# STUDY ON TRAVEL COST REDUCTION SCHEMES

**for**

# THE ELDERLY AND REGULAR LONG DISTANCE TRAVELLERS

**PREPARED FOR**

## THE BAUHINIA FOUNDATION RESEARCH CENTRE

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# 1. INTRODUCTION

## 1.1 Background

1.1.1 The Bauhinia Foundation Research Centre is a policy think tank established in Hong Kong in March 2006. Its objective is to promote the understanding of the One Country, Two Systems arrangements and other socioeconomic policies in Hong Kong, for public benefit, through the support of relevant policy research work and studies. The Centre also organises seminars, discussion forums and workshops on relevant topics from time to time.

1.1.2 The research interests cover the following areas:

a. Macroeconomic development of Hong Kong and of the region, particularly Mainland China;

b. Economic and business environment in Hong Kong; and

c. Social environment in Hong Kong – what would be the appropriate social policies, in areas such as environmental protection, education, labour, immigration, transport, medical and health, social welfare, town planning, etc. that would make Hong Kong a better place in which to live, work and do business.

1.1.3 The Centre strives to establish its credibility by developing and presenting considered and balanced views on various policy issues that are in line with the overall and long term interests of Hong Kong.

1.1.4 As part of its research interest in the social environment of Hong Kong, the Centre wished to carry out research to examine the impact of current public transport fares on two groups of travellers:

i) The elderly; and

ii) Regular long distance travellers.

1.1.5 The Centre therefore commissioned Neilson Consulting Ltd. to undertake a study to examine the potential for travel cost reduction schemes for the above two groups.

## 1.2 Study Objectives

1.2.1 The objectives of the study were as follows:

i) To propose a number of elderly fare concession options and to recommend one or more of these to be pursued further with a view to encouraging the elderly to live as active a life as possible and not to be confined to their homes due to unaffordable public transport fares; and

ii) To consider changes to the current fares on offer from Mass Transit Railway Corporation (MTRC) and the bus companies with a view to identifying options which would reduce the burden of high fares on regular long distance travellers.

## 2. THE ELDERLY

### 2.1 Elderly Concession Fares: Hong Kong

2.1.1 All fixed route modes of public transport other than green minibuses (GMBs) offer more or less comprehensive concession fares to the elderly - generally classed as 65 years of age and above. For some Citybus (CTB) routes the age limit is lower at 60 years of age. For the vast majority of services the discount is 50% or very close to 50%. The honourable exception to this rule is "Star" Ferry which offers free rides to those 65 and above.

2.1.2 In addition to the regular concession fares, MTRC, Kowloon Motor Bus (KMB), CTB and New World First Bus (NWFB) also offer promotion fares on selected days to the elderly. MTRC offers a flat $2 fare on Wednesdays, Saturdays and public holidays (PHs) which is guaranteed until August 2012. KMB, CTB and NWFB offer a flat $2 fare (or half fare whichever is lower) on all bus services except racecourse, Disneyland express, airport "A" and non-franchised routes on Sundays and public holidays (SuPHs), which is guaranteed until January 2012.

2.1.3 For GMB routes, it appears that many operators who offer discounts do so unofficially and so are not included in the Transport Department (TD) list. Such discounts may be reduced or withdrawn at the discretion of the operators.

2.1.4 A summary of the elderly concession fares offered by the public transport operators in Hong Kong is given in Table 2.1.

**Table 2.1 Elderly Fare Concessions in Hong Kong**

| Public Transport Mode | Concession as % of Adult Fare | Network Coverage | Paid by |
|---|---|---|---|
| Mass Transit Railway (MTR) | Approximately 50% discount | Whole network | Operator / cross subsidy[1] |
| | $2 flat fare | Whole network on Wednesdays, Saturdays & PHs | |
| Light Rail Transit | Approximately 50% discount | Whole network | Operator / cross subsidy[1] |
| Franchised Buses | Approximately 50% discount | All routes | Government[2] |
| | $2 flat fare | All routes on SuPHs (except racecourse, Disneyland express, airport "A" and non-franchised routes) | |
| GMB Hong Kong Island | 15% to 50% discount | 5 out of 90 routes[3] | Operators / cross subsidy[1] |
| GMB Kowloon | 9% to 60% discount | 34 out of 108 routes[3] | Operators / cross subsidy[1] |
| GMB New Territories (NT) | 5% to 50% discount | 18 out of 255 routes[3] | Operators / cross subsidy[1] |

| Public Transport Mode | Concession as % of Adult Fare | Network Coverage | Paid by |
|---|---|---|---|
| Trams | Approximately 50% discount | All routes | Operator / cross subsidy(1) |
| Ferries | Free | All routes of the "Star" Ferry | Operator / cross subsidy(1) |
| | 50% discount | All routes except those of the "Star" Ferry | Operators / cross subsidy(1) |

Notes:
(1) Cross subsidised by fare revenue from other passengers or non-farebox revenue.
(2) In the form of reimbursement to operators of bus licence fees, rental for short term tenancies for bus depots and regulators' kiosks in bus termini equal to amount of revenue foregone.
(3) Source: TD website, information as at September 2011.

