



# **Public Consultation on the Review of the MTR Fare Adjustment Mechanism**

**May 2016**

**Transport and Housing Bureau**

**Transport Department**

## **Consultation Paper**

### **Review of the MTR Fare Adjustment Mechanism**

#### **Purpose**

The Government is going to conduct a joint review with the MTR Corporation Limited (“MTRCL”) on the MTR Fare Adjustment Mechanism (“FAM”). We now invite views from the public on the FAM.

#### **Public Transport Policy**

2. It is the Government’s established policy that public transport services should be run by the private sector in accordance with commercial principles to enhance efficiency and cost-effectiveness. Currently, there is no direct subsidy from the Government for public transport services save for six major outlying island ferry routes<sup>1</sup>.

3. Regarding public transport fares, the Government’s stance is that the fares have to be fair to both passengers and operators. The Government has been providing pragmatic subsidies for targeted uses and to meet clear policy needs. Examples include the schemes under the Labour and Welfare Bureau to provide allowances for low-income persons working across districts, and for the elderly and persons with disabilities to travel by public transport at a fare of \$2; the Education Bureau has also been providing travel subsidy for needy students.

#### **MTRCL**

4. The MTRCL was established in 1975, initially as a company solely owned by the Government, i.e. the Government was the only shareholder. It was established with a view to constructing and operating, under prudent commercial principles, a safe, reliable and efficient urban underground metro system to help meet Hong Kong’s public transport needs. The Corporation was listed on the Stock Exchange of Hong Kong through an Initial Public Offering by the

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<sup>1</sup> Special Helping Measures are provided to these routes by the Government because there is basically no alternative to the ferry services as a means of public transport, and short of the Special Helping Measures, the ferry services cannot be maintained without periodic hefty fare increases.

Government in October 2000. The Government now owns around 76% of the shares of MTRCL.

5. The rail merger of the MTRCL and the Kowloon-Canton Railway Corporation (“KCRC”) took effect on 2 December 2007, which involved, among other things, the expansion of the MTRCL’s franchise under the MTR Ordinance (Cap. 556) to provide the MTRCL with the right to operate both the MTR and KCR railways for an initial period of 50 years from the merger date. Currently, the heavy rail network comprises nine railway lines serving the Hong Kong Island, Kowloon and the New Territories, as well as an Airport Express connecting the urban area with the Hong Kong International Airport. The MTR network also includes a Light Rail network serving the local communities of Tuen Mun and Yuen Long in the New Territories, and a fleet of buses provide convenient feeder services.

6. Extract of some basic financial data from MTRCL’s annual report is at **Annex 1**.

### **Current FAM of the MTRCL**

7. Before the rail merger, the MTRCL enjoyed autonomy in setting their fares in accordance with prudent commercial principles and with due regard to, among other things, economic conditions, competition from other public transport modes and whether the service was value for money. At that time, there was general public concern that the basis on which the rail companies adjusted fares was not clear. At the time of rail merger in 2007, the Government and the MTRCL agreed to put in place a “Fare Adjustment Mechanism” with **an objective and transparent formulaic approach** in determining future annual fare adjustments, to replace the fare autonomy MTRCL hitherto enjoyed. During the legislative process of the rail merger, the FAM was extensively discussed in the Legislative Council (“LegCo”) and approved through voting at the MTRCL’s shareholders’ meeting after careful deliberation before being included as a condition for the merger<sup>2</sup>. As such, the FAM is an integral part of the rail merger agreement between the Government and MTRCL at that time and has been incorporated into the Operating Agreement. It is legally binding.

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<sup>2</sup> As the Government is both the sole shareholder of KCRC and the majority shareholder of MTRCL, it did not take part in the voting.

## Review schedule

8. Either of the Government and the MTRCL may request a review on the FAM every five years following the rail merger. Outcome of the first review was announced in April 2013. The next review is originally due for completion in 2018.

