

**立法會**  
**Legislative Council**

LC Paper No. CB(1)340/11-12  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/TP/1

**Panel on Transport**

**Minutes of special meeting held on  
Monday, 16 May 2011, at 8:30 am  
in the Chamber of the Legislative Council Building**

**Members present** : Hon Andrew CHENG Kar-foo (Chairman)  
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP  
Hon LAU Kong-wah, JP  
Hon Miriam LAU Kin-yee, GBS, JP  
Hon LI Fung-ying, SBS, JP  
Hon Tommy CHEUNG Yu-yan, SBS, JP  
Hon WONG Kwok-hing, MH  
Hon Jeffrey LAM Kin-fung, SBS, JP  
Hon Ronny TONG Ka-wah, SC  
Hon KAM Nai-wai, MH  
Hon CHAN Hak-kan  
Hon WONG Sing-chi  
Hon IP Wai-ming, MH  
Hon Tanya CHAN

**Member attending** : Dr Hon Priscilla LEUNG Mei-fun

**Members absent** : Hon CHEUNG Hok-ming, GBS, JP (Deputy Chairman)  
Hon Abraham SHEK Lai-him, SBS, JP  
Hon Mrs Regina IP LAU Suk-yee, GBS, JP  
Hon LEUNG Kwok-hung  
Hon Albert CHAN Wai-yip

**Public officers  
attending**

**: Agenda item I**

Mr YAU Shing-mu, JP  
Under Secretary for Transport and Housing

Ms Pun Ting-ting, Rebecca  
Deputy Secretary for Transport and Housing  
(Transport) 2

Mrs CHU POON Kit-man, Hedy  
Principal Assistant Secretary for Transport and Housing  
(Transport) 4

Miss LUI Ying  
Assistant Commissioner/Bus & Railway  
Transport Department

Mr WU Yu-man, Charles  
Principal Transport Officer / Bus & Railway (Acting)

**Attendance by  
invitation**

**: Agenda item I**

MTR Corporation Limited

Ms Jeny YEUNG  
General Manager - Marketing and Station Commercial

Ms May WONG  
Deputy General Manager – Corporate Relations

Mr Eddie SO  
Senior Manager – Fare and Business Planning

譴責支持兩鐵合併議員關注組

Mr CHIN Wai-lok  
Chairman

Hong Kong Catholic Commission for Labour Affairs

Miss LAW Pui-shan  
Policy Research Officer

The Federation of Hong Kong & Kowloon Labour Unions

Miss TAM Kam-lin  
Community Organizer, Regional Affairs Committee

Democratic Alliance for the Betterment and Progress of Hong Kong

Mr CHAN Hok-fung  
Deputy Spokesperson of Transport

Individual

Mr Martin OEI  
Political Commentator

Individual

Mr CHAN Chung-yau

Kwai Chung Estate Basic Right Concern Group

Mr LEUNG Man-wai  
Representative of the Concern Group

Kwai Chung Estate Transportation Concern Group

Miss Vincci WONG  
Representative of the Concern Group

On Yam Estate Labour Right Concern Group

Mr LAI Chi-po  
Representative of the Concern Group

Kwai Chung Estate Labour Right Concern Group

Mr LEUNG Kam-wai  
Representative of the Concern Group

Individual

Mr WONG Yun-tat  
Kwai Tsing District Council Member

Catholic Diocese of HK Diocesan Pastoral Centre for  
Workers (Kowloon)

Mr HO Tin-lok  
Programmer Officer

Individual

Ms Christine FONG Kwok-shan  
Sai Kung District Councillor

新蒲崗工友小組聯席

Ms LEE Ka-fung  
Vice - Chairman

Individual

Mr MAK Ip-sing  
Yuen Long District Councillor

Hong Kong Hopeless

Mr YEUNG Ke-cheong  
Hong Kong Hopeless Convenor

North District Employment Concern Group

Ms KWOK Yuen-yee  
Group Member

Diocesan Pastoral Centre for Workers (NT)

Mr Augustine YU Siu-po  
Program Officer

Individual

Mr AU Wai-kong

港鐵霸權苦主

Mr YAU Leong-ming

天北男士就業關注組

Mr WONG Siu-Yin  
Representative

天水圍公共運輸事業監察小組

Mr KONG Kin-shing  
Representative

Community Development Alliance

Mr CHAN Yu-cheung  
Project Worker

天水圍北交通關注組

Ms TAM Yuen-fun  
Representative

League of Social Democrats

Mr WONG Ho-ming  
Executive Member

樂華耆康社

Mr Henry YEUNG  
地區幹事

Civic Party

Mr Sunny CHAN  
Member of Civic Party

Young Civics

Mr Justin CHIN  
Member of Young Civics

**Clerk in attendance:** Ms Joanne MAK  
Chief Council Secretary (1)2

**Staff in attendance :** Ms Sarah YUEN  
Senior Council Secretary (1)2

Ms Emily LIU  
Legislative Assistant (1)2

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Action

- I     Adjustment to MTR fares in 2011 and the Fare Adjustment Mechanism of MTR Corporation Limited**
- |                               |  |
|-------------------------------|--|
| (LC Paper No. 1836 /10-11(04) | CB(1) - Administration's paper on adjustment to MTR fares in 2011  |
| LC Paper No. 1836 /10-11(05)  | CB(1) - Paper on adjustment to MTR fares in 2011 provided by MTR Corporation Limited   |
| LC Paper No. CB(1)1841 /10-11 | - Paper on adjustment to MTR fares and request for review of the MTR Corporation Limited's Fare Adjustment Mechanism prepared by the Legislative Council Secretariat (Background brief)) |