## 2.2 Elderly Concession Fares: Selected Overseas Cities

2.2.1 Information was collected on elderly concession schemes from a number of overseas cities and details are provided in Table 2.2.

**Table 2.2 Summary of Elderly Concession Schemes in Overseas Cities**

| City | Qualifications | Concessions | Applicability | Restrictions |
|---|---|---|---|---|
| London | Aged 60+; London residents | Free | All buses and rail in Transport for London network | Minimal |
| Amsterdam | Aged 65+; must have Dutch residential address | Approximately 33% discount | All public transport in Amsterdam | None |
| Paris | Aged 60+; residents of France | 50% discount | All metro and bus lines in Paris | None |
| | Aged 65+; residents of France | Free | | |
| New York | Aged 65+ | 50% discount | All routes | Except 6-10am, 3-7pm on weekdays |
| Central Toronto | Aged 65+ | 18% to 33% discount, flat fares, free transfer | Metro, streetcar and buses within Toronto Transit Commission (TTC) area | None |
| Outer areas of Toronto | Aged 65+ | 50% discount | Go Transit trains, Burlington Transit buses | None |

| City | Qualifications | Concessions | Applicability | Restrictions |
|---|---|---|---|---|
| Tokyo | Aged 70+; depends on resident tax status | Free | All buses, trains, subway and private buses | None |
| Singapore | Aged 60+; Singapore citizens | 25% to 55% discount depending on distance travelled | All Singapore Bus Service and Singapore Mass Rapid Transit trains and buses | Off peak only (after 9am Monday - Friday, All hours Saturday, SuPHs) |
| Guangzhou | Aged 60 – 64 | 50% discount | All routes | None |
| | Aged 65+ | Free | | |
| Taipei | Aged 65+ | 60 free sectional trips per month | All buses | None |
| | | 60% discount | Metro | |

2.2.2 The key points from the above table would seem to be as follows:

- Cities were about evenly divided on 60 or 65 years of age as the point at which concessions were offered;
- The value of the concessions varied considerably with London, Paris, Tokyo, Guangzhou and Taipei the most generous offering free travel to the elderly;
- Most cities did not have any restrictions on when the elderly could travel; and
- All elderly concessions (other than in Singapore) were funded by the local government.

2.2.3 Comparing Hong Kong's concessions with the other cities reviewed it would seem that in general Hong Kong would score about 4/10 where London with free travel for those aged 60+ would score 10. One aspect in which Hong Kong compares less favourably to other "World Class" cities is the absence of a formal concession fare on the GMBs. Since GMBs are an important feeder mode to MTR and since MTR is the backbone of Hong Kong's public transport system, the lack of formal concession fares on GMBs is a significant omission.

### 2.3 Summary of Discussions with Social Service Groups

2.3.1 Discussions with social service groups revealed that the major problems faced by many elderly persons were as follows:

- Low savings and no income;
- Not eligible for Comprehensive Social Security Assistance (CSSA) for various reasons; and
- Eligible for CSSA but refused to apply.

2.3.2 It was pointed out that many elderly persons tended to walk long distances to avoid paying transport fares, or choose transport modes of lower fares despite longer journey times.

## 2.4 Problem Identification

2.4.1 As mentioned above, large numbers of elderly people in Hong Kong have no or little income and minimal savings and therefore need to watch every penny they spend. There are elderly people who are not eligible for CSSA for various reasons; and others who actually qualify but do not apply due to the nature of the means testing.

2.4.2 Currently, the number of people aged 65 and above is almost 1 million, or 13% of the population. By 2029 it is forecast that this proportion will increase to 25%. Any scheme proposed must take this fact into account in estimating the sustainability of the scheme. The age distribution of the Hong Kong population in 2010 is given in Table 2.3.

**Table 2.3 Mid-year Population (2010) in Hong Kong by Age Group**

| Age Group | Number of Persons | Percent |
|---|---|---|
| 0-14 | 858,000 | 12% |
| 15-24 | 891,000 | 13% |
| 25-34 | 1,085,200 | 15% |
| 35-44 | 1,159,100 | 16% |
| 45-54 | 1,297,900 | 18% |
| 55-59 | 492,000 | 7% |
| 60-64 | 372,500 | 5% |
| 65+ | 912,100 | 13% |
| Total | 7,067,800 | 100% |

Source: Women and Men in Hong Kong - Key Statistics, 2011 Edition. Census and Statistics Department

## 2.5 Estimates of Trips

2.5.1 Most Hong Kong males remain in active employment until 65 years of age at which point the proportion in the labour force falls to about 10%. About 19% of females in the 60-64 age group are in the labour force and this figure falls to about 2% after 65. The situation is shown graphically in Figure 2.1. The figures suggest that about half of males and 80% of females aged 60-64 are no longer working. This age group in general remains reasonably healthy and active, and it may be that reduced rate travel would encourage them to remain in the labour force.

