Executive Council gives consent to increase tramway fares

The Chief Executive in Council today (May 29) has given consent to Hong Kong Tramways Limited (HKT) to alter fares, in accordance with section 51 of the Tramway Ordinance (Cap. 107). The revised rates of fares (see table below) will come into force one month after publication in the Gazette (i.e. July 2, 2018).

	Existing fare	Revised fare (Change)
Person aged 12 or above	$2.30	$2.60 (+$0.30)
Child (aged 3 to 11)	$1.20	$1.30 (+$0.10)
Monthly ticket	$200.00	$220.00 (+$20.00)

In addition, the fare for the elderly (aged 65 or above) will increase from $1.10 to $1.20. The fare for a tourist ticket will remain at $34.

A Government spokesman said that the Government should ensure that HKT would have sound financial capability in providing economical, efficient and quality tram services at reasonable fares. In this connection, when assessing HKT's fare increase application, the Government has, in accordance with the established policy and mechanism, taken into account various factors, including the quality and quantity of service provided and the planned improvement projects of HKT; the changes in operating costs and revenue since HKT's last fare adjustment; HKT's forecasts of future costs, revenue, profit and return; and the likely public acceptability.

HKT submitted a fare increase application to the Transport Department in August 2017. The Government has consulted the Legislative Council Panel on Transport and the Transport Advisory Committee on HKT's fare increase proposal.

HKT has not adjusted its fares for the past seven years. Since the last fare adjustment in June 2011, given the competition from other public transport modes, its patronage has been decreasing and the fare revenue has also correspondingly dropped. The potential to further increase non-fare box revenue is rather limited. Although HKT made profits between 2011 and 2017, its profit after tax has been decreasing since 2014. HKT's profit after tax in 2016 and 2017 was $37.6 million and about $22.9 million respectively (the profit margin was 14.7 per cent and about 9 per cent respectively). Nevertheless, HKT has planned to invest about $110 million in the next few years for implementing a series of service improvement projects which would enable the public to enjoy quality, efficient, cheap and environmentally friendly services. Without a fare increase, HKT estimated that its profit margin would drop to below 2.6 per cent from 2018 and beyond.

"HKT has been providing satisfactory services for many years. HKT has strived to enhance tram services in terms of safety, service level, passenger comfort and operational efficiency through implementing various improvement measures, and will continue to take forward a series of new projects in the next few years to maintain the competitiveness and sustainability of tram service. The 12.6 per cent weighted average fare increase proposed by HKT is lower than the changes in the Composite Consumer Price Index and Median Monthly Household Income since HKT's last fare increase (21.5 per cent and 39.3 per cent respectively). Having regard to all relevant factors, the Government considered it necessary to increase tram fares, and that the increase level proposed by HKT is acceptable," the Government spokesman said.

Given that tram fares only have a tiny 0.01 per cent weighting in the Composite Consumer Price Index, the inflationary impact of the proposed fare increase is expected to be insignificant.