



**D Dong's Response to the
MTR "Fare Adjustment Mechanism" ("FAM") Review**

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1. Introduction to D-Dong

D-Dong is one of the few non-district-based youth organizations in Hong Kong. It was established by a group of high-calibre young people in 2010.

Our major focuses are issues related to youth culture and policies, and we releases research reports regularly. All researches are conducted in the most serious and professional manner. We are eager to increase the public awareness of youth problems and youth issues, and to recommend polices that are beneficial to the young people in Hong Kong.

Moreover, we encourage the young people to contribute to society and participate in various community activities. D-Dong is the ideal place for them to experience the joy of contributing to Hong Kong and China.

D-Dong is an elitist organization. All the members are carefully chosen in order to satisfy the demanding requirement of the organization.

2. D Dong’s View towards MTRC Corporate Governance

2.1. Railway Service and Corporate Social Responsibilities

As a matter of fact, local Railway service is inevitably benefited from the government transportation policy. Unlike bus or other transport services, railway planning involves huge capital investment in infrastructure. Therefore, railway service is not pure business in nature.

In many railway construction projects, MTRC as the monopoly of territorial railway service is involved in different ways. There are grants in the forms of cash or property development rights. As the local property supply always fall back the demand, property development has been a major source of income for MTRC.

We believe that because such inclination inherently exists, MTRC shall take its corporate social responsibilities into its operation. Merely organizing visits to elderly home is not sufficient. MTR service should reward the community through providing affordable rides for the general public.

Railway service shall not be treated like other business activities. The unlevel competition between MTRC and other transportation services is unavoidable. In this regard, business-oriented management serves the means to enhance efficiency, but never the ends that railway service is profit-oriented.

2.2. Aims and Merits of New Public Management (“NPM”)

In theory, NPM promotes public service efficiency through market-like mechanisms. In practice, we agree that by means of NPM, the service quality of the MTRC can be greatly enhanced. We acknowledge that in general, the railway service provided by the MTRC is among the best around the globe, though we encourage continuous improvements.

However, the Government and the Public is reminded that the NPM serves the means but not the ends. We are worried that Government non-intervention into MTRC governance consolidates the business corporate governance that mainly promotes the interest of the shareholders. The Government’s move to activate the review mechanism is one correct step forward.

3. D Dong’s View towards FAM

3.1. Problems of the Existing FAM

We believe that the main problem of the existing FAM is that it treats MTR operation as a transport service provider running on pure business model. The existing mechanism only takes the running cost of the operation into account, but ignores the profit MTRC earns from advantages of policy inclination. These benefits include revenue from property development, Government support for railway expansion in its policies.

3.2. Our Suggestions

We agree that the following factors shall be taken into account:

- a. Property Development Revenue: Considering that such revenue is not recurrent income, we suggest that a certain fixed percentage of the revenue shall be reserved for one-off fare concession in the next financial year.

This poses no impact on the sustainability of railway service. While the general public can enjoy concessions subsidized from MTR property development, MTR does not bear financial burden in times when revenue from property development shrinks.

- b. Reliability of Railway Service: though it has been proven that NPM can promote service quality, we suggest that this penalty factor shall be introduced to further promote service reliability.

We also encourage the MTRC to offer year-round promotional offers.

4. Other Suggestions Concerning MTR Service

4.1. One-off Long-distance Travel Fare Adjustment

We believe that high fares in long-distance travel have been a burden of low-income families. We suggest that the MTR consider a one-off fare reduction so as to promote incentives of work and reduce financial burdens of these families.

4.2. Interchange Fare Concessions

In the long run, railway is expected to further gain market. Other means of transport would face shrinks in market. We suggest that MTR shall provide more interchange fare concessions so as to encourage riders to adopt other transports as auxiliary service.