

立法會
Legislative Council

LC Paper No. CB(1)2629/11-12
(These minutes have been seen
by the Administration)

Ref : CB1/PL/TP/1

Panel on Transport

**Minutes of special meeting held on
Monday, 7 May 2012, at 4:30 pm
in Conference Room 1 of the Legislative Council Complex**

- Members present** : Hon Andrew CHENG Kar-foo (Chairman)
Hon CHEUNG Hok-ming, GBS, JP (Deputy Chairman)
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon LAU Kong-wah, JP
Hon Miriam LAU Kin-ye, 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, GBS, JP
Hon Ronny TONG Ka-wah, SC
Hon KAM Nai-wai, MH
Hon Starry LEE Wai-king, JP
Hon CHAN Hak-kan
Hon WONG Sing-chi
Hon IP Wai-ming, MH
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Hon LEUNG Kwok-hung
Hon Tanya CHAN
Hon Albert CHAN Wai-yip
- Member attending** : Hon LEE Cheuk-yan

Member absent : Hon Abraham SHEK Lai-him, SBS, JP

Public Officers attending : **Agenda item I**

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

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

Mr José YAM Ho-san
Principal Assistant Secretary for Transport and
Housing(Transport)⁴

Miss LUI Ying
Assistant Commissioner/Bus & Railway
Transport Department

Mr LEUNG Kin-man
Assistant Director/Railways
Electrical and Mechanical Services Department

Attendance by invitation : **Agenda item I**

Ms Jeny YEUNG
Commercial Director
MTR Corporation Limited

Ms May WONG
Deputy General Manager – Corporate Relations
MTR Corporation Limited

Mr Eddie SO
Senior Manager – Fare and Business Planning
MTR Corporation Limited

Individual

Miss Mandy TAM
Wong Tai Sin District Councillor

Democratic Alliance for the Betterment and Progress
of Hong Kong

Mr CHAN Hok-fung
Deputy Secretary-General

Hong Kong Catholic Commission for Labour Affairs

Miss LAW Pui-shan
Policy Research Officer

Civic Party

Mr Sunny CHAN
District Developer

Hong Kong Federation of Trade Unions New
Territories East Community Update

Mr Eric CHEUNG
Secretary

Social Policies Committee of the Hong Kong
Federation of Trade Unions

Mr MOK Kin-wing
Member

Green Sense

Ms HO Ka-po
Project Manager

Regional Affairs Committee of The Federation of
Hong Kong and Kowloon Labour Unions

Miss TAM Kam-lin
Community Organizer

Individual

Mr CHUNG Kam-lun
Sai Kung District Councillor

Individual

Mr CHAN Chung-yau

Kwai Chung Estate Striving for Transportation
Subsidy Concern Group

Miss Vincci WONG
Representative

Individual

Mr WONG Yun-tat
Kwai Tsing District Councillor

Individual

Miss Nixie LAM lam
Tsuen Wan District Councillor

Public Services Monitoring Group

Mr CHAN Chi-hang
Secretary

Public Transport Think Tank of Hong Kong

Mr YEUNG Wing-chun
幹事

Individual

Mr Jacky LIM
Policy Researcher

Individual

Mr Francis CHAN Tin-chu

New People's Party

Mr Michael TIEN
Vice-Chairman

Michael TIEN District Councillor Office

Mr LUK Chi-ho
Communication Officer

Catholic Diocese of Hong Kong Diocesan Pastoral
Centre for Workers (NT)

Mr Augustine YU Siu-po
Program Officer

North District Employment Concern Group

Ms Venny KWOK
Convenor

New Territories Evangelical Embassy

Mr CHOW King
Group Member

Smart and Beauty House

Ms LAW Lai-ping
Group Member

D.Dong

Mr Charles CHONG C K
Policy Research Department Head

Individual

Mr Chris IP Ngo-tung
Yau Tsim Mong District Councillor

Hong Kong Community Development Network

Mr James LUNG Wai-man
Chief Executive

Southern Democratic Alliance

Mr LIMBU Saran Kumar
Chairman

Community Development Alliance

Mr Thomas KONG
Community Officer

香港特膠鐵路關注組

Mr Peter LAU Kee-Yun
Representative

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

Staff in attendance : Mr Franco KWONG
Council Secretary (1)2

Ms Emily LIU
Legislative Assistant (1)2

Action

I Adjustment to MTR fares and the Fare Adjustment Mechanism of the MTR Corporation Limited

