

## LCQ7: MTR Special Fare Days

Following is a question by the Hon Gary Zhang and a written reply by the Secretary for Transport and Logistics, Mr Lam Sai-hung, in the Legislative Council today (June 7):

Question:

The review of the MTR Fare Adjustment Mechanism (FAM) conducted by the MTR Corporation Limited (MTRCL) was approved by the Executive Council in March this year. Under the enhanced FAM, MTRCL is required to adjust the amount to be set aside for incidents under the Service Performance Rebate (SPR) arrangement, and to use the amount set aside to launch Special Fare Days (or "Thank You Days") to provide half-fare concessions to passengers. In this connection, will the Government inform this Council:

- (1) of the actual amount of fare rebates committed by MTRCL in each of the past 10 years according to the Service Performance-linked Arrangement and Profitability-linked Arrangement under the prevailing FAM and the corresponding fare rebate periods (set out in a table);
- (2) whether it knows MTR's (i) daily patronage and (ii) daily total amount of rebate offered to passengers for its Thank You Day during the four Thank You Days that took place in April and May this year, as well as the total amount of publicity and administrative expenses involved; and
- (3) given that under FAM, MTRCL will arrange a Special Fare Day to rebate passengers once the concession amount set aside under SPR reaches \$25 million, whether the Government knows how MTRCL will handle (i) the balance of the amount which has not been actually rebated to passengers on the Special Fare Days, and (ii) the amount set aside for the purpose of "special fare rebate" that does not reach \$25 million by the end of each year?

Reply:

President,

My reply to the question raised by the Hon Gary Zhang is as follows:

- (1) To address public concern on the linkage between the profitability and service performance of the MTR Corporation Limited (MTRCL) and its fares, the Profitability-linked Arrangement (PLA) and the Service Performance-linked Arrangement (SPA) were introduced to the Fare Adjustment Mechanism (FAM) of the MTRCL after the first review of the FAM in 2013. The MTRCL would provide fare concessions based on its underlying business profit level each year under the PLA while setting aside an amount for serious service disruptions (of 31 minutes or above) caused by factors within its control to be given back to passengers through fare concessions under the SPA.

According to the arrangement after the 2013 FAM review, the amount set

aside for fare concessions under the PLA and SPA would be returned to passengers under the "10% Same-Day Second-Trip Discount" scheme (Note 1). The scheme was replaced after the 2017 FAM review by a 3 per cent fare discount per trip to passengers for at least six months each year (Note 2).

The respective fare concession amount set aside by the MTRCL under the PLA and SPA as well as the corresponding concession arrangements since the introduction of the arrangements in 2013 to 2022 are set out in Annex.

(2) and (3) The Government and the MTRCL jointly announced the outcome of the latest FAM review on March 21, 2023. Amongst which, the calculation method of the Productivity Factor in the FAM formula has been revised to link with the MTRCL's Hong Kong property development profits, with a view to addressing the on-going demand from the public for linking the MTR fares with its profits as well as lowering the MTR fare base in the long run to benefit all passengers.

Moreover, under the enhanced Service Performance Rebate (SPR), the amount to be set aside by the MTRCL for incidents that cause disruptions of more than three hours has been increased while the maximum amount to be set aside per incident has been adjusted upward to \$40 million, and a peak hour multiplier has been introduced to more duly reflect the impact of train service disruptions on passengers. Once the amount set aside under the SPR funding pool reaches \$25 million, the MTRCL will arrange a Special Fare Day on a specific Saturday or Sunday to let passengers take the MTR at half price. The whole amount set aside under the SPR funding pool will be returned to passengers in full through the Special Fare Days.

Under the new arrangement, the MTRCL shall set aside \$103 million for incidents that took place in 2022. Four Special Fare Days have been arranged on April 8 and 9 as well as May 13 and 14. A total of about 18 million passenger trips benefitted from the four Special Fare Days, involving a total rebate of about \$72 million.

As there is a remaining balance of more than \$25 million to be rebated to passengers after the four Special Fare Days, the MTRCL will arrange an additional Special Fare Day on August 19, 2023 (Saturday). Any remaining amount after the additional Special Fare Day will be accrued under the SPR. When it reaches \$25 million again, the MTRCL will arrange another Special Fare Day to benefit the passengers.

The publicity and administrative expenses for Special Fare Days are absorbed by the internal cost of the MTRCL, which is excluded from the amount under the mechanism.

Note 1: The duration of the fare discount scheme depended on the amount set aside under the PLA and SPA during the year involved.

Note 2: Under the arrangement, if the amount set aside for fare concessions under the PLA and SPA in any given year were sufficient to provide a 3 per cent fare discount for more than six months in that year, the MTRCL would offer the discount to passengers until such amount was exhausted. On the contrary, if the fare concession amount set aside could not sustain the

provision of a 3 per cent fare discount for six months in any given year, the MTRCL would top up the difference with additional funding to ensure that a 3 per cent fare discount would be offered to passengers for six months in that year.