

ITEM FOR FINANCE COMMITTEE

**HEAD 141 - GOVERNMENT SECRETARIAT :
LABOUR AND WELFARE BUREAU**

Subhead 000 Operational expenses

HEAD 186 – TRANSPORT DEPARTMENT

Subhead 000 Operational expenses

New subhead “Public transport fare concession scheme for the elderly and eligible persons with disabilities”

Subhead 700 General non-recurrent

New item “Setting up of a centralised settlement platform and related system enhancement for implementing the Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities”

Members are invited to approve –

- (a) the creation of a new Recurrent Subhead “Public transport fare concession scheme for the elderly and eligible persons with disabilities” under the Operating Account under Head 186 Transport Department;
- (b) a total supplementary provision of \$269.2 million in 2012-13 under Head 186 Transport Department, with \$255.4 million under the new Subhead created in paragraph (a) above and \$13.8 million under Subhead 000, for implementing the Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities;

/(c)

- (c) a new non-recurrent commitment of \$10.1 million under Head 186 Transport Department Subhead 700 General non-recurrent for setting up a centralised settlement platform and the related system enhancement for implementing the Scheme in paragraph (b) above;
- (d) an increase in the ceiling placed on the total notional annual mid-point salary value of non-directorate posts in the permanent establishment of Labour and Welfare Bureau in 2012-13 from \$43,574,000 by \$2,137,800 to \$45,711,800 to create two non-directorate civil service posts, i.e. one permanent and one time-limited, for implementing the Scheme in paragraph (b) above; and
- (e) an increase in the ceiling placed on the total notional annual mid-point salary value of non-directorate posts in the permanent establishment of Transport Department in 2012-13 from \$520,529,000 by \$5,868,360 to \$526,397,360 to create ten non-directorate civil service time-limited posts for implementing the Scheme in paragraph (b) above.

PROBLEM

To help build a caring and inclusive society, we need to encourage the elderly and eligible persons with disabilities to participate more in community activities by providing them with public transport fare concession.

PROPOSAL

2. The Secretary for Labour and Welfare (SLW) plans to roll out the Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities (the Scheme) in 2012-13. The Commissioner for Transport (C for T), with the support of SLW and the Secretary for Transport and Housing,

/proposes

proposes to create a new Recurrent Subhead under Head 186 Transport Department (TD), to seek a supplementary provision of \$269.2 million in 2012-13 to cover the costs of implementing the Scheme and to create a non-recurrent commitment of \$10.1 million in 2012-13 for setting up the necessary centralised settlement platform and the related system enhancement. In addition, SLW and C for T propose to increase their respective ceilings placed on the notional annual mid-point salary (NAMS) value of all non-directorate posts in the permanent establishment of the Labour and Welfare Bureau (LWB) and TD in 2012-13 by \$2,137,800 and \$5,868,360 respectively to enable the creation of a total of 12 non-directorate civil service posts to implement the Scheme.

JUSTIFICATION

The Scheme

3. The Scheme, as announced in the 2011-12 Policy Address, is to enable elderly people aged 65 or above and eligible people with disabilities to travel on the general Mass Transit Railway (MTR) lines, franchised buses and ferries at any time at a concessionary fare of \$2 per trip. On the premise that public transport operators concerned will continue to absorb the cost of existing concessions that they are voluntarily offering to the elderly and eligible persons with disabilities, the Government will provide additional resources, on an accountable and reimbursement basis, to cover the fare differential between the nominal fare and \$2, i.e. the differential fare. Journeys which offer concessionary fares at or below \$2 will not be covered under the Scheme.

Implementation

4. Target beneficiaries under the Scheme will make use of the Octopus Card to enjoy the concessionary fare under the Scheme¹. This will obviate the need for individual beneficiaries to apply for the \$2 concessionary fare or carry an extra payment card to enjoy the concessionary fare. A new centralised settlement platform tailor-made for the Scheme would be developed. By making use of this new platform and the Octopus Card system, the Government can obtain accurate daily patronage records under the Scheme and calculate the differential fare of each eligible trip that should be reimbursed to the public transport operators concerned. This will provide an efficient means for the Government to process

/public

¹ The elderly will have to use Elder Octopus Card or Personalized Octopus Card whereas persons with disabilities will have to use Personalized Octopus Cards with "Persons with Disabilities Status".

public transport operators' reimbursement applications in an accountable manner².