9. The Government considers that the experience gained so far since the last review suggests that there is possible room for an early review of the FAM. The Government therefore issued a letter to the MTRCL on 22 March 2016 asking the Corporation to advance by one year a joint review with the Government on the FAM, so that the new FAM can take effect in 2017. The MTRCL replied to the Government on 20 April 2016, conveying their decision to advance by one year a joint review with the Government. The main direction of the review is for the operation of the FAM to better respond to the public concern about the relationship between fare adjustment and the Corporation's profitability, as well as the passengers' affordability, whilst still respecting the financial prudence required of the Corporation as a listed company.

## FAM Formula for the first five years after the Rail Merger (2007 - 2012)

10. The FAM put in place since the rail merger in 2007 is a **direct-drive formula** that takes into account changes in (a) the Composite Consumer Price Index ("CCPI") and (b) the Nominal Wage Index (Transportation Section) ("NWI(TS)"), as well as (c) a pre-determined productivity factor:

$$\text{Overall Fare Adjustment Rate} = (0.5 \times \text{Change in CCPI}) + (0.5 \times \text{Change in NWI(TS)}) - \text{Productivity Factor}$$

where –

- Overall fare adjustment rate is the weighted average figure by which all adjustments to individual fares taken together shall equal to;
- Change in CCPI is the year-on-year percentage change in CCPI for December of the previous year;
- Change in NWI(TS) is the year-on-year percentage change in NWI(TS) for December of the previous year; and

- Productivity Factor is a pre-determined factor of 0% before 2013 and 0.1% from 2013.

11. Based on the data of these objective indices under the FAM, fares will be maintained, or adjusted upwards or downwards. If, in a given year, the outcome of the calculations on the overall fare adjustment rate under the FAM is within the range of  $\pm 1.5\%$ , there shall be no fare adjustment and the unadjusted percentage shall be rolled over to the next annual fare review for calculation.

12. The adoption of CCPI and NWI(TS) seeks to align fare adjustments with economic conditions and wage levels. The CCPI reflects the macroeconomic environment and public affordability to a certain extent, whereas the NWI(TS) reflects MTRCL's non-managerial staff cost in wages. These two indices are published data of the Census and Statistics Department and are objective and verifiable.

13. According to the arrangements then, the productivity factor was set at zero for the first five years starting from the rail merger (i.e. before 2013) and would have a value of 0.1% starting from the sixth year (i.e. from 2013). The 0% productivity factor for the first five years took into consideration the general reduction of MTR fares on the day of the merger on 2 December 2007, before any synergies could be realised for the merger. The productivity factor of 0.1% to be applied from the sixth year onwards was so determined taking account of the fact that the scope for productivity gain would be limited due to heavy investment by the merged MTRCL, particularly as the railway network is expanding.

#### Outcome of the First Review on FAM (2013)

14. Following detailed deliberations, the Government and MTRCL announced the outcome of the first review on the FAM of the MTRCL in April 2013. That review introduced multiple measures to reduce citizens' fare burden of travelling by railway, while maintained the financial viability of MTRCL as a listed company. The Government had two major objectives when conducting the review with MTRCL. They were –

- (a). reviewing the original fare adjustment formula and expanding the scope of consideration under the FAM by incorporating factors such as MTRCL's profitability and service performance as well as public affordability; and

- (b). relieving the fare burden on medium- and long-distance passengers living in remote areas.

15. Details of the revised FAM announced in April 2013 are as follows –

- (a). annual Overall Fare Adjustment Rate from 2013 to 2017 will be calculated according to the following direct-drive formula:

**Overall Fare Adjustment Rate**

= (0.5 × change in CCPI in December of the previous year)

+ (0.5 × change in NWI(TS) in December of the previous year)

– Productivity Factor (value set at 0.6% from 2013 to 2017)

**According to the outcome of the review, the Productivity Factor value in the formula was improved from 0.1% to 0.6%.** The enhanced Productivity Factor value can thus moderate any fare increase by 0.5 percentage point each year from 2013 to 2017, benefitting all passengers;

- (b). **monthly passes and related concessions have been comprehensively enhanced** to address the need and affordability of frequent medium- and long-distance MTR passengers. MTRCL has accordingly launched a number of new ticket schemes, including –

