

**For discussion on
17 February 2011**

Legislative Council Panel on Manpower

Work Incentive Transport Subsidy Scheme

Purpose

This paper briefs Members on our proposal to further enhance the Work Incentive Transport Subsidy (WITS) Scheme as set out in the Finance Committee (FC) Paper FCR(2010-11)60 and seeks Members' support for the enhancement.

Proposed Enhancement

2. Having considered the views of Members, we propose to further enhance the WITS Scheme as follows, with a view to benefitting more low-income earners:

- (i) Income threshold for 2-member household (*paragraph 11 of FCR(2010-11)60*)

In the FC paper, we proposed to raise the income threshold for 2-member households from \$8,500 to \$10,000. We now propose to further raise this threshold to \$12,000, which represents about 84% of the median income for 2-member households. The further revised income and asset thresholds are at **Annex**.

- (ii) Working hour requirement (*paragraph 13 of FCR(2010-11)60*)

We propose to provide subsidy to those who work for less than 72 hours but at least 36 hours per month at half rate (i.e. \$300).

Financial Implications

3. Based on figures in the second quarter of 2010, we estimate that the number of persons who can meet the criteria for income levels and working hours is 436 000. In other words, with the further enhancement as proposed in paragraph 2 above, an additional 106 000 persons may benefit from the WITS

Scheme when compared with the estimate of 330 000 in the original proposal presented to the Manpower Panel in December 2010. Assuming that half of them (i.e. 218 000 people) will come forward and apply for WITS and can meet the eligibility criteria, we estimate that implementation of the WITS Scheme will require a non-recurrent commitment of \$4,805 million for the initial three years (as compared with \$3,703 million in the original proposal), broken down as follows:

	Financial implications (\$ million)
Subsidy payment	4,587
Other charges (e.g. cost of engaging non-civil service contract staff, data preparation and other operating expenses)	130
Accommodation and related expenditure	61
Publicity and promotion	10
Contingency	17
Total	4,805

4. The estimated cash flow of the further enhanced WITS Scheme is as follows:

Financial Year	\$ million
2011-12	1,221
2012-13	1,581
2013-14	1,580
2014-15	423
Total	4,805

Review

5. We will conduct a comprehensive review of the WITS Scheme, including its objectives, eligibility criteria, modus operandi and effectiveness, three years after implementation. A mid-term review will be carried out having regard to the experience gained during the first year of operation.

Implementation

6. Subject to Member's approval of the funding proposal at the FC meeting on 18 February 2011, our plan is to start receiving WITS applications from October 2011 onwards. For the first round of application, 1 April 2011 or the FC approval date, whichever is the later, will be deemed the effective date for subsidy payment. This means that if the funding proposal is approved at the FC meeting on 18 February 2011, we can launch the WITS Scheme in October 2011 and applicants may immediately apply for WITS for the previous six months dating back to 1 April 2011, or submit an application later covering a longer payment period (that for a full-year payment can be submitted on or after 1 April 2012).

Way Forward

7. We will seek the funding approval of FC at its meeting on 18 February 2011. We will issue a supplementary note to FC setting out the proposed further enhancement and updated financial implications as explained in paragraphs 2 to 4 above.

Advice Sought

8. Members are invited to consider the content of this paper.

Revised income and asset thresholds for the WITS Scheme

Household Size	Income Limit	Asset Limit
1	\$6,500	\$44,000 (+ \$35,000 = \$79,000 if the applicant is an elderly person aged 60 or above)
2	\$12,000	\$60,000 (+ \$35,000 for each elderly member aged 60 or above)
3	\$13,000	\$90,000 (+ \$35,000 for each elderly member aged 60 or above)
4	\$14,000	\$120,000 (+ \$35,000 for each elderly member aged 60 or above)
5	\$14,500	\$150,000 (+ \$35,000 for each elderly member aged 60 or above)
6 or above	\$16,000	\$180,000 (+ \$35,000 for each elderly member aged 60 or above)