Meeting with deputations/ the Administration

*Hong Kong Catholic Commission for Labour Affairs*

Miss LAW Pui-shan pointed out that the working class was already struggling to make ends meet because of the recent series of public transport fare increases, which had enhanced the inflation rate and offset the effect of the minimum wage requirement. It was therefore undesirable that MTR Corporation Limited (MTRCL) was seeking to increase its fares despite

making huge profits amounting up to \$12 billion in 2010, with its cumulative net profit amounting to \$77 billion. It was also questionable why MTRCL's Fare Adjustment Mechanism (the FAM) should allow MTRCL to increase its fares under an inflationary environment regardless of public affordability. Highlighting the travelling public's heavy reliance on MTR service, Miss LAW pointed out that MTRCL should not only look at the interests of its shareholders but not public interests. As the majority shareholder of MTRCL, Government should also restrain MTRCL from repeatedly increasing its fares, as it did when handling fare increase applications from The Kowloon Motor Bus Company (1933) Limited. She further pointed out the FAM was unreasonable by highlighting the following points –

- (a) The Composite Consumer Price Index (CCPI) used in the FAM formula could not reflect changes in the incomes of the public and public affordability but only inflation, deflation and changes in the prices of goods and services. As such, if the wages of the public did not increase but prices had, their quality of life and purchasing power would decrease. To rectify the above situation, changes in the general public's actual wages should be reflected in the FAM; and
- (b) It was too conservative to set the productivity factor in the FAM formula at zero for the first five years starting from the rail merger and at a value of 0.1% starting from the 6<sup>th</sup> year because, in the Commission's view, synergy could already be realized immediately upon the merger. As such, the productivity factor should be suitably adjusted.

*The Federation of Hong Kong & Kowloon Labour Unions  
(LC Paper No. CB(1)2131/10-11(01))*

2. Miss TAM Kam-lin briefed members on the Federation's submission by highlighting the following salient points –

- (a) Increases in the fares of mass public transport services such as bus service and rail service would affect the livelihood of the general public. It was therefore a pity that none of the relevant fare adjustment mechanisms could bring about fare decreases but only fare increases, and that MTRCL was planning to increase its fares in 2011 against public expectations. To fulfil its corporate social responsibility (CSR), MTRCL should instead freeze its fares in consideration of the high inflation rate and the huge profits it was making;

- (b) The relevant Government department(s) should review and improve the FAM as soon as practicable, in recognition of the inadequacy of only using CCPI to gauge public affordability, and the inability of the productivity factor therein to reflect the huge profits which MTRCL had made. Since it was unreasonable for MTRCL to increase its fares and the salaries of its senior management while its service level had been declining as evidenced by the increase in railway incidents, MTRCL's rate of fare increase should be linked to its service level. In this regard, the Federation's submission contained specific proposals on improvements that should be introduced to the FAM; and
- (c) MTRCL should introduce more fare concessions, such as by expanding the coverage of the monthly ticket to help the public tackle inflation, by making the current temporary fare concessions for the elderly and the disabled permanent arrangements to facilitate their social integration, etc.

*Democratic Alliance for the Betterment and Progress of Hong Kong (DAB)*

3. Mr CHAN Hok-fung highlighted the following views of DAB –

- (a) Although the FAM was an improvement over the fare autonomy enjoyed by MTRCL in the past, Government's control over fare adjustment by MTRCL was still inadequate as evidenced by repeated MTR fare increases over the past two years despite the huge profits MTRCL had made. As such, the FAM should be improved by introducing a triggering point for 50/50 sharing of return between MTRCL and passengers as in the case of franchised bus companies, and by introducing a Demerit Point System under which fare increase would be linked to MTRCL's service level as reflected by the frequency and response time of railway incidents;
- (b) A public transport fare stabilization fund of \$30 billion should be established to relieve the burden of travelling expenses on the grassroots by meeting part or whole of the increased fare amount; and
- (c) MTRCL should introduce more fare concessions. In particular, the promotion whereby the elderly could enjoy paying a flat fare of only \$2 for each MTR journey taken on

Wednesdays, Saturdays and public holidays (excluding Sundays) should be made available during all non-peak hours.

