

**Legislative Council Panel on Transport
Supplementary Information Note**

Operation and Financial Position of Light Rail

Introduction

At the meeting of the Panel on 22 June 2001, Members raised questions about the financial situation and operation of Light Rail. This paper provides a detailed analysis for Members' information.

Operation

2. Since its commissioning in September 1988, Light Rail has carried more than 1.8 billion passengers. Its patronage has increased from a daily average of 151,000 in 1988 to 319,000 in 2001, that is, a growth of 111% or an average annual growth of 5.9%.

3. Light Rail is an environmentally friendly carrier as well as a major mode of internal public transport service in the North West Transit Service Area (TSA). The majority (about 66%) of public transport passengers take Light Rail to commute between different locations in the TSA.

4. The Light Rail system has been expanded five times in the past 13 years to become the current extensive system with eight routes serving Tuen Mun, Yuen Long and Tin Shui Wai areas and 57 stops. In addition it is continuously improving its service in response to the population growth in North West New Territories and keen competition from other transport modes. Major improvements include :-

- (a) the network length has been expanded from 23 km in 1988 to currently 31.75 km, and will be further extended by 4.4 km when the Tin Shui Wai Extensions are completed in 2003;
- (b) expansion of the Light Rail fleet from 70 vehicles in 1988 to 119 today;

- (c) the Light Rail bus fleet has been expanded from 64 in 1988 to 91 at present; and
- (d) the completion of the platform improvement projects in 2000, in which 29 platforms were widened or lengthened, and 83 platform shelters were widened.

Financial Position

5. A table showing the patronage, fare revenue, operating costs, and operating results of Light Rail is at **Annex**.

6. The average daily patronage dropped from 346,000 in 1997 to 314,000 in 1998 and 1999¹. This was largely due to the economic downturn in Hong Kong, slower-than-expected population intake in the North West New Territories, changes in the travelling pattern of North West New Territories residents (such as most new residents tend to travel to areas outside North West New Territories rather than inside), and competition from other modes of transport. The average daily patronage was 319,000 in 2001.

7. The fare revenue showed a steady increase over the years whereas the operating costs increased only slightly. Thus the operating deficit was reduced substantially by 40% from \$193 million in 1996 to \$116 million in 2000.

8. The Kowloon-Canton Railway Corporation (KCRC) has adopted the following measures to control the operating costs of Light Rail :-

- (a) setting of annual operating budget/expenditure estimates for planning and controlling expenditure;
- (b) close monitoring and control of expenditures throughout the year; and
- (c) following a set of comprehensive procurement and tendering procedures to ensure fairness and competitiveness.

¹ Prior to the introduction of Octopus card in September 1997, Light Rail patronage was based on estimates made of the frequency of travel of passengers holding monthly and season passes, in addition to sales of single ride tickets. From September 1997, accurate patronage statistics are available because passengers either use single ride tickets or the Octopus card.

9. To increase the patronage of Light Rail, KCRC regularly offers promotional schemes and other incentives to attract passengers, including:-

- (a) a frequent user bonus scheme offered to personalised Octopus card holders. Under this scheme, a passenger can enjoy a discount off the normal Octopus fare, ranging from 10% to 28%;
- (b) various promotional programmes targeting at different market segments (such as students and housewives) and during different seasons (such as summer, back-to-school, Christmas, etc.); and
- (c) joint ridership promotions with major sponsors.

Recently KCRC also enhanced the bonus scheme for Light Rail passengers for a period of six months up to 30 June 2002 so as to reduce the cost to regular users and promote ridership. The bonus for adult personalized Octopus cardholders has been increased from \$3.0 to \$3.2 while the bonus for children and senior citizens has been increased from \$1.5 to \$1.6.

10. Through KCRC's continuous efforts to enhance operating efficiency and productivity, the financial situation of Light Rail has improved during the past five years.

Future Development of Light Rail

11. Since the population of North West New Territories is forecast to grow from about 900 000 in 2001 to one million in 2004, the traffic demand of the area is expected to increase substantially. With the opening of West Rail in end 2003, the transport pattern of residents in North West New Territories will also change. Light Rail will be transformed to become the major feeder service for West Rail. In addition, Light Rail will maintain its function as an important intra-town transport service provider in the area.

12. To cope with these changes, KCRC has embarked on HK\$2.3 billion-worth projects of improving and expanding Light Rail :-

- (a) two new extensions in Tin Shui Wai;
- (b) upgrading or modifying four Light Rail stops to become interchange stations with West Rail;
- (c) installation of a new signalling system for the two new extensions; and
- (d) grade separation of busy Light Rail/road junctions in Tsing Lun Road and Pui To Road.

KCRC will also restructure the current Light Rail services in order to cope with patronage growth and new travelling patterns after the opening of West Rail in 2003. By integrating the operations of Light Rail with West Rail, KCRC will ensure that services of the two systems will be provided in the most efficient and effective manner possible.

13. Whilst the major role of Light Rail is expected to change in the future, it will continue to be an efficient and environmentally friendly passenger carrier. KCRC will continue to take measures to ensure that it would provide a safe and reliable service to meet the increasing traffic demand of passengers in the area.

Transport Bureau
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Annex

| Year | Total Number of Passengers (million) | Daily Average Patronage (000) | Market Share in the TSA (%) | Fare Revenue⁽¹⁾ (\$million) | Operating Costs⁽²⁾ (\$million) | Operating Results⁽³⁾ (\$million) |
|-------------|---------------------------------------------|--------------------------------------|------------------------------------|-----------------------------------------------|--------------------------------------------------|----------------------------------------------------|
| 1996 | 125 | 342 | 70.1 | 372 | 437 | (193) |
| 1997 | 126 | 346 | 68.4 | 391 | 445 | (165) |
| 1998 | 114 | 314 | 67.0 | 408 | 452 | (143) |
| 1999 | 115 | 314 | 67.3 | 410 | 460 | (159) |
| 2000 | 118 | 323 | 67.6 | 424 | 457 | (116) |
| 2001 | 117 | 319 | 65.8 | <i>not available</i> | | |

Remarks :

1. Fare Revenue - Revenue excluded Other Revenue
2. Operating Costs - Operating costs before internal-divisional charges & depreciation
3. Operating Results - Operating results after depreciation