

立法會
Legislative Council

LC Paper No. FC75/18-19
(These minutes have been
seen by the Administration)

Ref : FC/1/1(15)

Finance Committee of the Legislative Council

Minutes of the 16th meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 2 February 2018, at 3:19 pm

Members present:

Hon CHAN Kin-por, GBS, JP (Chairman)
Hon Michael TIEN Puk-sun, BBS, JP (Deputy Chairman)
Hon James TO Kun-sun
Hon LEUNG Yiu-chung
Prof Hon Joseph LEE Kok-long, SBS, JP
Hon WONG Ting-kwong, GBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon CHAN Hak-kan, BBS, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon WONG Kwok-kin, SBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Claudia MO
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, SBS, JP
Hon WU Chi-wai, MH
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Hon CHAN Han-pan, JP
Hon LEUNG Che-cheung, SBS, MH, JP
Hon Alice MAK Mei-kuen, BBS, JP
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung, JP

Hon Dennis KWOK Wing-hang
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
Hon Martin LIAO Cheung-kong, SBS, JP
Hon POON Siu-ping, BBS, MH
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kiwok, SBS, MH, JP
Hon CHUNG Kwok-pan
Hon Alvin YEUNG
Hon Andrew WAN Siu-kin
Hon CHU Hoi-dick
Hon Jimmy NG Wing-ka, JP
Hon HO Kai-ming
Hon LAM Cheuk-ting
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai
Hon SHIU Ka-chun
Hon Wilson OR Chong-shing, MH
Hon YUNG Hoi-yan
Dr Hon Pierre CHAN
Hon CHAN Chun-ying
Hon Tanya CHAN
Hon CHEUNG Kwok-kwan, JP
Hon HUI Chi-fung
Hon LUK Chung-hung
Hon LAU Kwok-fan, MH
Hon Kenneth LAU Ip-keung, BBS, MH, JP
Dr Hon CHENG Chung-tai
Hon KWONG Chun-yu

Members absent:

Hon Abraham SHEK Lai-him, GBS, JP
Hon Tommy CHEUNG Yu-yan, GBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Kenneth LEUNG
Dr Hon Elizabeth QUAT, BBS, JP
Dr Hon Junius HO Kwan-yiu, JP
Hon Jeremy TAM Man-ho

Public officers attending:

| | |
|--------------------------------------|---|
| Ms Alice LAU Yim, JP | Permanent Secretary for Financial Services and the Treasury (Treasury) |
| Ms Carol YUEN, JP | Deputy Secretary for Financial Services and the Treasury (Treasury) 1 |
| Mr Mike CHENG Wai-man | Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch) |
| Mr Nicholas YANG Wei-hsiung, GBS, JP | Secretary for Innovation and Technology |
| Mrs Millie NG KIANG Mei-nei, JP | Deputy Secretary for Innovation and Technology |
| Ms Annie CHOI Suk-han, JP | Commissioner for Innovation and Technology |
| Mr Ivan LEE Kwok-bun, JP | Deputy Commissioner for Innovation and Technology |
| Mr WONG Wang-wah | Assistant Commissioner for Innovation and Technology (Infrastructure and Quality Services) |
| Dr Raymond SO Wai-man, BBS, JP | Under Secretary for Transport and Housing |
| Miss Ann CHAN Wai-yan | Acting Deputy Secretary for Transport and Housing (Transport) 2 |
| Ms Stella LEE Yim-fong | Assistant Commissioner for Transport (Management and Paratransit) |
| Mr Honson YUEN Hong-shing | Principal Transport Officer (Ferry and Paratransit), Transport Department |

Attendance by invitation:

| | |
|----------------|--|
| Mr Albert WONG | Chief Executive Officer, Hong Kong Science and Technology Parks Corporation |
| Ms Emily LI | Senior Manager (Development), Hong Kong Science and Technology Parks Corporation |

Clerk in attendance:

| | |
|--------------|-------------------------------|
| Ms Anita SIT | Assistant Secretary General 1 |
|--------------|-------------------------------|

Staff in attendance:

| | |
|------------------|-----------------------------------|
| Mr Derek LO | Chief Council Secretary (1)5 |
| Ms Ada LAU | Senior Council Secretary(1)7 |
| Mr Raymond SZETO | Council Secretary (1)5 |
| Miss Queenie LAM | Senior Legislative Assistant (1)2 |
| Mr Frankie WOO | Senior Legislative Assistant (1)3 |
| Ms Michelle NIEN | Legislative Assistant (1)5 |

Action

The Chairman reminded members of the requirements under Rules 83A and 84 of the Rules of Procedure.

