



upgrading the platform

To reduce energy consumption and improve the station environment, MTR launched a HK\$2 billion project to retrofit platform screen doors at all underground stations – the only railway in the world to undertake such a project. Passengers will also benefit from improved trackside safety.

- Combined fare revenues for the MTR Lines and Airport Express Line rose 0.2% to HK\$5,728 million
- All Performance Requirements and Customer Service Pledge targets were met or exceeded
- Productivity and operating margin increased

railway OPERATIONS

MTR continued to make a major contribution to Hong Kong's quality of life and its role as an efficient service hub by providing a safe, reliable, fast and environmentally friendly mass transport service.

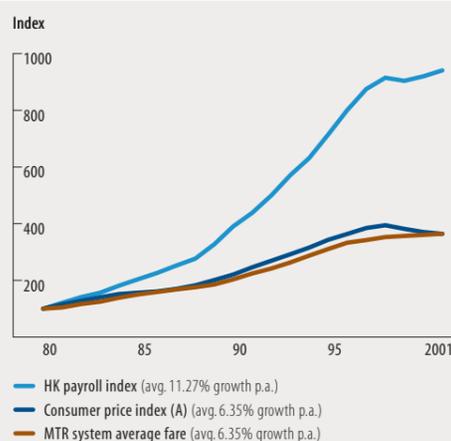
Patronage

Following an improvement at the end of 2000, the year 2001 saw a decline in patronage, as unemployment rose, population migrated from urban areas to the New Territories not served by the MTR and competition from other modes of transport

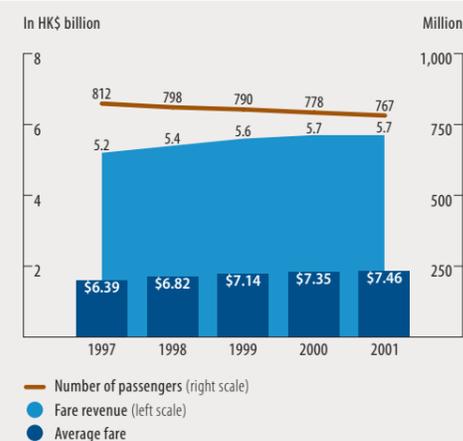
intensified. The MTR Lines recorded total passenger volumes for the year of 758 million, compared to 767 million in 2000. This represents a 23.5% share of the total franchised public transport market compared to 24.1% in 2000. Cross-harbour traffic fell marginally, accounting for 57.4% of all franchised cross-harbour boardings. Fare revenue from the MTR Lines was HK\$5,164 million.

With a continued poor economic environment in Hong Kong, the Company did not increase fares in 2001 and further decided not to increase fares in 2002.

Fare trend



Passengers and fares



Over the past 20 years, MTR fares have tracked the consumer price index closely and on average have become much more affordable for Hong Kong people.

The weak economy and competition from other modes of transport led to a slight decline in MTR patronage in 2001.



The Airport Express Line faced relatively greater challenges, especially after the events of September 11 in the United States, which severely affected the air travel industry. Passenger volumes for 2001 fell by 12.8% to 9.0 million, representing 27% of the total market. Revenue was not affected, however, as fare discounts were removed. The average fare rose from HK\$53.1 in 2000 to HK\$62.5 in 2001, generating revenue of HK\$564 million, an increase of 2.7%.

Innovative marketing initiatives helped promote ridership. The

Monitoring every detail of our railway operation is crucial to exceeding the 99% reliability performance target. This year we migrated all our control panel data onto a PC Windows based system. This will support our plans for station control room consolidation, saving cost and improving response time.

precision control

launch of the new "More Time For Life" branding in July, combined with the use of popular young entertainers, rejuvenated MTR's image and attracted more young people. The web-based MTR Club, re-launched in July 2000, had by year-end recruited over 120,000 members, building a powerful platform for future loyalty programmes and cross selling.

The patronage promotions introduced in 2001, such as Hello Kitty & Snoopy model trains, Ride 10 and Get KFC meals and Wellcome shopping coupons were all very successful, generating a total of 3.17 million incremental passengers.

International performance comparisons: The 10-member Community of Metros (CoMET)

Metro system network data (2000)	MTR Lines *	Metro A	Metro B	Metro C	Metro D	Metro E	Metro F	Metro G	Metro H	Metro I
Passenger journeys in million	767	405	970	1,393	1,381	1,247	404	486	2,042	3,203
Car kilometres in million	92	133	429	324	517	214	91	82	241	610
Route length in km	74	153	408	200	471	211	115	49	177	264
Number of stations	43	170	275	134	425	297	65	46	134	144

* The Airport Express Line is excluded from metro benchmarking

Note: the other metros in the comparison are Berliner Verkehrs – Betriebe, London Underground Limited, New York City Transport Authority, Sistema de Transporte Colectivo, Regie Autonome de Transports Parisiens Metro, Regie Autonome de Transports Parisiens Regional Express Railway, Metroplitano de Sao Paulo, Teito Rapid Transit Authority and Moscow Metro. The benchmarking agreement prohibits specifically identifying the data for metro system.