- (i) a new “MTR City Saver” for frequent medium- and long-distance MTR travellers commuting within the urban area (passengers are entitled to 40 MTR rides within 30 days between designated stations in the urban area);
- (ii) “Monthly Pass Extras” which offer additional 25% fare discount for onward domestic journeys reaching stations not covered by the particular monthly pass benefitting passengers riding on different railway lines; and

- (iii) a new “Tung Chung – Nam Cheong Monthly Pass Extra” in response to passengers’ need;
- (c). **an “Affordability Cap” has been introduced**, where no matter the outcome of the direct-drive formula in future, the fare increase rate of that year will not be higher than the change in the Hong Kong Median Monthly Household Income for the corresponding period to address public affordability;
- (d). **a “Profit Sharing Mechanism” has been introduced** to address the public concern on MTRCL’s profitability. MTRCL will, based on its underlying business profits each year, set aside an amount to provide fare concessions and share the Corporation’s operational success with passengers as well as relieve their burden from fare increase. **The underlying business profits include profits from all businesses of MTRCL. Those from property developments and overseas businesses are included;** and
- (e). **a “Service Performance Arrangement”** has been put in place, whereby an amount will be set aside for serious service disruptions (defined as disruptions of 31 minutes or above) caused by factors within MTRCL’s control. **Any amount set aside will be given back to passengers through fare concessions.**

Calculation methods for the “Profit Sharing Mechanism” and “Service Performance Arrangement” are at **Annex 2**. The fare concessions under the existing FAM are at **Annex 3**.

#### Adjustments of Individual Fares

- 16. The FAM is applicable to all Controlled Fares including –
  - (a). Adult, Elder, Student and Child fares for one way journeys on all MTR lines, excluding the Airport Express but including Airport Workers’ fares;
  - (b). East Rail Line First Class Premium fares; and
  - (c). all Light Rail and MTR Bus fares.

17. In calculating individual fares, the following guiding principles have been applied –

- (a). adjustments to Octopus fares are in units of 10-cents;
- (b). adjustments to Single Journey Ticket fares are in units of 50-cents; and
- (c). the weighted average of all individual fare adjustments must equal to the overall fare adjustment rate calculated from the formula.

18. In accordance with the Operating Agreement signed between the Government and MTRCL in 2007, MTRCL is required to provide the Government with two independent expert certificates certifying that the fare adjustments are in compliance with the FAM. The MTRCL is also required to inform the Panel on Transport of the LegCo and the Transport Advisory Committee three weeks prior to implementation of the new fares in June each year.

#### MTR Fare Adjustment and Fare Promotions

19. As part of the rail merger deal, the first MTR fare increase could only take place on or after 1 July 2009. The fare adjustment rates for the period between 2009 and 2016 are set out in the table at **Annex 4**.

20. All along, MTRCL has been providing a wide range of fare concessions and promotional schemes, including **on-going fare promotions** such as –

- (a). fare concessions for the elderly, children, eligible students and persons with disabilities;
- (b). Monthly and Day Passes;
- (c). free Light Rail and MTR bus interchanges; and
- (d). Light Rail “Personalised Octopus Frequent User Bonus Scheme”.

In 2015, these on-going fare concessions brought an estimated additional fare savings of about \$2.4 billion to passengers.



21. Apart from the above on-going fare concessions, MTRCL has set up Fare Savers to encourage passengers to travel on foot to designated MTR stations to enjoy discount. There would also be additional **short-term fare promotions** in conjunction with the MTR annual fare adjustments. Recent examples in 2015 are as follows –

- (a). Passengers would receive a bonus \$50 MTR Shops Cash Coupon for each purchase of any July or August “Monthly Pass Extra” in 2015 or “MTR City Saver” during these two months;
- (b). MTRCL launched the “MTR Festive Discount” Promotion Scheme during major festive holidays (including Christmas, Lunar New Year and Easter); and
- (c). MTRCL has also extended the “Early Bird Discount Promotion” Programme<sup>3</sup> for one year to 31 May 2016.

The various short term concessions in the past few years are set out in **Annex 5**.