Item 1 — FCR(2017-18)54
CAPITAL INVESTMENT FUND
HEAD 962 — INDUSTRY
New Subhead — "Equity in the Hong Kong Science and Technology Parks Corporation for an InnoCell"

2. The Finance Committee ("FC") continued with the deliberation on FCR(2017-18)54.

3. The Chairman advised that the item sought FC's approval to a commitment to inject \$560 million as equity from the Capital Investment Fund to the Hong Kong Science and Technology Parks Corporation ("HKSTPC") as well as a guarantee by the Government for a commercial loan amounting to \$240 million and the interest arising therefrom to HKSTPC for developing an InnoCell adjacent to the Hong Kong Science Park ("HKSP").

Justification for implementing the InnoCell project

4. Mr CHU Hoi-dick, Mr SHIU Ka-chun and Dr Fernando CHEUNG enquired about the Administration's justification of using public funds to develop the InnoCell project and provide rental subsidies to principals and employees of tenants or incubatees of HKSP. Mr SHIU Ka-chun and Dr Fernando CHEUNG considered that the Administration was clearly treating innovation and technology ("I&T") personnel more favourably than employees in other industries and low-income earners.

5. Commissioner for Innovation and Technology ("CIT") explained that for the sake of reinforcing the development of Hong Kong's I&T ecosystem, the InnoCell would provide residential units with flexible design and ancillary facilities for leasing to principals of tenants and incubatees of HKSP, as well as their Mainland or overseas employees at affordable rents to address the issue of inadequate supply of affordable housing in the vicinity of HKSP faced by technology small and medium enterprises ("SMEs") and start-ups. Many science parks around the world also provided accommodation support to I&T talents (examples included the Hsinchu Science Park in Taiwan, the Zhangjiang InnoPark in Shanghai and the WeLive in New York). The Administration held that the InnoCell would help enhance the competitiveness of HKSP. In this regard, Mr CHU Hoi-dick requested the Administration to provide details of the aforesaid examples and their comparison with Hong Kong.

[Post-meeting note: The supplementary information provided by the Administration was circulated to members vide LC Paper No. FC274/17-18(01) on 5 June 2018.]

6. Mr SHIU Ka-chun said that rental of the InnoCell was higher than that of residential flats in Sha Tin and Tai Po districts. He enquired about the measures to be taken by the Administration to ensure that the InnoCell would not become a real estate project similar to the Hong Kong Cyberport. Secretary for Innovation and Technology ("S for IT") responded that the rental of InnoCell units would cover management fees, furniture, rates, water and electricity as well as fees for using common facilities. Also, the units would only be rented out to I&T personnel and not be for sale in the market. Hence, the InnoCell development was not a real estate project.

Target tenants and admission criteria

7. Ms YUNG Hoi-yan was concerned whether the InnoCell development project could genuinely help local youths who were aspired to join the I&T industry, thereby retaining local I&T talents. In this connection, Ms YUNG enquired about the number of local I&T talents expected to benefit from the project and suggested that the Administration should give priority to the need of local talents when considering the allocation of InnoCell units. Dr CHIANG Lai-wan enquired about the target tenants of the InnoCell, as well as the projected mix of local and overseas InnoCell tenants. Mr CHU Hoi-dick also enquired about the admission criteria of the InnoCell, as well as the mix of local and overseas tenants.

8. In response, CIT said that the target tenants of the InnoCell were mainly three groups of I&T talents in HKSP, namely, principals of tenants or incubatees; Mainland or overseas employees of existing tenants or incubatees; and Mainland or overseas visiting scientists or researchers who collaborated with HKSTPC or the tenants or incubatees of HKSP. While the tenant mix for each of those groups of I&T talents had not been specified, it was the preliminary estimation of the Administration and HKSTPC that about 40% to 45% of the InnoCell units would be taken up by principals of tenants or incubatees of HKSP who were mostly locals. Furthermore, it was expected that about 5% to 10% of the tenants would be Mainland or overseas visiting scientists or researchers. That said, the actual mix of InnoCell target tenant groups would depend on the applications received at that time. All applications would be considered by a panel to be established by HKSTPC on a case-by-case basis with an objective scoring system that covered both "Merit" and "Need" considerations.

