

**For discussion  
on 9 January 2018**

## **Legislative Council Panel on Transport**

### **Public Transport Fare Subsidy Scheme**

#### **Purpose**

This paper briefs Members on the Government's proposed Public Transport Fare Subsidy Scheme and canvasses Members' views.

#### **Background**

2. Public transport services are closely related to the daily life of the public. Every day, over 12 million passenger trips are made through public transport services. Public transport fare is an integral part of the daily living expenses of the general public, which could be a heavier burden to some of the commuters. Given so, the Chief Executive mentioned in her Election Manifesto that we should explore the possibility of using the Government's annual dividends from the MTR Corporation Limited to relieve the fare burden of long distance grassroots commuters.

3. Subsequently, the Government proposed in the 2017 Policy Address to introduce a non-means tested Public Transport Fare Subsidy Scheme ("the Scheme") to relieve the fare burden of the commuters. In October 2017, the Government briefed the Legislative Council Panel on Transport ("this Panel") on initiatives related to transport policy set out in the 2017 Policy Address, at which we introduced the preliminary proposal of the Scheme and listened to Members' views. Meanwhile, the Government also noted the views of the public and public transport trades on the proposed Scheme.

4. Having regard to the policy objective of introducing the Scheme and views of various stakeholders, the Government has completed the study on the coverage and operational arrangements of the proposed Scheme, including refining the preliminary proposal submitted to this Panel earlier to enhance the Scheme. This paper sets out the coverage and operational arrangements of the proposed Scheme in detail.

## **Objective of the Scheme**

5. The Government's policy objective of introducing the Scheme is to relieve the fare burden of commuters who travel on local public transport services for daily commuting and whose public transport expenses are relatively high. At the same time, according to the principles of fiscal prudence, we would have to ensure proper use of public funds.

6. Under the Scheme, the Government will provide fare subsidy, to an extent, for commuters if their monthly public transport expenses exceed a specified level. We propose setting the specified level of monthly public transport expenses at \$400. The Government will provide a subsidy amounting to 25% of the actual public transport expenses in excess of this level, subject to a maximum of \$300 per month. The Government considers that the proposed subsidy arrangement and level have taken into account the policy objective to relieve the fare burden of commuters who relatively spend more on public transport for daily commuting, while not imposing severe impact on the travelling patterns of commuters which may in turn affect the resource allocation of public transport services and aggravate the burden on public transport system.

7. Apart from the policy objective mentioned above, our main consideration when designing the Scheme is to make it simple, easy to understand and operate. Commuters do not have to apply for the Scheme. Also, the Scheme should allow commuters to continue to benefit from various public transport fare concession schemes provided by the Government and public transport operators.

## **Coverage of the Scheme**

### Public transport services covered by the Scheme

8. The Government initially proposed that the Scheme should cover the Mass Transit Railway ("MTR"), franchised buses, green minibuses ("GMBs"), ferries and trams. The main consideration is that the operation and fares of these five public transport modes are regulated by the Government to a certain extent, and that the Government is involved in the fare adjustment process. However, we note that there are views to request the Government to expand the Scheme to cover other public

transport services, in particular non-franchised buses (“NFBs”) providing residents’ services (“RS”) and red minibuses (“RMBs”), in order to benefit commuters who travel on these two public transport services frequently. In this regard, the Government has reviewed the coverage of the Scheme.

9. We understand that there are indeed some commuters residing in remote areas who have to rely on RS as the major transport mode for daily commuting because there are inadequate services provided by other public transport throughout the day. Similarly, some commuters working in remote areas (e.g. at the Airport and in Cyberport) may also make use of employee’s services (“ES”) provided by NFBs to travel to and from workplace. Besides, some night-shift workers mainly rely on RMB services as a relatively affordable transport service in late night. As regards the residents of remote coastal villages, they have to rely on Kaitos as the major transport mode for daily commuting.

