

**Key views received by the Government
during the public consultation on the review of
the MTRCL Fare Adjustment Mechanism**

A. The FAM formula and its components

- views on whether the direct-drive formula should be retained are diverse. While there are some submissions supporting that the current approach is transparent, or that the formula should be retained with certain enhancements, there are also submissions suggesting that adjustments of MTR fares should be subject to the approval of at least the Executive Council; and
- weighting of different elements now in the direct-drive formula should be reviewed to enhance the formula.

B. Profitability of the MTRCL

- the majority of the submissions request that the profitability of the MTRCL should be duly reflected in the FAM;
- when the underlying profit of the MTRCL in a particular year reaches certain pre-determined level, the MTRCL should not increase fare;
- a new “profit factor”, which reflects the underlying profit made by the MTRCL in a particular year, should be added to the existing FAM formula to reduce fare increase; and
- the amount set aside for fare concessions under the existing “Profitability-linked Arrangement” should be increased.

C. Public affordability

- a significant number of the submissions suggest that the FAM should better reflect public affordability; and
- the current “affordability cap” (i.e. Median Monthly Household Income) should be reviewed, particularly in view that such cap has never been triggered since its introduction after the review of FAM in 2013. Other indicators should be explored.

D. Fare level or fare concessions offered by the MTRCL

- quite a number of submissions suggest that as the sole railway operator in Hong Kong and a company with the Government as the majority shareholder, the MTRCL has its social responsibility to fulfill. MTRCL should not increase fares while making handsome profits;
- the majority of the submissions ask for more fare concessions to be offered by the MTRCL under the FAM; major examples are –
 - the periods of various fare concession programmes should be extended;
 - more intermodal discounts should be provided;
 - more “MTR Fare Savers” should be set up; and
- the MTRCL should also consider direct fare reduction rather than providing fare concession schemes which are conditional and not applicable to all passengers.

E. Service performance

- the financial penalty under the “Service Performance Arrangement” should be reviewed;
- the calculation of duration of service disruption should be reviewed; and
- inclusion of a new factor to the FAM should be explored to better reflect MTRCL’s service performance level.

F. Others

- some submissions suggest that the Government should not use the dividends received from the MTRCL, which is public money, to subsidise MTR fares, because this goes against the Government’s established principles of public finance. But, there are quite a number of submissions suggesting that the dividends should be used to set up a fare stabilisation fund to reduce fare increase rate;
- a couple of submissions suggest that the MTRCL should review the current fare structure and revise it from a “distance based” to a “regional based” one; and
- a couple of submissions suggest that the Government should buy back

the MTRCL, while there are views to the contrary.

**Transport and Housing Bureau
Transport Department
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