*Mr Martin OEI*  
(LC Paper No. CB(1)2161/10-11(01))

4. Mr Martin OEI pointed out that the purpose of allowing MTRCL to engage in property development was to generate non-fare box revenue to cross-subsidize rail service. As such, with the prices of property escalating, MTRCL's profits should increase and there should not be any justification for it to increase its fares to make up for increase in the operational cost of rail service due to inflation. He considered that the Secretary for Transport and Housing had defaulted her duty by not allowing certain green mini bus (GMB) routes to freeze their fares for three years in exchange for increase in the passenger seating capacity of the GMBs concerned, while she kept approving applications for increasing bus and tram fares. In his view, in so doing the Administration was in fact paving the way for adjustment of MTR fares, instead of restraining MTRCL from increasing fares.

*Mr CHAN Chung-yau*

5. Mr CHAN Chung-yau opined that MTRCL should not increase fares to increase its profits at the expense of public interest, and that the public should be consulted on whether MTRCL should be allowed to increase its fares. He criticized certain Legislative Council (LegCo) Members for approving the rail merger to enable MTRCL to take over the KCR network, and urged the Administration to review the FAM.

*Kwai Chung Estate Basic Right Concern Group*

6. Mr LEUNG Man-wai pointed out that the level of travelling expenses would affect the livelihood of the elderly, who often had to travel to see the doctor. He therefore urged the Administration and the Panel to ensure MTR fare concessions for the elderly would continue.

*Kwai Chung Estate Transportation Concern Group*

7. Miss Vincci WONG questioned whether MTRCL had acted against its CSR by trying to increase its fares again within a short time notwithstanding the huge profits it had made, that the general public might not all enjoy pay rise to mitigate the present high inflation rate, that MTRCL's service level had been declining, and that it had yet to complete such improvement measures as the provision of public toilets at rail stations and retrofitting platform screen

doors (PSDs). She also pointed out that the CCPI under the FAM formula could not reflect public affordability because it could not reflect changes in the general public's wages and in other poverty indexes. The Government, as the majority shareholder of MTRCL, should therefore better perform its regulatory role. However, instead of subjecting MTRCL's fare increase to approval by the Executive Council (ExCo) as in the case of bus fares, the Government had allowed MTRCL to adjust its fares without going through ExCo. The Administration should consider rectifying the above situation by amending the FAM.

*On Yam Estate Labour Right Concern Group*

8. Mr LAI Chi-po pointed out that it was ironic that under the FAM, MTRCL could increase its fares while making huge profits, especially from property development. This showed that the FAM had many problems, such as setting the productivity factor in the FAM formula at zero for the first five years starting from the rail merger, linking the FAM formula to changes in the Nominal Wage Index (Transportation Section) instead of the overall Nominal Wage Index, so that the FAM had failed to reflect the pressure faced by the general public under an inflationary environment. Having regard that MTRCL was expecting to reap some \$20 billion profits from the property development project above its Wong Chuk Hang station, MTRCL should not seek to increase its fares, which would only bring it additional income of some \$200 million to \$300 million. In seeking to maximize its profits despite being heavily subsidized in this way, MTRCL had failed to fulfil its CSR. The Concern Group therefore urged the Administration to review the FAM as soon as practicable to better regulate MTR fares, and to immediately freeze MTR fares.

*Kwai Chung Estate Labour Right Concern Group*

9. Mr LEUNG Kam-wai considered it undesirable that the present transport policy was tilted in favour of rail transport, so that over 3.9 million passengers travelled on MTR every day. Since many of the passengers belonged to the working class, the Government and MTRCL had the responsibility to ensure MTR service was safe, comfortable and affordable, and should not be intent on making excessive profits. The FAM, however, would only make calculations according to its formula mechanically, and had failed to give regard to the fact that due to inflation, there might not be any real wage increase. Pointing out that MTRCL had been making huge profits all these years, particularly from property development, he cast doubt on whether by seeking to increase its fares, MTRCL was attaching greater importance to profit making than to its CSR, and urged both the

Administration and MTRCL to review the FAM and freeze MTR fares.

*Mr WONG Yun-tat, Kwai Tsing District Council Member*

10. Mr WONG Yun-tat pointed out that although the FAM appeared fair, mechanical application of it had in fact deprived both LegCo's and the Administration's power to regulate fare increase by MTRCL. As such, there was a need to review how regulation of MTRCL could be enhanced to ensure the general public's livelihood would not be affected by MTR fare increases. Since MTRCL was making huge profits every year because of heavy Government subsidization in terms of development rights and a transport policy tilted in favour of it, the Government had the right to put it under regulation, and ensure MTRCL's huge profits could be reflected in its fare adjustment mechanism. He had therefore strongly opposed to the privatization of MTRCL and the rail merger because the above developments would result in public resources being used to benefit private entities. Along this line, he was also opposed to the establishment of a public transport fare stabilization fund using public money because this would only aggravate the above undesirable situation. Instead, the money concerned should be used to buy back MTRCL and franchised bus companies, so that the Government could make better planning in the provision of public transport services, which in his view should be directly operated by the Government in recognition that they affected the livelihood of the general public.