9. Ir Dr LO Wai-kwok declared that he was a member of the Board of Directors of HKSTPC. Ir Dr LO said that as a member of Hong Kong's engineering and technology sector, he supported the present funding proposal. Ir Dr LO pointed out that married I&T personnel might need to rent larger units. He asked whether the InnoCell units could meet the need of such personnel. Expressing similar concerns, Mr Holden CHOW asked whether, apart from the construction of the InnoCell, the Administration would consider introducing other measures (such as rent subsidies) to assist I&T personnel working in HKSP.

10. CIT advised that about 500 basic units with flexible design would be provided by the InnoCell, and the area of typical 1-bed units would be approximately 250 square feet ("sq ft"). Subject to the actual need of tenants, some 2-bed or 3-bed units of larger sizes could also be provided. CIT also said that HKSTPC was now exploring ways to provide other support to tenants and incubatees of HKSP.

11. Dr CHENG Chung-tai asked if contingency plans had been made by the Administration in case InnoCell units were left vacant as a result of economic downturn and slackening demand. CIT advised that in case of slackening demand, HKSTPC might relax the admission criteria of both "Merit" and "Need" considerations under the scoring system to boost the take-up rate of InnoCell units by eligible personnel. The Administration considered that with the increasing number of tenants in HKSP, the demand for on-campus housing would also increase.

Rental levels

12. Dr CHIANG Lai-wan was concerned whether young I&T personnel could afford the rental of InnoCell units. She suggested that when determining the rental levels, consideration should be given to the income level and affordability of start-ups and their employees. Dr CHIANG asked whether the Administration would consider capping the monthly rental of basic InnoCell units at below \$10,000.

13. Dr KWOK Ka-ki pointed out that many HKSP tenants were large enterprises, while some start-ups might be branch companies of those large enterprises. In this connection, Dr KWOK asked what mechanism the Administration would put in place to prevent abuses of InnoCell units by large enterprises to subsidize their cost of employee housing benefits, so as to ensure that the project would genuinely benefit local youths working for I&T start-ups. Mr Dennis KWOK also held that no subsidies should be provided to multinational enterprises for renting InnoCell units, and the relevant resources must be used towards subsidizing local start-ups.

14. CIT advised that originally, the monthly rental of the InnoCell would tentatively be set at around 60% of the market rent of properties of similar quality in the nearby areas, and the monthly rental in 2021 would likely be around \$8,000 to \$10,000. But the Administration was aware of Members' concerns as well as the earlier views expressed by the Panel on Commerce and Industry on the matter and undertook that the rental of the InnoCell for principals of tenants/incubatees in HKSP and their Mainland or overseas employees would be lower than 60% of the market rent. According to the Administration's initial thinking, the rental of InnoCell units for the said target group would be around 30% to 40% of the market rent (with the actual rents subject to prevailing circumstances then), while the rental for eligible personnel of large enterprises in HKSP as well as visiting scientists and researchers would be higher. CIT added that as HKSTPC was fully aware of the background of SMEs and start-ups in HKSP, it was unlikely that the abuse of concern to Dr KWOK Ka-ki would arise.

15. Dr Fernando CHEUNG opined that large enterprises and multinational enterprises should not be allowed to rent InnoCell units. He also requested the Administration to keep records of the InnoCell tenants as proof that the project could achieve the objective of assisting local SMEs and start-ups. Mr Holden CHOW opined that as special research projects undertaken by multinational enterprises in Hong Kong could spur local I&T development, multinational enterprises should not be barred from applying for InnoCell units. However, Mr CHOW suggested that the

Administration could charge market rent or above in those cases.

Financial arrangement

16. Mr SHIU Ka-chun noted that the development cost of the InnoCell was as high as \$800 million. In this regard, the Government would provide HKSTPC with an equity injection of \$560 million (i.e. 70% of the cost) and government guarantee for a commercial loan of \$240 million and the associated interest (i.e. 30% of the cost). Mr SHIU enquired about the development cost of similar on-campus accommodation projects of science parks in other countries and the justification for the proposed financial arrangement of the InnoCell project (i.e. 70% in capital injection and 30% in loan).