10. In view that some commuters have to rely on the four public transport services mentioned above as the only or major transport mode for daily commuting, and the relevant fares may account for a large proportion of their public transport expenses, the Government now proposes to cover RS, ES, RMBs and Kaitos under the Scheme, subject to that the operators concerned agree to comply with some prescribed operational requirements.

#### Risk-based monitoring measures

11. The Government will implement a series of monitoring measures to ensure that the public funds are properly used under the Scheme and risks of abuse are minimised as far as possible. The Transport Department (“TD”) will establish a set of audit and assurance standards to strengthen the internal control system. All the public transport operators covered by the Scheme will be required to submit to the Government reports prepared by independent auditors in accordance with the standards issued by the Hong Kong Institute of Certified Public Accountants before the commencement of the Scheme and annually thereafter. TD will also regularly examine the records and reports submitted by the public transport operators and Octopus Cards Limited. If suspected cases are identified, TD will refer them to the Police for follow-up action.

12. RS, ES, RMBs and Kaitos currently play a supplementary role in the public transport system. Their operation modes are relatively

flexible and their fares do not require TD's approval. Hence, while these four public transport services are covered by the Scheme, we must adopt risk-based monitoring measures to suitably manage the risks and minimise abuses of the Scheme as far as possible, without compromising their existing regulatory regime.

13. RS, ES, RMB and Kaito operators who are interested in joining the Scheme in future must fulfill basic requirements (e.g. signing contract with TD and installing Octopus payment system) before submitting their applications to TD. They must also undertake to comply with the prescribed operational requirements, including submitting operational data regularly and transaction record in the Octopus payment system in a timely manner, etc. In addition, TD will implement corresponding monitoring measures, including conducting regular transport surveys to gather operational data and passenger statistics, verifying the operational data submitted by the operators and checking the transaction record in Octopus payment system, etc. If an individual operator is found not to have complied with the prescribed operational requirements during the monitoring process, depending on the nature and extent of non-compliance, TD might issue warning letters to the operator or even suspend his/her services from the Scheme temporarily or permanently. The initial proposal of the prescribed operational requirements and monitoring measures for RS, ES, RMBs and Kaitos joining the Scheme are set out at **Annex 1**. TD will discuss with the trade and finalise the relevant details with a view to striking a balance between the flexible operation mode of the trade and appropriate monitoring.

14. As regards other services provided by NFBs, including cross-boundary services, student services, tour services and hotel services, since their nature is completely different with that of RS and ES, they will not be covered by the Scheme. As for taxis, they provide personalised and point-to-point transport services for commuters who are willing to pay a higher fare. In most cases, taxi journeys could be substituted by other public transport services or interchanges between different public transport services. Taxi is mainly a public transport mode of choice rather than necessity and therefore, it will not be covered by the Scheme.

#### Concerns about parallel traders benefiting from the Scheme

15. We note that some sectors of the public are of the view that the Scheme might be subject to abuse by the parallel traders and suggest that the Government should explore measures to impose additional

restrictions on the Scheme. Examples of the suggested measures include mandating the commuters to use Personalised Octopus cards (“P-cards”), limiting the number of daily MTR trips to and from Lo Wu, Lok Ma Chau stations, or even excluding East Rail Line services to and from Lo Wu, Lok Ma Chau stations from the Scheme.

16. We must emphasise that the policy objective of the Scheme is to relieve fare burden of commuters having higher public transport expenses. Hence, commuters’ expenses on the public transport services covered by the Scheme will be taken into account in the calculation of their monthly public transport expenses under the Scheme. We should not exclude any particular groups of commuters from the Scheme based on their purposes of using public transport services or their travelling pattern.

17. In fact, apart from the consideration to keep the Scheme simple, easy to understand and operate, we are also mindful of the need to reduce possible abuses as far as possible when we design the Scheme. Under the current design of the Scheme, commuters will still have to pay for the basic monthly public transport expenses of \$400 and 75% of the expenses exceeding \$400. The subsidy is also subject to a maximum of \$300 per month. We consider that such arrangement should be able to reduce abuses of the Scheme effectively.