*Catholic Diocese of HK Diocesan Pastoral Centre for Workers (Kowloon)*

11. Mr HO Tin-lok made the following points –

- (a) Having made huge profits, MTRCL should offer more fare concessions, particularly point-to-point monthly tickets on a zonal basis to better benefit the working class;
- (b) The Administration should review and improve the FAM as soon as practicable. In particular, the FAM should be improved to take into account the huge profits MTRCL made, and the wage level of the general public and hence public affordability; and
- (c) Although MTRCL was a listed company, it should not only look at the interests of its shareholders but not public interests, especially as it enjoyed certain degree of monopoly due to the Government's transport policy, which was tilted in favour of rail service, leaving the travelling public with little choice.

*Ms Christine FONG Kwok-shan, Sai Kung District Councillor  
(LC Paper No. CB(1)2131/10-11(02))*

12. On behalf of MTRCL Livelihood Concern Group, Ms Christine FONG Kwok-shan briefed members on her submission by highlighting the following salient points –

- (a) The FAM had failed to restrain MTRCL from repeatedly increasing its fares and hence should be reviewed and improved by taking into account MTRCL's profits, public affordability and service level, especially as the number of railway incidents had increased in recent years, and that the ground settlement problem of the East Rail Line (ERL) had been very serious but no proper action had been taken to handle it; and
- (b) MTRCL should provide more and better fare concessions, particularly those for the elderly and the disadvantaged groups, and that monthly tickets on a zonal basis should be introduced, especially that for the Tseung Kwan O Line, which would benefit MTRCL itself too by increasing its patronage. The funding required could come from Government's irregular income, such as the land premium received for the Austin station project;

*新蒲崗工友小組聯席*

13. Ms LEE Ka-fung pointed out that the Administration had failed to safeguard the interests of the grassroots by restraining MTRCL from increasing its fares time and again, or by urging MTRCL to offer more fare concessions. Moreover, MTRCL seemed to be more intent on making profits by subletting shops in the stations than on ensuring unobstructed access to station platforms. The FAM also required improvement because it had failed to take into consideration public affordability, so that MTR fares only went up and never went down despite the huge profits made by MTRCL.

*North District Employment Concern Group  
(LC Paper No. CB(1)2131/10-11(03))*

14. Ms KWOK Yuen-yee briefed members on the Concern Group's submission. In gist, she highlighted the plight of the residents of the North District, many of whom were low-income workers who had to seek employment in the urban area. She therefore considered it regretful that although MTRCL had made huge profits, it still sought to increase its fares in

total disregard of the heavy burden of travelling expenses on these residents and its CSR. She urged the Administration and MTRCL to give regard to the residents' sufferings, and make the Monthly Pass promotion valid among various railway lines for the grassroots.

*Diocesan Pastoral Centre for Workers (NT)*

15. Mr Augustine YU described his own experience in following up MTRCL's fare adjustment, and considered it undesirable that MTRCL had refused to meet with community groups to listen to their views on the fare adjustment and, although MTRCL later agreed to meet them, it had refused to meet them collectively but had insisted on seeing them separately. MTRCL's response to their requests for fare concessions, such as making the Monthly Pass promotion valid among various railway lines, was also negative.

*Mr AU Wai-kong*

*(LC Paper No. CB(1)2131/10-11(04))*

16. Mr AU Wai-kong briefed members on his submission. In gist, he considered it unfair that the grassroots had little choice but to use MTRCL's service and bear the inflation burden. He then referred members to his submission which provided details on the problems of the FAM and how it should be improved. In particular, he considered it unscientific to set the productivity factor in the FAM formula at zero for the first five years starting from the rail merger and at a value of 0.1% starting from the 6<sup>th</sup> year, despite the fact that MTRCL's profits had increased significantly because of the synergy that could be realized after the merger, and that the salaries of MTRCL's senior management had been increased significantly. He further proposed that MTRCL should offer a Monthly Pass valid among various railway lines at a price of \$500.

*港鐵霸權苦主*

17. Mr YAU Leong-ming was glad to note the presence of eight Panel members at the meeting to receive public views. He then pointed out that MTRCL enjoyed hegemony as evidenced by the following anomalies –

- (a) MTRCL had been granted waiver from strict compliance with Rule 8.08 of the Listing Rules, which required a listed company to maintain a minimum public float of 25 per cent; so that it could maintain a minimum public float of only 10 per cent;

- (b) MTRCL's market share had already reached 44.3%. With the commissioning of the West Island Line, the South Island Line, the Shatin to Central Link, the Kwun Tong Line extension, its share might even exceed 50%;
- (c) The “Sheung Shui – East Tsim Sha Tsui Monthly Pass” was sold at \$390, which meant the average fare per trip was as high as \$8.16, just slightly lower than the Octopus fare of \$8.2 for a single trip from Sheung Shui to Hung Hom. As to the “Tuen Mun – Nam Cheong Monthly Pass” and the “Tuen Mun – Hung Hom Monthly Pass”, which were sold at \$410 and \$480 respectively, they would only benefit passengers who only used the West Rail Line (WRL). As such, few passengers could benefit from the Monthly Passes, and they had been introduced mainly to compete with other public transport operators;
- (d) Public toilets were not provided along the MTR line despite calls for their provision for years; and
- (e) The fare for the trip from Tai Wai to Hung Hom was \$5, while that for the trip from Tai Wai to Tsim Sha Tsui East, just one station further, was \$7.6. The fare for the trip from Mong Kok to Hung Hom was \$3.1, while that for the trip from Mong Kok to Tsim Sha Tsui East, also only one station further, was \$4.5. The above fare differences were uneven.

