

新聞稿

Press Release

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MTR Fare Adjustment Mechanism to Bring in Property Development Profit Link Support the Economic Recovery with Special Reduction and Extended Fare Promotions

The MTR Corporation announced today (21 March 2023) that it has completed the Fare Adjustment Mechanism (FAM) review conducted jointly with the Government. In the upcoming five-year cycle of the FAM (from 2023/24 to 2027/28), the fare adjustment will be linked to the Corporation's Property Development Profit to lower the adjustment rate. The passengers will also benefit more directly from the enhanced "Service Performance Rebate" arrangement offered by the Corporation.

Mindful that the Hong Kong economy is at the start of a rebound after three years of pandemic, the Corporation has made special arrangement for the +2.85% recoupment¹ that should be implemented this year in accordance with the mechanism. A special reduction of the 2.85% by 1.2 percentage points will be offered, and the remaining 1.65 percentage points will be deferred to next year (2024/25). In addition, while the actual adjustment rate for this year will not be known until respective figures to be published by the Government later this month, the Corporation will also voluntarily defer another 0.2 percentage points out of the fare adjustment rate this year to next year. (See the Annex 1 for the FAM formula calculation in the coming 5 years and Annex 2 for the example of calculating fare adjustment rate this year)

The MTR Corporation has listened to the views of a wide array of stakeholders during this review, with particular to the pressure faced by the community in the initial stages of post-pandemic recovery. In response to the comments received, the outcome of the review has also served to ensure the financial sustainability of the Corporation to take forward new railway projects, and make sufficient provision for maintaining, upgrading and renewing the existing railway system so that the community could continue to enjoy safe, reliable, sustainable and high quality railway services.

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¹ The total fare adjustment rate of +2.85% to be recouped under the "Affordability Cap" arrangement in previous years.

Regarding the new arrangement of the reviewed FAM by the Corporation and the Government, key points are as follow (See the Fact Sheet for details):

- **Linking with Property Development Profit to Lower the Fare Adjustment Rate**

Starting from this year, the calculation of “Productivity Factor” will be enhanced and linked to newly established profit tiers covering “Profit for the year attributable to shareholders of the Company arising from property development in Hong Kong” in the previous financial year. The corresponding rate of Productivity Factor will lower the fare adjustment rate by 0.6 to 0.8 percentage points.

- **“Service Performance Rebate” to rebate passengers more directly**

Under the new arrangement, from this year to 2027/28, the service performance rebate amount will be increased in the higher tiers, and will also reflect the peak-hour factor where more passengers may be affected. Once the accumulative pool of “Service Performance Rebate” reaches the pre-defined amount, the Corporation will arrange “Thank You Day” on specific weekend(s). All Octopus or QR code ticket users travelling on MTR lines² can enjoy half-price discount during the day.

- **Larger interchange discount & extending frequent commuters’ tickets**

The interchange discount with Green Minibus will be increased from \$0.3 to \$0.5 starting from the fourth quarter of 2023 and will be extended till June 2028. Monthly Pass³ & City Saver⁴ will also be extended to benefit long/medium-distance travellers.

The Corporation will continue to offer on-going fare concessions outside of the FAM to benefit customers from all walks of life, including commuters, elderly, children, eligible students and persons with disabilities, etc., which amounted to over \$2.1 billion last year.

The existing direct-drive FAM formula will be retained (See Annex 1 for details). Meanwhile, the existing “Affordability Cap” arrangement, by which the fare increase rate is capped at the change in the Median Monthly Household Income for the corresponding year, will also be kept as it has proven to be an effective safeguard to ensure passengers’ affordability.

“The Corporation is fully committed to serving Hong Kong with a purpose to ‘Keep Cities Moving’. Under the pandemic, the Corporation has supported the Hong Kong community and spared no effort to support the affected small and medium enterprises. As the economy is just about to pick up after the pandemic, we have made special arrangement this year to reduce the impact on passengers. The FAM has taken into account the public’s affordability all along, thus keeping the adjustment below inflation rate. Indeed, the affordability of MTR fares compares very favourably with many other railway systems elsewhere in the world,” said Dr Jacob Kam, Chief Executive Officer of MTR Corporation.

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² Including Light Rail and MTR buses, trips to and from Lo Wu/Lok Ma Chau stations, except Airport Express.

³ Name as “Monthly Pass Extra” recently.

⁴ Name as “MTR City Saver” recently.

