

Legislative Council Panel on Transport Ma On Shan Rail Fares

Purpose

This paper serves to inform Members of the Kowloon-Canton Railway Corporation's (KCRC) principle for fare setting and the proposed fares for the key destinations of Ma On Shan Rail (MOSR). The final fares will be decided before the new rail is put into service.

Project Progress

2. Extending from Wu Kai Sha Station at Ma On Shan to Tai Wai Station of the KCRC East Rail (ER), the 11.4-kilometer-long MOSR has nine stations. Journey time will take about 16 minutes. To date, the project has reached the final stage of operational readiness. All railway systems have been tested and commissioned satisfactorily. The trial operation is scheduled for completion on 25 November. Subject to satisfactory completion of all statutory approvals from various government departments, it is expected that passenger operation would commence before the end of this year.

Fare setting policy

3. Since the MOSR catchment area is presently well served by different modes of transport, the new railway is expected to provide the commuters with an alternative mode of transport for travelling within Ma On Shan area, to urban Kowloon and cross boundary by interchanging to ER at Tai Wai Station, and to cross-habour by interchanging to MTR at East Tsim Sha Tsui (TST) Station.

4. MOSR fares are a matter of considerable interest to the residents living in the areas along the railway. In setting MOSR fares, the Corporation has taken into consideration the keen competition amongst different modes of transport, comparable bus and ER fares, passengers' acceptance levels, and Value of Time (VOT) benefits of faster and more reliable journeys.

5. Basically, the Corporation has adopted the same methodology previously used in setting fares for the West Rail and the TST Extension. Again, the Corporation's policy is to set competitive fares in the market in which it operates, within the statutory framework of prudent commercial principles as dictated by its Ordinance, and at the same time, provide value-for-money services to the passengers. In order for the new railway to be financially viable, the bottom line is that fare revenue must be sufficient to cover at least the cash operating cost of the railway within a reasonable period of time.

VOT approach

6. The VOT approach used in deriving the West Rail and TST Extension fares will continue to be applied to determine MOSR fares given that the VOT approach is widely used in the transport industry. The results of the passenger survey conducted in September 2003 are used to calculate the VOT based fares for the MOSR journeys. The VOT established for TST Extension at \$0.16 per minute is equally applicable to MOSR journeys; which means that passengers are willing to pay \$0.16 for each minute saved¹.

Market competition

7. In October 2004, the Corporation conducted a bus journey time survey for the competing routes in North-east New Territories in order to be able to calculate the latest derived fares for MOSR.

8. In view of the intense competition in the MOS catchment area, the Corporation must set fares commensurate with time saved and convenience in order to attract potential passengers. The proposed fares are derived from a detailed analysis of the fares and journey time of existing public transport services. References are made to the fares charged by direct franchised buses and mini buses, and total fares paid for journeys involving feeder buses plus ER serving the same routes.

¹ Details of the VOT approach have been provided to Members in a separate supplementary information paper arising from the last Panel on Transport meeting held on 15 October 2004 when Members discussed the Tsim Sha Tsui Extension fares.

Examples of fares of key journeys

9. Two samples of key origin-destination are used to illustrate the derivation of MOSR fares based on the VOT principle: Ma On Shan – Tai Wai which is the end-to-end journey on MOSR; Ma On Shan – East TST, which is the urban terminal on ER that provides an interchange to MTR.

10. The total journey time on MOSR from Ma On Shan to Tai Wai will be 16 minutes, whereas the green minibus (GMB) takes 24 minutes, and a journey by bus+ER is 29 minutes. Accordingly, the derived VOT-based fares passengers would be willing to pay are \$7.5 compared with \$6.2 by GMB, and \$9.6 compared with \$7.5 by bus+ER. The lower of the two derived fares, i.e. \$7.5, will be used as the benchmark for setting the final fares from Ma On Shan to Tai Wai.

11. The other example is Ma On Shan to East TST, where cross-harbour passengers can interchange to MTR. A journey on MOSR from Ma On Shan, interchanging at Tai Wai to East TST takes a total time of 35 minutes; the direct bus, charging \$7.8, takes 65 minutes while using the feeder bus from MOS to interchange at the ER University Station will take 44 minutes, at a total fare of \$12.3. Accordingly, the derived VOT-based fare is \$13.7 against bus+ER; and \$12.6 against direct bus. The future fare will be benchmarked against the lower of the two derived fares, i.e. \$12.6.

Future fares

12. Taking into consideration the VOT benefits of time saved, and comparable fares charged by other transport operators, the Corporation believes that the proposed fares are competitive against other modes of transport, offering value-for-money services to the travelling public and will be acceptable to passengers. However, to attract more passengers to use the MOSR, the Corporation is planning to set competitive fares which will be less than the lower derived VOT-based fares.

Other discount schemes

13. In order to boost the patronage of MOSR and to enlarge the catchment area, the Corporation has so far secured inter-modal discounts with three GMB routes – Routes 803 (Lee On – Hin Keng), 804 (Kwong Yuen – Hin Keng) and 810 (Villa Athena – Sha Tin Central). Passengers interchanging to these routes at designated MOSR stations will enjoy a \$1 discount. Discussions are on-going with a number of other GMB operators on the offer of similar discounts to passengers to improve the connectivity of the railway.

Feeder bus service

14. Currently KCR/KMB route K11 plies between City One and Royal Ascot via ER Fo Tan Station. This serves as a free feeder for passengers who interchange with ER. After MOSR is launched, there is no need to maintain a free feeder, as passengers will be able to take MOSR to make connection with ER.

Public announcement on fares

15. The Corporation will brief Members of the LegCo Panel on Transport and the District Councils along ER on the proposed fares on 26 November 2004. A public announcement of the proposed MOSR fares will be made on the same day. The Transport Advisory Committee will be briefed in early December. Consultation will also be held with other passengers and community groups in end November / early December. The final fares will be decided and announced before the new rail is put into service.

Kowloon-Canton Railway Corporation
November 2004