In his view, the only solution to the above anomalies, which according to him had all stemmed from the need to look at the interests of MTRCL's shareholders but not public interest, was privatization of MTRCL.

#### *天北男士就業關注組*

18. Mr WONG Siu-Yin pointed out that men had been assigned the breadwinner role. However, job opportunities in Tin Shui Wai were limited and the men there had to seek employment in other districts but due to MTRCL's monopoly in Tin Shui Wai, the travelling expenses so incurred could be as high as \$50 a day if they worked in Central. There was therefore difficulty for men in Tin Shui Wai to seek employment. The Concern Group therefore had the following requests of the Administration and MTRCL –

- (a) To provide the timetable for the review of the FAM;

- (b) To undertake to ensure public views would be solicited when conducting the FAM review; and
- (c) To freeze MTR fares before the FAM review.

*天水圍公共運輸事業監察小組*

19. Mr KONG Kin-shing echoed Mr WONG Siu-yin's views above, and expressed regrets that, as different from bus fares, the Administration seemed unable to do anything to prevent MTRCL from increasing fares. However, the Administration had the responsibility to regulate adjustment of public transport fares, and it would have defaulted its duty if it failed to do so. Moreover, as MTRCL's majority shareholder, the Administration could indeed do something to restrain MTRCL from increasing fares after making huge profits these two years. It was therefore regretful that the Administration had claimed it had no power to do so, and had allowed MTRCL to exploit the grassroots instead of safeguarding their interest. Under the circumstances, passengers using MTRCL's service were in fact indirectly paying additional tax to the Government in the form of dividends it received as the majority shareholder of MTRCL. The Monitoring Group therefore requested the Administration to –

- (a) As the majority shareholder of MTRCL, review and improve the FAM to enable MTR fares to really go up and down as appropriate instead of only upwards, and to enable the public to give views under the improved mechanism;
- (b) Freeze MTR fares pending completion of the FAM review; and
- (c) Ensure MTRCL would fulfil its CSR.

*Community Development Alliance*  
(LC Paper No. CB(1)2161/10-11(02))

20. Mr CHAN Yu-cheung echoed other deputations' views on the need for the Administration to play a proper regulatory role. He considered it necessary to review the FAM according to which MTRCL could increase its fares further if only changes in CCPI, Nominal Wage Index (Transportation Section) and a fixed productivity factor were taken into consideration. In his view, CCPI could not represent public affordability because the wages and hence purchasing power of the general public had failed to increase with inflation. He criticized the Administration for failing to see the plight of the grassroots during inflation, and urged it to review the FAM as soon as

practicable with public participation, and to work out a timetable in this regard.

天水圍北交通關注組

(LC Paper No. CB(1)2195/10-11(02))

21. Ms TAM Yuen-fun briefed members on the Concern Group's submission tabled at the meeting. In gist, the Concern Group considered it necessary to review the FAM because at present MTR fares would only go up and not go down under it, so that the travelling expenses were a heavy burden for the public. Since the KCR network and the MTR network had already been merged, the Monthly Passes presently offered should also be made a permanent arrangement and be introduced on a zonal basis instead of rigidly restricting the rail lines along which they could be used.

樂華耆康社

22. Mr Henry YEUNG quoted examples to show how high MTR fares could affect the livelihood of the grassroots, and pointed out that MTR fare increase could lead to a series of increases in utility charges and prices of goods and services. He considered it unfair that MTRCL could increase its fares time and again, because MTRCL was already heavily subsidized and was making substantial profits from property development and advertising, not to mention that MTRCL was also enjoying monopoly. In his view, the FAM had failed to take into consideration public affordability, in particular the fact that the incomes of the grassroots had barely increased over the past ten years and that there was inflation. As such, the FAM should be seriously reviewed to ensure MTRCL could not increase its fares against its CSR. The Administration, being the majority shareholder of MTRCL, should also perform its resource re-distribution role by restraining MTRCL from increasing fares.

譴責支持兩鐵合併議員關注組

23. Comparing the increase of MTR fares to the listing of The Link Real Estate Investment Trust, Mr CHIN Wai-lok pointed out that the former was the result of the establishment of the FAM under the rail merger, which Members should not have supported because, as a listed company, MTRCL would always place the interests of its shareholders before public interest. He opined that the Members who had supported the rail merger should apologize to the public, and called upon the Administration to buy back MTRCL.