17. S for IT responded that given the different construction costs of individual countries, it was not appropriate to directly compare the development costs of similar projects. The development cost of the InnoCell was comparable to that of hostel projects undertaken by local universities. S for IT also said that the proposed financial arrangement for the InnoCell was decided after taking into account HKSTPC's overall financial position and cash flow projections, as well as the need to maintain adequate cash balance to cater for operational needs and unforeseen circumstances. The Administration considered the proposed financial arrangement appropriate.

18. Mr CHUNG Kwok-pan noted that as the average annual rental income for the InnoCell would be around \$58 million between 2021 and 2034, while the average annual operating and finance costs would be around \$56 million during the same period, the estimated surplus of the project would only be \$2 million per annum. Mr CHUNG asked if HKSP would need to resort to other income sources for loan repayment. S for IT clarified that the annual operating and finance costs of around \$56 million already included the interest expenses of around \$6.8 million for the loan.

19. Mr Martin LIAO said that according to paragraph 17 of the discussion paper, any surplus arising from the InnoCell development would be credited to the general revenue reserve account of HKSTPC for financing its operations, which was different from that stated in paragraph 11 of the supplementary paper provided by the Administration to the Panel on Commerce and Industry in November 2017 (LC Paper No. CB(1)212/17-18(03)). Mr LIAO sought the reasons for such a difference. The Administration undertook to provide relevant supplementary information in this regard.

[*Post-meeting note:* The supplementary information provided by the Administration was circulated to members vide LC Paper No. FC274/17-18(01) on 5 June 2018.]

20. Mr Andrew WAN stated the Democratic Party's support in principle for the funding proposal of the InnoCell. Mr WAN noted from the supplementary paper provided by the Administration to the Panel on Commerce and Industry (LC Paper No. CB(1)447/17-18(01)) that the property management costs of the InnoCell would be as high as \$6.4 per sq ft. Mr WAN asked why the property management costs were so high and whether there would be any overlapping between general administration and miscellaneous costs (\$8.6 million) and staff costs (\$1.4 million).

21. S for IT responded that the said property management costs were at a reasonable level as furniture and ancillary facilities for common use would be provided for InnoCell tenants. Senior Manager (Development), HKSTPC explained that general administration and miscellaneous costs covered the expenses for rates and government rent (around \$5 million) and for water, electricity and gas (around \$3.6 million); whereas staff costs covered the salary paid to the staff responsible for the management and operation of the InnoCell. There was no overlap for the two items of expenses.

22. Mr CHAN Chun-ying noted that the annual depreciation cost and estimated surplus of the InnoCell would be \$27.3 million and \$2 million respectively between 2021 and 2034, while the annual expenses for loan repayment (only covering interest payments) were around \$7 million. In this regard, Mr CHAN asked why the amount of monthly repayment was not increased to shorten the loan repayment period. CIT advised that depreciation was a non-cash accounting item. The 15-year repayment period was decided by HKSTPC after taking into account the need to meet the expenses for major maintenance works for the InnoCell in future, as well as other circumstances which might affect its financial position (such as interest rate hikes or a low take-up rate). Mr CHAN suggested that the Administration should also include an item of "Reserves" in the "Cash Flow Projection of the Hong Kong Science and Technology Parks Corporation" (Enclosure 2 to FCR(2017-18)54).

Facilities under the project

23. Mr CHAN Chi-chuen pointed out that one of the approval conditions specified by the Town Planning Board ("TPB") for the InnoCell development project was the provision of open space of not less than

1 000 square metres ("sq m") on the ground floor of the proposed development for public use. Mr CHAN asked if the project could meet the said approval condition. Dr Fernando CHEUNG reminded the Administration that suitable barrier-free facilities should be provided under the project. CIT said that the InnoCell would provide open space of not less than 1 000 sq m for public use as required by TPB, and the project could only operate if the condition was met to the satisfaction of the Director of Planning or TPB. S for IT responded that the Administration would provide necessary barrier-free facilities under the project.