5. To implement the Scheme, the transport operators concerned have to enhance/modify their fare collection systems to ensure only \$2 would be deducted from the Octopus Cards of the elderly and eligible persons with disabilities when they travel on the routes covered under the Scheme, and that the daily patronage is properly recorded and the differential fares are accurately calculated. Implementation details were provided to the Legislative Council (LegCo) Panel on Welfare Services (WS Panel) in LC Paper No. CB(2)1904/11-12(01).

6. We will adopt a pragmatic and flexible approach by rolling out the Scheme in phases according to the respective operator's technical readiness so that the target beneficiaries can benefit from the Scheme as soon as possible. Given the technical complexities involved, the public transport operators concerned will be ready to implement the Scheme at different points in time. The tentative timing on technical readiness is as follows –

Public transport operators	Timing on technical readiness (tentative)
MTRCL	Around end-June
The Kowloon Motor Bus Company (1933) Limited, Long Win Bus Company Limited, Citybus Limited and New World First Bus Services Limited	Latest by September 2012
New Lantao Bus Company (1973) Limited, operators running the franchised and major licensed ferry services	Around the first quarter of 2013

7. To put beyond doubt that the provision of the proposed public transport fare concessions would not constitute a contravention of the Disability Discrimination Ordinance (Cap. 487) (DDO), we have issued a notice of motion for the LegCo sitting on 20 June 2012 for amending Schedule 5 to the DDO.

/FINANCIAL

² The centralised settlement platform will initially cater for the New Lantao Bus Company (1973) Limited and the ferry operators, with the eventual target of covering MTR Corporation Limited (MTRCL) and other franchised bus operators as well. To facilitate early implementation of the Scheme, TD will process reimbursement applications from MTRCL and four of the five franchised bus operators direct while the centralised settlement platform is being developed.

FINANCIAL IMPLICATIONS

Recurrent provision

8. We estimate that the implementation of the Scheme would incur additional recurrent expenditure of \$270.8 million in 2012-13 and \$426.0 million in 2013-14 when the Scheme is fully implemented. Subject to the Finance Committee (FC)'s approval, a supplementary provision of \$269.2 million will be included in Head 186 TD in 2012-13, with \$255.4 million under the new Subhead and \$13.8 million under Subhead 000. Another supplementary provision of \$1.6 million will be included in Head 141 LWB under delegated authority. The estimated breakdown is as follows –

	(\$ million)
(a) Reimbursement of revenue forgone to the public transport operators concerned [TD]	255.4
(b) Staff and related expenses [TD]	4.6
(c) Administrative costs [TD]	9.2
Sub-total for TD	269.2
(d) Staff and related expenses [LWB]	1.6
Total	270.8

9. On item (a) under paragraph 8 above, the estimated revenue forgone is based on the domestic passenger trips in 2011 of the MTR general lines, franchised buses and ferries. We have also taken into consideration the higher patronage on the MTR lines and the franchised buses on the days when the operators concerned offer \$2 concessionary fare on a voluntary basis. We estimate that the amount of revenue forgone would be around \$400.1 million in 2013-14 when the Scheme is fully implemented. In estimating the revenue forgone, we have taken into account the projected growth in elderly population and projected increase in the number of the eligible persons with disabilities. However, we have not factored in additional patronage which may be induced by the Scheme, the impact of the future fare adjustment³ and other changing /circumstances

³ We have taken into account MTRCL's fare increase, which is 5.4%, to be effected in June 2012, and Star Ferry's proposed fare increase which is currently under LegCo's scrutiny and may take effect on 24 June 2012.

circumstances which are difficult, if not possible, to anticipate. The actual amount of revenue forgone to be reimbursed to the public transport operators concerned will ultimately depend on the actual rollout date of the Scheme by the respective public transport operators, the number of beneficiaries taking advantage of the Scheme and the trips taken by them.

10. On item (b) under paragraph 8 above, TD will require additional staff and related expenses of \$4.6 million in 2012-13 for the creation of ten non-directorate civil service posts for implementing the Scheme to ensure its smooth rollout and operation and to process the reimbursement applications.

