

Legislative Council Panel on Transport

2001 MTR Fare Proposals

Introduction

This paper presents background information relating to the MTR fare review for 2001 and seeks Members' comments on its fare proposals.

Background

2. In accordance with Section 8.1 of the Operating Agreement between MTR and the SAR Government dated 30 June 2000, prior to changing the level of any fare, the Corporation is required to: -

- a. Consider the level of public acceptance of any proposed change, based on passenger surveys;
- b. Consult the Transport Advisory Committee;
- c. Consult the Panel on Transport of the Legislative Council;
- d. After consultation, through its Board of Directors, resolve to approve the proposed fare change;
- e. Formally notify both the Transport Advisory Committee and the Panel on Transport of the Legislative Council; and
- f. Make a public announcement of the new fare within a reasonable period prior to implementation.

3. This paper forms part of the consultation process set out in the agreement and gives the results of the passenger surveys undertaken.

Railway Performance

4. The operating performance of the MTR for 2000 surpassed both the requirements under the Operating Agreement and the Customer Service Targets. MTR's service continues to be perceived by the public to be the best amongst all modes of public transport in Hong Kong (Annex 1) and one of the best in terms of value for money (Annex 2). International benchmarking studies continue to confirm that the Corporation's performance standards are amongst the best in the world.

5. At the same time as this performance has been achieved, the Corporation has also successfully avoided having to raise fares since 1997. Wages of staff were frozen in 1999 and the number of staff has been reduced by over 15% since 1998 mainly through a voluntary separation scheme. Very tight control has been exercised on all other operating costs and will continue in coming years.

6. The Corporation has introduced new sources of income with the creation of new advertising media and business activities within the MTR system, and the continued development of the Octopus card business, all of which help to reduce the need to increase fares. The increase in advertising revenue and non fare revenue amounted to 20% for 2000 over 1999. The Corporation will continue to seek commercial opportunities to enhance the lifestyle of Hong Kong people and develop additional business.

Service Improvement Projects

7. Since the last fare increase in 1997, the Corporation has already spent \$12 billion on upgrading and maintaining the MTR system and assets including the following projects :

- a. Modernization of trains
- b. Replacement of signalling system
- c. Station CCTV system
- d. Station public address system
- e. Station improvements at Wan Chai and Kwun Tong
- f. Passenger Information Display System

8. The Corporation will invest another \$12 billion over the next ten years on capital improvement projects including: -

- a. Station entrance improvement programme
- b. Station facilities improvements
- c. Station management system
- d. Replacement of station environmental control system
- e. Provision of lifts for disabled and elderly
- f. Escalator refurbishment
- g. Signalling & telecommunication systems upgrade
- h. Station improvements at Kowloon Tong, Mong Kok and Tsim Sha Tsui

9. The Quarry Bay relief works costing \$3.1 billion will be completed in late 2001, when cross platform interchanges between the Kwun Tong Line and the Island Line will be available to further enhance convenience for passengers.

10. This expenditure does not include the Platform Screen Door Project costing \$2 billion for which a contribution of 10 cents per trip is being collected from Octopus passengers to cover part of the cost.

11. The Corporation will continue to provide a quality service to its customers by increasing train services in both peak and off peak hours, completing the train modernization programme, and maintaining high standards of safety and reliability.

12. Construction of the Tseung Kwan O Extension is proceeding smoothly on schedule for completion in late 2002. The Corporation is also actively planning for new railway extensions identified in the Railway Development Strategy 2000.

Financial Position

13. Including proceeds from property developments, the profits of the Corporation in 2000 represented a return of only 8% on its shareholder funds which compares less favourably with the returns for many utility companies of 13% to 15%.

14. Moreover, the Corporation undertook to the Legislative Council Members during the debate on the privatization of the Corporation to retain the methodology for wage reviews by benchmarking with other companies. As a result it is likely that there will be strong pressure for wage increases in July of this year.

15. At present, the Corporation is carrying a total debt of approximately \$28 billion and its annual interest cost amounts to some \$2 billion. The Company's credit ratings are dependent on the Company preserving its interest service and debt repayment capabilities.

16. In order to sustain the commercial viability of the business, prevent further erosion of the return on assets, maintain excellent service delivery and continue service improvements, the Corporation must review its fares.

Affordability

17. Since 1995, MTR fares have increased by 16% while the nominal payroll rise has been 29% over the same period.

Overseas Metro Fare Comparison

18. MTR fares compare favourably with the overseas metro systems despite the fact that most of them receive subsidies from their governments (Annex 3).

Customer Feedback

19. As for previous years, the City University on behalf of the Corporation conducted a special survey in February 2001 to assess public opinion towards MTR fares. 42% of respondents accepted a 2% fare increase tested. The acceptance rate dropped to 19% for a 5% fare increase. On the other hand, due to the understanding of the coin changing problems, nearly 70% of single journey ticket users accepted that the minimum increase for single journey fares would need to be 50 cents.