- | | |
|---|--|
| LC Paper
CB(1)1488/11-12(03) | No. - Administration's paper entitled "Adjustment to MTR fares in 2012 and Fare Adjustment Mechanism of MTR Corporation Limited" |
| LC Paper
CB(1)1488/11-12(04) | No. - MTRCL's paper entitled "Adjustment to MTR fares in 2012" |
| LC Papers
CB(1)1488/11-12(06)
CB(1)1541/11-12(01) | Nos. - Letters dated 29 March and 10 April 2012 from Hon LAU Kong-wah |
| LC Paper
CB(1)1738/11-12(01) | No. - Submission from Ms CHAN Mei-lin, Yuen Long District Councillor |
| LC Paper
CB(1)1738/11-12(04) | No. - Submission from Mr Dennis LEUNG Tsz-wing, Kwai Tsing |

LC CB(1)1738/11-12(10)	Paper	No. - Submission from Ms Christine FONG Kwok-shan, Sai Kung District Councillor
LC CB(1)1802/11-12(01)	Paper	No. - Submission from Hong Kong Federation of Students
LC CB(1)1802/11-12(02)	Paper	No. - Submission from Peng Chau Ferry Concern Group
LC CB(1)1802/11-12(03)	Paper	No. - Submission from Miss Mandy TAM, Wong Tai Sin District Councillor
LC CB(1)1802/11-12(04)	Paper	No. - Submission from New People's Party
LC CB(1)1813/11-12(01)	Paper	No. - Submission from Civic Party)

Meeting with deputations/individuals and the Administration

*Miss Mandy TAM, Wong Tai Sin District Councillor
(LC Paper No. CB(1)1802/11-12(03))*

Miss Mandy TAM briefed members on her submission. She commented that the MTR Corporation Limited (MTRCL) only aimed at making profits and gave no regard to public affordability and its standard of service. Given the frequent occurrence of railway incidents such as the recent West Rail Line (WRL) incident affecting over 100 000 passengers, the forthcoming fare increase would only raise the discontent of the public. She recalled that during the discussion of the rail merger, some Legislative Council (LegCo) Members did not support the proposal of using the profits derived from above-station development projects to establish a fare stabilization fund. Eventually, the public suffered most from the fare increases and inflationary spiral. Since implementation of the MTRCL's Fare Adjustment Mechanism (FAM) in 2009, MTR fares had only increased annually because the Composite Consumer Price Index (CCPI) and Nominal Wage Index (Transport Services Sector) (Wage Index) were the major components of the FAM formula. She requested the Administration to immediately review FAM with a view to increasing the threshold of fare increase by MTRCL and incorporating the factor of public affordability into the formula.

Democratic Alliance for the Betterment and Progress of Hong Kong

2. Mr CHAN Hok-fung said that the public were dissatisfied that despite its huge surplus of \$14.7 billion in 2011, MTRCL still planned to increase fares. To map out the way forward, it was essential for the Administration to figure out how to conduct the review of FAM. In this regard, the Administration should consider including new factors, such as public affordability and rail service performance, as well as profits derived by MTRCL from property development, into the FAM formula. A demerit point system should also be introduced under FAM whereby MTR's fare adjustments were linked to its standard of service. Moreover, the Government should consider using the dividends received from MTRCL to provide travelling subsidies to alleviate the heavy burden of travelling expenses on the public. He also urged MTRCL to offer more fare concessions such as monthly passes for the passengers living in Tung Chung and Tin Shui Wai.

*Hong Kong Catholic Commission for Labour Affairs
(LC Paper No. CB(1)1738/11-12(08))*

3. Miss LAW Pui-shan briefed members on the submission of Hong Kong Catholic Commission for Labour Affairs. She pointed out that 2012 was the third consecutive year of fare increases under FAM and the accumulated fare increase rate had reached almost 10%. She further pointed out that the FAM formula was unreasonable and highlighted the following loopholes in the formula –

- (a) CCPI could not reflect changes in the incomes of the public and public affordability. In fact, when CCPI went up, the purchasing power of people very often was reduced;
- (b) when inflation was rampant, public affordability would be undermined and so the MTR fare increases would only aggravate the public's financial burden; and
- (c) it was too conservative to set the productivity factor at zero for the first five years starting from rail merger, given that synergy had already been achieved upon the merger.