Service performance

We met our demanding performance requirements, ensuring punctuality and convenience for passengers. The reliability of ticketing equipment and tickets saw further improvement, while that of the railway and other station equipment remained extremely high.

The Company's Operating Agreement with the Government sets out minimum performance requirements, which are supplemented by Customer Service Pledges established by MTR. We exceeded all these targets. For the year, MTR passenger journeys were 99.9% on time. This means an MTR passenger who travels twice a day and five days a week would on average experience a delay of five minutes or more only once every two years. In the few cases of major service disruption, our staff responded swiftly to assist passengers and ensured rapid resumption of services. Escalator reliability was 99.9%, with on average one machine out of service for about half-an-hour per month. All other equipment recorded excellent reliability figures.

The outstanding performance together with service enhancements contributed to high levels of customer satisfaction. MTR conducts market surveys and solicits customer feedback regularly to support continuous improvement. In 2001, the Service Quality Indices for the MTR Lines and Airport Express Line stood at 69 and 80

respectively on a 100 point scale, indicating that our services are well received. We also performed well according to the latest international benchmarking of the 10-member Community of Metros (CoMET) where MTR retained its strong position with respect to safety, service quality, reliability, passenger cost and profitability.

Improvement initiatives

A number of important improvements to trains, stations and customer service were made in 2001 that also contributed to high customer satisfaction, reliability and increased capacity.

In December 2000, we increased the train service of the Urban Lines during off-peak hours, followed in mid 2001 by a higher frequency evening peak service. These initiatives shortened overall travel time and added to passenger comfort.

Thanks to early completion of the train modernisation programme, the saloon environment was much improved. The new train carriages provide better, more energy efficient lighting and ventilation, more comfortable seats and additional space for luggage or wheelchair users. They also contain informative and user-friendly Flashing Route Maps showing the direction of travel, the next station and exit door, as well as new LED displays for unobtrusive advertisement and infotainment. The driving cabs benefit from better ergonomics, as well as quicker fault diagnosis and easier

Operations performance in 2001

Service performance item	Performance Requirement	Customer Service Pledge target	Actual performance in 2001
Train service delivery	98.5%	99.5%	99.8%
Passenger journeys on time			
• MTR Lines	98.5%	99.5%	99.9%
• Airport Express Line	98.0%	99.0%	99.8%
Train punctuality			
• MTR Lines	98.0%	99.0%	99.3%
• Airport Express Line	98.0%	99.0%	99.9%
Train reliability: train car-km per train failure causing delays ≥ 5 minutes	N/A	500,000	577,247
Ticket reliability: magnetic ticket transactions per ticket failure	N/A	6,000	11,768
Add value machine reliability	95.5%	97.0%	98.8%
Ticket issuing machine reliability	93.0%	97.0%	99.0%
Ticket gate reliability	97.0%	98.5%	99.6%
Escalator reliability	98.0%	99.0%	99.9%
Passenger lift reliability	98.5%	99.0%	99.7%
Temperature and ventilation			
• Trains: to maintain a cool, pleasant and comfortable train environment generally at a temperature at or below 26°C	N/A	95.0%	99.9%
• Stations: to maintain a cool, pleasant and comfortable environment generally at or below 27°C for platforms and 29°C for stations concourses, except on very hot days	N/A	90.0%	96.3%
Cleanliness			
• Train compartment: cleaned daily	N/A	97.0%	99.9%
• Train body: washed every 2 days	N/A	97.0%	99.9%



maintaining our standards

The sophisticated electrical and mechanical equipment in our rolling stock calls for first-class maintenance to uphold safety and reliability. Our rigorous asset replacement programmes also help extend working life and reduce costs.

recovery. The feedback on the modernised trains from customers and employees has been very favourable.

The smooth opening in September of the new cross-platform interchange between the Kwun Tong Line and the Island Line at North Point Station was another significant achievement. The new facility saves passengers considerable time and resulted in an immediate 1.8% increase in cross-harbour passengers, and a 0.6% increase in total passengers.

Building this new interchange required major works and diversion of the existing Kwun Tong Line, which was conducted during non-traffic hours on 25 August. The changeover involved the simultaneous disconnection of track, overhead lines, signalling and other operational systems at Quarry Bay and their reconnection to the new systems installed in the new tunnels leading to North Point Station. Careful planning and execution enabled this major work to be completed on time, within budget and with minimum disruption.

To enhance customer service, we continued to upgrade station entrances, concourses and control rooms, as part of our Station Improvement Program. We also began to install platform screen doors on station platforms to improve the overall environment, energy efficiency and safety. The first installation became operational at Choi Hung in October 2001. MTR is the only company in the world to retrofit platform screen doors to lines already in service.

