

## LCQ5: Public Transport Fare Subsidy Scheme

Following is a question by the Hon Chan Han-pan and a reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (January 15):

Question:

On January 1 last year, the Government launched the Public Transport Fare Subsidy Scheme. The amount of monthly subsidy was set at one fourth of the actual public transport expenses after deducting the first \$400, subject to a cap of \$300 (the former Scheme). On January 1 this year, the Government enhanced the Scheme by raising the subsidy rate and the cap to one third and \$400 respectively, but no change was made to the aforesaid \$400 threshold for subsidy collection (the new Scheme). In this connection, will the Government inform this Council:

(1) of the following details of the former Scheme (set out monthly figures in a table): a breakdown on the number of people who collected the subsidies by the group to which the subsidy amounts belong (each group spanning \$50) and the percentages concerned, the average amount of subsidy per person, as well as the number of people who had not collected the subsidies upon expiry of the time limit for collection and the total amount involved; whether it has compiled statistics on the number of people whose monthly public transport expenses last year ranged from \$200 to less than \$300 and from \$300 to less than \$400; if so, set out the relevant figures in a table; if not, of the reasons for that;

(2) whether it has calculated the increase in expenditure of the former Scheme and the anticipated increase in expenditure to be incurred by the new Scheme this year, should the threshold be lowered to \$200; and

(3) given that in the first three months from the launch of the former Scheme, the percentage of the number of people granted with a monthly subsidy ranging from \$200 to \$300 in the total number of people who benefitted from the Scheme was less than 10 per cent, whether the Government had taken such situation into account in determining the threshold, subsidy rate and subsidy cap of the new Scheme; given that the economy of Hong Kong has currently slid into recession, whether the Government will consider lowering the threshold and extending the scope of the new Scheme to cover all red minibus and Kaito routes; if so, of the timetable and the details; if not, the reasons for that?

Reply:

President,

The Government launched the non-means tested Public Transport Fare

Subsidy Scheme (the Scheme) on January 1, 2019 to relieve the fare burden of the commuters who travel on local public transport services for daily commuting and whose public transport expenses are relatively high. The Scheme covers the Mass Transit Railway (MTR), franchised buses, green minibuses (GMBs), ferries and trams, as well as designated routes of red minibuses (RMBs), Kaitos and non-franchised buses providing residents' services (RS) or employees' services (ES) approved by the Transport Department (TD). To further alleviate commuters' fare burden arising from increasing public transport expenses, the Government has enhanced the Scheme from January 1, 2020 by increasing the subsidy rate of the Scheme from one-fourth to one-third of the monthly public transport expenses in excess of \$400 as well as raising the subsidy cap from \$300 to \$400 per month. The level of monthly public transport expenses is maintained at \$400. My consolidated reply to the Hon Chan Han-pan's question is as follows:

In the first year of the implementation of the Scheme, the monthly average subsidy amount was \$160 million, involving an average of 2.2 million beneficiaries per month. The average amount of monthly subsidy per beneficiary was about \$73. The detailed breakdown is at Annex 1. An average of around 1.59 million beneficiaries were entitled to a monthly subsidy amount at \$100 or less; around 0.44 million beneficiaries were entitled to a monthly subsidy amount between \$100.1 and \$200; and around 0.12 million beneficiaries were entitled to a monthly subsidy amount between \$200.1 and \$300. The detailed breakdown is at Annex 2. As for the expired subsidy, as at December 15, 2019, i.e. the last day for collection of the subsidy for August 2019, an average of around 15 per cent of the beneficiaries have not collected their subsidy within the three-month collection period, involving less than 10 per cent of the total monthly subsidy amount. The detailed breakdown is at Annex 3.

From January to December 2019, the average number of commuters with a monthly public transport expenses of \$200.1-\$300 was around 0.95 million, and that with a monthly public expenses of \$300.1-\$400 was around 0.69 million. The detailed breakdown is at Annex 4.

If the level of public transport expenses of the Scheme were to be lowered to \$200, both the annual subsidy amount of the original Scheme and the estimated annual subsidy amount of the enhanced Scheme would increase by about 90 per cent. The annual subsidy amount will increase from around \$2.3 billion to around \$4.3 billion based on the design of the original Scheme; while that based on the design of the enhanced Scheme will increase from around \$3.1 billion to around \$5.8 billion.

As aforementioned, the policy objective of the Scheme is to alleviate the fare burden of commuters whose public transport expenses are relatively high. Generally speaking, this group of commuters live in relatively remote areas and their public transport expenses of travelling to and from work are relatively high. Given so, the Government believes that setting the level of public transport expenses at \$400 is a reasonable arrangement. In fact, the monthly average number of beneficiaries of the Scheme in its first year of implementation was around 2.2 million which was similar to the Government's estimate back then.

In addition, on the premise of fiscal prudence, the Government has to ensure that the public funds are properly used under the Scheme, and that the Scheme could effectively alleviate the fare burden of the targeted commuters whose public transport expenses are relatively high. Hence, the Government has to take into account all factors, in particular policy objective, when considering any proposal to adjust the Scheme's level of public transport expenses, subsidy rate or subsidy cap.

The Government believes that the current local economic situation has not impacted much on the Scheme and the number of beneficiaries. Hence, the stipulation of the level of public transport expenses of the Scheme is appropriate.

As at December 31, 2019, the TD has approved a total of 17 RMB routes and 10 Kaito routes for joining the Scheme. Since the operation modes of RMBs and Kaitos are relatively flexible and their fares do not require the TD's approval, the TD has to adopt a risk-based monitoring approach when processing the applications from the operators of these two modes of public transport services to ensure the prudent use of public funds.

The TD has been encouraging the operators, which have fulfilled the basic requirements and undertaken to comply with the prescribed operational requirements, to join the Scheme. The Octopus Cards Limited has also been offering special concessions to operators, which apply for joining the Scheme for the first time and use the Octopus payment system, to procure relevant devices and services. These notwithstanding, it would be individual operator's business decision to join the Scheme. With a view to encouraging more operators to join the Scheme, the TD will continue to liaise closely and provide necessary assistance as appropriate.

Since the beginning of this year, the Government has increased the subsidy rate of the Scheme from one-fourth to one-third of the monthly public transport expenses exceeding \$400, and kick-started the review of the Scheme to examine its overall operation as well as other operational arrangements, including exploring ways to incorporate suitable electronic payment systems into the Scheme. The review is expected to complete in the fourth quarter of 2020.