Proposals for 2001

20. The Corporation is considering a modest 2.0%-2.5% overall fare increase effective from 1 September 2001.

21. 90% of the MTR passengers are using Octopus. A preliminary assessment of the above proposal shows that over 80% of Octopus users will only have to pay an extra 10 cents. Around 15% of Octopus users will have a 20 cents increase while less than 5% have a maximum of 30 cents increase. There will be a 50 cents increase for all single journey fares.

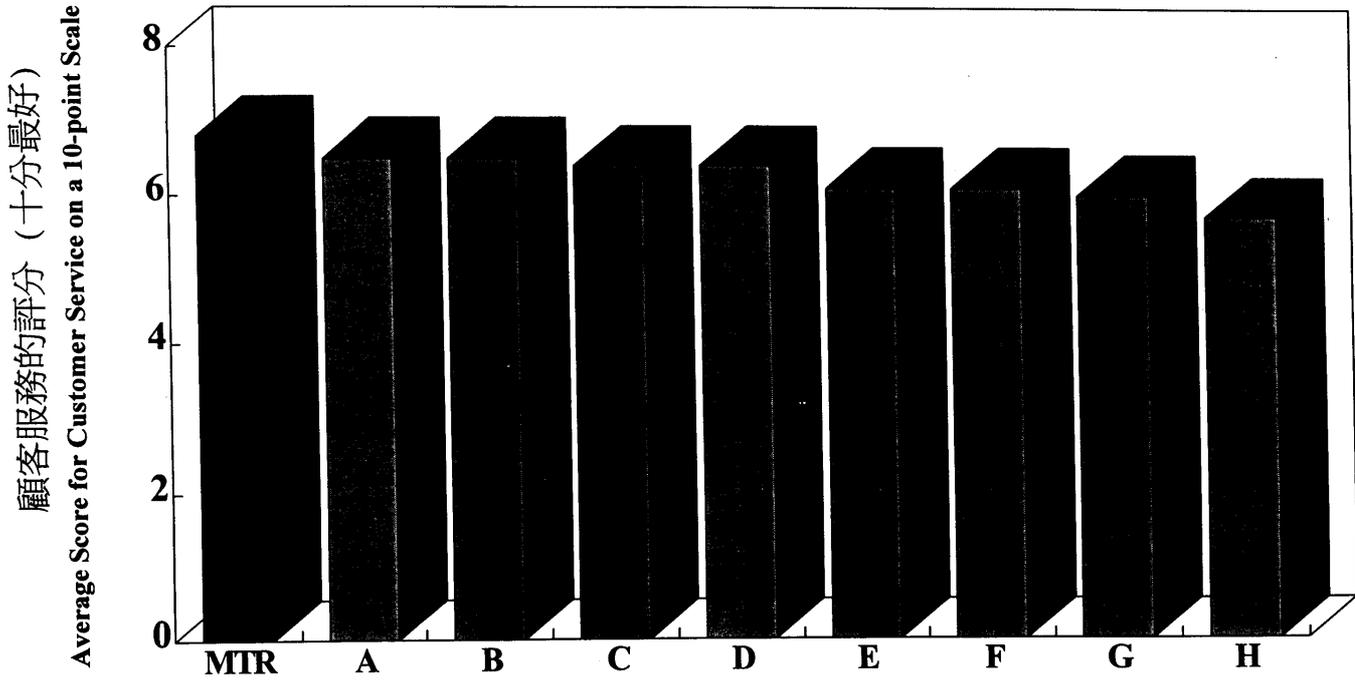
22. The existing half fare concessions for children, students and senior citizens will remain unchanged.