She commented that MTRCL was attaching greater importance to profit making than to its corporate social responsibility (CSR). The Commission urged the Administration to amend FAM to the effect that the future MTR fare adjustments had to be approved by the Chief Executive-in-Council

(CE-in-Council) and LegCo.

Civic Party

4. Mr Sunny CHAN said that the Civic Party opposed the fare increase, because it would add to the pressure of living costs borne by the general public, especially during inflation. MTRCL should freeze or reduce its fares taking into consideration the public affordability. In fact, since only 21% of MTRCL's profits were derived from railway operation, shelving the proposed fare increase would not have a significant impact on the returns received by MTRCL shareholders. Meanwhile, the Administration should review FAM and include MTRCL's profits from property development and management into the FAM formula. Highlighting the seriousness of the recent WRL incident, the Party supported that fare adjustments should be linked to the standard of service.

Hong Kong Federation of Trade Unions (HKFTU) New Territories East Community Update

5. Mr Eric CHEUNG pointed out that since 2000, contribution from passengers was arranged through the collection of \$0.1 per Octopus MTR journey from passengers for the platform screen doors (PSDs) retrofitting programme. However, PSDs along East Rail Line (ERL) had yet to be retrofitted. It was unacceptable that MTRCL had further decided to carry out the retrofitting works in tandem with the Shatin to Central Link project, which needed to take almost ten years to complete. A lot of grievances about the long lead time to retrofit PSDs along ERL were heard among the residents in the New Territories East. He urged MTRCL to expedite the PSD retrofitting works.

Social Policies Committee of HKFTU

6. Mr MOK Kin-wing said that to fulfill its CSR, MTRCL should freeze MTR fares given the huge profits it had made. As a major shareholder of MTRCL owning 76% of its shares, the Government should steer MTRCL to scrap the fare increase. He urged the Administration to review FAM as soon as possible. Some new factors including public affordability, MTRCL's property development profits and MTRCL's standard of service should be included into the FAM formula. He also urged MTRCL to provide fare concessions that could really meet the public's needs, such as "Ride 10 Get One Free" promotion and monthly passes for all railway lines.

Green Sense

7. Ms HO Ka-po criticized MTRCL for failing to comply with the new official guidelines for controlling "inflated buildings" in its property development projects above the Tin Wing Light Rail Transit Station in Tin Shui Wai and above the Tai Wai Station. Green Sense was also disappointed that being the major shareholder of MTRCL, the Government had turned a blind eye to the MTR fare increase which was much opposed by the public. Ms HO called on the Administration to cease granting property development rights to MTRCL as a way of bridging the funding gap of new railway projects.

Regional Affairs Committee of The Federation of Hong Kong and Kowloon Labour Unions

8. Miss TAM Kam-lin said that MTRCL was profiteering. She criticized MTRCL for ignoring the opposing views of the society against the fare adjustment and insisting on implementing it. She pointed out that when calculating the profits of MTRCL, its total asset value should not be neglected. In 2011, the MTRCL's total asset value was about \$200 billion, representing an increase of over \$16 billion compared with 2010, which had increased steadily over the past few years with an average increase of \$10 billion per annum. Besides, the profits derived from railway operations and station business revenue had nearly doubled since the rail merger, increasing to \$93 billion. FAM had inadequacies as evidenced by the repeated fare increases over the past three years despite huge profits made by MTRCL. As such, the Committee considered that there was a need to include some new factors into the FAM formula, such as public affordability and profit levels of MTRCL. A demerit point system under FAM should also be introduced.

*Mr CHUNG Kam-lun, Sai Kung District Councillor
(LC Paper No. CB(1)1738/11-12(02))*

9. Mr CHUNG Kam-lun briefed members on his submission. He said that during the scrutiny of the rail merger bill, the Government indicated that it was open towards the proposal of setting up a fare stabilization fund, but no follow up actions had since been taken by the Government. He considered that a fare stabilization fund would be able to deal with the inadequacy of FAM, e.g. preventing MTRCL from frequently implementing fare increases as allowed under FAM. He added that the Administration should consider using the profits from above-station property developments for setting up the proposed fund.