“With a deeply rooted foundation in Hong Kong for over 40 years, the Corporation has been giving back to the community continuously. As our railway network enters a mature stage, the costs of maintaining, upgrading and renewing railway assets have been ever increasing. The Corporation will invest substantially in these areas in the coming five years, such as for the procurement of new trains and enhancement of station facilities. The Corporation requires stable sources of revenue. Maintaining a direct-drive formulaic approach will continue to provide stable sources of recurrent revenue to provide passengers with excellent, reliable and convenient services,” Dr Kam added.

The calculation of overall fare adjustment rate this year is still subject to the Government’s publication of relevant figures.

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About MTR Corporation

To Keep Cities Moving, MTR makes encounters happen and rendezvous for a more connected tomorrow. As a recognised world-class operator of sustainable rail transport services, we are a leader in safety, reliability, customer service and efficiency.

MTR has extensive end-to-end railway expertise with more than 40 years of railway projects experience from design to planning and construction through to commissioning, maintenance and operations. Going beyond railway delivery and operation, MTR also creates and manages dynamic communities around its network through seamless integration of rail, commercial and property development.

With more than 40,000 dedicated staff*, MTR carries over 13 million passenger journeys worldwide every weekday in Hong Kong, the United Kingdom, Sweden, Australia and Mainland China. Together, we Go Smart and Go Beyond.

For more information about MTR Corporation, please visit www.mtr.com.hk.

*includes our subsidiaries, associates and joint ventures in Hong Kong and worldwide

Annex 1

How to calculate the fare adjustment rate for the period of 2023/24 to 2027/28

FAM Formula

	0.5 × year-on-year change in CCPI in December of the previous year
+	0.5 × year-on-year change in Nominal Wage Index (Transportation Section) (NWI(T)) in December of the previous year
-	Productivity Factor ¹
=	Overall fare adjustment rate ²

¹ Linked to the newly established profit tiers covering “Profit for the year attributable to shareholders of the Company arising from property development in Hong Kong” in the previous financial year.

² Not yet counted the roller-over fare adjustment rate when the rate of previous years has fallen within the range of $\pm 1.5\%$, which is too small and not feasible for fare adjustment (if applicable), as well as the rate to be recouped according to the “Affordability Cap” in the previous years (if applicable). At the same time, the overall fare adjustment rate is capped at the change in the Median Monthly Household Income (MMHI) for the corresponding year under the “Affordability Cap”.

Annex 2

How to calculate the fare adjustment rate this year (2023/24)

Year-on-year % change in CCPI in December of the previous year ³ (+2.0% × 0.5)	+ 1.0%
Year-on-year change in NWI(T) in December of the previous year ⁴ (X% × 0.5)	+ X% × 0.5
Productivity Factor ⁵	- 0.8%
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Rolled-over Fare Adjustment Rate from 2022/23 ⁶	+ 0.5%
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Adjustment Rate to be Recouped under the "Affordability Cap" previously (If applicable) ⁷	+ 2.85%
Special Deduction	- 1.2%
Special Deferral to 2024/25	- 1.65%
Voluntary Deferral to 2024/25	- 0.2%
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Overall Fare Adjustment Rate for 2023/24⁸	= Y%

³ Census and Statistics Department published earlier that the year-on-year change in CCPI for December 2022 is +2.0%.

⁴ The Year-on-year change of Nominal Wage Index (Transport) in December 2022 will be published by the Government at the end of this month.

⁵ Linked to the newly established profit tiers covering "Profit for the year attributable to shareholders of the Company arising from property development in Hong Kong" in 2022.

⁶ The fare adjustment rate for 2022/23 should be +0.5%. As the rate falls within the range of ±1.5%, which is too small and not feasible for fare adjustment. Therefore, the Corporation deferred the fare adjustment to the following year according to the mechanism, with the FAM rate rolled over to 2023/24.

⁷ The total fare adjustment rate of +2.85% to be recouped under the "Affordability Cap" arrangement should be implemented this year in accordance with the mechanism, but subject to the Government's publication of relevant figures.

⁸ The overall fare adjustment rate for 2023/24 is subject to the Government's publication of relevant figures.

