

LCQ3: MTRCL's rail services and fare adjustment mechanism

Following is a question by the Hon Cheung Hok-ming and a reply by the Secretary for Transport and Housing, Ms Eva Cheng, at the Legislative Council meeting today (June 8):

Question:

Some members of the public have relayed to me that recently there have been frequent MTR failure incidents, and even the Disneyland Resort Line, which carries fewer passengers and was completed only about five years ago, has experienced two failure incidents in less than two months. They express grave dissatisfaction that the MTR Corporation Limited ("MTRCL") has not made obvious improvement to its services and a huge surplus has been recorded, but it still insists on increasing its fares by 2.2% as scheduled in June this year according to the fare adjustment mechanism under which fares may be increased or reduced ("FAM"), and has triggered off a wave of fare increases. In this connection, will the Government inform this Council:

(a) what measures the SAR Government, as the largest shareholder of MTRCL, has at present to motivate MTRCL to improve its services, so as to render value-for-money services to the public;

(b) whether it will examine the implementation of a marking scheme for railway incidents so that MTR's fare adjustment mechanism is linked to its standard of service, with a view to motivating MTRCL to improve its services and reducing the frequency of failure incidents; if so, of the details; if not, the reasons for that; and

(c) whether it will reconsider establishing a fare stabilisation fund covering various modes of public transport including MTR, buses and ferries, etc. so as to make up for the inadequacies of FAM in actual operation during times of continuous inflation?

Reply

President,

(a) and (b) The Government requires and expects MTR Corporation Limited (MTRCL) to provide safe and reliable railway services at all times. The Transport

and Housing Bureau is responsible for overseeing the overall policy on monitoring railway safety and regulating railway services. The Transport Department (TD) and the Electrical and Mechanical Services Department (EMSD) are responsible for monitoring the service and safety performance aspects of railway services provided by MTRCL respectively.

TD is responsible for monitoring the service performance of the various railway lines of MTRCL. In this regard, MTRCL is required to comply with the service standards stipulated by the Government. There are currently three major criteria for measuring railway service performance, namely, train service delivery (i.e. actual train trips), train punctuality (i.e. the percentage of trains completing their journeys on time) and passenger journeys on time (i.e. the percentage of the total number of passengers arriving at their destinations on time and without experiencing a delay of more than 5 minutes). These service standards are commonly adopted internationally. Other performance indicators include reliability of add value machine and ticket issuing machine, reliability of ticket gate, reliability of escalator and reliability of passenger lift. TD oversees whether MTRCL meets the requirements of the above service standards by examining the returns regularly submitted by MTRCL on its service performance, and investigates complaints received about railway service in order to monitor railway services. If MTRCL fails to meet any requirement, TD will require MTRCL to take remedial measures immediately.

EMSD monitors the safety of the railway systems and ensures that MTRCL has met all safety requirements in the design, construction, operation and maintenance of the railway systems. It is the responsibility of MTRCL to demonstrate to the satisfaction of EMSD that its railway systems are safe for use and their design standards are not only in line with industry standards internationally, but also appropriate for the situation in Hong Kong. MTRCL conducts risk assessment in their design process to reduce the risk factor. Currently, the design standards and safety management system of MTRCL is compatible with international standards. EMSD also monitors the safety of operating railways including conducting inspections of the railway systems to ensure that they are operating well; investigation of railway incidents as well as assessment and following up on the improvement measures adopted by MTRCL.

In case of railway incidents, TD and EMSD will follow up and request for an incident report from MTRCL. They will conduct investigations, provide advice to

MTRCL on the preliminary identification of the cause of the incident and the immediate actions required. TD and EMSD will monitor the progress made by MTRCL in identifying the cause and implementing improvement measures.

We are of the view that the most important thing to do after an incident occurs is to identify the cause of the incident as soon as possible, and make improvements based on the cause and the contingency measures adopted when handling the incident. EMSD will also review and verify the investigation reports submitted by MTRCL in respect of railway safety incidents to ascertain the causes of the incident and to monitor whether incident trends have been formed.