Support provided by the Hong Kong Science Park for small and medium enterprises and start-ups

24. Ir Dr LO Wai-kwok was concerned whether facilities and services provided by HKSP could effectively support the development of I&T SMEs and start-ups. S for IT responded that HKSP was primarily geared towards servicing SMEs and start-ups. Chief Executive Officer, HKSTPC supplemented that over the years, as many as 520-odd SMEs had graduated from incubation programmes of HKSP; among them, 390-odd companies were still in business. Currently, there were 280-odd SME incubatees in HKSP. In 2017, the number of usage hours of shared laboratories for SMEs and start-ups in HKSP was as many as 130 000, while as much as \$700 million to \$800 million of capital had been raised for SMEs in HKSP through its direct assistance.

25. Dr KWOK Ka-ki considered that support facilities (such as office space for shared use) should be provided in HKSP to reduce the operating costs of start-ups. Chief Executive Officer, HKSTPC advised that currently, there were about 260 to 280 start-ups in HKSP. HKSP would provide facilities such as work space for shared use, laboratories, etc., to the start-ups, and they could enjoy full rent waiver for small offices in the first year, as well as 50% rent waiver in the second year.

Voting on FCR(2017-18)54

26. There being no further questions from members, the Chairman put item FCR(2017-18)54 to vote. The Chairman was of the view that the majority of the members present and voting were in favour of the item, and he declared that the item was approved.

- Item 2** — **FCR(2017-18)55**
- HEAD 186** — **TRANSPORT DEPARTMENT**
- Subhead 000** — **Operational Expenses**
- Subhead 700** — **General non-recurrent**
- New item** — **"Developing a new system to process subsidy amount, modifying relevant software and hardware and installing dedicated readers for subsidy collection and registration of expenses on monthly/day passes for implementing the Public Transport Fare Subsidy Scheme"**

27. The Chairman advised that the item sought FC's approval of a new non-recurrent commitment of \$69.85 million under Head 186 "Transport Department" Subhead 700 "General non-recurrent" for developing a new system to process subsidy amount, modifying relevant software and hardware and installing dedicated readers for subsidy collection and registration of expenses on monthly/day passes for implementing the Public Transport Fare Subsidy Scheme ("the Scheme"); and an increase in the ceiling placed on the total notional annual mid-point salary value of non-directorate posts in the permanent establishment of the Transport Department ("TD") in 2017-2018 by \$12,667,380 to \$822,811,380 for the creation of 15 non-directorate civil service posts (including 13 permanent and 2 time-limited posts) for implementing the non-means tested Scheme.

Administrative cost

28. Dr KWOK Ka-ki asked how many commuters were expected to benefit from the Scheme, what the percentage of administrative cost was in relation to the subsidy amount and how long the Government was committed to implementing the Scheme. Under Secretary for Transport and Housing ("USTH") advised that according to the Government's estimation, the annual subsidy amount would be around \$2.3 billion and over 2.2 million Octopus card holders would benefit from the Scheme, while recurrent administrative cost would account for around 3% of the annual subsidy amount. The Administration was committed to implementing the Scheme within one year after obtaining funding approval and maintaining its implementation during the current term of Government.

29. Dr KWOK Ka-ki asked whether the Scheme's administrative cost would be reduced correspondingly in case the subsidy amount was lower. Mr WU Chi-wai and Mr Andrew WAN enquired about the recurrent maintenance costs incurred by the Scheme per annum. USTH said that the estimated annual subsidy amount of the Scheme was calculated on the basis of data on the current use of the relevant public transport services by

commuters. Under the Scheme, an annual recurrent expenditure of around \$69 million, which included the administrative fee for subsidy calculation and payment (around \$20 million), manpower cost (around \$13 million), expenditure required for conducting transport surveys (around \$11 million), auditing fee (around \$6 million), system maintenance fee (around \$15 million) and contingency provisions (around \$3 million), would be incurred.

30. Mr MA Fung-kwok and Mr LUK Chung-hung considered that the recurrent administrative cost of 3% in relation to the annual subsidy amount of the Scheme was too high. Mr LUK noted that of the \$69 million annual recurrent administrative cost of the Scheme, 50% (i.e. \$30 million for manpower cost, expenditure required for conducting transport surveys and auditing fee) was monitoring cost. In this connection, Mr LUK asked whether there was any room for the Administration to lower the monitoring cost, so as to reduce the administrative cost of the Scheme. USTH advised that to ensure the proper use of public funds, the Government would implement a series of monitoring measures under the Scheme, thus resulting in higher monitoring cost. The Administration undertook that various details of the Scheme would be reviewed around one year after its actual implementation in order to enhance the Scheme.

