70 | 31.2 to 51.2 |

- ***ER Cross Boundary is cheaper than Bus to urban Shenzhen destinations.***

Journey Time Comparison between ER Cross Boundary and Bus

Journey Time (minutes)

| | <i><u>ER to Lo Wu</u></i> | <i><u>Bus via LMC to Shenzhen</u></i> | <i><u>ER advantage</u></i> |
|--------------------|---------------------------|---------------------------------------|----------------------------|
| <i>Mongkok</i> | 35 | 60 | 25 |
| <i>Shatin</i> | 26 | 50 | 24 |
| <i>Sheung Shui</i> | 4 | 30 | 26 |

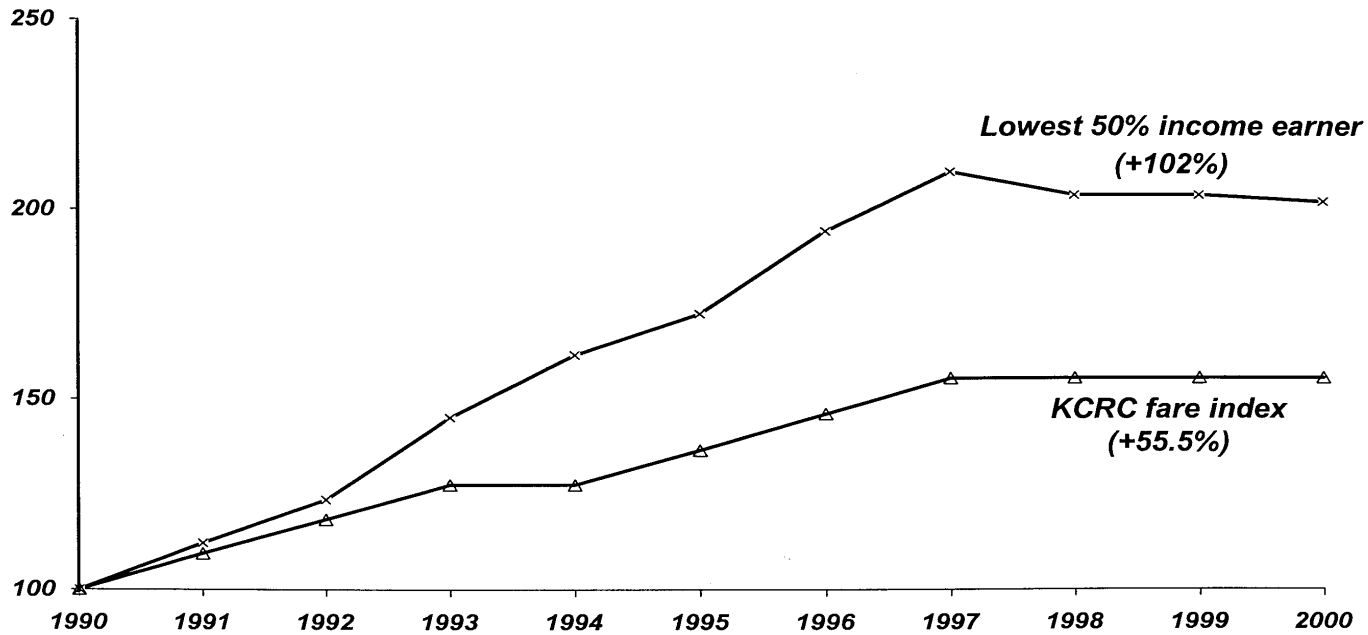
- ***ER Cross Boundary is faster than Bus to urban Shenzhen destinations.***

Fare Comparison between LR and Bus

| | <i>Fare (\$)</i> | | |
|--|------------------|-------------------|----------------------------|
| | <u><i>LR</i></u> | <u><i>Bus</i></u> | <u><i>LR advantage</i></u> |
| <i>Short distance (1 to 12 stops)</i> | 3.4 to 3.9 | 3.5 to 4.2 | 0.1 to 0.3 |
| <i>Medium distance (13 to 18 stops)</i> | 4.0 to 4.9 | 5.0 | 0.1 to 1.0 |
| <i>Long distance (19 stops or above)</i> | 4.8 to 5.8 | N/A | N/A |