*Mr. MAK Ip-sing, Yuen Long District Councillor*

24. Mr. MAK Ip-sing made the following points –

- (a) The FAM was undesirable considering that under it, MTR fares were not reduced when the economy was bad but were increased when there was inflation. The above situation was unfair and unacceptable;
- (b) There was lack of transparency regarding how MTR fares were determined and, although the fares for different rail lines were determined differently, the relevant principles had not been made known to the public. For example, the fare for the trip from Yuen Long to Tsim Sha Tsui East was \$18.5 if you rode on WRL and \$480 a month if the relevant Monthly Pass was used. However, the fare would be only \$11.5 if ERL was used instead, and it would cost only \$380 a month if the relevant Monthly Pass was used. It was unacceptable that higher fares were set for WRL because it was a new rail line. As a listed company, MTRCL should ensure its operation was transparent; and
- (c) As the majority shareholder of MTRCL, the Government had the responsibility to ensure MTR fares were reasonable. Since the FAM had failed to ensure that, the Administration should revoke it.

*Hong Kong Hopeless*

25. Mr YEUNG Ke-cheong considered Hong Kong hopeless as evidenced by the increase of MTR fares, which in his view could show that MTRCL was not performing satisfactorily in terms of public relations, service level as reflected by the number of railway incidents, and fare level as reflected by repeated fare increases although it was heavily subsidized by Government in the form of development rights. The Government was however powerless in front of MTRCL because of the need to follow the FAM, which formed part of the merger agreement between MTRCL and the Government and was legally binding. The Government was therefore hopeless. Hong Kong people were also hopeless by failing to stage protests in recognition that, as a result of the increase in MTR fares, they in fact could not benefit from the cash handout.

*League of Social Democrats*

26. Mr WONG Ho-ming pointed out that apart from the League, many other political parties were also opposed to fare increase by MTRCL and had called for a review of the FAM. It was unacceptable that MTRCL had ignored all such calls and insisted on increasing its fares. In fact, Mr LEUNG Kwok-hung, a Member belonging to the League, had long cautioned against the rail merger which would give MTRCL monopoly and, as he correctly estimated, would lead to the present situation, which was unbearable because the travelling public had little choice but to use MTR service. With the property hegemony, a certain degree of monopoly in the provision of public transport services, and the great political influence MTRCL enjoyed, it could keep increasing fares while making huge profits without control, and the profits it made would only serve to benefit its senior management but not to improve its services to reduce the number of railway incidents, to provide public toilets at stations, and to retrofit PSDs. The Government should therefore seek to buy back all providers of public services, including MTRCL, so as to make it take back its plan to increase fares and to improve services.

*Mr Sunny CHAN, member of Civic Party*

27. Mr Sunny CHAN highlighted the following views of the Civic Party –

- (a) The Civic Party was opposed to the recently announced increase in MTR fares because, as the largest public transport operator in Hong Kong, it should not only seek to maximize its profits but should also give regard to its CSR and public affordability. As the majority shareholder of MTRCL, the Government should also make efforts to restrain it from repeatedly increasing its fares to the detriment of the livelihood of the grassroots;
- (b) When reviewing whether fare increases by MTRCL were reasonable, consideration should be given to whether its service was passenger-oriented, which in the public's view should be assessed by the progress it had made in providing public toilets at rail stations and retrofitting PSDs as strongly urged during the rail merger exercise four years before. MTRCL had fared badly in both endeavours, not to mention that it was unreasonable to collect \$0.1 per Octopus MTR journey as contribution from passengers for the PSD retrofitting programme, and that MTRCL seemed to be more willing to

make efforts to increase the number of shops in rail stations;  
and

- (c) The Civic Party urged MTRCL to respond to public needs, and called upon the Administration to review and improve the FAM as soon as practicable, preferably by factoring in such considerations as people's livelihood and MTRCL's profits.

*(Post-meeting note: The Civic Party's submission was subsequently issued to members vide LC Paper No. CB(1) 2222/10-11(01) dated 18 May 2011.)*

*Mr Justin CHIN, member of Young Civics*

28. Mr Justin CHIN made the following points –

- (a) Young Civics considered it regretful that MTRCL should seek to increase its fares despite the huge profits it had made, and opined that the Government should play a greater regulatory role to ensure public transport fares were affordable and stable, especially as it was the majority shareholder of MTRCL and that its fiscal surplus was large;
- (b) Although according to the FAM MTRCL had the right to increase its fares, it should not do so to aggravate the plight of the grassroots who were already struggling to fight inflation, so that they had to pay some \$0.4 to \$0.7 more for each trip they made to go to work and vice versa. To mitigate the above impact of MTR fare increase, the Government should use the dividends it received as a MTRCL shareholder, which amounted to some \$9.3 billion, to subsidize passengers. As ascertained from a telephone survey conducted by Young Civics, the above move was widely supported and would not contravene any legislation or contract terms; and
- (c) Since MTRCL would only make some \$270 million additional profit from its planned fare increase, it should reconsider whether it should make the increase. The Government should also review and improve the FAM as soon as practicable to enable it to take into account people's livelihood and MTRCL's operating conditions.

(*Post-meeting note:* The Young Civics' submission was subsequently issued to members vide LC Paper No. CB(1)2195/10-11(01) dated 17 May 2011.)