18. In addition, noteworthy is that there are no confirmed figures on the number of parallel traders. It is difficult to distinguish parallel traders simply on the basis of their travelling pattern or actual public transport expenses. Even if we assume that the actual public transport expenses of parallel traders are the highest among all, the number of Octopus card users with monthly public transport exceeding \$2,000 is still minimal (around 3,000 cards), constituting only 0.03% of the total number of active Octopus card users based on the actual statistics. Therefore, we are of the view that we should not impose additional restrictions on the Scheme to exclude a small group of people, which will complicate the operation of the Scheme and unnecessarily increase the administrative cost while creating inconvenience to the majority of the beneficiaries of the Scheme.

19. Moreover, the suggested measures mentioned in paragraph 15 above, be it the suggestion of mandating the commuters to use P-cards or limiting the number of daily MTR trips to and from Lo Wu, Lok Ma Chau stations, are not able to effectively prevent the parallel traders from

benefiting from the Scheme in practice. As for the suggestion to exclude East Rail Line services to and from Lo Wu, Lok Ma Chau stations from the Scheme, while all commuters (including parallel traders) travelling to and from Lo Wu and Lok Ma Chau will be excluded from the Scheme, it will inevitably affect most commuters who are unrelated to parallel trading activities. We consider this arrangement not desirable.

## **Detailed Arrangements**

### Calculation of monthly public transport expenses

20. Under the Scheme, the fares of MTR, franchised buses, GMBs, ferries, trams, RS, ES, RMBs and Kaitos<sup>1</sup> paid by Octopus cards, and the expenses on monthly/day passes of these public transport services purchased by any payment methods<sup>2</sup> will be taken into account in the calculation of the monthly public transport expenses. The monthly/day passes covered by the Scheme are set out at **Annex 2**.

21. In terms of operation, the subsidy amount of each month will be calculated on the basis of the actual monthly public transport expenses recorded on each Octopus card. Daily public transport expenses paid by Octopus cards will be recorded automatically. Commuters who purchase MTR monthly/day passes can link up relevant expenses with the Octopus card records through the self-registration devices installed at MTR stations selling those monthly/day passes. For other monthly/day passes of public transport services paid by cash, commuters can present their Octopus cards to the operators at time of purchase in order to link the expenses on monthly/day passes with the Octopus card records.

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<sup>1</sup> Relevant RS, ES, RMB and Kaito services must obtain TD's prior approval to join the Scheme. To facilitate passengers to discern whether a route has joined the Scheme or not, specific signage must be displayed at the terminal/piers and at a conspicuous location of the vehicles/vessels (e.g. on the vehicle windscreen and near the Octopus readers) in accordance with TD's requirement when providing services for a route covered by the Scheme.

<sup>2</sup> Fares paid by cash and expenses on single journey tickets of MTR (including Airport Express), single journey tickets of Airport buses as well as Airport Express Same Day Return Tickets purchased by any payment methods, and expenses on tickets provided for tourists will not be included in the calculation of the monthly public transport expenses under the Scheme. Currently, some of the MTR ticketing machines provide for purchase of single journey tickets by Octopus cards. As the commuters usually pay such fares for the others rather than themselves, the Scheme will not take into account fares of relevant tickets.

### Subsidy collection arrangement

22. Collection of subsidy is also simple. From a specific date of each month, commuters can collect the public transport fare subsidy of the previous month through the Octopus App, Octopus Service Points or by tapping their Octopus cards on the dedicated Octopus readers set up at each MTR station. The subsidy will then be automatically credited to the Octopus cards. Besides, we are discussing with large convenience stores/supermarkets with a view to allowing commuters to collect subsidy by Octopus cards at their outlets.

23. To allow sufficient time for commuters to collect subsidy, the subsidy is valid for collection within three months. If the commuters do not collect the subsidy within three months, the subsidy amount cannot be retrieved thereafter.