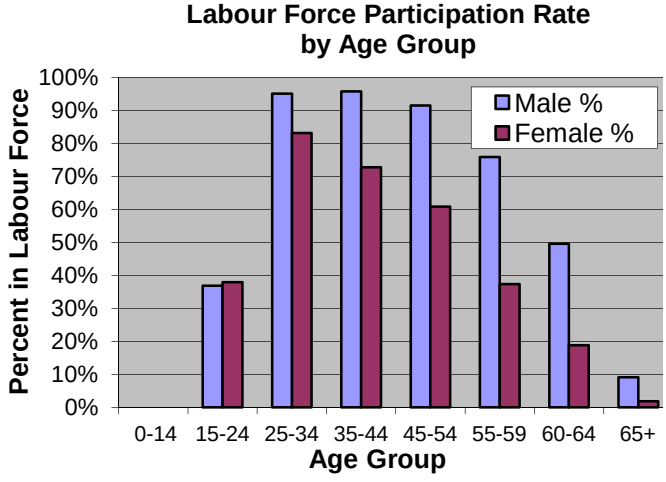


**Figure 2.1 Labour Force Participation Rate by Age Group**

Source: Hong Kong: The Facts. Published by the Information Services Department, January 2011

2.5.2 The level of activity of those aged 65 and above, as measured by their overall mechanised trip rate (i.e., excluding walk or cycle trips), suggests that their activity level has dropped to about half the average or one round trip every two days, see Figure 2.2. This factor must be taken into account in estimating the impact on operators' revenues from reduced fares for the elderly.

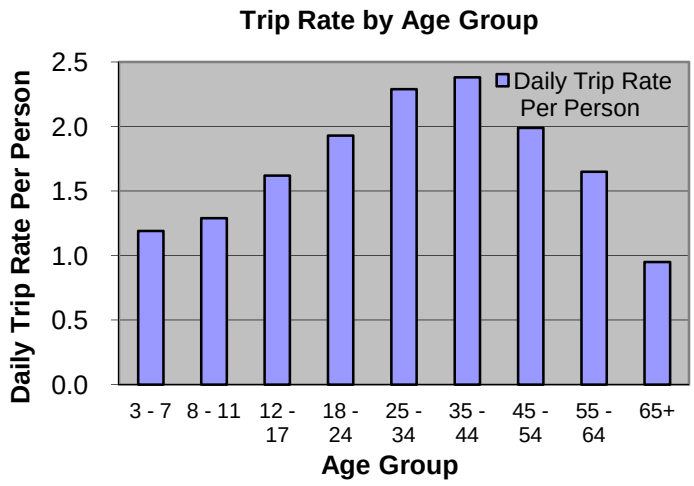


**Figure 2.2 Trip Rate by Age Group**

Source: Adapted from Travel Characteristics Survey 2002

2.5.3 Combining the trip rate and the population by age group it is possible to estimate the proportion of trips which are attributable to those in the 60-64 age group and those in the 65 and above age group. This is shown in Table 2.4. It can be seen that although the 65 and above age group makes up 13% of the population, it only contributes 6.8% of the total trips.

| Age Group | Daily Trips | % Daily Trips |
|---|---|---|
| 0-14 | 1,029,600 | 8.1% |
| 15-24 | 1,692,900 | 13.3% |
| 25-34 | 2,485,108 | 19.6% |
| 35-44 | 2,758,658 | 21.7% |
| 45-54 | 2,582,821 | 20.3% |
| 55-59 | 836,400 | 6.6% |
| 60-64 | 447,000 | 3.5% |
| 65+ | 866,495 | 6.8% |
| Total | 12,698,982 | 100.0% |

**Table 2.4 Trips by Age Group**

## 2.6 Options for Improvement

2.6.1 After reviewing overseas practices and assessing the concessions offered currently in Hong Kong, the following options have been considered:

Option 1: Retain status quo;

Option 2: Offer 50% discount on all major fixed route modes, including GMBs, to those 65 and above;

Option 3: Offer free travel on all major fixed route modes, including GMBs, to those 65 and above;

Option 4: Expand the $2 flat fare (or 50% of full fare whichever is lower) currently charged on MTR and bus services on selected days to all major fixed route modes and all days of the week to those 65 and above; and

Option 5: Provide an allowance to elderly residents aged 65 and above on a regular basis which can only be spent on public transport.

2.6.2 Based on the limited information available concerning ridership and revenue by mode, the figures in Table 2.5 have been prepared to provide an order of magnitude estimate of the cost of such schemes.