As to whether "incident point deduction mechanism" should be implemented as suggested by Members, we are of the view that we have to consider whether such arrangement would compromise railway safety inspection and recovery work as this would impose great pressure on frontline staff as they may wish to avoid deduction of points but are constrained by time when they carry out recovery work. On the other hand, we should consider whether only counting the number of incidents is a comprehensive and objective measurement of the overall performance of MTRCL. As the operation time of the railway network in Hong Kong is long, with high usage, coupled with the very many factors involved in railway operation, including tracks, trains, signalling system and manual operation, it is very difficult to achieve "zero incident" in practice. That said, we require that MTRCL should put safety first under all circumstances and this should never be compromised.

In fact, according to the information provided by MTRCL, since the rail merger (i.e. from 2008 to 2010), MTRCL has invested \$4 billion each year in the maintenance, repair and renewal of railway assets in order to maintain high quality railway service and enhance facility performance. Apart from on-going maintenance and asset replacement capital projects, MTRCL has purchased 10 new trains to enhance train frequency on existing lines, with a view to catering for the ongoing patronage growth of the Island Line, Kwun Tong Line, Tsuen Wan Line and Tseung Kwan O Line. MTRCL has also completed the installation of wide gates at all stations of the East Rail Line except Racecourse Station to improve accessibility for wheelchair users. Moreover, MTRCL has completed different levels of renovation works at Mei Foo, Jordan, Sheung Shui, Mong Kok East, Kam Sheung Road and Tin Shui Wai Stations. Renovations at Fanling Station have been underway. Installation of external lifts at Tai Wo Hau, Wong Tai Sin, Sham Shui Po and Jordan Stations, as well as installation of automatic platform gates at the eight aboveground

stations on the Island Line, Kwun Tong Line and Tsuen Wan Line have also commenced.

Furthermore, MTRCL announced recently that service on the West Rail Line, Tsuen Wan Line and Kwun Tong Line would be enhanced to bring more convenience to passengers.

(c) One of the outcomes of the rail merger was the adoption of an objective and transparent fare adjustment mechanism (FAM). The mechanism, which was formulated after extensive discussion in the community and by the Legislative Council, has replaced the fare autonomy of MTRCL.

Upon the rail merger in December 2007, MTRCL made a commitment not to increase fares on or before June 30, 2009. Fare reduction was also implemented immediately after the rail merger, with 2.8 million passengers benefitting from different levels of fare reduction, varying from 5% to over 20%, at the time. After June 30, 2009, MTRCL's fares are to be adjusted according to a FAM which is objective and transparent. Under the mechanism, the overall fare adjustments will be made in accordance with a direct-drive formula linked to changes in the Composite Consumer Price Index ("CCPI"), Nominal Wage Index (Transportation Section) ("Wage Index") and a productivity factor.

The FAM takes into account the year-on-year percentage change in CCPI in December of the previous year which has reflected the macroeconomic environment and public affordability to a certain extent. The year-on-year percentage change in Wage Index in December of the previous year has reflected staff cost. As such, it can be said that the economy and wage precedes the activation of any fare adjustment.

To ensure our public transport services are efficient and is of high service quality, it is the Government's established policy that public transport services should be run by the private sector in accordance with commercial principles. The Government has also established mechanisms to regulate fares of major public transport services to ensure that the fare levels are reasonable, taking into consideration public acceptability and affordability.

When considering the proposal to set up a "public transport fare stabilisation fund", the Government is mindful. We have to ensure the proper use of public money. We should also consider carefully various factors including the objective of

the proposal, target beneficiaries, expected outcome and impact, etc. We are of the view that public money should be used to provide targeted assistance to the needy. The Government has been providing assistance to the needy through targeted measures. For example, the Government provides subsidy on transport expenses in travelling to and from school for students in financial need, and will implement a Work Incentive Transport Subsidy Scheme to reduce the burden of home-to-work travelling expenses of the employed members of low-income families.

As regards public transport apart from railways, the Government also has to avoid providing wrong incentives that undermines the operators' efforts in cost saving and enhancement of efficiency. Furthermore, if taxpayers are to bear in full the increase in the expenditure of public transport services, it may invite unnecessary fare increase applications and be perceived as the Government offering direct subsidy to the public transport operators in contradiction to the established policy.

In fact, the Government has all along been actively encouraging all public transport operators to offer more fare concessions. Recently, MTRCL has announced that it would introduce a series of promotional schemes to help reduce travelling expenses of the public. We will continue to encourage public transport operators, including MTRCL, to offer concessions having regard to their respective operating conditions in order to benefit the public.

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