22. The MTRCL is reviewing the existing fare promotion schemes with a view to working out the fare promotions for 2016. The Government has been encouraging the MTRCL to introduce suitable fare concession schemes as far as possible, having regard to the financial prudence required of the Corporation as a listed company.

### Railway service enhancement

23. MTRCL is committed to providing the public with safe, reliable and highly efficient railway service. This requires continuous upgrading and enhancement of railway operation systems and equipment to ensure smooth operation of the entire system. The long-term development of

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<sup>3</sup> MTRCL launched the “Early Bird Discount Promotion” Trial Programme in 2014. Commuters holding Adult Octopus can enjoy a 25% fare discount when they exit from any of the 29 core urban stations between 7:15am and 8:15am from Mondays to Fridays (except Public Holidays). The 29 designated MTR stations are as follows –  
East Rail Line: Hung Hom to Kowloon Tong  
Island Line: Sheung Wan to Tai Koo  
Kwun Tong Line: Yau Ma Tei to Kowloon Tong  
Tsuen Wan Line: Central to Mei Foo  
Tung Chung Line: Hong Kong to Nam Cheong  
West Rail Line: Hung Hom to Mei Foo

the Light Rail will be explored in the “Role and Positioning Review” under the “Public Transport Strategy Study” (“PTSS”) initiated by the Government. At the request of the Government, the MTRCL is currently conducting a preliminary feasibility study on ways to increase the carrying capacity of Light Rail, and will make recommendations on improvement measures, including the feasibility of procuring new vehicles for the Light Rail. The PTSS is scheduled for completion in mid-2017. If the enhancement of the Light Rail system capacity through increase in Light Rail vehicles is confirmed to be feasible in the study, the MTRCL will make suitable arrangements through the procurement of new Light Rail vehicles. In the meantime, MTRCL has already earmarked funds for possible procurement of 10 Light Rail vehicles and 10 feeder buses. Suitable contractual arrangements have also been made with the future supplier such that upon the completion of the PTSS, the schedules for delivery of the Light Rail vehicles and feeder buses to Hong Kong will be confirmed with the supplier to meet patronage growth. This procurement plan represents MTRCL’s extra investment in addition to its annual investment of several billion dollars in the maintenance and upgrading of its railway assets.

24. In 2015, MTRCL has invested more than \$7 billion in maintaining, upgrading and renewing railway assets. This includes recurrent expenses on staff and materials cost incurred in daily maintenance of railway assets<sup>4</sup> and capital investment in purchasing any necessary new railway equipment and components. In 2015, MTRCL also awarded a \$6 billion contract for replacement of 93 8-car trains operating in urban lines and set aside \$3.3 billion in upgrading the signalling systems of seven railway lines.

25. These investments by MTRCL in asset maintenance and upgrading are critical to ensuring the continued provision of high level performance in railway service that is safe and reliable. MTRCL has been maintaining its world class operational performance. In 2015, the indicators on trains running on schedule (train service delivery) and passenger journeys on-time have reached 99.9%.

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<sup>4</sup> In 2015, MTRCL’s expense relating to Hong Kong transport operations is over \$9.7 billion. Apart from the expenses deployed for daily maintenance, the \$9.7 billion also includes daily operating expenses other than maintenance (such as salary expenses for operations staff.)

## **Public Consultation**

26. The Government will formally commence discussion with the MTRCL to review the FAM. The review outcome will start taking effect in the fare adjustment in 2017. Particular attention will be paid to the following matters during the review –

- (a). The operation of existing public transport services is generally efficient and highly cost-effective, providing convenient transport services to over 90% of the community every day. Such efficient services are attributable to the Government's long-standing policy that public transport services should be run according to commercial principles;
- (b). The FAM of MTRCL adopts a direct-drive formula. Fares are adjusted in accordance with figures released by the Government. It is an open, objective and transparent mechanism;
- (c). During the legislative process of the rail merger in 2007, the FAM was extensively discussed in the LegCo and approved in shareholders' meeting of MTRCL after voting. The FAM became a condition for approving the rail merger, and is legally binding;
- (d). The last review (also the first one), conducted in 2013, introduced multiple measures (see paragraphs 14-15) to reduce citizens' fare burden of travelling on railway, and also maintained the financial prudence of MTRCL as a listed company;
- (e). The main direction of this review is for the operation of the FAM to better respond to public concern about both the relationship between the FAM and MTRCL's profitability, and passengers' affordability, whilst still respecting the financial prudence required of the Corporation as a listed company, on the premises of retaining a transparent fare adjustment mechanism building on the basis of public and objective data, and a direct-drive formula;