2023 Review of the Fare Adjustment Mechanism Fact Sheet

1. Background

- At the time of rail merger in 2007, the Government and the MTR Corporation Limited (MTRCL) agreed to put in place a fare adjustment mechanism (FAM), adopting an objective, transparent and direct-drive formulaic approach to determining future annual fare adjustments to replace the fare autonomy enjoyed previously. During the legislative process of the rail merger, FAM as one of the conditions of the rail merger - was extensively discussed at the Legislative Council and was approved at an MTRCL shareholders meeting after much deliberation and consideration. The FAM is legally binding and forms part of the rail merger agreement between the Government and the MTRCL, and is included in the Operating Agreement (OA) between the two parties.
- FAM adopts a direct-drive formula that adjusts fares in accordance with the economic figures released by the Government. The mechanism is open, objective, transparent. The FAM formula is as follows:

$$\begin{aligned} \text{Overall fare adjustment rate} = & \\ & (0.5 \times \text{year-on-year change in Composite Consumer Price Index (CCPI) in December} \\ & \text{of the previous year}) \\ + & (0.5 \times \text{year-on-year change in Nominal Wage Index (Transportation Section) (NWI(T))} \\ & \text{in December of the previous year}) \\ - & \text{Productivity Factor}^* \end{aligned}$$

*The Productivity Factor (PF) was set at 0% for the first five years starting from the rail merger in 2007 (i.e. before 2013/14), and was set at 0.1% starting from the sixth year (i.e. starting from 2013/14). As agreed between the Government and the MTRCL in the 2013 Review, the methodology for computing the PF value was: $0.5 \times$ compound annual growth rate of Productivity in the reference period; where Productivity was measured as a ratio between output (i.e. income) and input (i.e. cost) in the MTRCL's transport operations. The PF was revised from the original 0.1% to 0.6% from 2013/14 to 2016/17, and was set at 0%[^] from 2017/18 to 2022/23.

[^]The MTRCL agreed to provide a special annual adjustment of 0.6% from 2017/18 to 2022/23 to lower the fare adjustment rate calculated according to the FAM formula.

- The FAM formula is used once a year to calculate the overall rate of adjustment for MTR fares, with adjustments to be made in June each year, if applicable.
- According to the requirements related to scheduled review as set out in the OA, a regular review of the FAM is conducted every five years. The MTRCL and the Government have been conducting the latest review together since the second half of 2022.

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2. Results of the FAM Review

- As part of the FAM review, the Government and the MTRCL have agreed to enhance the calculation of the productivity factor and launch fare promotions for implementation with effect from the 2023 FAM, replacing the existing “Profit-Linked Arrangement” and “Service Performance-Linked Arrangement”. Details are listed below:

A. Productivity Factor

- The Productivity Factor is derived based on the audited financial figure of the Reference Period.
- **Reference Period:** Refer to the audited financial figures of the previous financial year starting from 2023/24.
- **Productivity Factor:** The respective value according to the Hong Kong Property Development Profit level in the pre-defined profit tiers below.

Hong Kong Property Development Annual Profit ¹ (HK\$)	Productivity Factor
Below 5 billion	0.6%
>= 5 billion to <10 billion	0.7%
>= 10 billion	0.8%

- **For 2023/24, the value of the Productivity Factor is 0.8%.**
- The special annual adjustment of -0.6% offered by the MTRCL from 2017/18 to 2022/23 will end.

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¹ Hong Kong Property Development Profit represents “Profit for the year attributable to shareholders of the Company arising from property development in Hong Kong” in the previous financial year.

B. Fare Promotion

I. Service Performance Rebate

- The “Service Performance Rebate” (SPR) will replace the existing arrangement. Under SPR, the MTRCL would set aside an amount for service disruptions of 31 minutes or above caused by factors within its control to be rebated to passengers by fare promotion. The rebate arrangement will be enhanced after the review as below:
 - The amount per service disruption over 3 hours will be raised;
 - In consideration of more passengers being affected when service disruptions happen during peak hour², the respective amount set aside will be raised by extra 20%;
 - The current cap of a maximum of \$25 million per incident will be raised to a maximum of \$40 million per incident; and
 - Once the SPR accumulative pool reaches \$25 million, the MTRCL will arrange a “Thank You Day”³ on specific weekend(s)⁴ to rebate the passengers.