31. Mr LAU Kwok-fan noted that apart from paying the Octopus Cards Limited ("OCL") \$23 million as administrative fee, the Administration would also need to bear the procurement cost of Octopus readers under the Scheme. He queried whether the said arrangement was reasonable. Dr Fernando CHEUNG opined that the administrative fee charged by OCL was on the high side and enquired about the details of services to be provided by OCL under the Scheme. USTH said that the administrative fee payable to OCL would include the expenses incurred by OCL for engaging other service providers as entrusted by the Government, including deploying service ambassadors to assist commuters in using dedicated Octopus readers during the initial implementation of the Scheme, and providing a hotline for commuters to enquire about their public transport expenses and subsidies, etc., after the launch of the Scheme. OCL would also be responsible for analyzing data concerning the use of public transport services and submitting periodic reports to the Government to assist the latter in monitoring the operation of the Scheme. The Administration was aware of Members' concerns about the administrative cost of the Scheme and undertook to review the relevant arrangements around one year after actual implementation of the Scheme. Dr Fernando CHEUNG stated clearly that he would not support the present funding proposal if the Administration did not reduce the administrative fee payable to OCL.

32. Dr Fernando CHEUNG and Dr KWOK Ka-ki noted that the Administration had to develop a new system to calculate, distribute and settle subsidy amount and acquire the necessary hardware (i.e. the Octopus readers) for the implementation of the Scheme. They asked if additional expenditure would be incurred in case the hardware and software of said system had to be modified or updated in future, thereby increasing the administrative cost of the Scheme. USTH said that should other electronic payment systems emerge in the market as a result of technological advancement in future, the Administration would explore the feasibility of the participation of other electronic payment systems in the Scheme having regard to prevailing circumstances then. In that case, the system for the Scheme might need to be upgraded accordingly.

33. Responding to Mr POON Siu-ping's question, USTH explained that the non-recurrent expenditure of \$12.5 million earmarked under the Scheme was for system modification of relevant public transport operators and convenience stores/supermarkets. Additionally, the non-recurrent expenditure of \$21 million was earmarked for procurement and installation of Octopus readers to enable commuters to collect subsidy and link up the expenses on monthly/day passes with the Octopus card records. The said Octopus readers would be installed at 93 MTR stations and 5 Light Rail Customer Service Centres over the territory for commuters to collect the public transport fare subsidy and register their expenses on monthly/day passes. Striving to bring convenience and benefits to the public, the Administration was also actively discussing with two chained convenience stores and one large supermarket to enable commuters to collect subsidy by Octopus cards at their outlets, which numbered a total of about 1 600. The Administration would review the adequacy of subsidy collection points around one year after actual implementation of the Scheme.

Justification for designating Octopus as the only payment system under the Scheme

34. Mr WU Chi-wai, Mr Andrew WAN, Ms Claudia MO and Mr LAU Kwok-fan were concerned that the proposed Scheme might enable Octopus to further monopolize the market and considered that the system design of the Scheme should be flexible enough to be compatible with other electronic payment systems. Mr Holden CHOW expressed similar views. Mr WONG Ting-kwong pointed out that electronic payment had become prevalent around the world, and some electronic payment technology available in the market was more advanced than Octopus; he thus queried the justification for the Administration to designate Octopus as the only payment system under the Scheme. Mr Charles Peter MOK called on the Administration to use its influence as the majority shareholder to request MTR Corporation Limited ("MTRCL")

to open up its fare collection system, so that passengers could pay MTR fare with other electronic payment systems, with a view to introducing competition. Mr CHU Hoi-dick asked whether the Administration would consider requesting operators of other public transport services (such as franchised buses) to introduce other payment systems in the context of the review to be conducted for the Scheme.