Awards

The Company has established an excellent track record in project management, technical and operational expertise in all aspects of railway operation, including design, construction, commissioning, operation and maintenance.

Throughout the year, our depth of expertise gained recognition in numerous international and local awards. The company was one of only three companies to win "The General Secretariat Award for Innovation in Public Transport" at the biennial world congress of

Railway maintenance cost per revenue car km (at constant \$)



A systematic maintenance programme has steadily reduced the relative cost of keeping our system in the best operating order.

the International Association of Public Transport (UITP). MTR was also rated "Best Transport Operator", in the annual survey on the "Performance of Public Transport Institutions in Hong Kong" by the Democratic Alliance for the Betterment of Hong Kong.

In January, MTR was awarded ISO 9001: 2001 certification, the first Hong Kong company to be so benchmarked by the Hong Kong Quality Assurance Agency (HKQAA) against this newly published revised quality standard.

Higher productivity

Our commitment to exploiting new technologies and adopting best practices in the design, maintenance and operation of the railway again saw tangible results in 2001.

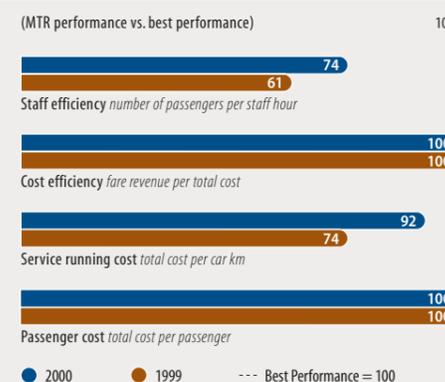
Total operating costs fell from HK\$3,663 million to HK\$3,533 million as we achieved significant productivity gains. These resulted from business process re-engineering and developing a multi-skilled

Benchmarking comparisons



MTR again exceeded internal targets as well as those set by the Government, allowing us to retain market leadership in punctuality and reliability.

Staff efficiency and financial performance



Higher service levels have not affected our ability to run our operations safely and efficiently.



System and market information

Railway operation data	2001		2000	
Total route length <i>in km</i>	82.5		82.2	
Number of rail cars	923		923	
Number of "e-Instant Bonus" in stations	16		-	
Number of station kiosks and mini-banks at stations	386		377	
Number of poster advertising panels at stations	15,105		15,000	
Number of advertising panels in trains	8,944		10,384	
Daily hours of operation	19		19	
Minimum train headway <i>in seconds</i>	Morning peak	Evening peak	Morning peak	Evening peak
• Tsuen Wan Line	120	144	120	150
• Kwun Tong Line	128	144	128	150
• Island Line	128	156	128	165
• Tung Chung Line				
Hong Kong – Tung Chung	600	600	600	600
Hong Kong – Tsing Yi	300	300	300	300
• Airport Express Line	600	600	600	600

work force that has enabled us to re-deploy staff and reduce manpower. Outsourcing certain non-core maintenance and supporting services also yielded substantial savings.

Where appropriate, MTR has also automated operations. During the year a new train bogie-cleaning machine was commissioned and automatic turn-around of trains introduced at the Sheung Wan and Tsuen Wan terminal stations, resulting in reduced manpower requirements.

Our Total Station Operation and Total Depot Operation schemes, begun in 2000, made further progress. These involve the gradual merger of operations and maintenance activities at stations and depots. Staff members are trained with a wider array of skills, resulting in higher productivity, greater flexibility and faster response.

Lower costs

Higher staff productivity was matched by cost reductions in other areas. We reduced electricity consumption by optimising further the Automatic Train Control system and replacing station lighting by more energy efficient devices. We also benefited from rebates offered by the power supply companies.

The railway operation requires substantial on-going capital investment. Maintenance and replacement of equipment and systems is also a major cost. Optimal maintenance and asset replacement is therefore crucial if we are to meet our performance targets profitably over the longer term.

We regularly and systematically assess the conditions of our equipment and systems to devise the most effective replacement programmes. Each project is subject to a detailed evaluation to ensure the best result. Once approved, projects are managed professionally so that they are completed on time, within budget and provide the expected performance. In 2001 we again met our expectations in these areas.

Outlook

It is expected that the weak economy will continue to impact patronage during the first half of 2002. The early opening of the Tseung Kwan O Extension in August will provide an opportunity for growth and help increase patronage and revenues from the fourth quarter.

We will continue to adopt appropriate new technologies and introduce best practices in all areas of our operations. Our aim is to provide the best possible service, increase revenues and achieve high operating margins.

making the connection

Precision welding of rails in the new tunnels at North Point is one small detail in the creation of a new interchange to improve passenger transfer between the Kwun Tong and Island lines.