Train service disruption including all delays and suspensions for Heavy Rail and Light Rail attributable to equipment fault or human error	Existing Arrangement	New Arrangement	
	Amount per incident (HK\$)	Non-Peak Hour	Peak Hour
Equal to or more than 31 minutes but less than or equal to 1 hour	\$1 million	\$1 million	\$1.2 million
More than 1 hour but less than or equal to 2 hours	\$2 million	\$2 million	\$2.4 million
More than 2 hours but less than or equal to 3 hours	\$3 million	\$3 million	\$3.6 million
More than 3 hours but less than or equal to 4 hours	\$5 million	\$8 million	\$9.6 million
Each additional hour (or part thereof) exceeding 4 hours	\$2.5 million	\$4 million	\$4.8 million
Maximum amount per incident	\$25 million	\$40 million	

- According to service disruptions of 31 minutes or above caused by factors within MTR’s control under the SPR in the past year, **the MTRCL will arrange 4 “Thank You Days” on 8 & 9 April and 13 & 14 May 2023 to rebate the passengers using the new rebate arrangement.**

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² Peak hour refers to 8 - 9am and 6 - 7pm, from Monday to Friday (Except Public Holiday). Airport Express is not applicable.

³ During the “Thank You Day”, Octopus and QR code ticket users travelling on all MTR lines (Except Airport Express) can enjoy half-price discount.

⁴ When the SPR accumulative pool reaches \$25 million, the MTRCL will arrange a “Thank You Day” on specific weekend. If any single service disruption triggers the SPR pool to reach \$50 million directly, the MTRCL will arrange two consecutive “Thank You Days” on a specific Saturday and Sunday.

II. Monthly Pass⁵

- Benefits: Long-distance travelers
- Number of beneficiaries: About 200,000 daily trips
- Unlimited rides within one calendar month between designated stations remain unchanged.
- Extra 25% discount on fares for onward domestic journeys taken beyond the valid stations of the relevant Monthly Pass remains unchanged.
- 5 types of Monthly Pass include:

Monthly Pass 1 Sheung Shui/ Wu Kai Sha – East Tsim Sha Tsui	<ul style="list-style-type: none"> • Valid for standard class journeys between Sheung Shui and Hung Hom stations (except Racecourse Station) on the East Rail Line, journeys between Wu Kai Sha and East Tsim Sha Tsui stations on the Tuen Ma Line and MTR Feeder Bus.
Monthly Pass 2 Tuen Mun – Nam Cheong	<ul style="list-style-type: none"> • Valid for journeys between Tuen Mun and Nam Cheong stations on the Tuen Ma Line, the Light Rail, MTR Bus and other designated feeder services.
Monthly Pass 3 Tuen Mun – Hung Hom	<ul style="list-style-type: none"> • Valid for journeys between Tuen Mun and Hung Hom stations on the Tuen Ma Line, the Light Rail, MTR Bus and other designated feeder services.
Monthly Pass 4 Tung Chung – Nam Cheong	<ul style="list-style-type: none"> • Valid for journeys between Tung Chung and Nam Cheong stations on the Tung Chung Line.
Monthly Pass 5 Tung Chung – Hong Kong	<ul style="list-style-type: none"> • Valid for journeys between Tung Chung and Hong Kong/Central stations on the Tung Chung Line.

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⁵ Name as “Monthly Pass Extra” recently.

III. City Saver⁶

- Benefits: Medium-distance travelers
- Number of beneficiaries: About 100,000 daily trips
- 40 MTR rides within 40 days between the pre-designated stations in the urban area. (see map below)



IV. Interchange Discount with Green Minibus (GMB)

- Passengers using the same Octopus to interchange between MTR and over 500 designated GMB routes within a specific period can enjoy interchange discounts. The discount will be increased from \$0.3 to \$0.5 starting from the fourth quarter of 2023 and extended till June 2028.

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⁶ Name as "MTR City Saver" recently.

C. Arrangement of Special Reduction and Deferral of Fare Adjustment Rate to be Recouped

- The total fare adjustment rate of +2.85% to be recouped under the “Affordability Cap” arrangement will be implemented according to all the relevant figures published by the Census and Statistics Department to complete the calculation of fare adjustment 2023/24.
- After taking into account the unique economic challenges faced by Hong Kong as it recovers from the three-year COVID pandemic, the MTRCL and the Government have agreed a one-off special arrangement. There will be a **special reduction of 1.2 percentage points in the fare adjustment 2023/24, while the implementation of 1.65 percentage points will be deferred to the fare adjustment 2024/25 under the one-off special arrangement.**

D. Voluntary Deferral Arrangement of Adjustment Rate 2023/24

- To support the economic recovery after pandemic, the MTRCL will voluntarily defer 0.2 percentage points out of the fare adjustment this year to 2024/25.

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