Mr CHAN Chung-yau

10. Mr CHAN Chung-yau said that the Panel had recently passed a motion requesting MTRCL to immediately shelve its fare increase. He queried why MTRCL had disregarded the motion and decided to go ahead with the fare increase. He also queried whether or not the Government, being a major shareholder of MTRCL, would perform its regulatory role and call on MTRCL to scrap the fare increase.

Kwai Chung Estate Striving for Transportation Subsidy Concern Group

11. Miss Vincci WONG said that the Concern Group represented many working class people. The Concern Group considered that FAM was impractical and the fare increase would aggravate the financial burden on the low-income class. She considered that MTRCL should fulfill its CSR by freezing its fares. The Concern Group requested the Administration to include some new factors into FAM to better reflect the reduced purchasing power of the working class under an inflationary environment. There was also a need for the Administration to draw up the implementation timetable of FAM review.

Mr WONG Yun-tat, Kwai Tsing District Councillor

12. Mr WONG Yun-tat said that MTRCL enjoyed certain degree of monopoly due to the Government policy of using the railway as the backbone, which was tilted in favour of rail service, leaving the travelling public with little choice of alternative transport means. Despite the Kwai Tsing residents' repeated calls for introduction of new franchised bus routes providing cross-district transport services, the Administration had refused to accede to the requests. He urged the Administration to buy back MTRCL, as well as franchised bus companies and minibus service, so that it could make better overall planning in the provision of affordable public transport services.

Miss Nixie LAM lam, Tsuen Wan District Councillor

13. Miss Nixie LAM said that, on behalf of residents living in Tsuen Wan and Sham Tseng, she objected to the fare increase and made the following suggestions –

- (a) the Government should consider using the dividends received from MTRCL to offset the revenue that could be derived from the fare increase so that the fare increase could be scrapped; and

- (b) MTRCL should consider –
 - (i) providing more fare concessions including monthly pass promotion and "Ride 10 Get One Free" promotion;
 - (ii) reviewing the present contingency arrangements for handling railway incidents; and
 - (iii) reviewing its spending, avoiding unnecessary expenditure such as the remuneration of \$7.5 million per annum for employing the Chief Executive Officer of MTRCL from overseas.

*Public Services Monitoring Group
(LC Paper No. CB(1)1738/11-12(09))*

14. Mr CHAN Chi-hang briefed members on the Monitoring Group's submission. Given that the existing FAM formula had inadequacies for safeguarding public interest, the Monitoring Group proposed a new one which should include the following –

- (a) the components under CCPI which were irrelevant to the operational cost of MTRCL, such as price levels of food, rental and transport, should be excluded before calculation;
- (b) the Wage Index should be replaced by the Real Wage Index (Transport Services Sector) to better reflect the public affordability;
- (c) the profits derived by MTRCL from property development and station business revenue (e.g. income from display of commercials) should be taken into account in setting the productivity factor used in the formula; and
- (d) a demerit point system should be introduced under FAM.

*Public Transport Think Tank of Hong Kong (PTTTHK)
(LC Paper No. CB(1)1738/11-12(03))*

15. Mr YEUNG Wing-chun presented the views of Public Transport Think Tank of Hong Kong as detailed in its submission, including –

- (a) under the fare adjustment mechanism for franchised bus companies, fare adjustments were required to be approved by CE-in-Council. PTTTHK considered that FAM for MTRCL should follow suit so that the Government could better perform its monitoring role;
- (b) some of the fare concessions provided by MTRCL in the past were found not very practical and not all passengers could benefit from them. MTRCL should consider offering fare reductions instead;
- (c) the Government policy of using the railway as the backbone should not preclude the development need of other transport modes such as buses and minibuses. Diversification of transport modes was important for the society; and
- (d) PTTTHK made these suggestions such as postponing fare increases, establishing a fare stabilization fund and introducing a sanction mechanism against MTRCL's poor service for the Administration's consideration.

Mr Jacky LIM, Policy Researcher

16. Mr Jacky LIM commented that the rail merger not only failed to alleviate the pressure for fare increases, but it had facilitated MTRCL to make huge profits. He criticized the Government for adopting a policy of profit maximization in the provision of railway services. He stressed that the profits derived by MTRCL from property development should be used for setting up a fund to subsidize railway operation. He also urged the Administration to buy back MTRCL, and to authorize the Transport Advisory Committee to handle public complaints against MTRCL.