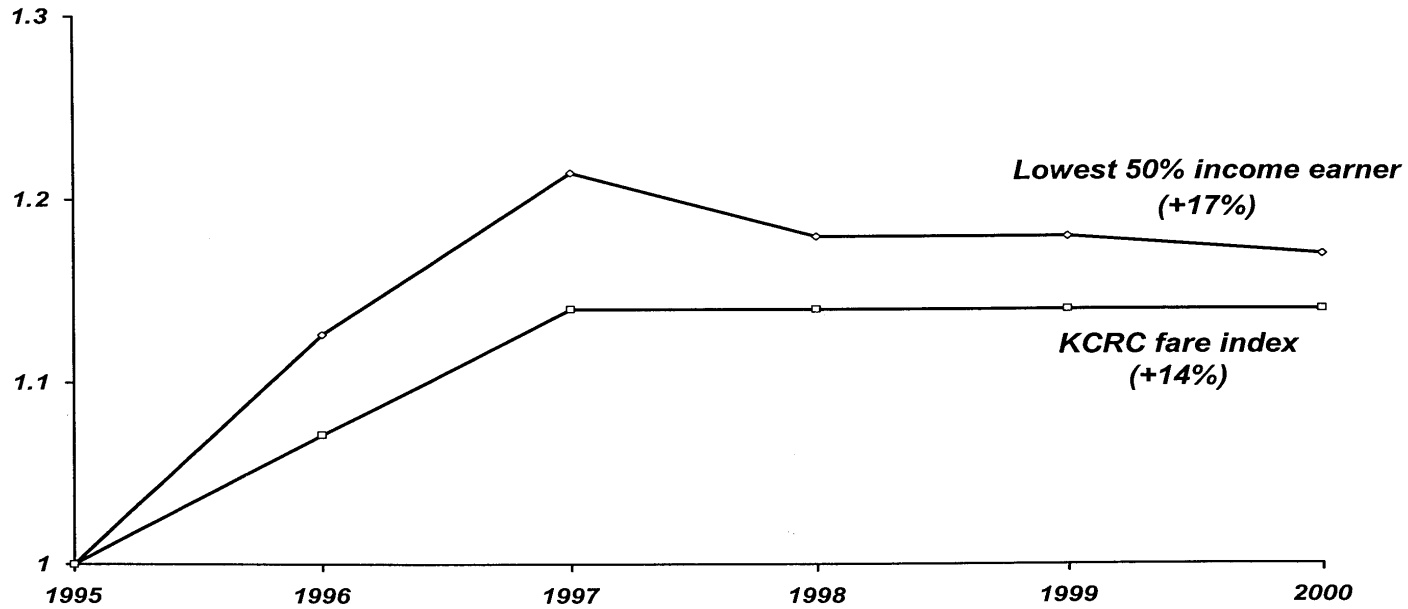
Fare Affordability Trend (last 10 years)



- ***Wage on lowest 50% income earner grew faster than KCRC fares.***



Fare Affordability Trend (last 5 years)



- ***Wage on lowest 50% income earner grew faster than KCRC fares.***

Comparison between Current and Revised Fares: East Rail-Domestic [Octopus]

| <i>From Hung Hom to</i> | <i>Current Fare</i> | <i>Revised Fare</i> | <i>Increase</i> |
|-----------------------------|-------------------------|-------------------------|-----------------|
| <i>Mongkok/Kowloon Tong</i> | 3.2 | 3.3 | 0.1 |
| <i>Tai Wai/Shatin</i> | 5.1 | 5.3 | 0.2 |
| <i>Fo Tan</i> | 6.0 | 6.2 | 0.2 |
| <i>Racecourse</i> | 11.7 | 11.7 | 0.0 |
| <i>University</i> | 6.0 | 6.4 | 0.4 |
| <i>Tai Po/Tai Wo</i> | 7.3 | 7.7 | 0.4 |
| <i>Fanling/Sheung Shui</i> | 8.5 | 8.9 | 0.4 |

***Revised Fares:
East Rail-Domestic [Octopus]***

| <i>Affected Passengers</i> | | |
|----------------------------|----------|---------------------|
| <i>Fare Increase (\$)</i> | <i>%</i> | <i>Cumulative %</i> |
| 0.0 | 0.8 | 0.8 |
| 0.1 | 28.1 | 28.9 |
| 0.2 | 58.1 | 87.0 |
| 0.4 | 13.0 | 100.0 |

- ***87% of passengers will have 0 to 20 cents increase.***
- ***Single ride fares will increase by 50 cents or not at all.***

Comparison between Current and Revised Fares: East Rail-Cross Boundary [Octopus]

| <i>To Lo Wu from</i> | <i>Current Fare</i> | (\$) <i>Revised Fare</i> | <i>Increase</i> |
|-----------------------------|-------------------------|---------------------------------|-----------------|
| <i>Fanling/Sheung Shui</i> | 18.8 | 19.5 | 0.7 |
| <i>Tai Po/Tai Wo</i> | 20.8 | 21.5 | 0.7 |
| <i>University</i> | 21.8 | 22.5 | 0.7 |
| <i>Fo Tan</i> | 22.1 | 22.8 | 0.7 |
| <i>Tai Wai/Shatin</i> | 24.2 | 25.0 | 0.8 |
| <i>Mongkok/Kowloon Tong</i> | 31.3 | 32.1 | 0.8 |
| <i>Hunghom</i> | 31.3 | 32.3 | 1.0 |