- (f). It is noted that the financial prudence required of the Corporation as a listed company should be respected. This is not only for the need to be accountable to all of its shareholders (including minority shareholders), it is also because the MTRCL needs to spend more than \$10 billion each year in operating and in maintaining railway assets (including over \$9.7 billion of routine operating expenses and additional capital investment in purchasing new railway equipment and components). On the other hand, under the Government's public transport policy with railway as the backbone, MTRCL being the sole operator of railway service, performs important social functions, and cannot be regarded as an ordinary profit-making commercial entity. Currently, an average of over five million passenger trips are made in the MTR network daily, accounting for around 40% of total passenger trips travelling by public transport in Hong Kong. For the construction and operation of new railways, funding gap<sup>5</sup> will also be subsidised by the Government. There are views in some quarters of the community that the MTRCL, in its handling of the relationship between profit and fare, should be able to strike a better balance between maintaining financial prudence and fulfilling social function;
- (g). To a certain extent, the "Profit Sharing Mechanism" was introduced in 2013 (see paragraph 15 (d)) to address the public's concern over the correlation between the fare and MTRCL's profitability. However, there are views that the amount set aside under the "Profit Sharing Mechanism" is relatively low, accounting for only 1-1.9% of the overall profit.

27. Recently, some members of the public opined that the Government could deploy the dividends paid by the MTRCL to the Government, being the major shareholder of the Corporation, to subsidise MTR fares and even the public's travelling expenses. It should be noted that the dividends received from the MTRCL form part of the general revenue. As such, they should be put to appropriate use. According to the Government's established principles of public finance, public money is to be allocated prudently based on the needs and priorities of the

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<sup>5</sup> A railway is considered not financially viable if the present value of all its projected revenues net of projected expenditures falls short of the expected return on capital. For any new railway project, the return required by MTRCL would ordinarily be between 1% and 3% above the weighted average of cost of capital. This shortfall is known as the funding gap.

community so that public money will be put to appropriate use in all public policy areas (e.g. healthcare, education, welfare and security) without slanting towards any particular area. Should the Government subsidise fares with public money while allowing public transport operators with handsome profits to increase fares, this will amount to an indirect way of making the operators more profitable by spending public money.

28. We would like to cordially invite views from the public on the review of the FAM of the MTRCL. The public consultation will last for three months. Please send your views in writing to the Transport Department **on or before 19 August 2016** by the following means –

By mail: The Bus and Railway Branch,  
Transport Department  
40/F., Immigration Tower,  
7 Gloucester Road, Wan Chai, Hong Kong.

By fax: 2519 7017

By email: fam-review2016@td.gov.hk

Please mark “FAM Review” on the envelope or in the submission. For any enquiry, please call 2824 2600.

29. It is voluntary for members of the public to supply their personal data when providing views on the consultation paper. Any personal data provided with a submission will only be used for the purpose of this consultation exercise.

30. The names and views of the individuals and organisations which put forth submissions in response to the consultation paper (“senders”) may be published for public viewing after conclusion of the public consultation exercise. We will respect the wish of senders to remain anonymous and/or keep the views confidential in part or in whole; but if no such wish is indicated, it will be assumed that the sender can be named.

