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環境運輸及工務局
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Mr Andy Lau,
Clerk to Transport Panel,
Legislative Council Secretariat,
3/F., Citibank Tower,
3 Garden Road,
Central,
Hong Kong.

5 June 2006

Dear *Andy,*

**Panel on Transport and
Panel on Financial Affairs**

Follow-up to joint meeting on 22 May 2006

Fare-related Issues of the Rail Merger Proposal

At the joint panel meeting on 22 May 2006, Members requested the Administration / MTR Corporation Limited (MTRCL) to provide the following supplementary information:

- (a) details of the concessionary fares provided to passengers travelling on the Airport Express Line (AEL), including any special fares provided to staff of commercial organisations working at the Hong Kong International Airport; and
- (b) the basis for pitching the productivity factor at 0.1%

The requisite information is given below for Members' reference.

(a) **Concessionary fares provided on the AEL**

Please refer to the Annex for details of the promotional / concessionary fares currently provided by the MTRCL to passengers travelling on the AEL.

(b) **Productivity factor of 0.1% in the fare adjustment mechanism (FAM)**

Under the merger package, an objective and transparent FAM will be introduced to replace fare autonomy. In future, fares can go up or down according to a formula that is linked to changes in the consumer price index (composite CPI) and the relevant wage index, and a productivity factor.

It should be noted that the scope for productivity gain for railways is limited due to the heavy investment. This is the case in Hong Kong, where the railway network is expanding and it will take the new railways some time before they can get sufficient patronage to make more efficient use of the additional capacity they provide. If we adopted the same approach for calculating the productivity gain of the franchised bus industry, viz. using the ratio of total fare and non-fare revenue to total operating costs, to assess the productivity of the railways during the same period in the past, it would produce a negative result. Instead, we have achieved an agreement with the MTRCL, as part of the terms of the overall merger package, to include a productivity factor of 0.1% in the fare adjustment formula. This would have the effect of moderating future fare increases or increasing the level of fare reduction, as the case may be, which would benefit railway users, whilst at the same time incentivise the post-merger corporation to achieve productivity.

I should be grateful if you would circulate this letter to the Members of the Panel on Transport and the Panel on Financial Affairs.

Yours sincerely,



(Miss Ida LEE)

for Secretary for the Environment,
Transport and Works

AnnexPromotional / Concessionary Fare Schemes on the Airport Express Line

Scheme	Details	Period
Airport Staff Octopus	<ul style="list-style-type: none"> ▪ Up to 64% off Airport Express single journey fares for all workers working in the airport and AsiaWorld Expo who apply for a special Airport Staff personalized Octopus. 	Dec 1998 onwards
Airport Express Group Tickets	<ul style="list-style-type: none"> ▪ Airport Express passengers can travel by using group tickets: group tickets for two persons from Hong Kong, Kowloon and Tsing Yi Stations to Airport Station are HK\$160, HK\$140 and HK\$90 respectively; those for three persons are HK\$210, HK\$190 and HK\$125; those for four persons are HK\$250, HK\$220 and HK\$150. 	1 Mar 2005 – 30 Nov 2006
<p>“Ride to Rewards” Programme – A programme targeting frequent AEL users. The more they ride on AEL, the faster they accumulate bonus points for redeeming special offers.</p>	<ul style="list-style-type: none"> ▪ Hong Kong ID Card holders with Octopus Card can enroll in the programme on the Corporation’s website. Successful enrollees will receive one bonus point on their Octopus Card for every normal fare-paid ride taken on the Airport Express. After collecting seven points within the designated period, they will be able to redeem a complimentary Airport Express Single Journey Ticket voucher (a maximum of 12 vouchers can be redeemed) or 500 Asia Miles. ▪ New gift of 3,500 Dragon Points (membership points for Dragonair VISA card) is available for redemption of 7 points commencing 8 March 06. ▪ New enrollees will receive a coupon which entitles them to a one-off 50% discount on an Airport Express Round Trip as a welcome gift. 	1 Jan 2006 – 31 Dec 2006
Tsing Yi / Kowloon -> Hong Kong Morning Express Service	<ul style="list-style-type: none"> ▪ From 7:00 a.m. to 10:00 a.m., Monday to Saturday (except public holidays), passengers can take the Airport Express services from Tsing Yi and Kowloon Station to Hong Kong Station at a special rate of HK\$20 per trip. 	15 Jan 2006 – 14 Jan 2007

Scheme	Details	Period
MTR Shareholders Promotion	<ul style="list-style-type: none"> ▪ 34% off Airport Express discount coupons for Adult/Child/Elder/Student Octopus Cardholders are sent to all MTR shareholders via the mail drop of Annual Report. ▪ Shareholder who uses the confirmation code on the coupon flyer to enroll in Airport Express "Ride to Rewards" Program will get double bonus points. 	18 Apr 2006 – 31 Aug 2006
Taxi Interchange Promotion	<ul style="list-style-type: none"> ▪ Any passengers with Adult/ Student/Elder/ Child Octopus cards can enjoy 50% fare discount for journey to Airport Station by surrendering taxi receipt of HK\$60 or above and presenting their Octopus cards at the Customer Service Centre at Tsing Yi or Kowloon Stations. ▪ A maximum of five persons can enjoy the offer per taxi receipt on the date of issue. 	1 Oct 2005 – 30 Jun 2006
Sales through Travel Agents	<ul style="list-style-type: none"> ▪ Airport Express tickets are available for sale at these agents to the general public at discounted prices. 	Jul 1998 onwards
Cathay Pacific (CX) In-flight Sales	<ul style="list-style-type: none"> ▪ Selected Airport Express tickets are available for sales on all CX in-flight duty free shops. Various discounts are offered on respective tickets. Passengers can redeem the ticket at designated Airport Express Customer Service Centres. 	1 Oct 2004 – 30 Sept 2006
Cathay Pacific (CX) Worldwide Promotion (Yum Sing)	<ul style="list-style-type: none"> ▪ CX passengers holding a valid boarding pass or air ticket within 7 days of arrival in HK with coupons could buy Round Trip Ticket at single journey ticket fare. 	1 Apr 2005 – 15 Apr 2007
Asia Miles members - Airport Express "2 Round-Trip ticket" Promotion	<ul style="list-style-type: none"> ▪ Asia Miles members can redeem 2 regular Airport Express Round Trip Tickets with their Asia Miles. Two regular Round Trip tickets of Hong Kong, Kowloon and Tsing Yi Station can be redeemed with 5000, 4500 and 3000 Asia Miles respectively. ▪ Passengers who are also Asia Miles members can earn 150 Asia Miles when they purchase an Airport Express "2 Round trips ticket" from 1 February 2005 onward. 	1 Jan 2004 onwards
Hong Kong Tourism Board (HKTB) – Discover Hong Kong 06	<ul style="list-style-type: none"> ▪ Coupons are included in incentive booklets distributed to overseas markets via HKTB's overseas offices, and the discounts are: \$5 off Disney 1-day pass; \$30/\$20 off Airport Express Tourist Octopus (2-ride)/(1-ride) respectively; \$20/\$20/\$10 off Airport Express Round Trip Ticket (Hong Kong)/(Kowloon)/(Tsing Yi) respectively. 	1 Jan 06 – 15 Oct 06