**Table 2.5 Estimated Cost of Elderly Concession Options**

| Options | | Estimated Annual Cost of Scheme ($bn) | Additional Cost ($bn) Implications |
|---|---|---|---|
| | | Major Fixed Route Transport Modes[(1)] | |
| 1 | Retain current concessions | $0.7 | Not Applicable (N.A.) |
| 2 | 50% discount for elderly 65+ | $0.8 | $0.1 |
| 3 | Free travel for elderly 65+ | $1.7 | $1.0 |
| 4 | $2 flat fare (or 50% of full fare whichever is lower) for elderly 65+ | $1.2 | $0.5 |
| 5 | Government monthly allowance to elderly residents 65+ (via Octopus card) | Additional to existing | |
| | - up to $100 | $0.8 | $0.8 |
| | - up to $200 | $1.2 | $1.2 |

Note:
(1) Major fixed route transport modes include railway, bus, ferry, tram and GMB. Red minibus, taxi, peak tram and coach are not included.

2.6.3 As can be seen from the figures in Table 2.5, the impact of all GMB routes offering 50% concession fares would be about $0.1bn per year (comparing Options 1 and 2). It is most unlikely that the GMBs would be able or willing to cross subsidise the elderly concessions from revenues from other passengers without Government assistance. This option would only benefit elderly passengers who use GMBs; and if Government is to fund this improvement, significant administrative complexities would be involved in reimbursing the large number of mostly small GMB operators.

2.6.4 Option 3 in which all travel is free for those 65 and above would simply cost double what the 50% discount costs in lost revenue. While there may be more passengers these would be the result of the free fares and the operators cannot claim that they would have received any revenue had normal fares applied. Equally it is unlikely that many elderly would choose to travel in the morning peak time when capacity on the system is most stretched. Thus the operators cannot claim that they are incurring any additional cost from the extra elderly passengers. If Government is to compensate the operators for all elderly travel and if there is a significant increase, the compensation per passenger should not be the full fare but some lower percentage. In any case, the cost to Government would still be considerable, not to mention the administrative work involved in reimbursing the different public transport operators.

2.6.5 Option 4 examines the situation if the $2 flat fare now offered by MTRC and bus companies on selected days is to become standard all week and extended to all major fixed route transport modes, while retaining the 50% discount where such would result in a fare lower than $2. It is estimated that this option would result in a loss of revenue about mid-way between Options 2 and 3. Under this option, elderly passengers would have to pay at most $2 per trip; and if Government is to reimburse

the operators for the revenue loss, there would also be significant administrative work on the part of Government similar to Option 3.

2.6.6 Option 5, in which an allowance of up to $100 or $200 per month would be credited to each registered elderly Octopus card (for residents aged 65 and above), for use on major fixed route transport services only, is estimated to cost between $0.8bn and $1.2bn per year. This reflects the fact that many elderly persons currently do not travel much each month and a certain proportion do not spend above the limits noted above. It is estimated that, together with the elderly concessions currently offered, this option would result in free travel for a large number of elderly passengers. Compared to the other options, this option would also be simpler to administer.

## 2.7 Conclusions and Recommendations

2.7.1 The following conclusions have been reached:

- Compared with other developed overseas cities, Hong Kong probably scores slightly below average in terms of the concessions offered to elderly public transport users.
- The absence of a comprehensive and uniform 50% discount on GMBs is arguably a major omission in the current Hong Kong arrangements.
- The concessions offered elsewhere which are better than Hong Kong are:
    - Concessions starting at 60 years of age rather than 65; and
    - Free travel for elderly rather than 50% discount.
- In most overseas cities, the costs of the elderly discounts are met by Government through tax revenue rather than by higher fares on the other passengers of the same operator.

2.7.2 The following recommendations are made:

- Government may consider providing an allowance, designated for use on public transport only, to all elderly residents on a regular basis to help relieve the burden of their travel costs.
    - The amount could be determined after consideration of current travel patterns, but it is thought that a payment of between $100 and $200 per month would enable a large proportion of elderly citizens to travel free of charge; and
    - The amount could be credited to the registered elderly / personalised Octopus cards. These operational and other administrative details would need to be worked out by Government.

## 3. REGULAR LONG DISTANCE TRAVELLERS

### 3.1 Introduction

3.1.1 In recent times there has been much public discussion about the impact of high public transport fares on those required to make long trips to work. There are two issues to be considered here – the first relates to the relationship between public transport fares and distance travelled and the second relates to the discounts if any which the regular traveller receives and which the casual user does not.