## Discussion

### *The FAM*

29. The Chairman and members thanked the deputations for attending the meeting to express their views, which Mr LAU Kong-wah reckoned could be summarized as follows –

- (a) That with such huge profits made, it was unreasonable that MTRCL should increase its fares;
- (b) That the public were aggrieved by the deteriorating quality of MTRCL's service; and
- (c) That there were apparent flaws with the FAM that required rectifying.

30. Mr LAU Kong-wah was therefore keen to ensure that the planned review of the FAM would be comprehensive and changes would be contemplated, so that MTRCL's profits and public affordability could be factored into the FAM. The Under Secretary for Transport and Housing (USTH) responded that as agreed during the rail merger, the FAM should be reviewed every five years. Mr LAU's views would be considered in the context of the FAM review.

31. Noting that the review of the FAM would not be conducted until late 2012, Mr LAU Kong-wah was keen to ensure that it would not take more than one year, so as to bring about early improvements to address public concerns about it. USTH responded that the time taken by the review would hinge on its scope, which might include not only the FAM formula but also other relevant issues. As such, before the scope could be determined, it might be too early to confirm how long the review would take. He however assured members that the Administration would aim to complete the review as soon as practicable.

32. Ms LI Fung-ying considered the Administration's response above unsatisfactory, and opined that to expedite the FAM review, the Administration could immediately consult the public and members on the issues that should be covered. Miss Tanya CHAN shared her view. In

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response, USTH highlighted that the arrangement for review of the FAM every five years had been laid down in the Operating Agreement, which was legally binding, during the rail merger. He further advised that the factors that should be included in the FAM formula had been thoroughly discussed and considered during the merger exercise. The FAM was implemented since 2009, and fares were increased for the first time in 2010. Therefore, the Administration considered it appropriate to review the mechanism after it had been implemented for some time with experience accumulated. It was planned that the review would commence in the second half of 2012 and the Administration would report the review timetable to the Panel when available. The views of Members and the public would be considered during the review.

33. Mr IP Wai-ming opined that the FAM should be reviewed immediately instead of only in late 2012 because of the need to more seriously address public concerns about MTR fare increase, having regard that many public transport services had also increased their fares, so that the burden of travelling expenses on the travelling public had already increased so much that MTR fare increase might be the proverbial last straw that broke the camel's back. The Administration noted his views.

34. Mr Ronny TONG recalled that the objective of adopting the FAM for determining fare adjustments after the rail merger was to achieve greater objectivity in fare adjustment, and to enable the relevant mechanism to take into consideration public affordability, and the need for MTRCL to increase fares where operationally necessary. However, there was at present consensus that as shown by experience, the FAM had failed to achieve the above objectives, so that although MTRCL was making huge profits, it still sought to increase its fares regardless of public affordability. USTH responded that the FAM had taken into account the year-on-year percentage change in the Composite Consumer Price Index in December of the previous year, which had reflected the macroeconomic environment and public affordability to a certain extent. The formula had also taken into consideration the year-on-year percentage change in the Nominal Wage Index (Transportation Section) in December of the previous year, which had reflected staff cost. As such, it could be said that the economy and wage preceded the activation of any fare adjustment.

35. Mr Ronny TONG considered USTH's response above unsatisfactory and disappointing because it was clear to all that the FAM had failed to take into consideration public affordability and the need for MTRCL to fulfil its CSR. USTH responded that Hong Kong could in fact provide efficient and affordable public transport services to the travelling public. In particular, the

current operation model of MTRCL was successful, and had set an example for other cities to follow.

36. Miss Tanya CHAN urged the Administration to note public expectation that the Government should safeguard public interest, and that in an inflationary environment travelling expenditures were imposing a great burden on the grassroots. As such, there were public concerns about the FAM, which in many people's view should be improved by ensuring that it would take into account MTRCL's profits, including that from property development; about MTRCL's monopoly in the provision of public transport services; and about the deteriorating quality of MTR service, including the slow progress in providing public toilets in MTR stations and retrofitting PSDs. In her view, all the above concerns should be properly addressed in the FAM review to prevent MTR fares from further going up during the review. The Administration noted her views.

37. Ms Miriam LAU pointed out that establishment of the FAM was intended to be a good move to replace the fare autonomy of MTRCL with a transparent, predictable and objective mechanism. However, operation experience had shown that the FAM had failed to take into account MTRCL's operating conditions, an important factor that had been included in the fare adjustment mechanisms of all other public transport services, so that MTRCL could increase its fares despite its huge profits. To ensure fairness, Ms LAU also considered it necessary for the FAM to give regard to service quality, and urged the Administration to conduct the FAM review as soon as practicable to ensure early inclusion of the above two factors. USTH responded that Ms LAU's views as well as other views from members and the public would be duly considered during the FAM review.

