

**Legislative Council Motion Debate on
“Alleviating the burden of travelling expenses”
on 17 December 2008
Progress Report**

Purpose

This paper informs Members of the follow-up actions taken by the Administration since the passing of the captioned motion at the Legislative Council meeting on 17 December 2008.

Public Transport Fare Concessions

2. The Government has all along been encouraging public transport operators to introduce fare reduction or concession as far as possible to help reduce passengers' travelling expenses, taking into account the operators' respective operating and financial conditions, overall economic environment and passenger needs. Currently, major public transport operators are offering various kinds of fare concession, including elderly fare concessions, children fare concessions, interchange schemes, fare concessions for the elderly on Sundays and public holidays, monthly passes, and Octopus bonus schemes.

3. As for the senior citizens, they can take the MTR on Wednesdays and public holidays for a concessionary fare of \$2 per ride. This is a fare concession MTR Corporation Limited (MTRCL) provides to the senior citizens in addition to its half-fare concession. Moreover, the bus companies have extended their elderly fare concession schemes on public holidays for an additional year up to 31 January 2010. We welcome the decisions of MTRCL and the franchised bus companies to continue to offer fare concessions to the elderly in response to the Government's encouragement and the community needs.

4. The Administration's public transport policy is to ensure that public transport operators maintain efficient and proper public transport services for the community and at the same time regulate fares of major public transport services under well-established mechanisms to ensure that the fare levels are reasonable.

5. In line with the spirit of free enterprise, the provision of fare concessions, including the detailed arrangements, is the commercial decision of individual public transport operators. We hope that the operators can keep

their fares at reasonable levels while maintaining their operational and financial capabilities to provide efficient and proper public transport services. If the Government requires the public transport operators to provide specific types of fare concession for specific groups of passenger, the financial impact on the operators will eventually be reflected in the basic fares.

6. The Government will continue to encourage public transport operators to provide fare concessions taking into account their respective operating and financial conditions, overall economic environment and customer needs. We will also continue to reflect to public transport operators the demands of the public on fare concessions, so that they could understand and consider the public's expectations when making decisions.

7. In respect of fare concessions of franchised bus companies and MTRCL, the issue has been discussed at a special meeting of the Legislative Council Panel on Transport on 8 January 2009.

Issues Relating to Fare Adjustment of MTR

8. In the context of rail merger, MTRCL promised not to increase its fares on or before 30 June 2009. After 30 June 2009, MTRCL is required to ensure any fare adjustment will be based on the objective data under the fare adjustment mechanism (FAM) established upon rail merger. Fares can be adjusted upwards or downwards. As regards the offer of individual fare concessions, it is a commercial decision of MTRCL. MTRCL will review these fare concessions from time to time in the light of the market situation.

9. We have in place an objective and highly transparent mechanism governing fare adjustments. The grant of property development rights to MTRCL aims at bridging the funding gap of new railway projects which, otherwise, are not financially viable. By doing so, the railway corporation can construct the rail line required to serve the public while keeping the fares at a reasonable level without government subsidies. In various railway projects implemented under the rail-and-property model, the railway corporations took into consideration the revenue generated from property development in setting the fares of new rail lines. It is therefore unreasonable to double count such revenue by taking them into account in fare adjustment.

10. As for monthly pass schemes, MTRCL undertook, in the context of rail merger, to extend its West Rail Line Monthly Pass and East Rail Line Monthly Pass concessionary schemes to late June 2009. These are fare concessions MTRCL provides aside from the FAM. They are offered to tie in with the

opening of the West Rail Line and Ma On Shan Line to increase patronage. The Government will continue to encourage public transport operators, including the railway corporation, to provide fare concessions taking into account their respective operational considerations, so as to reduce the public transport expenses of the public.

Outlying Island Ferry Fares

11. The Government has been implementing various measures to help reduce the operating costs of outlying island ferry services. They include taking over pier maintenance responsibility, waiving fuel duty, reimbursing pier rentals and exempting vessel licence fees for ferry services under the Elderly Concessionary Fares Scheme, having obtained the Town Planning Board's approval to allow ferry operators to sublet premises at piers for commercial and retail activities and streamlining the subletting approval procedures, in order that the operators could generate non-fare box revenue for cross-subsidizing the ferry operation and this in turn helps alleviate pressure for fare increase.

12. The Government has implemented measures to help alleviate the pressure on the ferry operation of the four outlying island ferry routes connecting Central with Mui Wo, Peng Chau, Yung Shue Wan and Sok Kwu Wan respectively so as to maintain fare stability as far as possible. In the three-year operating period of the new licences of these four routes starting from 1 July 2008, the Government is waiving their vessel-related fees, reducing or waiving their pier cleansing, water and electricity expenses; and providing more assistance to the operators on a reimbursement basis on top of the waiving of pier rentals and vessel licence fees under the current Elderly Concessionary Fares Scheme.

13. Furthermore, the Government is retrofitting Central Piers No. 4 and 6 with fire prevention facilities so that ferry operators can sublet pier premises for more diversified commercial and retail activities. In the third quarter of 2008, the Government launched a one-off \$2 million scheme of providing free ferry tickets to encourage schools, non-governmental organisations as well as community and district groups to organise activities to Peng Chau, Mui Wo and Lamma Island. This scheme should have a positive impact on tourism development of outlying islands on the one hand and help increase the patronage of these outlying island ferry routes on the other. The scheme was completed satisfactorily in January 2009.

14. The Government is also planning for the construction of an additional floor at Central Piers No. 4 to 6. Ferry operators can use that floor for commercial or retail activities to generate more non-fare box revenue for cross-subsidising the ferry operation. This will enhance the long-term financial viability of the outlying island ferry services.

15. Currently, most ferry services offer fare concession to children. The Government also provides financial assistance to needy students by subsidising their home-school travel expenses including ferry fares under the Student Travel Subsidy Scheme.

16. We have undertaken to review the long-term development of outlying island ferry services with a view enhancing their financial viability and maintaining their fare stability in the long run.

Transport Support Scheme

17. Ever since the launch of the relaxation measures to the Transport Support Scheme (TSS) in July 2008, the response was overwhelming. Notwithstanding the launching of the relaxation measures, the Administration understands that the community is concerned about further improvement measures of TSS. The Labour Department will continue to monitor closely the implementation of the relaxed TSS and gauge the views and opinions of different quarters of the community. As indicated when the relaxations were announced, we shall, if necessary, conduct a review of the implementation of the relaxed TSS at least one year after its commencement, when detailed work statistics should be available for a comprehensive evaluation of the outcome and effectiveness of TSS.

Transport and Housing Bureau
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