3.1.2 The objective of this aspect of the project is to identify options whereby fare reductions could be offered to regular long distance travellers. Where these options are expected to result in a loss of revenue compared to the present fare structure, the arrangements to deal with any shortfall are also discussed. Clearly there are two basic options if fare reductions are involved – either the operators make up any revenue losses in some way within their operations or Government offers compensation for the reduced fares. In the following two sections, options for MTRC or the bus companies to deal with revenue losses internally are discussed. The final section discusses the options if Government funding is available.

### 3.2 Options for Improvement: MTR

3.2.1 There are clearly many ways in which reduced fares can be offered to passengers. A list of the options considered is given below and each will be discussed in more detail later. Options are as follows:

1. Revise fare scale such that maximum fare is reduced and comparable reductions are given to trips beyond a certain length. Fares on short to medium distance trips remain unaltered or are increased.
2. Offer monthly passes which can be for specific lines (as at present on West Rail (WR) and East Rail (ER)), specific station to station long distance movements or long distance movements between groups of stations/ districts. In addition, these could also offer:
    a. Discounted fares for subsequent onward boardings; or
    b. Top-up features to extend to other non cross-harbour (XH) and XH movements.
3. Cap monthly accumulated fare payment to some value and after that offer discounts on subsequent trips in the time period.

*Revision of Fare Scale*

3.2.2 For travel along a given line, the single journey fare charged tends to flatten out the longer the trip. However the fares vary from line to line and for some longer trips, fares on one line can be considerably higher than on others.

3.2.3 If the MTR single journey fares were to be capped at say $14 and MTRC were to continue to earn the same total revenue, then the short and medium distance fares would have to rise considerably. No information was available on the distribution of MTR trips by distance / fare and so it was not possible to quantify the impact of such a change.

*Monthly Passes*

3.2.4 When the two rail networks were merged MTRC inherited monthly passes from the former Kowloon-Canton Railway Corporation (KCRC) and has continued to offer these passes on the former KCRC lines of WR and ER. Although passengers on other lines, notably the Tung Chung line, could benefit from such passes these have not yet been offered. A comparison of the costs of the monthly passes and the single journey fares is given in Table 3.1. It can be seen that the ratio of the cost of the monthly pass to the single journey is 28 (rounded up from 27.8) from Tuen Mun, i.e., after 28 trips per month the fares becomes cheaper; while for Sheung Shui the ratio is 35 (rounded down from 35.4) trips. For the shorter journeys from Tsuen Wan West or Shatin the ratio is much higher making the pass unattractive.

3.2.5 Table 3.1 also shows how much a pass to Central would cost if the same ratios were applied to the fare to Central. It would seem for the longer trips that an extra $150 to $200 for a monthly pass for XH journeys would be appropriate.

**Table 3.1 Comparison of Costs of Monthly Passes and Single Journey Fares**

| | **Existing Monthly Passes** | | | **Estimated Monthly Passes** | | |
|---|---|---|---|---|---|---|
| **To** | **Tsim Sha Tsui (TST)** | | | **Central** | | |
| **From** | **Single Journey** | **Existing Monthly Pass** | **Ratio of Pass to Single Journey** | **Single Journey** | **Equivalent Monthly Pass** | **Addition to TST Pass** |
| Tuen Mun (Tuen Mun - Hung Hom Monthly Pass) | $17.6 | $490 | 27.8 | $22.9 | $637.6 | $147.6 |
| Tsuen Wan West (Tuen Mun - Hung Hom Monthly Pass) | $8.4 | $490 | 58.3 | $13.5 | $787.5 | $297.5 |
| Sheung Shui (Sheung Shui - East TST Monthly Pass) | $11.3 | $400 | 35.4 | $17.0 | $601.8 | $201.8 |
| Tai Po Market (Sheung Shui - East TST Monthly Pass) | $10.1 | $400 | 39.6 | $15.2 | $602.0 | $202.0 |
| Shatin (Sheung Shui - East TST Monthly Pass) | $7.8 | $400 | 51.3 | $13.0 | $666.7 | $266.7 |

*Monthly Fare Expenditure Caps*

3.2.6 As for the monthly passes, monthly fare expenditure caps also target frequent long distance travellers. They have the benefits as far as the passenger is concerned of not requiring advance payment and being automatically triggered once the expenditure limit is reached. Thus passengers do not have to consider their movements for a month in advance as is needed with a monthly pass.

3.2.7 Any scheme of this nature would require to be worked out by MTRC but it could be that two triggers could be adopted – one at say 35 qualifying trips in the month and a second trigger at 45 trips. So if one end of a trip, a boarding or alighting, were made at one of the designated stations which would be in the outer NT areas and if the fare for the trip was above a certain minimum say, $14, then it would count as a qualifying trip. So for example the first 35 trips would be full fare, the next 10 trips would be half fare and any further trips that month would be free.