Mr Francis CHAN Tin-chu

17. Mr Francis CHAN said that he held MTRCL shares, but objected to the FAM. He reminded MTRCL that it was required to maintain a proper and efficient service at all times under the Mass Transit Railway Ordinance (Cap. 556). In substance, MTRCL was a public organization and it should fulfill CSR. Also, the Administration should not shirk its responsibility for providing public transport services. Noting that the Administration received dividends from MTRCL every year, he enquired whether the Administration had used the money to invest in improving public transport services.

*New People's Party / Michael TIEN District Councillor Office
(LC Paper No. CB(1)1802/11-12(04))*

18. Mr Michael TIEN briefed members on the views of New People's Party as detailed in its submission. He said that New People's Party opposed the MTR fare increase and requested the Administration to review FAM and consult the public. He also requested the Administration to study the feasibility of enabling CE-in-Council to approve MTR fare adjustments, with a view to preventing MTRCL from effecting fare increases automatically according to FAM formula. He considered that the productivity factor in the formula should be reviewed and that the present FAM would result in a situation that the higher the inflation, the high the fare increase would be. Under the New People's Party's proposal, the Executive Council (ExCo) should have the power to adjust the permitted fare adjustment rate under FAM by striking a balance between public affordability and the interests of MTRCL shareholders. It was further proposed that the adjustment made by ExCo should be within the range of $\pm 30\%$ of the fare adjustment rate calculated based on the FAM formula. If applied to the present situation, the current fare increase rate could be reduced from 5.4% to 3.7% by ExCo. He also gave views on the FAM formula as set out in the relevant submission.

*Hong Kong Community Development Network (HKCDN)
(LC Paper No. CB(1)1738/11-12(05))*

19. Mr James LUNG said that HKCDN, comprising disabled persons, ethnic minority people and new immigrants, objected to the MTR fare increase because it would increase the burden of travelling expenses of the public, further triggering off an inflationary spiral. He urged LegCo Members to request MTRCL to freeze its fares for one year.

Catholic Diocese of Hong Kong Diocesan Pastoral Centre for Workers (NT)

20. Mr Augustine YU criticized the Administration and MTRCL for refusing to meet with community groups to listen to their views on the fare adjustment. Recently, the Centre had employed undergraduates to conduct a study on the issue of opening up the Hong Kong's railway market. He said that Japan was a successful example of opening up the railway market and the Administration should also consider opening up the railway industry of Hong Kong to allow effective competition which would bring about service improvements and fare reductions.

Northern District Employment Concern Group

21. Ms Venny KWOK highlighted the plight of the residents of the North District, many of whom were the low-income group and had to commute to work in the urban area. These people had to bear high travelling expenses and the fare adjustment would further add to their heavy burden of travelling expenses. She queried why the Administration, being the major shareholder of MTRCL, did not instruct MTRCL to shelve the fare increase.

New Territories Evangelical Embassy

22. Mr CHOW King said that he opposed the fare increase and requested the Administration to provide travelling subsidy to persons with disabilities to facilitate them in seeking cross-district employment.

Smart and Beauty House

23. Ms LAW Lai-ping suggested that the provision of the \$2 concessionary elderly fare on two days a week for a specified period of time should be extended for a longer period so as to encourage the elderly to participate in more social activities. She further suggested that fare concessions should not only be offered to the elderly and people with disabilities, but also to those who accompanied those people because the elderly and disabled people often had to be accompanied by other people.

D • Dong

(LC Paper No. CB(1)1738/11-12(07))

24. Mr Charles CHONG briefed members on the views of D • Dong as detailed in its submission. He said that MTRCL had already received heavy subsidies in the form property development rights granted to it and yet MTRCL still increased fares annually despite the huge profits it had made. In providing safe and efficient railway services, MTRCL should strive to alleviate the burden of travelling expenses on the public. During the review of FAM, consideration should be given to MTRCL's performance and service standard as well as profits derived by MTRCL from property development. The monitoring role of CE-in-Council under FAM should also be enhanced.

