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運輸及房屋局
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Our Ref. CR 23/986/00

Your Ref.

13 May 2009

Ms. Joanne Mak
Clerk to Panel
Panel on Transport
Legislative Council Secretariat
8 Jackson Road
Central
Hong Kong
(Fax: 2121 0420)

Dear Ms. Mak,

**Panel on Transport
Follow-up action**

Thank you for your letter of 27 April 2009.

The Legislative Council Panel on Transport (the Panel) discussed the MTR Corporation Limited (MTRCL) fare issue in 2009 at its meeting on 8 January 2009. A further paper submitted by MTRCL on this issue and its monthly pass promotional schemes is at Annex I.

In addition, the Panel also passed a motion on fare concessions of public transport services at the aforementioned meeting. We would like to provide the requested supplementary information as attached at Annex II.

Yours sincerely,

(Mrs Susanne Wong)
for Secretary for Transport and Housing

c.c.
MTRCL

(Attn: Ms. Ida Leung) Fax: 2795 9991

Financial Services and the
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Legislative Council Panel on Transport

MTR Fares in 2009 and the monthly pass promotion

Introduction

This paper notifies Members of the calculation and outcome of the fare adjustment mechanism for 2009 and provides information on the monthly pass promotion.

MTR Fares in 2009

2. Upon the rail merger, adjustment to fares of the MTR Corporation Limited (“The Corporation”) is determined based on an objective and transparent Fare Adjustment Mechanism (“FAM”). According to the calculations under the FAM using the latest figures provided by the Census and Statistics Department, there will be no adjustment to MTR fares in 2009.

3. The FAM adopts a direct-drive approach where the overall rate for adjusting MTR fares is linked to the year-on-year percentage change in the Composite Consumer Price Index (“CCPI”) for December of the preceding year, the year-on-year percentage change in the Nominal Wage Index (Transport Services) for December of the preceding year as published by the Census and Statistics Department and a pre-determined productivity factor¹. The FAM has a triggering mechanism. If the outcome of the calculations under FAM is smaller than $\pm 1.5\%$, there will be no adjustment in fares for the relevant year and the calculated overall fare adjustment rate will be carried forward to be incorporated into the following year’s adjustment rate.

4. The Census and Statistics Department announced on 22 January 2009 that the year-on-year percentage change in the Composite Consumer Price Index for December 2008 over that for December 2007 is +2.1%. On 15 April 2009, the Census and Statistics Department announced the revised Nominal Wage Index (Transport Services) for December 2008, with the year-on-year percentage change for December

¹ Overall fare adjustment rate = (0.5 x year-on-year change rate in CCPI) + (0.5 x year-on-year change rate in Nominal Wage Index (Transport Services)) – Productivity Factor (0 before 2013; and 0.1%, with effect from 2013).

2008 over that for December in 2007 as -0.7%. The calculated overall fare adjustment rate is +0.7%² which is smaller than $\pm 1.5\%$. Therefore, no change will be made to MTR fares in 2009. The +0.7% adjustment rate will be carried forward to the following year for implementation. The Corporation has provided to the Government the independent third party certificate required under the Operating Agreement to certify compliance with the Fare Adjustment Mechanism.

Monthly Pass Promotion

5. East Rail Line Monthly Pass and West Rail Line Monthly Pass are promotion measures introduced by pre-merger Kowloon Canton Railway Corporation to tie in with the opening of the West Rail and the Ma On Shan lines, so as to encourage passengers to use the new rail lines. Upon the rail merger on 2 December 2007, the Corporation extended the expiry of the monthly pass promotions to 30 June 2009. The Corporation is reviewing the promotions, with a view to announcing the results of the review and the decision on whether to extend the promotion in around late May or early June this year.

MTR Corporation
May 2009

2 The outcome of the FAM in 2009 is as follows:

$$\begin{aligned} & 0.5 \times (+2.1\%) \text{ (year-on-year change between the Composite Consumer Price Index (CCPI) for} \\ & \text{December 2007 and CCPI for December 2008)} + 0.5 \times (-0.7\%) \text{ (year-on-year change between the} \\ & \text{Wage Index for the transport services sector (WI) for December 2007 and WI for December 2008)} \\ & \quad - \text{ productivity factor (0)} \\ & = (+1.05\%) + (-0.35\%) - (0) \\ & = +0.7\% \end{aligned}$$

Legislative Council Panel on Transport
Issues discussed at the meeting on 8 January 2009
Supplementary information provided by the Government

The Government has all along been encouraging public transport operators to introduce fare concessions as far as possible to help reduce passengers' travel expenses, taking into account the operators' respective operating conditions and the overall economic environment. Currently, major public transport operators are offering various kinds of fare concessions, including elderly fare concessions, children fare concessions, interchange schemes, monthly passes, and Octopus bonus schemes. In accordance with the spirit of free enterprise, the provision of individual fare concessions and its detailed arrangements are the commercial decisions of individual public transport operators.

2. For fare concessions of franchised buses, at present there is an arrangement whereby 50% of any return achieved by a bus operator over the reasonable rate of return (9.7% rate of return on average net fixed asset) would go to the Passenger Reward Balance for the purpose of providing fare concessions and relieving pressure for future fare increase.

3. For MTR fare concessions, MTRCL has been providing up to a half-fare concession to the elderly aged over 65. Over the past years, MTRCL has been giving support to the annual "Senior Citizens Day", offering free rides to the elderly on that day. The concessionary flat fare of \$2 per journey fare to ride on the MTR on all Wednesdays and all public holidays is a fare concession MTRCL provides to senior citizens in addition to its half-fare concession.

4. To attract more ferry passengers to use MTR after ferry trips to travel to their destinations, MTRCL installed fare savers for Sok Kwu Wan, Yung Shue Wan, Peng Chau and Mui Wo routes to offer a \$1.5 interchange discount per trip for a period of six months starting from 14 July 2008. The promotion ended on 13 January 2009 as scheduled.

5. As regards the information requested by Members relating to the dividends received by the Government each year as a MTRCL shareholder, we have followed up with the Financial Services and the Treasury Bureau (FSTB). According to the information provided by FSTB, those dividends shall form part of the General Revenue in accordance with section 3 of the Public Finance Ordinance, and hence should be credited to the General Revenue. The cash dividends received by the Government as a MTRCL shareholder during the past five years are set out in the table below:

Year	Cash dividend received (\$ million)
2004	740.6
2005	788.9
2006	721.0
2007	837.4
2008	251.4 ^{note}

Note: This amount has only included the 2008 interim dividend distributed so far.

Transport and Housing Bureau

May 2009