3.2.8 This approach could be started with limited qualifying trips and relatively small discounts in order to test the system and to see if the public changed their trip patterns or choice of mode as a result of the expenditure caps. The Octopus tickets used for this scheme may have to be personalised to avoid multiple users abusing the system. There could also be a limit of say, two or three qualifying trips per day to ensure the system was not abused. However the system is flexible and the number of trips to trigger discounts can be changed and the discount percentages can also be changed to achieve any overall level of discount desired.

3.2.9 The amount of revenue foregone would depend on the scheme introduced and as noted above, could be started rather conservatively and increased over time if appropriate.

### 3.3 Options for Improvement: Buses

3.3.1 As the major operator in NT, KMB clearly would be the operator most affected by any changes to the fare structure for longer trips. Since KMB operates almost all buses in Kowloon, the potential for bus to bus interchange (BBI) measures between NT and Kowloon is clearly greatest. Options for the buses are more or less the same as the railway:

1. Revise fare scale so that the maximum fare is reduced and rate of increase tapers off to maximum or is flat as bus route lengths get longer. Fares on short to medium distance routes remain unaltered or are increased.
2. Offer monthly passes which can be for individual routes or groups of routes. In addition these could also offer:
    a. Discounted fares on subsequent onward boardings; or
    b. Top-up features for subsequent onward boardings for other non XH routes and XH routes.
3. Cap daily, weekly or monthly fare payment to some value and after that offer discounts on subsequent trips in the time period.

3.3.2 As noted above, for bus options, the main focus has to be on KMB which operates the vast majority of longer routes in the NT. However CTB also operates a number of long distance routes from Tin Shui Wai and Tung Chung. Options discussed below which relate to single route discounts would apply to both KMB and CTB while those which offer extended discounts for all Kowloon routes would apply to KMB only unless agreement was reached between the operators. Any fare packages which offer discounts on all routes, i.e., including XH routes would require agreement on revenue sharing between all franchised bus operators.

3.3.3 Since all the proposals result in the operators earning less revenue from the long distance routes, it would be beneficial if some way could be found to reduce their costs to compensate. One such way was recently put forward by the Chartered Institute of Logistics and Transport to Government for their consideration in the context of the public consultation on rationalising utilisation of harbour road crossings. It was pointed out that the high tunnel tolls charged to franchised buses were at odds

with Government policy of minimising taxes or arbitrary charges on franchised buses. If transport policy guidelines were to be followed and tolls for buses were set at the minimum needed to cover their share of operating costs and maintenance, significant cost savings could be achieved by the bus operators. If the reductions in long distance fares were to be introduced concurrently with the lowering of tolls, then the need to raise fares on shorter routes could be greatly reduced or perhaps eliminated.

*Revision of Fare Scale*

3.3.4 In Hong Kong to date, the guiding principle adopted by the bus operators in determining fares scales has been to maintain a reasonable relationship between cost of operation and fare income on a route by route basis. Clearly the higher fares charged on the XH routes result in these routes being more profitable than average. As a result, fares on non XH routes are set to generate enough income to ensure that overall the company generates sufficient income to cover costs and generate permissible profit rather than being profitable in their own right.

3.3.5 If, as a matter of policy, it is now decided that this fare structure should be altered with fares on longer distance routes being reduced then this should be discussed among Government, the bus operators, the political bodies and the public.

3.3.6 If no public money is to be used to make up for lost revenue on the long distance routes and if no reduction in tunnel tolls is implemented then, if the operators are to remain viable, fares must rise on shorter routes to balance the reductions in revenue from the long distance routes.

3.3.7 The benefits of this change would be that people living in the outer areas of the NT, who are currently deterred by the high long distance transport fares, would be more able to seek and retain employment in Yau Tsim and Hong Kong Island where there are more job opportunities than in the Northwest NT or North District.

3.3.8 The disbenefits of this proposed fare scale are obviously that those making short trips would be paying more for the trip than the costs to provide the service.

3.3.9 The adjustments to the fare scale would best be done when there is a need for a fare revision. If the fare reductions were not so significant, or if they were done after full public consultation, the adjustment to the fare scale could be done at one stroke. If however the reductions were significant, irrespective of consultation, the changes would have to be phased in over a period of years.

3.3.10 This option benefits all long distance passengers – whether regular commuters or not. As such the revenue foregone is higher than if these lower fares were just to be offered to frequent travellers.

*Monthly Passes*

3.3.11 Monthly passes for trips made on long routes or groups of routes usually allow passengers to enjoy lower fares if enough trips are made in the time period. This clearly meets the objectives of helping regular long distance travellers. If these passes could be broadened to allow discounts for earlier or subsequent legs of the same trip they would meet the objectives even better.

3.3.12 These sorts of passes are very common in European cities with the rationale that they reduce the cost of travel for regular commuters and they act as a deterrent to people making use of their private cars. They also provide bus operators with large amounts of cash payment in advance. When interest rates were high this was a significant benefit. In Hong Kong where in the order of 85% of all trips are made by public transport and only a small minority of bus passengers have the alternative of

using their cars, the main reason for offering monthly passes would be to offer a loyalty bonus to regular public transport users on long, high fare routes.