### Enquiry channels

24. After the Scheme has been implemented, commuters can check their total public transport expenses of the last three months and the subsidy amount through the Octopus App, dedicated Octopus website and Octopus customer service hotline for the Scheme.

### **Preparation and Implementation Timetable**

25. Implementing the Scheme requires substantial preparatory work and involves different service providers. Preparatory work include developing a new system to calculate, distribute and settle subsidy amount, modifying relevant software and hardware, installing dedicated Octopus readers, etc. TD will also need to examine whether relevant systems and facilitates could meet the Government's requirements and approve applications submitted by RS, ES, RMB, and Kaito operators who are interested in joining the Scheme. Hence, we anticipate that it will take around a year to implement the Scheme. To commence the preparatory work as early as possible, we will seek funding approval for the Scheme from the Finance Committee of the Legislative Council as soon as possible with a view to implementing the Scheme within a year after obtaining funding approval.

26. In principle, the Scheme can cover all relevant public transport services, viz. MTR, franchised buses, GMBs, ferries, trams, RS, ES,

RMBs and Kaitos upon implementation. For RS, ES, RMBs and Kaitos, however, given the large number of operators involved (around 950) and since they will be subject to the operational requirements mentioned in paragraph 13 above and have to meet the basic requirements before submitting their applications to TD, depending on the timing of their applications and whether they can provide enough and accurate information, we expect that the Scheme may not cover all operators at the initial stage of implementation. Some of these operators may join the Scheme by phases, while some other operators may not apply for joining the Scheme having regard to various considerations.

### **Financial Implications**

27. We estimate that the annual subsidy amount will be around \$2.3 billion and over 2.2 million commuters will benefit from the Scheme. If the Scheme can be implemented in the first quarter of 2019, the subsidy amount in 2018-19 will be around \$575 million. This amount does not include the additional annual recurrent expenditure (including manpower and administrative cost) of \$69 million and non-recurrent expenditure of \$69.85 million incurred by the Scheme. The breakdown of the required recurrent and non-recurrent expenditure and cash flow requirements are set out at **Annex 3**.

### **Review**

28. Upon the implementation of the Scheme, we will review the Scheme to examine its effectiveness and impact on the travelling pattern of commuters, the overall strategic arrangement of public transport services, as well as its financial implications. Since the review requires analysis of actual data after the implementation of the Scheme, we will commence the review around a year upon the Scheme's implementation. Assuming that the Scheme will be implemented in the first quarter of 2019, we will conduct the review in the first quarter of 2020 with a view to completing it in around 9 months and reporting the review results to this Panel.



**Operational Requirements and Monitoring Measures for  
Residents' Services, Employee's Services, Red minibuses and Kaitos  
Joining the Public Transport Fare Subsidy Scheme**

**Initial Proposal**

We propose that the Passenger Service Licence (“PSL”) holders of residents’ services (“RS”), employee’s services (“ES”) and red minibuses (“RMBs”), and the Ferry Service Licence (“FSL”) holders of Kaitos who wish to join the Public Transport Fare Subsidy Scheme (“the Scheme”) must meet the following basic requirements and comply with a set of prescribed operational requirements.

**Basic requirements**

2. PSL/FSL holders with business registration must observe the following basic requirements:

- (i) to sign contract in form of a sole proprietor, partner or limited company/corporate body with the Transport Department (“TD”) to indicate that they will comply with the operational requirements for joining the Scheme as specified in the contract, and ensure that the services provided and their employees have fulfilled the prescribed operational requirements;
- (ii) the vehicles/vessels providing RS, ES, RMB and Kaito services must be installed with Octopus payment system so that the fares paid by Octopus cards could be taken into account in the calculation of monthly public transport expenses under the Scheme; and
- (iii) PSL/FSL holders are required to register the information of the routes<sup>1</sup> to be covered by the Scheme with TD.

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<sup>1</sup> PSL holders of RMBs and FSL holders of Kaitos only need to register the origin and destination of the route.