MTR Corporation
18 June 2001

公眾對於各公共交通顧客服務的評分

附件一
Annex 1

Public Attitude Towards Customer Service

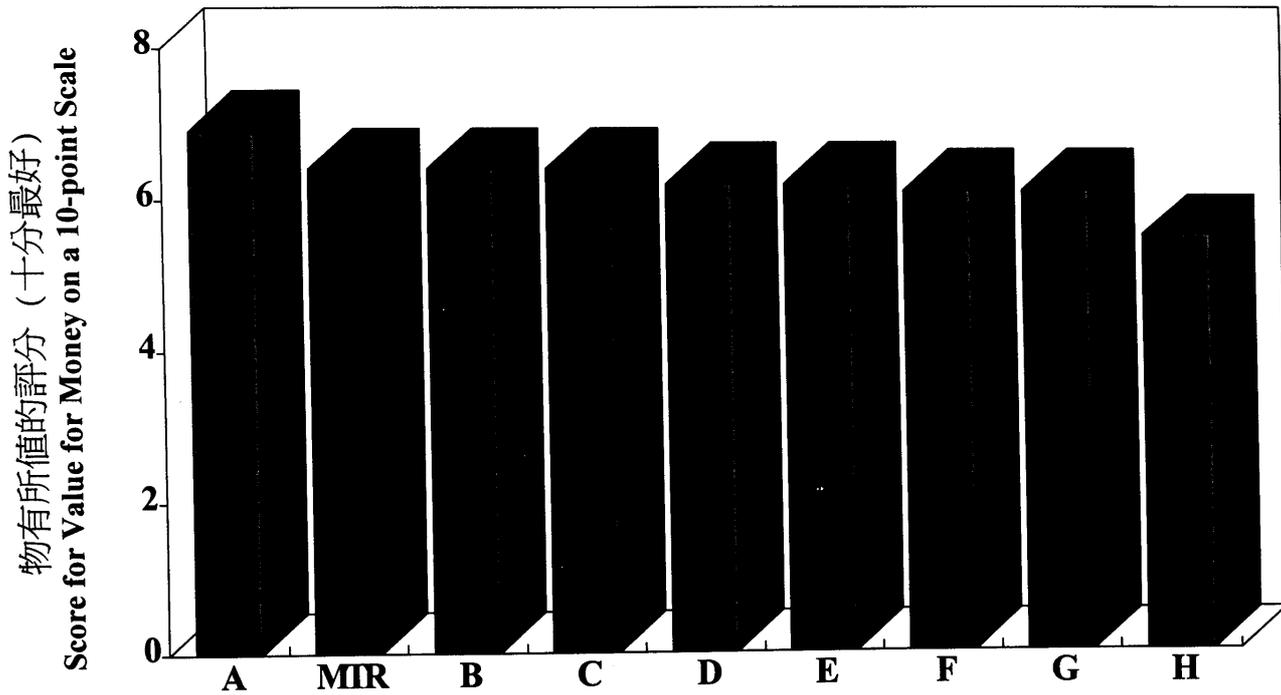


Source : HK Telebus Survey - Dec 00 資料來源：二零零零年十二月份電話訪問

公眾對於各公共交通物有所值的評價

Public Attitude Towards Value for Money

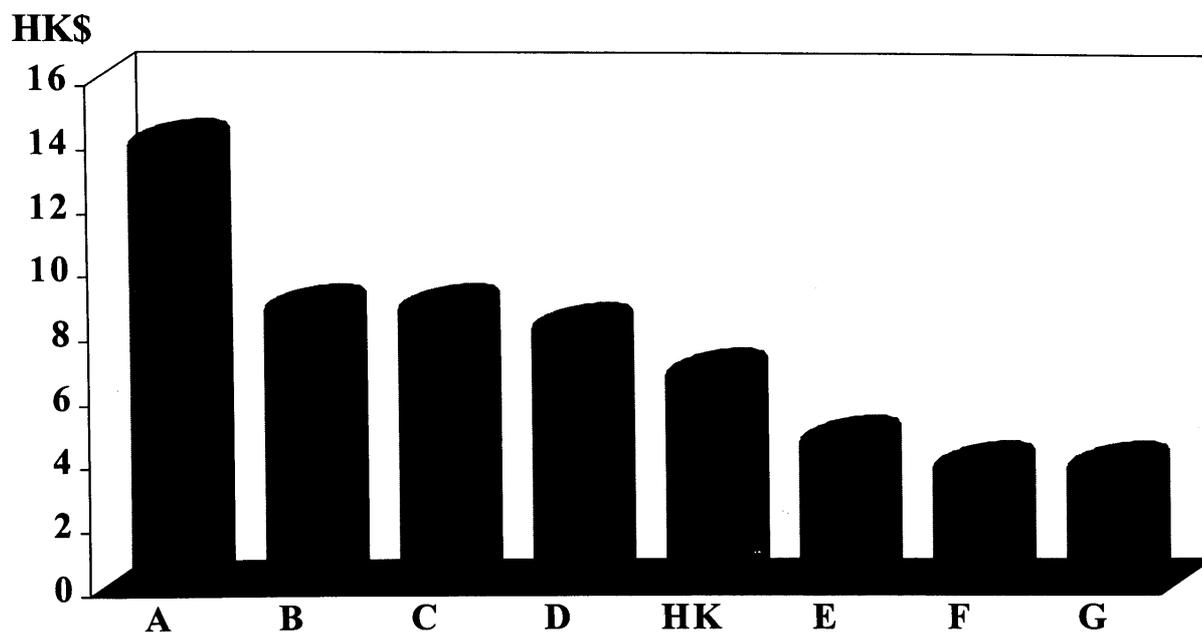
附件二
Annex 2



Source : HK Telebus Survey - Dec 00 資料來源：二零零零年十二月份電話訪問

與各城市鐵路平均車費比較

Average Fare Comparison with Overseas Metros



The comparison covers Hong Kong, London, Berlin, Paris (2 metros), New York, Sao Paulo, Tokyo. Most of them receive subsidy from their Governments.

與香港地鐵比較的系統包括倫敦、柏林、巴黎(兩鐵路)、紐約、聖保羅和東京地區。大部份海外系統均有政府津貼。