

Outcome of 2023 review of MTR Fare Adjustment Mechanism

The Government and the MTR Corporation Limited (MTRCL) have completed the review of the MTR Fare Adjustment Mechanism (FAM). The Executive Council approved the outcome of the review today (March 21). The enhanced FAM will take effect starting from June this year.

Speaking at the press conference today, the Secretary for Transport and Logistics, Mr Lam Sai-hung, said that the Government is clear in its review objectives to strike a balance between different considerations and needs, with a view to enhancing the FAM to bring about fare moderation for the public and strengthen the linkage between MTR fares and the Corporation's profit and service performance, as well as taking into account the long-term financial sustainability of the MTRCL, in order for it to reserve adequate resources to cope with the increasing expenses on railway maintenance and asset renewal, and co-operate with the Government in taking forward new railway projects that are beneficial to the society. The enhanced FAM and its related arrangements have the following key features:

(1) to link MTR fares directly with its Hong Kong property development (HKPD) profits through revising the calculation method of the Productivity Factor (PF) in the FAM formula (Note), in order to respond to the ongoing demands from the public and lower the fare base of the MTRCL in the long run to benefit all passengers.

Revised arrangement for PF:

HKPD Profit in the Previous Year	Productivity Factor
<\$5 billion	0.6%
≥\$5 billion to <\$10 billion	0.7%
≥\$10 billion	0.8%

Note: Overall fare adjustment rate = $(0.5 \times \text{year-on-year change in Composite Consumer Price Index}) + (0.5 \times \text{year-on-year change in Nominal Wage Index (Transportation Section) (Wage Index)}) - \text{PF}$

Based on the HKPD profit of the MTRCL in 2022, the fare adjustment rate this year would be lowered by 0.8 percentage point accordingly;

(2) the MTRCL to offer a 1.2 per cent special fare reduction for the fare adjustment this year, in order to offset over 40 per cent of the 2.85 per cent unrecouped fare adjustment rate due to the "Affordability Cap" arrangement. The remaining 1.65 per cent recoupment will continue to be deferred. Further, the MTRCL will defer implementing another 0.2 per cent of the fare increase rate this year. In other words, a total of 1.85 per cent fare increase rate would be deferred, so as to further reduce the fare burden

of passengers as the economy gradually recovers;

(3) to increase the amount to be set aside for incidents that cause disruptions of more than three hours and the maximum amount to be set aside per incident under the Service Performance Rebate (SPR), as well as introduce a peak hour multiplier to more duly reflect the impact of train service disruptions on passengers. Details are set out in the Annex.

Once the amount set aside under SPR reaches \$25 million, the MTRCL will arrange a Special Fare Day to take place on a specific Saturday or Sunday when passengers can pay half price for taking the MTR.

Under the new arrangement, the MTRCL shall set aside \$103 million for incidents that took place in 2022 to provide four Special Fare Days;

(4) to enhance and extend various fare concessions, including raising the MTR-Green Minibuses interchange discount from \$0.3 per trip to \$0.5 per trip, and extending the MTR City Saver and Monthly Pass-related concessions, in order to continue to benefit different passenger groups; and

(5) to retain the existing "Affordability Cap" arrangement under the FAM to keep fare adjustments in check.

Mr Lam emphasised that the Government has achieved a breakthrough in the current review to link MTR fares directly to its property development profit, thereby responding to the perennial calls from the community. Adopting a result-oriented approach, the fare adjustment rate this year will be lowered by 3.85 percentage point, including the reduction of 0.8 per cent under the revised PF, 1.2 per cent special fare reduction and the total of 1.85 per cent deferral of fare adjustment, thus significantly reducing the fare burden on passengers.

The actual fare adjustment rate this year will be finalised when the Census and Statistics Department announces the Wage Index at the end of this month.