### Operational requirements

3. Under the Scheme, PSL holders of RS and ES, and FSL holders of Kaitos have to operate in accordance with the operation details as specified and approved by TD, including routing, service periods, timetable, fares, etc. They are also required to comply with a set of prescribed operational requirements to ensure that the Scheme could be operated smoothly and the risks of abuse could be minimised as far as possible. The operational requirements include displaying clear signage of the Scheme at a conspicuous location of the vehicles/vessels when providing services so that commuters can identify routes covered by the Scheme, uploading Octopus transaction data in a timely manner, submitting statistics on daily passengers trips to TD regularly, submitting assurance reports on systems of internal control punctually, registering the Octopus readers that have been replaced or damaged with TD, etc.

4. While RMB services do not have fixed routes, service periods and timetable currently, they are required to observe the operational requirements mentioned above, provide basic route information (e.g. origin and destination)<sup>2</sup> to TD and keep record on operational data for inspection by TD as and when necessary.

### Monitoring measures

5. TD will enhance the monitoring measures based on a risk-based approach. Apart from conducting regular transport surveys to gather operational information and passenger statistics of relevant services, TD will verify the daily reports submitted by public transport operators and examine the relevant records of the Scheme submitted by the Octopus Cards Limited, including abnormal transactions. Any suspected fraudulent or illegal cases will be referred to the Police for follow-up action. In addition, TD will examine whether the PSL/FSL holders' systems of internal control are effective or sufficient with a view to minimising the risks of abuse as far as possible.

6. If the PSL/FSL holders are found not to have complied with the prescribed operational requirements under the Scheme, depending on the nature and extent of non-compliance, the Government might issue warning letters to the PSL/FSL holders or even suspend their services from the Scheme temporarily or permanently.

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<sup>2</sup> PSL holders can register more than one route for each RMB depending on the operational need.

**Monthly/Day Passes of Public Transport Services  
to be covered by the Public Transport Fare Subsidy Scheme**

<b>Operator</b>	<b>Ticket Type</b>	<b>Fare</b>
<b>Rail</b>		
MTR Corporation Limited	MTR City Saver • Valid for 40 single journeys covering the designated urban stations of 8 lines <sup>1</sup> within 40 days from the date of the first journey	\$425
	Monthly Pass Extra • East Rail Line (Standard Class) and Ma On Shan Line • West Rail Line (Tuen Mun – Nam Cheong) • West Rail Line (Tuen Mun – Hung Hom) • Tung Chung Line (Tung Chung – Nam Cheong) • Tung Chung Line (Tung Chung – Hong Kong)	\$475 \$500 \$585 \$395 \$620
	Disneyland Staff Monthly Pass (between Disneyland Station and any stations)	\$720
	Tuen Mun – Nam Cheong Day Pass • Unlimited rides on the West Rail Line (between Tuen Mun and Nam Cheong stations), Light Rail and MTR Bus on the day of purchase	\$27
	Airport Express Round Trip Ticket • A return journey on the Airport Express between Airport and the station specified (except AsiaWorld-Expo Station) • Valid for 30 days from the day of issue	\$120 - \$205
	Airport Express Group Ticket • For passengers travelling together in a group of 2 to 4 on the Airport Express to or from Airport Station and Hong Kong/Kowloon/Tsing Yi stations • Valid on the day of issue	\$100 - \$280

<sup>1</sup> Valid for travelling between designated stations including the Island Line, Kwun Tong Line, Tseung Kwan O Line, Tsuen Wan Line, South Island Line, East Rail Line (stations between Hung Hom and Kowloon Tong), Tung Chung Line (stations between Hong Kong and Tsing Yi), and West Rail Line (stations between Hung Hom and Tsuen Wan West).