**Transport Department  
Transport and Housing Bureau  
May 2016**

### Basic Financial Data of MTRCL

2015 (for the year ended 31 December)

Items	Amount (Hong Kong Dollars)	
	Revenue	Expenses
<b>Hong Kong transport operations</b>	About 16.9 billion (a)	About 9.7 billion (d)
<b>Revenue or profit from other businesses (including revenue from Hong Kong station commercial businesses, revenue from Hong Kong property rental and management businesses, revenue from Mainland of China and international subsidiaries, revenue from other businesses and profit on Hong Kong property development)</b>	About 27.7 billion (b)	About 15.9 billion (e)
<b>Other revenue (including investment property revaluation and share of profit of associates)</b>	About 2.5 billion (c)	Not Applicable
<b>Other expenses (including depreciation, amortization, variable annual payment, interest, finance charges and income tax)</b>	Not Applicable	About 8.3 billion (f)
<b>Profit for the year</b>	About 13.1 billion [(a)+(b)+(c)-(d)-(e)-(f)]	
<b>Reserve (retained profits)</b>	Around 121.1 billion	

**Note: Please see details in MTRCL's 2015 Annual Report**

## Calculation Methods for “Profit Sharing Mechanism” and “Service Performance Arrangement”

### “Profit Sharing Mechanism”

The profit-sharing mechanism for further fare concessions is based on MTRCL’s underlying business profit per year. MTRCL will decide the amount to be shared with passengers each year under different profit levels according to a pre-determined tiered table. Details of the pre-determined tiered table are as follows:

Underlying Business Profit per Year	Amount set aside for Fare Concessions
Below \$5 billion	0
\$5 billion to <\$6 billion	\$50 million
\$6 billion to <\$7 billion	\$75 million
\$7 billion to <\$8 billion	\$100 million
\$8 billion to <\$9 billion	\$125 million
\$9 billion to <\$10 billion	\$150 million
\$10 billion to <\$11 billion	\$175 million
\$11 billion to <\$12 billion	\$200 million
\$12 billion to <\$13 billion	\$225 million
>=\$13 billion	\$250 million

MTRCL’s underlying business includes (a) Hong Kong transport operations; (b) Hong Kong station commercial business; (c) Hong Kong property rental and management businesses; (d) Hong Kong property developments; (e) Mainland of China and international businesses; and (f) other businesses (principally Ngong Ping 360, railway consultancy and project management).

### “Service Performance Arrangement”

The levels of financial penalty to be imposed under the “Service Performance Arrangement” are as follows:

<b>Train Service Disruption</b>	<b>Amount set aside per Incident (subject to a maximum of \$15 million per incident)</b>
Equal to or more than 31 minutes but less than or equal to one hour	\$1 million
More than one hour but less than or equal to two hours	\$2 million
More than two hours but less than or equal to three hours	\$3 million
More than three hours but less than or equal to four hours	\$5 million
Each additional hour (or part thereof) exceeding four hours	\$2.5 million

Note: “Exemption Events” (i.e. events which are outside MTRCL’s control, such as passengers’ behaviours and bad weather) are excluded under the “Service Performance Arrangement”.



## Fare Concessions under the FAM as Revised in 2013

### “MTR City Saver”

MTRCL introduced “MTR City Saver” on 8 June 2014 to benefit medium- and long-distance frequent travellers commuting within the urban area, i.e. essentially the zone not covered by the existing “Monthly Pass Extras”. Holders of “MTR City Saver” tickets are entitled to 40 rides within 30 days between the designated stations in the urban area. The coverage of “MTR City Saver” is at [Appendix](#). The current price is \$415, passengers could enjoy a fare discount ranging from 11% to 25% on an average journey through this scheme.

### “10% Same-Day Second-Trip Discount” promotion

MTRCL will offer the “10% Same-Day Second-Trip Discount” promotion under the “Profit Sharing Mechanism” and “Service Performance Arrangement” in accordance with the arrangement under Annex 2. Details are set out below:

Year	<u>“Profit Sharing Mechanism”</u>		<u>“Service Performance Arrangement”</u>	
	MTRCL’s underlying business profit in the previous year	Sharing Amount	Number of serious service disruption within MTRCL’s control in the previous year	Amount set aside
<b>2013</b>	\$9.775 billion	\$150 million	8	\$13 million
<b>2014</b>	\$8.600 billion	\$125 million	5	\$27.5 million
<b>2015</b>	\$11.571 billion	\$200 million	12	\$20 million
<b>2016</b>	\$10.894 billion	\$175 million	8	\$11 million