35. USTH responded that since commuters generally used Octopus cards instead of other electronic payment technology for paying expenses of public transport services, the Administration was of the view that it was more appropriate to implement the Scheme through the existing platform of the Octopus at this stage. The Government all along welcomed the public transport sector to introduce new electronic payment technology or systems for fare collection, provided that the payment systems were reliable, user-friendly and efficient and would not cause disruption to the operation of public transport and the road or traffic conditions. To this end, relevant guidelines had been issued by TD in June 2017. If the public transport trade introduced any new electronic payment system for fare collection in accordance with the guidelines in future, the Government would keep an open mind in exploring the feasibility of the participation of the new electronic payment system in the Scheme having regard to prevailing circumstances then. The Administration undertook that the need to allow participation of other electronic payment systems in the Scheme would be reviewed around one year after actual implementation of the Scheme, and it would relay Mr Charles Peter MOK's views to MTRCL. The Administration would also take into account the views expressed by Members at the meeting when conducting the review.

36. Mr WU Chi-wai, Mr LEUNG Yiu-chung, Mr CHAN Chi-chuen and Mr MA Fung-kwok noted that according to the Administration's proposal, commuters who wanted to collect the public transport fare subsidy of the previous month must tap their Octopus cards on the dedicated Octopus readers within three months, so that the subsidy would be automatically credited to the Octopus cards. Those Members considered the said subsidy collection arrangement far from convenient to commuters and enquired about the technical difficulties preventing the use of the existing Automatic Add Value Service function of Octopus cards to provide public transport fare subsidies to commuters. Mr MA opined that OCL as the service provider of the Scheme was duty-bound to enhance the Octopus payment system to cope with the operational need of the Scheme.

37. USTH explained that unlike the "Ride 10 Get 1 Free" promotion of MTRCL and the public transport fare concession scheme for the elderly and eligible persons with disabilities of the Government as mentioned by Mr LEUNG Yiu-chung, the proposed Scheme not only involved data from

different modes of public transport, but was also more complicated administratively and in terms of software update. The subsidy collection arrangement as proposed was more practical, given that the Administration had undertaken to implement the Scheme within one year after obtaining funding approval. Mr LAU Kwok-fan and Mr WONG Ting-kwong called on the Administration to implement the Scheme as soon as possible to bring benefits to the public. Mr WU Chi-wai said that it was also the Democratic Party's stance and aspiration for the early implementation of the Scheme.

38. At the request of Mr CHAN Chi-chuen and Mr WU Chi-wai, the Administration would provide a paper setting out why public transport fare subsidies could not be provided automatically via the Octopus cards (including the technical difficulties and complexities as mentioned by the Administration at the meeting) and the reasons given by OCL; additionally, whether the Administration would take the opportunity presented by the item to request OCL to enhance its system and open up its data, in order to promote competition in the electronic payment market.

[Post-meeting note: The supplementary information provided by the Administration was circulated to members vide LC Paper No. FC332/17-18(01) on 26 September 2018.]

Subsidy arrangement and level

39. Mr POON Siu-ping noted that the Administration proposed setting the specified level of monthly public transport expenses at \$400, and the Government would provide a subsidy amounting to 25% of the actual public transport expenses in excess of the said level, subject to a maximum of \$300 per month. Mr POON considered the proposal unfair to those low-income earners who lived and worked in the same district with monthly transport expenses less than \$400 and suggested the Administration to consider providing commuters with 25% subsidy for every \$100 of their transport expenses, subject to the same cap of \$300 per month. Mr LUK Chung-hung expressed similar views and suggested the Administration to consider lowering the specified level of monthly public transport expenses from \$400 to \$300 or \$200. USTH stated that given the need to ensure proper use of public funds, the proposed subsidy arrangement and level had already taken into account the policy objective to relieve the fare burden of commuters who relatively spent more on public transport for daily commuting, without causing severe impact on the travelling patterns of commuters which might in turn affect the resource allocation of public transport services and aggravate the burden on the public transport system. The Administration was of the view that it was appropriate to set the specified level of monthly public transport expenses

at \$400. USTH undertook that the Administration would review and consider the matter around one year after actual implementation of the Scheme.