<b>Operator</b>	<b>Ticket Type</b>	<b>Fare</b>
<b>Franchised Bus</b>		
New Lantao Bus Company (1973) Limited	Lantau Pass <ul style="list-style-type: none"> <li>• Unlimited rides on Routes 1, 2, 3M, 3R, 4, 11, 11A, 21, 23, 34, 36, 37 series, 38 and A35 of New Lantao Bus on the day of purchase</li> </ul>	\$35 (Mondays to Saturdays)  \$55 (Sundays and Public Holidays)
Citybus Limited	Cityflyer Pre-paid Return Ticket <ul style="list-style-type: none"> <li>• Valid for 3 months from the day of issue</li> </ul>	\$55 - \$65 (Adult)  \$28 - \$33 (Child/Elderly)
Long Win Bus Company Limited	Pre-paid Group Ticket <ul style="list-style-type: none"> <li>• Valid for 13 Airbus Routes (“A” Routes) of Long Win Bus</li> <li>• Valid from 8 November 2017 until 15 May 2018</li> </ul>	\$32.2 - \$92.8
The Kowloon Motor Bus Company (1933) Limited	Monthly Ticket (To be introduced. Details to be confirmed.)	To be confirmed
<b>Tram</b>		
Hong Kong Tramways, Limited	Monthly Ticket	\$200
<b>Ferry</b>		
New World First Ferry Services Limited	Monthly Ticket (Central – Mui Wo) <ul style="list-style-type: none"> <li>• One round trip of “Central – Mui Wo” service each day within the month on ordinary class of ordinary ferry service</li> </ul>	\$554
	Holiday Return Ticket (Central – Mui Wo) <ul style="list-style-type: none"> <li>• The first trip must be started from Mui Wo</li> </ul>	\$31.8 - \$62.6 (Adult)  \$16 - \$31.4 (Child/Elderly/ Persons with Disabilities)

<b>Operator</b>	<b>Ticket Type</b>	<b>Fare</b>
	Monthly Ticket (Central – Cheung Chau) • One round trip of “Central – Cheung Chau” service each day within the month on ordinary class of ordinary ferry service	\$532
	Holiday Return Ticket (Central – Cheung Chau) • The first trip must be started from Cheung Chau	\$27.2 - \$53.6 (Adult)  \$13.6 - \$26.8 (Child/Elderly/ Persons with Disabilities)
	Monthly Ticket (North Point – Hung Hom/Kowloon City) • Unlimited rides on “North Point – Hung Hom/ Kowloon City” service within the month	\$300
Hong Kong & Kowloon Ferry Limited	Monthly Ticket (Central – Peng Chau) • One round trip of “Central – Peng Chau” service each day within the month on ordinary ferry service	\$597
	Holiday Return Ticket (Central – Peng Chau) • The first trip must be started from Peng Chau	\$31.8 - \$59.2 (Adult)  \$16 - \$29.6 (Child/Elderly/ Persons with Disabilities)
Islands Ferry Company Limited	Monthly Ticket (Central – Yung Shue Wan) • One round trip of “Central – Yung Shue Wan” service each day within the month	\$685
	Holiday Return Ticket (Central – Yung Shue Wan) • The first trip must be started from Yung Shue Wan	\$35.6 (Adult)  \$17.8 (Child/ Elderly/Persons with Disabilities)
Winnertex Limited	Monthly Ticket (Central – Sok Kwu Wan) • One round trip of “Central – Sok Kwu Wan” service each day within the month	\$730
	Holiday Return Ticket (Central – Sok Kwu Wan) • The first trip must be started from Sok Kwu Wan	\$44 (Adult)  \$22 (Child/ Elderly/Persons with Disabilities)