### “Monthly Pass Extras”

After purchasing “Monthly Pass Extra”, passengers are entitled to unlimited rides between the specified stations within the effective month. In addition, they enjoy a 25% discount for connecting domestic journeys beyond the specified stations. Current prices are set out below:

Pass	Current Price
Tung Chung – Hong Kong Monthly Pass Extra	\$605
Tung Chung – Nam Cheong Monthly Pass Extra	\$385
Sheung Shui – East Tsim Sha Tsui Monthly Pass Extra	\$465
Tuen Mun – Nam Cheong Monthly Pass Extra	\$485
Tuen Mun – Hung Hom Monthly Pass Extra	\$570



## MTR Fare Adjustment Rate from 2009 to 2016

Year	Effective Date	Overall Fare Adjustment Rate	Remarks
2009	Not Applicable	Not Applicable	The overall fare adjustment rate calculated according to the formula was +0.7%. Thus, the adjustment rate was less than $\pm 1.5\%$ . According to the FAM, if the adjustment rate is less than $\pm 1.5\%$ , the required adjustment will not come into effect in the same year but the following year. On this basis, the adjustment rate of +0.7% was carried over to the fare review in 2010 for calculation.
2010	13 June	+2.05%	The outcome of the fare adjustment under the FAM that year was +1.35%. Together with the +0.7% carried forward from 2009, the overall fare adjustment rate for 2010 was +2.05%.
2011	19 June	+2.2%	MTRCL revised the overall fare adjustment rate for 2011 from +2.3% to +2.2%. The fare adjustment rate was made having regard to the latest findings by the C&SD in the 2009/10 Household Expenditure Survey cum the revision of the year-on-year percentage change in CCPI for December 2010 on the basis of the findings.
2012	17 June	+5.4%	
2013	30 June	+2.7%	From 2013 onward, the fare adjustment rate will be calculated in accordance with the outcome of the review on the FAM announced in April 2013.
2014	29 June	+3.6%	
2015	21 June	+4.3%	
2016	Pending announcement of MTRCL	+2.65%	MTRCL revised the overall fare adjustment rate for 2016 from +2.7% to +2.65%. The fare adjustment rate was made having regard to the latest findings by the C&SD in the 2014/15 Household Expenditure Survey cum the revision of the year-on-year percentage change in CCPI for December 2015 on the basis of the findings.

**Short-term fare promotions offered by MTRCL  
on top of its on-going Fare Concessions over the past few years**

- (a). In 2010, a “Ride \$100 Get \$5 MTR Shop Coupon” promotion scheme was launched for a period of about two months.
- (b). In 2011, MTRCL offered the “Ride \$100 Get 1 Free” promotion scheme for a period of about six months.
- (c). In 2012, MTRCL offered a package of new fare promotions valued at some \$670 million with a view to benefitting an even wider range of passengers. The additional fare promotion schemes include the “Ride 10 Get 1 Free” scheme for a period of more than six months, “10% Discount for Same-day Second Trips” scheme for about six months, as well as the new Tung Chung – Hong Kong Monthly Pass for about nine months. MTRCL introduced, for the first time, free weekend and public holiday travel for children on MTR services for a period of about five months. In addition, a \$20 MTR Shops Coupon was offered for every purchase of a Monthly Pass for a period of six months.
- (d). The MTRCL extended the promotion period of the “ 10% Same Day Second Trip Discount” in 2014 to celebrate its 35<sup>th</sup> anniversary of serving the Hong Kong community. To address the relatively high train loading situation during the morning peak hours, it launched the "Early Bird Discount Promotion" Trial Programme. The MTRCL also launched a joint trial scheme with Kowloon Motor Bus Co. (1933) (“KMB”) in October 2014. Under the scheme, holders of designated MTR “Monthly Pass Extras” travelling on specified trips of selected KMB morning bus routes running parallel to the MTR East Rail Line and West Rail Line on Mondays to Fridays (except Saturdays, Sundays and Public Holidays) do not need to pay extra fares. Subsequently, the MTRCL and the KMB further extended the scheme for one year to 31 May 2016.