Mr Chris IP Ngo-tung, Yau Tsim Mong District Councillor

25. Mr Chris IP expressed dissatisfaction with the lack of response from MTRCL to the questions earlier raised by District Council members in respect of the MTR fare increase. Highlighting the public resentment against the

fare increase, he requested MTRCL to improve its railway inspection and maintenance works, retrofit PSDs at all stations, and improve station facilities. He also gave views on the FAM formula, and suggested setting up a fare stabilization fund and offer of fare concessions.

Southern Democratic Alliance
(LC Paper No. CB(1)1738/11-12(06))

26. Mr LIMBU Saran Kumar briefed members on the Alliance's submission. He pointed out that the MTR fare rates were much higher than those of Mainland China and Taiwan. Being the major shareholder of MTRCL, the Government should stop MTRCL from repeatedly increasing its fares. Besides, the Alliance urged the Administration to review FAM as soon as practicable.

Community Development Alliance

27. Mr Thomas KONG said that the FAM formula should be reviewed and revised to plug the following loopholes –

- (a) CCPI could not reflect the public affordability;
- (b) the Wage Index failed to reflect the cost of MTRCL; and
- (c) the productivity factor, being set at zero for the first five years starting from rail merger, failed to reflect the synergy achieved upon the merger.

He considered that the FAM review should be expedited and the transport needs of residents in remote areas (e.g. Tin Shui Wai where only railway was the main transport means for residents to go to urban area) should be addressed.

香港特膠鐵路關注組

28. Mr Peter LAU said that the Concern Group opposed the fare increase. It was unacceptable that despite its huge surplus, MTRCL still sought a fare increase. The Concern Group considered that the Administration should set up a fare stabilization fund and explore the feasibility of buying back MTRCL. He also criticized the poor service standard of MTRCL with frequent occurrence of service delays and that passengers often had to put up with the crowded condition of train compartments during peak hours.

Administration's initial response to deputations' views

29. At the Chairman's invitation, the Under Secretary for Transport and Housing (USTH) made the following points in response to the views of the deputations attending the meeting –

- (a) since the merger of the railway networks in December 2007, an objective and transparent FAM had been adopted to replace the fare autonomy of the then MTR and Kowloon-Canton Railway Corporation;
- (b) given the relatively high inflation rate at present, the Government shared the view of the public that MTRCL should, apart from considering its commercial interests, give due regard to its CSR;
- (c) the Government had reflected public views and concerns about the MTR fare adjustment to MTRCL for consideration, and had urged MTRCL to take into account the overall macro-economic environment and implement more and various effective fare concessions to meet passengers' needs and alleviate their burden of travelling expenses; and
- (d) the arrangement for review of FAM every five years was laid down during the rail merger. The Administration would carry out a review on FAM together with MTRCL in the second half of 2012. To better prepare for the review, the Administration had engaged a consultant to conduct a thorough and objective study on the existing FAM and how it might be improved. The consultant had been asked to consider, inter alia, whether and how new components, such as MTRCL's operational costs and profit level, its operational efficiency and service performance, as well as the affordability of general public, should be introduced to the formula.

Discussion

30. Panel members, including Mr WONG Kwok-hing, Mr Ronny TONG, Mrs Regina IP, Mr LEUNG Kwok-hung, Ms Miriam LAU, Mr IP Wai-ming and Mr KAM Nai-wai, expressed strong dissatisfaction with the 2012 fare adjustment. Highlighting that all deputations attending the meeting objected to the fare increase and many members of the public signed on their own initiative during recent signature campaigns against the fare increase, they

considered that the Administration should listen to the strong public opinion and take immediate action to scrap the fare increase. Some members considered that the Government, being the major shareholder of MTRCL, should ask MTRCL not to increase fares, while some other members considered that the Government should return the dividends received from MTRCL to offset the additional revenue to be generated by the fare increase this year, so as to avoid increasing fare by 5.4% in June.

31. USTH responded that the FAM formed part of the merger agreement between MTRCL and the Government and was legally binding. Under the current FAM, the fare adjustment rate for the prevailing year was determined in accordance with a direct-drive formula. He also explained that while the Government was the major shareholder of MTRCL, the interests of the other small shareholders should also be respected. Nevertheless, the Government had urged MTRCL to introduce various additional and effective fare concessions to address the specific needs of the passengers and lessen their travelling expenses.

