

**For discussion  
on 21 February 2025**

## **Legislative Council Panel on Transport**

### **Fare Increase Application from Hong Kong Tramways Limited**

#### **Purpose**

The Hong Kong Tramways Limited (“HKT”) has submitted a fare increase application<sup>1</sup>. This paper invites Members’ views on the application.

#### **Background**

2. HKT last increased its fares in July 2022, with fare for persons aged 12 or above (commonly referred to as “adult fare”) increased from \$2.6 to \$3, fare for children (aged 3 to 11) increased from \$1.3 to \$1.5, fare for the elderly (aged 65 or above) increased from \$1.2 to \$1.3, and fare for monthly ticket increased from \$220 to \$260.

3. In its latest fare increase application, HKT proposed increasing the fares as follows –

<b>Passenger Group</b>	<b>Existing Fare</b>	<b>Proposed Fare (Change)</b>
Person aged 12 or above	\$3.0	\$3.3 (+10%)
Child (aged 3 to 11)	\$1.5	\$1.6 (+6.7%)
Elderly (aged 65 or above)	\$1.3	\$1.5 (+15.4%)
Monthly Ticket	\$260	\$260 (Unchanged)

#### **Assessment Criteria**

4. We need to ensure that HKT has sound financial capability to provide efficient and quality tram services at reasonable fares. In line with the established policy and mechanism, the Government will take into account the following major criteria in assessing HKT’s fare adjustment application –

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<sup>1</sup> HKT submitted a fare increase application in April 2024, and revised the proposed new fares in its subsequent submissions in October 2024 and January 2025, as stipulated in the table in paragraph 3.

- (a) the quality and quantity of service provided and the planned improvement projects;
- (b) the changes in operating costs and revenue since the last fare adjustment;
- (c) forecasts of future operating costs, revenue, profit and return; and
- (d) the likely public acceptability.

5. We shall make reference to the views of Members of the Legislative Council Panel on Transport and the Transport Advisory Committee before submitting recommendations to the Chief Executive in Council (“CE in C”) for consideration in accordance with the Tramways Ordinance (Cap. 107). The new schedule of fares, if approved by CE in C, should take effect one month after its publication in the Gazette and will be tabled at the Legislative Council for negative vetting<sup>2</sup>.

## **Considerations**

### ***Service performance***

6. HKT has around 520 employees, operating 165 trams and running seven lines. It has been providing emission-free and affordable public transport services along the northern shore of Hong Kong Island since 1904. It has a unique historical significance and has always been well received by the local community and visitors, and represented the collective memory of Hong Kong citizens.

7. HKT has been providing satisfactory service to passengers over the years. The frequent service with low fares and convenient at-grade tram stops are most appreciated by passengers. From 2020 to 2024, the number of complaints received per million passenger journeys by the TD against HKT per year has remained at a low level from 1.8 to 3.0.

### ***Improvement Projects***

8. In order to enhance the service level, HKT has carried out various improvement measures to upgrade and renew the tramway system since July 2022 (details at **Annex**). According to HKT, the capital expenditure for implementing

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<sup>2</sup> According to section 51 of Cap.107, subject to the consent of CE in C, alteration of tram fares shall come into force one month after its publication in the Gazette or within shorter period after such publication as the CE in C may order.

all the improvement projects from 2025 to 2027, amounting to a total of around \$68.2 million, will provide safer and more comfortable services to passengers. Some of the projects can reduce the recurrent operating costs (in particular repair and maintenance, and electricity costs) of HKT in the long run. Through implementation of the improvement projects and introduction of innovative measures to enhance the attractiveness of tram services, HKT has continually demonstrated its commitment to improve tram service in terms of safety, service level, passenger riding comfort and customer satisfaction.

### ***Financial situation***

9. HKT's revenue is mainly comprised of passenger fare and non-fare box revenue from advertising –

- (i) Passenger fares accounted for about 40% of HKT's total revenue. Trams carried about 137 900 passenger trips per day in 2024. The average daily patronage for tram has been decreasing over the years since 2010 (about 227 000 passenger trips). Although the patronage has shown a significant recovery from the time of COVID-19 pandemic (about 113 000 to 131 200 passenger trips), it is still approximately 8% lower than the daily patronage in 2019 (about 149 400 passenger trips). Given the decreasing population on Hong Kong Island and fierce competition from railway and franchised buses, the patronage growth for tram is expected to slow down significantly in the coming years. Furthermore, tram fare is the lowest among all modes of public transport. The current adult fare at \$3.0 is 38% lower than the cheapest bus route serving the northern shore of the Hong Kong Island. The year-on-year changes in daily patronage and annual fare revenue for the period between 2020 and 2024 are set out in the table below –

	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Daily patronage</b>	113 000	131 200	116 600	134 000	137 900
[Year-on-year change]	[-24.4%]	[+16.1%]	[-11.1%]	[+14.9%]	[+2.9%]
<b>Annual fare revenue</b>	95.8	111.5	110.3	122.4	128.8
(\$ million)		[+16.4%]	[-1.1%]	[+11.0%]	[+5.2%]
[Year-on-year change]					(Unaudited)