3.3.13 Some proposals for monthly passes for specific routes by district are given in Table 3.2. Two options are shown, the first is a pass for a specific route only – similar to the WR and ER passes - and the second has an added BBI feature which allows the user to enjoy 50% discount on all Kowloon routes for an addition of $105 per month – based on 35 trips at 50% of $6. (This could only apply for KMB long distance routes unless inter-company agreements were in place between CTB and KMB for revenue sharing. Similarly for XH routes any BBI arrangements on Hong Kong Island would involve non-KMB buses and again would require inter-operator agreements.)

**Table 3.2 Proposed Monthly Passes for Selected Routes**

| Category | Bus Operator | Typical Route No. | Route / Route Group Only | | Route Group + BBI All non XH Routes @50% | |
|---|---|---|---|---|---|---|
| | | | Single Journey Fare (SJ) | Monthly Pass | Assumed Fare | Monthly Pass |
| **Calculation Basis** | | | | **35 x SJ** | **add $3 to SJ** | **35 x (SJ+$3)** |
| Route Group (non XH) | | | | | | |
| Tin Shui Wai / Yuen Long to Hung Hom | KMB | 268B | $17.0 | $595.0 | $20.0 | $700.0 |
| Tuen Mun to Tsim Sha Tsui | KMB | 259B | $13.1 | $458.5 | $16.1 | $563.5 |
| Tung Chung to Ho Man Tin | CTB | E21A | $14.0 | $490.0 | N.A. | N.A. |
| Sheung Shui to Tsim Sha Tsui | KMB | 270A | $13.5 | $472.5 | $16.5 | $577.5 |
| Route Group (XH) | | | | | | |
| Tin Shui Wai / Yuen Long to Tin Hau | KMB | 968 | $22.0 | $770.0 | N.A. | N.A. |
| Tuen Mun to Wan Chai | KMB | 960 | $19.4 | $679.0 | N.A. | N.A. |
| Tung Chung to Tin Hau | CTB | E11 | $21.0 | $735.0 | N.A. | N.A. |
| Sheung Shui to Central | CTB | 373 | $22.9 | $801.5 | N.A. | N.A. |

3.3.14 Since even within a route group there is quite a large range of fares, it is difficult to arrive at a common amount for monthly passes for all routes in the group, which would suggest that if passes are to be issued they should be route specific – at least at the start. Also, depending on the financial position of the transport operators, it may not be possible for operators to offer substantial fare discounts to make monthly passes attractive to passengers.

*Fare Expenditure Caps*

3.3.15 Fare expenditure caps can be set with daily, weekly or monthly usage limits and can vary depending on specified criteria such as mode, specific route(s), etc. London offers expenditure caps for unlimited travel within a 24-hour period using the Oyster Card. All public transport modes are included and there are different caps depending

on whether the card is used during the morning peak period (anytime before 9:30am) or only during off peak periods, the latter being cheaper. The daily cap is set at just over three trips per day of the relevant single journey fare using the Oyster Card.

3.3.16 In Guangzhou on the Bus Rapid Transit (BRT) system, a 40% discount is offered on all trips after 15 trips have been made on the system within a month.

3.3.17 In Toronto on the GO Transit trains, passengers paying with the Presto Card and making the exact same trip have a 7.5% discount on the single journey fare for the first 35 trips. After that, for trips 36 to 40, the fare is discounted by 87.5% and from 41 trips onwards the trip is free. So effectively there is a cap of 33 trips per month. If the exact same trip is not taken, the first 35 trips still enjoy a 7.5% discount and after that the discount depends on the value of the trips taken earlier.

3.3.18 Capping the amount of money an individual has to spend on public transport in a month is a very effective way of helping frequent long distance travellers. To avoid abuse, it may require cards to be personalised or some restrictions placed on usage.

3.3.19 If a capping mechanism were to be introduced in Hong Kong to help regular travellers it would be most appropriately done on a monthly basis although shorter periods would also be welcomed by the public. If the objective is to help long distance travellers on the more expensive routes then the cap should be set based on the more expensive routes. The cap amount can be based on the frequent use of a specific route for the maximum benefit while benefits would still accrue for the use of other routes.

3.3.20 If this system were to be introduced in Hong Kong to help long distance travellers it should only apply on long distance routes, e.g., those with fares more than $14. If the cap is set at 35 trips then for a $14 route the cap would be $490 per month while for the longest XH routes charging $23.7 the cap would be $829.5. It might be reasonable to reduce the number of trips on the longest routes such that no one has to pay more than say $700.