11. On item (c) under paragraph 8 above, the administrative costs are to cater for the expenditure required for auditing the information technology systems on calculating the revenue forgone and the actual amount of reimbursement, conducting transport surveys to guard against abuse as well as other expenses necessary for the Scheme.

12. On item (d) under paragraph 8 above, LWB will require additional staff cost of \$1.6 million for the creation of two non-directorate civil service posts to provide executive support for the Scheme.

13. To enable the creation of the posts mentioned in paragraphs 10 and 12 above, C for T proposes to increase the ceiling placed on the NAMS value of all non-directorate posts in the permanent establishment of TD in 2012-13 from \$520,529,000 by \$5,868,360⁴ to \$526,397,360 whereas SLW proposes to increase the ceiling placed on the NAMS value of all non-directorate posts in the permanent establishment of LWB in 2012-13 from \$43,574,000 by \$2,137,800 to \$45,711,800.

14. The financial implications of the Scheme in 2013-14 and beyond will be reflected in the Estimates of the relevant years.

/Non-recurrent

⁴ In addition, there is another request for an increase in the ceiling placed on the total NAMS value of all non-directorate posts in the permanent establishment of Head 186 in 2012-13 by \$1,001,580 for the creation of three time-limited posts for the implementation of the new Home Ownership Scheme vide EC(2012-13)6 scheduled for discussion at the meeting of the Establishment Subcommittee to be held on 6 June 2012 and approval from the FC on 22 June 2012. Subject to FC's approval for both requests, the ceiling placed on the total NAMS value of all non-directorate posts in the permanent establishment of Head 186 in 2012-13 would be \$527,398,940.

Non-recurrent provision

15. As mentioned in paragraphs 4 to 5 above, a new centralised settlement platform and system upgrading works on the part of the relevant public transport operators will be required to implement the Scheme and ensure that the Government can obtain accurate daily patronage records under the Scheme and calculate the differential fare of each eligible trip that should be reimbursed to the public transport operators concerned. C for T, therefore, proposes to create a non-recurrent commitment of \$10.1 million to set up the centralised settlement platform and conduct the necessary related system enhancement with estimated cash flow projection as follows –

Financial year	(\$ million)
2012-13	8.7
2013-14	1.4
Total	10.1

PUBLIC CONSULATION

16. We briefed the WS Panel on the Scheme in the context of the Policy Address and the Budget exercises in October 2011 and February 2012 respectively, and responded to the questions and views raised by LegCo Members and stakeholders on various occasions. We also consulted the Rehabilitation Advisory Committee (RAC) and the Elderly Commission (EC) on the Scheme in October 2011 and February 2012 respectively during the briefings on policy and budget initiatives.

17. Having thrashed out the detailed arrangements of the Scheme, we further briefed the WS Panel, RAC and EC again in May 2012. They are all in support of the Scheme. Members of the WS Panel supported the Administration's proposal to seek funding approval from this Committee so that the Scheme could be implemented as soon as possible.

18. On the coverage of persons with disabilities, our proposal is to cover those recipients under the Comprehensive Social Security Assistance Scheme aged between 12 and 64 with 100% disabilities and recipients of Disability Allowance in the same age group. The WS Panel passed the motion of requesting the Government to immediately extend the Scheme to disabled children aged below 12.

19. As the Scheme is non-means-tested and involves substantial public resources, the target beneficiaries should be those most in need of assistance and encouragement for social integration. At present, all the major public transport operators are already providing concessions to children aged below 12, including children with disabilities. Eligible students are also provided with subsidies under the Student Travel Subsidy Scheme. Children with disabilities, when needed, may also make use of the Rehab Bus services. Those people with 100% disabilities aged between 12 and 64 are, however, not offered with concessionary fare on franchised buses⁵ and certain ferries. Nonetheless, we would review the feasibility of extending the scope of the Scheme to cover other modes of public transport and children aged below 12 with 100% disabilities after the Scheme has been up and running smoothly. We will also conduct a comprehensive evaluation of the Scheme three years after it has been fully implemented (in 2016-17) to assess the long-term financial, staffing, transport and welfare implications.

Labour and Welfare Bureau
Transport and Housing Bureau
Transport Department
May 2012

⁵ The exception is Citybus Limited (Franchise for Hong Kong Island and Cross Harbour Routes), which is offering fare concession to all passengers aged 60 to 64 (except those traveling on cross harbour routes and recreational routes).