38. The Chairman highlighted public grievances about MTRCL's plan to increase its fares despite making huge profits, and that nothing could be done to prevent this. He urged the Administration and MTRCL to seriously handle such grievances, and to review the FAM as soon as practicable to prevent them from developing into more radical actions. He also took the opportunity to clarify that LegCo had not given up its power to monitor fare increases by MTRCL but the fact was, LegCo had no power to restrain MTRCL from increasing fares either at present or in the past because, before the rail merger MTRCL had fare autonomy.

#### *Fare concessions*

39. Mr LAU Kong-wah asked whether improvements to fare savers and monthly passes would be considered to mitigate the impacts of the planned

MTR fare increase. The General Manager – Marketing and Station Commercial (GM-M&SC) responded that MTRCL would seriously consider the views expressed at this meeting on fare concessions, and would later announce fare concessions that would be introduced.

40. Mr IP Wai-ming opined that MTRCL should announce early the fare concessions that would be provided to mitigate the impacts of its fare increase, instead of still considering the concessions that would be provided. GM-M&SC responded that MTRCL had already been offering a wide range of fare concessions. In fact, MTRCL was the only public transport company to offer concessions of about 50 percent discount to students, and one of the very few operators to offer similar concessions to persons with disabilities. All such concessions were introduced after the rail merger. She further explained that since the public had expressed various views on the concessions that should be provided, time was required to identify concessions that could benefit most passengers. She, however, assured members that new fare concessions would be announced in May 2011.

41. Ms LI Fung-ying expressed regrets that although the item had been discussed a month before, little progress had been made to address public concern about MTRCL increasing its fares despite making huge profits. She pointed out that the fare concessions presently provided by MTRCL were insufficient, especially as the benefits of the minimum wage requirement had already been offset by inflation. In her view, the Monthly Pass promotion should as soon as practicable be made valid among various railway lines instead of only on ERL and WRL. USTH responded that while understanding that MTRCL would operate according to commercial principles, the Administration had also been actively encouraging MTRCL to provide fare concessions to passengers.

42. Ms Miriam LAU opined that pending review of the FAM, MTRCL should be urged to provide more fare concessions to alleviate the hardship of the grassroots in tackling the recent series of public transport fare increases. In particular, such concessions should include Monthly Passes to benefit the grassroots and frequent users of MTR service. In her view, considering that MTRCL was already making huge profits, MTRCL should use the additional revenue that would be made available to it as a result of the 2011 fare adjustment to provide additional fare concessions. She further urged MTRCL to undertake to announce details of the concessions before its fare increase took effect in June 2011. GM-M&SC responded that new fare concessions would be announced before fare increase took effect but whether they would be in the form of Monthly Passes would need to be carefully examined to ensure the sustainability of both fare concessions and MTRCL

itself.

*The proposal to set up a fare stabilization fund*

43. Pointing out that the Government was the majority shareholder of MTRCL, Mr Ronny TONG opined that the Government should, using the dividends it received as a MTRCL shareholder, set up a fare stabilization fund to alleviate the pressure of fare increase on people by meeting part or whole of the increased fare amount, so as to ensure that the actual fares charged would remain relatively stable. USTH responded that pursuant to the Public Finance Ordinance, the cash dividends that the Government received from MTRCL formed part of the general revenue and that the Government would determine how such public funds would be used on the community through various policy initiatives.

44. Noting the response, the Chairman opined that the fare stabilization fund could instead be set up with a certain percentage of the substantial profits which MTRCL could make from its property development rights, which were in fact a form of Government subsidy not enjoyed by any other public transport operator. USTH responded that profits from property development arising from MTR projects had in fact been used to fill the funding gap for the projects which could otherwise not be financially viable, so that the railways concerned could be constructed to provide necessary services with the fares set at a reasonable level without the need for recurrent subsidy from the Government. As such, the profits from property development had already been taken into account in the course of constructing the new railway lines. On Member's proposal to set up the fund, the Government would need to take into account whether such proposal would have read across implications on other modes of public transport.

45. Mr Ronny TONG pointed out that public transport services in all major cities in the world enjoyed Government subsidy, and maintained that the Government should set up the fare stabilization fund. USTH recapitulated the points he made in paragraph 43 above that public money should be used on the community through various policy initiatives. For example, the Work Incentive Transport Subsidy Scheme, which could provide assistance to those really in need. Noting the response, Mr TONG proposed that the issue of Government subsidy for public transport services should be included in the Panel's list of outstanding items for discussion, and that the Administration should conduct a study into the jurisdictions that had such a fund, and provide a paper to elaborate on overseas practices in this regard, and to explain why such a fund could not be set up in Hong Kong.

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46. Summing up, the Chairman thanked the deputations for expressing their views on this controversial item in a peaceful and rational manner. He considered the responses made by the Administration and MTRCL at this meeting unsatisfactory, and urged them to seriously consider deputations' and members' views, so as to bring about necessary improvements to the FAM.

## **II Any other business**

47. The Chairman advised that the May regular meeting of the Panel originally scheduled for 27 May 2011 would be rescheduled for Thursday, 2 June 2011, at 4:30 pm.

48. There being no other business, the meeting ended at 10:45 am.

Council Business Division 1  
Legislative Council Secretariat  
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