

Legislative Council Panel on Transport

Review of the Fare Adjustment Mechanism (“FAM”) of the MTR Corporation Limited (“MTRCL”)

Follow-up action required

The Administration was requested to provide the following information to the Panel –

- (a) Figures on the changes in the Median Monthly Household Income and the Median Monthly Personal Income (in December of the previous year) in the past five years; and
- (b) Justifications on why Nominal Wage Index (Transportation Section) instead of Real Wage Index (Transportation Section) was adopted in the formula under the FAM.

Administration’s response

- (a) There is no such Median Monthly Personal Income per se. An approximate indicator is the Median Monthly Employment Earnings of Employed Persons (“MMEE”). Apart from MMEE which covered all employed persons, the corresponding figure of employed persons excluding foreign domestic helpers is available. Both the Median Monthly Household Income of Domestic Households (“MMHI”) and MMEE are compiled by the Census and Statistics Department.

Please find below the figures of the year-on-year changes (for the fourth quarter) in MMHI and MMEE over the past 5 years –

	Median monthly household income of domestic households* 4th quarter (\$)	Year-on-year % change [#]	Median monthly employment earnings of employed persons (including foreign domestic helpers)* 4th quarter (\$)	Year-on-year % change [#]	Median monthly employment earnings of employed persons (excluding foreign domestic helpers)* 4th quarter (\$)	Year-on-year % change [#]
2007	18,000		10,300		11,000	
2008	18,500	2.7%	10,500	2.4%	11,000	0.0%
2009	17,700	-4.3%	10,500	0.0%	11,000	0.0%
2010	18,300	3.4%	11,000	4.8%	12,000	9.1%
2011	20,000	9.3%	12,000	9.1%	12,000	0.0%
2012	21,100	5.5%	12,000	0.0%	13,000	8.3%
% change between 2007 and 2012	17.2%		17.1%		18.2%	

Notes:

* Figures are rounded to the nearest hundred.

Year-on-year percentage change is calculated based on unrounded figures.

Source: Census and Statistics Department

By definition, Monthly Household Income of Domestic Households refers to the total cash incomes including earnings¹ from all jobs as well as other cash incomes² received by all members of the household. Monthly Employment Earnings only refer to earnings from all jobs without counting any incomes unrelated to employment and hence reflect the employment earnings of individual employed persons only. The two statistics are compiled based on data obtained from the General

¹ For employees, earnings include wage and salary, bonus, commission, tips, housing allowance, overtime allowance, attendance allowance and other cash allowances, but exclude back pays. For employers and self-employed, earnings refer to amounts drawn from the self-owned enterprise for personal and household use.

² Examples of other cash incomes which are unrelated to employment include interest, dividend, pension and cash benefits received from various social security schemes administered by the Social Welfare Department.

Household Survey conducted by the Census and Statistics Department.

MMHI is considered more representative than MMEE in terms of income coverage as passengers of MTR are not limited to employed persons only but all members of the household (e.g. housewives, retirees and students).

- (b) Under the FAM, the fare adjustment rate for the prevailing year is determined in accordance with a direct-drive formula based on the year-on-year percentage changes in both the Composite Consumer Price Index (“CCPI”) and the Nominal Wage Index (Transportation Section) (“Nominal Wage Index”) in December of the previous year, as well as a productivity factor.

The CCPI adopted by the FAM reflects changes in the price level of consumer goods and services generally purchased by households in Hong Kong and the Nominal Wage Index reflects broadly the staff cost of the MTRCL. Both seek to capture in a broad way the price level changes affecting the operating environment of MTRCL.

The Nominal Wage Index will enable us to measure the average wage level for employees. Hence, it will, indirectly though, reflect the operating cost incurred by MTRCL in relation to staff cost payment and this serves the purpose of the FAM. The Real Wage Index is obtained by deflating the Nominal Wage Index by Consumer Price Index (A), and changes in the Real Wage Index can be used to indicate changes in the purchasing power of wages earned by workers. Replacing the Nominal Wage Index with Real Wage Index is unable to achieve the purpose of reflecting staff cost of MTRCL and is thus not adopted.