3.3.21 There are several benefits of introducing the expenditure cap system rather than other options as follows:

- It does not require passengers to make large up-front payments or take any action other than making sure they take the form of transport which give them the greatest fare reductions; the actual mechanics of appropriate fare deduction can be done within the Octopus system;
- It allows targeted assistance to the specific group which needs it – although it also benefits those higher income passengers equally. To avoid this would require means testing to qualify for the Octopus card which offers the expenditure cap;
- If the cap is linked to a number of trips, there is no need to adjust the amount separately as the price adjustment would follow any change in fare on the route(s); and
- Since the cap is triggered automatically, there is no need to forecast monthly travel as is needed with a monthly pass. The trips are made at the passengers' choice and once the cap is triggered, the passengers benefit; if the required number of trips is not made then the passengers are no worse off.

3.3.22 The expected lost revenue to KMB if this scheme were to be implemented cannot be estimated until the parameters of the scheme are decided. The advantage of the capping scheme is that it can be introduced with fairly demanding criteria at first to see the impact and then gradually improved to meet social needs while remaining within the financial capability of the operator.

### 3.4 Options for Improvement: with External Funding from Government

3.4.1 If Government accepts the need and social benefit of reducing the travel costs of regular long distance public transport users, many of whom may need to make multi-modal trips, then the opportunity to offer a multi-mode solution presents itself. This could either be a multi-mode monthly pass or a multi-mode expenditure cap that can be applied across various public transport modes. Both provide similar benefits but the expenditure cap removes the need for passengers to make a substantial outlay at the start of the month and also removes the problems which arise if the expected travel pattern in a month is not completed, e.g, due to illness. For this reason a multi-mode expenditure cap is proposed.

3.4.2 The details of the scheme will need to be worked out among Government, the transport operators and Octopus Company as there will be a need to make some significant changes to the fare accounting procedures. Essentially it is proposed that a monthly expenditure cap of about say $700 be set for cumulative monthly expenditure on qualifying trips. A qualifying trip could be determined by the use of specified stations on MTR or specified long distance bus routes together with any connecting feeder services of the same or different public transport modes. It could also be specified more generally by a minimum fare limit of say $14 for a trip - where trip is defined to include feeder trips to bus and rail up to a limit of say two interchanges. This is termed a linked trip and the Octopus system already has time limits to define legs of a linked trip.

3.4.3 Once the monthly expenditure cap is reached, some form of fare discounts would apply for the remainder of the month; these could be reduced fares or free fares. This could be open ended with no upper limit or there could be an upper limit which would limit the maximum discount and therefore payment per person by Government. Thus one option might be to have a cap set at $700, with free fares after that to a maximum of $1,000, after which the full fare is again paid by the passenger until the end of the month. This would limit Government's support to $300 per month per person.

3.4.4 Exclusions could include taxis, cross boundary services, train services to Lo Wu and Lok Ma Chau, first class on East Rail, "A" routes to the airport, Airport Express train service, red minibuses, etc.

3.4.5 With this scheme there would be no need for any operators to alter their fares. Octopus would be required to identify qualifying trips and keep a separate register of the cumulative expenditure on these trips. The individual Octopus card holder would be required to keep the card topped up to cover monthly expenditures up to the cap limit on qualifying trips as well as expenditures exceeding the upper limit of Government assistance, and also the full cost for non-qualifying trips and non public transport related expenditures. Once the expenditure cap is reached, some mechanism for debiting a Government account for subsequent qualifying trips would need to be established. Octopus would continue to pay operators on a daily basis as at present and all specified operators would be included.

### 3.5 Conclusions and Recommendations

3.5.1 The following conclusions have been reached:

- If regular single journey fares are paid on MTR or bus, the cost of daily travel for someone living in Tin Shui Wai/Yuen Long and working 24 days per month would be about $820 to Yau Tsim District and about $1,050 to Central - about 15% and 19% of the monthly minimum wage respectively. This may be unaffordable to many people;

- The monthly passes offered by MTRC on WR and ER offer significant discounts to those passengers whose origins and destinations lie on one railway line. The $490 pass to Yau Tsim represents about 9% of the minimum wage – still a relatively high figure; and
- Passengers from Tung Chung are at a disadvantage by having no discounted monthly pass available.

3.5.2 The following recommendations are proposed:

- Government may consider introducing a multi-mode monthly expenditure cap, which can be applied across various public transport modes, for regular long distance travellers. The cap should be triggered by a cumulative expenditure being made on trips with fares above a certain minimum. The details of the scheme would need to be considered in depth by the transport operators, Government and Octopus Company; but in principle it is proposed that cumulative expenditure on qualifying trips (as set out in paragraph 3.4.2 above) would be kept in a separate register by Octopus Company and when a set target is reached, say $700, further trips up to a limit of say $1,000 would be free and paid for by Government.
- If it is agreed that the single journey fares for long distance rail and bus routes should be reduced, Government should set out a long term programme of fare adjustments to amend the shape of the fare scales.