

LegCo Panel on Transport Parking Meter System Replacement Programme

Supplementary Information

Purpose

At the Panel meeting held on 6 May 2002, Members were briefed on the proposal to replace the existing e-Park card operated parking meter system with a reloadable smart card system. At the meeting, Members requested for supplementary information on the fees payable to the management contractor and the uploading commission payable to Octopus Cards Limited.

2. This paper provides Members with the supplementary information.

Fees for the Management Contractor

3. Under the current contract, the parking meter management contractor has overall responsibility for the management, operation and maintenance of all 17,000 parking meters installed in about 750 streets throughout the territory. Its major contractual duties are summarised below:

- a) **Management:** to manage the parking meter system, including operation of a customer service hotline to handle complaints and enquiries; conducting regular surveys on parking demand and utilisation; setting up a distribution network for sale of e-Park cards and payment of the expenditure; storage and safekeeping of e-Park cards; procurement of the necessary signs and poles for parking meter operations; assistance to Government in exploring new parking meter technology;
- b) **Operation:** to operate the parking meter system, including retrieval of utilisation and management information data from each individual on-street parking meter; carrying out the necessary civil works for the installation/suspension of parking meters; operation of the backend computer system; investigation of complaints received; implementation of Transport Department's parking meter expansion programme; replenishment of all consumables; and

- c) **Maintenance:** to maintain the parking meter system, including routine inspection and maintenance; emergency repair of out-of-order meters within a performance pledge of 45 minutes for all meters in the urban and New Town areas and 90 minutes for those on Lantau Island; repair and maintenance of the backend computer hardware and software; procurement and maintenance of a stock of 10% spares.

4. Overall, the contractor needs to engage more than 110 staff for performing the duties under the management contract. The contractor is also responsible for all costs arising from its contractual responsibilities. Prior to the privatisation of the management of parking meters, the daily operation and maintenance of these transport facilities were undertaken by three government departments, namely the Transport Department, the Electrical and Mechanical Services Department and the Highways Department at an annual cost of about \$72m in 1994.

5. Upon conversion to the new generation Octopus operated system, the contractor's obligations will remain largely the same. The only difference is that the contractor will no longer have to perform duties related to the distribution and handling of e-Park cards. However, the contractor has to engage additional staff to perform more frequent data retrieval and uploading of meter revenue data to ensure prompt settlement of the revenue collected by Octopus on Government's behalf.

6. During the transition period from 2002/03 and 2004/05, the management contractor will have to manage two parking meter systems (e-Park card operated meters and Octopus operated meters) at the same time. He would be required to closely liaise with the existing and new parking system suppliers, as well as the card service provider to implement the phasing out programme. Nearing completion of the conversion, he would have to wind down the e-Park card distribution as well as to monitor the refund of the residual value of e-Park cards to the purchasers. There would be additional responsibilities both during and after the transition period and the savings in the contractor's fee could only be realised in the long run after full replacement of the existing parking system.

7. The current management contract will expire in September 2003. In view of the foregoing changes in responsibility, the annual fee for the next management contractor is estimated to be around \$47m, similar to the amount paid to the management contractor on introduction of the e-Park card operated meters. The exact management fees payable, however, will be subject to the results of an open tender for the new management contract.

Fees for Uploading Commission

8. The uploading commission is a fee payable to the card service provider for its provision of transaction clearance and settlement services. Octopus Cards Ltd is now charging a 1% standard rate for all transport-related services. The fee of \$3.6m per annum is largely based on this standard rate of 1% of the annual meter revenue (i.e., around \$300m per year plus some allowance for meter expansion).

9. While the management contractor fees and the uploading commission amount to about \$51m (\$47.4m plus \$3.6m) under the Octopus operated parking meter system, the proposed system is also expected to generate a recurrent annual saving of around \$8.4m (largely due to the savings in e-Park card production) as compared to the existing parking meter system.

The Way Forward

10. We will seek the approval of the Finance Committee on 24 May 2002 on funding for the implementation of the project.

Transport Bureau
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