- (ii) Advertising on tram body and at tram stop shelter accounted for about 40% to 50% of HKT's total revenue. At present, all tram bodies in general carry advertisements and most tram stop shelters with commercial potential have also been utilised. Although HKT is actively exploring more innovative and digitalized model for advertisement (such as "Bright Ring Tram" and digital advertising display board at tram stops), according to HKT, the advertising and other non-farebox revenue are relatively volatile. The growth in advertising

revenue in 2024 is mainly attributed to a one-off revenue and the room for further increasing advertising revenue is rather limited. The year-on-year changes in advertising revenue for the period between 2020 and 2024 are set out in the table below –

	2020	2021	2022	2023	2024
<b>Advertising revenue</b> (\$ million) [Year-on-year change]	91.5	107.6 [+17.6%]	101.8 [-5.4%]	115.2 [+13.2%]	154.0 [+33.7%] (Unaudited)

- (iii) The remaining revenue sources of HKT include corporate sponsorship for Free Tram Ride Day, tram charter, sales of tickets for TramOramic Tour and tram souvenirs. In recent years, HKT has been actively developing the aforementioned sources of income. To tie in with the concept of “tourism is everywhere” in Hong Kong, HKT has stepped up promotion of TramOramic Tour and enhanced the experience of Party Tram.

10. HKT’s total operating costs increased continuously in the past few years, rising from \$186 million in 2020 to \$306.7 million in 2024, which represented an increase of 65%. This was mainly due to significant increases in staff costs and depreciation charges for capital investment in implementing the improvement projects. HKT has a relatively inelastic cost structure with staff costs accounting for about two-thirds of the total operating costs, and the remaining costs mainly include repair and maintenance costs, electricity, and depreciation expenses. There is hence limited room for HKT to cut costs. The year-on-year changes in operating costs for the period between 2020 and 2024 are set out in the table below –

	2020	2021	2022	2023	2024
<b>Operating costs (with government subsidies)</b> (\$ million) [Year-on-year change]	186.0	228.5 [+22.8%]	246.9 [+8.1%]	278.3 [+12.7%]	306.7 [+10.2%] (Unaudited)

11. HKT’s operating cost is rising continuously and patronage has not recovered to the pre-pandemic level. Taking into account the one-off revenue mentioned in paragraph 9(ii) above, HKT’s profit after tax in 2024 is about the same as that in 2020, and the profit margin has decreased from 5.4% in 2020 to 3.5% in 2024. The profit after tax and profit margin for the period between 2020 and 2024 are set out in the table below –

	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Profit after tax</b> (\$ million) [Year-on-year change]	10.3 [-64.4%]	-3.0 [N/A]	3.9 [N/A]	4.5 [15.4%]	11.2 [148.9%] (Unaudited)
<b>Profit margin</b>	5.4%	-1.3%	1.6%	1.6%	3.5% (Unaudited)

12. In view of the latest return and financial position, and also the forecast of cost and revenue in the future, HKT considers the proposed fare increase vital to maintain the company's sustainable operations as well as stable tram services.

### **Advice Sought**

13. Members are invited to offer views on HKT's fare increase application.

**Transport and Logistic Bureau**  
**Transport Department**  
**February 2025**

**Improvement Projects Carried out by HKT since July 2022**

<b>Project Nature</b>	<b>Progress (Target Completion Date)</b>
<b>Project for improving service quality</b>  (a) Renewing the steepest curves along tram track with new materials (manganese steel rail), which can reduce the frequency of track maintenance and extend the track life, as well as provide passengers with more stable rides.  (b) Developing new mobile application to provide the service information such as real-time estimated time of arrival for passengers.	Ongoing (2029)          Ongoing (Q2 2025)
<b>Projects for enhancing safety</b>  (c) Speed Alert Geo-fencing System (for location tracking and speed monitoring): <ul style="list-style-type: none"> <li>• Deployment of Radio Frequency Identification systems</li> <li>• Upgrade of Odometer / Vehicle Communication System</li> </ul> (d) Installation of Speed Limit Controller on signature alternating current trams.  (e) On-board surprise checks and laser guns spot check (for detecting speeding), with a view to monitoring the driving performance of motormen.  (f) Refresher training courses for motormen.  (g) New bogie replacement and Tread Brake Unit development to enhance tram car stability and reduce the risk of derailment.  (h) Develop an intelligent control management and Artificial Intelligence optimisation project (namely “Smart Ding Ding”) to enhance control and regulation on operational management.	Completed          Completed          Ongoing          Ongoing          Ongoing (2037)          Completed

<b>Project Nature</b>	<b>Progress (Target Completion Date)</b>
(i) Replacing the point-and-crossings and emergency crossovers to enhance tram car stability and reduce the risk of derailment.	Ongoing (2029)