<b>Operator</b>	<b>Ticket Type</b>	<b>Fare</b>
Tsui Wah Ferry Service (H.K.) Limited	<p>Monthly Ticket (Aberdeen – Yung Shue Wan) (via Pak Kok Tsuen)</p> <ul style="list-style-type: none"> <li>• One round trip/single trip of “Aberdeen – Yung Shue Wan (via Pak Kok Tsuen)” service each day within the month</li> </ul>	<p>\$780 (Round trip)</p> <p>\$390 (Single trip)</p>
Fortune Ferry Company Limited	<p>Monthly Ticket (North Point – Kwun Tong) (via Kai Tak)</p> <ul style="list-style-type: none"> <li>• Unlimited rides on “North Point – Kwun Tong (via Kai Tak)” service within the month</li> </ul>	\$260
The “Star” Ferry Company, Limited	<p>Monthly Ticket (Tsim Sha Tsui – Central/Wan Chai)</p> <ul style="list-style-type: none"> <li>• Unlimited rides on “Tsim Sha Tsui – Central/Wan Chai” services within the month</li> </ul>	\$135
Discovery Bay Transportation Services Limited	<p>Transport Card (Central – Discovery Bay)</p> <ul style="list-style-type: none"> <li>• Valid for 180 days from the day of last point-adding. An activation fee of HK\$30 is payable for reactivation</li> <li>• Stored points would be deducted from Transport Card when taking the ferry service</li> </ul>	<p>\$858/\$1310 (Adult)</p> <p>\$429/\$655 (Child/Student/Elderly)</p>

**Recurrent Expenditure and Non-recurrent Expenditure of  
the Public Transport Fare Subsidy Scheme**

**Recurrent Expenditure**

The Public Transport Fare Subsidy Scheme (“the Scheme”) will incur additional manpower and administrative cost. To commence the preparatory work as soon as possible, the Transport Department (“TD”) will require additional staff cost of \$2.16 million in 2017-18 for the creation of 15 non-directorate civil service posts (i.e. 13 permanent and 2 time-limited) for implementing the Scheme<sup>1</sup>. They will have to ensure that the Scheme can be rolled out and operated smoothly, process the applications submitted by residents’ service, employee’s service, red minibus and Kaito operators for joining the Scheme, and implement monitoring measures.

2. We estimate that the Scheme will require recurrent expenditure of around \$45 million in 2018-19 for manpower and administrative cost (e.g. expenditure required for conducting transport surveys, auditing fee of systems of internal control, service fee for subsidy calculation and collection, relevant system operating and maintenance fee, etc.). From 2019-20 onwards, the full year recurrent expenditure will be around \$69 million which will also include the manpower and administrative cost mentioned above.

**Non-recurrent Expenditure**

3. The Scheme will require non-recurrent expenditure of \$69.85 million. The detailed breakdown is as follows –

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(a) Develop a new system to calculate, distribute and settle subsidy amount	30,000

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<sup>1</sup> TD proposes to increase the ceiling placed on the total notional annual mid-point salary value of non-directorate posts in the permanent establishment of TD in 2017-18 from \$810,144,000 by \$12,667,380 to \$822,811,380 to create 15 non-directorate civil service posts.

(b)	Modify the systems of relevant public transport operators, and convenience stores/supermarkets	12,500
(c)	Procurement and installation of Octopus readers	21,000
(d)	Contingency (10% of item (a)-(c) above)	6,350
	<b>Total</b>	<b>69,850</b>

4. On paragraph 3(a) above, the estimated expenditure of \$30 million is for the development cost of a new system to calculate, distribute and settle the monthly subsidy amount of each Octopus card.

5. On paragraph 3(b) above, the estimated expenditure of \$12.5 million is for system modification cost of relevant public transport operators and convenience stores/supermarkets to support the Scheme.

6. On paragraph 3(c) above, the estimated expenditure of \$21 million is for procurement and installation cost of the Octopus readers to enable commuters to collect subsidy and link up the expenses on monthly/day passes with the Octopus card records.

7. On paragraph 3(d) above, the estimated expenditure of \$6.35 million represents a 10% contingency on item (a)-(c) set out in paragraph 3.

8. The estimated cash flow requirement is as follows –

<b>Financial Year</b>	<b>\$'000</b>
2017-18	34,000
2018-19	35,850
<b>Total</b>	<b>69,850</b>

9. We will submit the relevant funding proposal for 2017-18 for the Finance Committee of the Legislative Council's approval. Other required funding will be reflected in the Estimates of relevant years.