***Revised Fares:
East Rail-Cross Boundary [Octopus]***

| <i>Fare Increase (\$)</i> | <i>Affected Passengers</i> | |
|---------------------------|----------------------------|---------------------|
| | <i>%</i> | <i>Cumulative %</i> |
| 0.7 | 40.5 | 40.5 |
| 0.8 | 44.2 | 84.7 |
| 1.0 | 15.3 | 100.0 |

- ***About 85% of passengers will have 70 to 80 cents increase.***

Comparison between Current and Revised Fares: Light Rail [Octopus]

| <i>Octopus Fare (No. of Stops)</i> | <i>Current Fare</i> | <i>Revised Fare</i> | <i>Increase</i> |
|--|-------------------------|-------------------------|-----------------|
| (1-3) | 3.70 | 3.80 | 0.1 |
| (4-6) | 3.80 | 3.90 | 0.1 |
| (7-9) | 3.90 | 4.00 | 0.1 |
| (10-12) | 3.90 | 4.10 | 0.2 |
| (13-15) | 4.40 | 4.50 | 0.1 |
| (16-18) | 4.90 | 5.00 | 0.1 |
| (19-21) | 5.30 | 5.50 | 0.2 |
| (22-26) | 5.80 | 6.10 | 0.3 |

***Revised Fares:
Light Rail [Octopus]***

| <i>Affected Passengers</i> | | |
|----------------------------|----------|---------------------|
| <i>Fare Increase (\$)</i> | <i>%</i> | <i>Cumulative %</i> |
| 0.1 | 82.4 | 82.4 |
| 0.2 | 16.5 | 98.9 |
| 0.3 | 1.1 | 100.0 |

- ***About 99% of Light Rail passengers will have 10 to 20 cents increase.***

Comparison between Current and Revised Fares: Bus [Octopus]

| <i>Routes</i> | <i>Current Fare</i> | <i>Revised Fare</i> | <i>Increase</i> |
|---|-------------------------|-------------------------|-----------------|
| 657 | 3.20 | 3.50 | 0.3 |
| 670 | 3.40 | 3.60 | 0.2 |
| 659 | 3.50 | 3.60 | 0.1 |
| 521/655/656/A52/A59/A70/A71 | 3.70 | 3.90 | 0.2 |
| A74 | 4.00 | 4.20 | 0.2 |
| K1X/K2X (Full Fare) | 6.10 | 6.40 | 0.3 |
| (Sectional Fare) | 4.50 | 4.60 | 0.1 |
| A73 (Full Fare) | 6.50 | 6.70 | 0.2 |
| (Sectional Fare at Fu Hang Tsuen) | 4.60 | 4.60 | 0.0 |
| (Section Fare at Lingnan University) | 5.00 | 5.00 | 0.0 |

Revised Fares: Bus [Octopus]

| <i>Fare Increase (\$)</i> | <i>Affected Passengers</i> | |
|---------------------------|----------------------------|---------------------|
| | <i>%</i> | <i>Cumulative %</i> |
| 0.0 | 4.6 | 4.6 |
| 0.1 | 23.8 | 28.4 |
| 0.2 | 57.1 | 85.5 |
| 0.3 | 14.5 | 100.0 |

- ***No fare increase for some sectional fares***
- ***About 86% of Feeder Bus passengers will have 0 to 20 cents increase.***

2001 KCRC Fare Revision

| <i>KCRC service</i> | <i>Average (\$)</i> | <i>Increase (%)</i> |
|--------------------------|-------------------------|-------------------------|
| <i>ER domestic</i> | 0.22 | 3.8 |
| <i>ER cross boundary</i> | 0.66 | 2.6 |
| <i>ER overall</i> | 0.36 | 2.9 |
| <i>LR</i> | 0.14 | 3.8 |
| <i>Bus</i> | 0.13 | 3.9 |
| <i>KCRC overall</i> | 0.29 | 3.1 |

Conclusion

- *No fare increase for three years 1998-2000.*
- *Loss making passenger services except Cross Boundary.*
- *Profits totally re-invested into service improvements and new projects.*
 - *\$6.4 billion invested in past five years.*
 - *\$3.8 billion to be invested in the next three years.*
 - *\$17.2 billion from accumulated profits to be invested in West Rail & East Rail Extensions.*
 - *Need to borrow \$18.6 billion to finance these two projects.*

Conclusion

- *Octopus fares will be increased by no more than 20 cents or not at all for*
 - *86% of Bus passengers*
 - *87% of ER domestic passengers*
 - *99% of LR passengers*
- *For 85% of ER cross boundary passengers, Octopus fares will be increased by 70 to 80 cents.*
- *Overall increase of 3.1% or 29 cents is moderate.*
- *KCR train services are cheaper than other modes of transport, even after fare increase.*