32. Ms Miriam LAU opined that as the fare increase would only bring additional revenue of \$0.6 billion to MTRCL, it was insignificant when compared with the profits of \$14.7 billion recorded by MTRCL in 2011. She asked if it was true that MTRCL, under the Operating Agreement, had no any other option but to implement fare adjustments in accordance with the rate as calculated by the FAM formula. USTH reiterated that FAM, which formed part of the merger agreement between MTRCL and the Government, was legally binding. Under the current FAM, the fare adjustment rate for the prevailing year was determined in accordance with a direct-drive formula. Ms LAU further asked whether the Government would consider invoking section 13 of the Railways Ordinance and instruct MTRCL not to implement the fare adjustment this year in view of the exceptionally large amount of profits recorded by MTRCL. USTH responded that the suggestion had to be carefully considered because any such action taken without adequate justifications might give rise to litigations against the Government in demand for compensations to be made to MTRCL.

33. Highlighting the large number of train service delays of 8 minutes or more in recent years, Mr KAM Nai-wai considered that MTRCL should not insist on fare increase in consideration of its poor service standard. USTH responded that although there was a slight upward trend in the number of delays in 2011, a large majority of them were actually caused by passenger behaviour and external factors. There was no sign of any structural safety problem with MTR, and the Administration had also urged MTRCL to improve its service standard.

34. Mrs Regina IP enquired about the mechanism for determining the remuneration packages of the senior management staff of MTRCL. She was concerned whether their remuneration was linked to the profit level of MTRCL, thus inducing them to increase MTR fares. USTH responded in the negative and briefed members on the relevant mechanism.

35. Mr WONG Kwok-hing asked about the amount of consultancy fee and relevant timetable for the review of FAM. USTH advised that the arrangement for review of FAM every five years had been laid down in the Operating Agreement. The Administration would conduct the review together with MTRCL in the second half of 2012, with a view to completing the exercise by end 2012/early 2013. The consultancy fee was \$1.34 million.

36. Some members commented that the fare concessions previously offered by MTRCL were too trivial in nature. They echoed the views of deputations that Monthly Passes should as soon as possible be made available for all railway lines. In response to MTRCL's claim that it intended to return to its passengers the full value of the additional revenue to be received from fare increase through fare concessions, Ms Miriam LAU pointed out that some passengers might not benefit from fare concessions and suggested that the most practical way was to freeze the fares.

Further views given by the deputations

37. At the Chairman's invitation, the deputations gave further views on the fare adjustment. Mr Michael TIEN enquired whether the FAM formula had room for review or revision, given that it was legally binding. He also expressed concerns on the following issues –

- (a) the provision of monthly passes for other railway lines (e.g. East Rail Line);
- (b) measures to address the problem of saturation of the capacity of WRL; and
- (c) progress of strengthening the Light Rail vehicle fleet since 2007 to improve services for residents in Northwest New Territories (NWNT).

USTH responded that the review of FAM had been laid down in the Operating Agreement. On the provision of monthly passes, the Administration had all along relayed the public views on fare concessions to MTRCL for consideration. The Commercial Director of MTRCL advised

that MTRCL would continue to listen to the public opinions on the WRL service and would take on board Mr Michael TIEN's views and suggestions. She said that a total of 22 Light Rail vehicles were purchased in 2007, and some of which had been put into service since 2010 and 2011. She added that new feeder buses had also been purchased since 2007 to improve services for NWNT residents.

38. Other deputations, including Mr Francis CHAN, Mr Jacky LIM, Mr Augustine YU, Ms Venny KWOK, Mr Peter LAU and Mr CHAN Chung-yau also provided further views, including the following points –

- (a) the dividends received by the Government as a major shareholder of MTRCL were actually a form of indirect tax imposed on the public, and that the Government should exert influence on the Board of Directors of MTRCL to request MTRCL to shelve the fare increase;
- (b) the review of FAM should include extensive public consultation;
- (c) the Operating Agreement should be made public; and
- (d) the MTR trains were overcrowded, notably on the cross-harbour lines during peak hours. As such, the relevant franchised bus and ferry services should be enhanced to meet passengers' needs.

II Any other business

39. There being no other business, the meeting ended at 7:05 pm.