Proposed creation of 15 non-directorate civil service posts

40. Dr Fernando CHEUNG, Mr LEUNG Yiu-chung and Mr CHAN Chi-chuen enquired about the justification for the proposed creation of 15 non-directorate civil service posts and the duties of those posts. Assistant Commissioner for Transport (Management and Paratransit) ("AC for T/M&P") stated that to ensure the smooth roll-out and operation of the Scheme, TD would need to create 15 non-directorate civil service posts (including 13 permanent and 2 time-limited posts) from 2017-2018 for implementing the Scheme. Their work would include supervising the preparatory work undertaken by OCL for implementing the Scheme, processing the applications submitted by residents' services ("RS"), employee's services ("ES"), red minibuses ("RMBs") and kaito operators for joining the Scheme, implementing monitoring measures, etc. At the request of Mr CHAN Chi-chuen, the Administration would provide a paper setting out details of the said 15 non-directorate civil service posts and whether those posts could be combined with the manpower responsible for other transport subsidy schemes.

[Post-meeting note: The supplementary information provided by the Administration was circulated to members vide LC Paper No. FC332/17-18(01) on 26 September 2018.]

41. Mr Andrew WAN enquired about the basis for the Administration to come up with the projection that 15 non-directorate civil service posts would need to be created for the Scheme. AC for T/M&P said that the manpower requirement was calculated on the assumption that all 950 existing operators of RMBs, kaitos, RS and ES would apply to join the Scheme. The staff concerned would be responsible for vetting and approval of the applications submitted by the operators of those four modes of public transport, as well as implementing risk-based monitoring measures for the Scheme (for example, conducting regular transport surveys, as well as verifying the statistics, data, etc., submitted by the operators), so as to minimize abuses of the Scheme as far as possible.

Preventing parallel traders from benefitting under the Scheme

42. Mr CHAN Chi-chuen opined that the Scheme was likely subject to abuse by parallel traders, hence aggravating the problem of parallel importation. To plug the loophole, Mr CHAN requested the Administration to introduce the use of Personalized Octopus Cards under

the Scheme one year after its implementation. Mr YIU Si-wing expressed similar views. USTH said that the Administration hoped to implement the Scheme as soon as possible for the early benefit of the public and would implement risk-based monitoring measures to minimize abuses of the Scheme. The Administration undertook to examine the relevant statistics when reviewing the implementation of the Scheme about one year after its operation.

Other views and concerns

43. Mr SHIU Ka-chun supported the Administration's proposal to implement the non-means tested Scheme. Mr SHIU considered that while the Scheme was proposed by the Chief Executive, it was also the result of more than a decade of advocacy efforts made by the community and the Council for the provision of an employment transport subsidy. He called on the Administration to streamline the procedures as far as possible to facilitate subsidy collection by commuters. Nonetheless, Mr SHIU criticized the Administration for adopting double standards on the issues of public transport fare subsidy and retirement protection as it had rejected the implementation of a universal non-means tested retirement protection scheme.

44. Mr YIU Si-wing declared that the company he was working with operated five groups (six routes) of cross-boundary coach services plying between the Huanggang Control Point and various parts of Hong Kong ("the five groups (six routes)"). Mr YIU requested that when reviewing the Scheme, the Administration should consider expanding the coverage of the Scheme to include the five groups (six routes), so that Hong Kong residents living or working in the Mainland who travelled on those routes could also benefit from the Scheme, while allowing fair competition between the said cross-boundary coach services and MTR. USTH said that the Administration would consider the aforesaid views of Mr YIU when reviewing the Scheme.

45. Mr YIU Si-wing enquired about the penalties to be imposed by the Administration on non-compliant public transport operators under the Scheme. USTH responded that TD would regularly examine the records and reports relating to the Scheme submitted by the public transport operators and OCL. If suspected fraudulent cases were identified, TD would refer them to the Police for follow-up action. For RS, ES, RMBs and kaitos, if an individual operator was found not complying with the prescribed operational requirements of the Scheme, depending on the nature and extent of non-compliance, TD would issue warning letters to the operator or even suspend its participation in the Scheme temporarily or permanently.

46. During the meeting, the Chairman announced at 6:18 pm that the meeting be suspended for members to take a short break. The meeting resumed at 6:27 pm.

Voting on FCR(2017-18)55

47. There being no further questions from members, the Chairman put item FCR(2017-18)55 to vote. At the request of members, the Chairman ordered a division, and the division bell was rung for five minutes. The Chairman declared that 20 members voted in favour of and 5 members voted against the item. The votes of individual members were as follows:

For:

| | |
|----------------------------|--------------------------|
| Mr James TO Kun-sun | Mr WONG Ting-kwong |
| Dr Priscilla LEUNG Mei-fun | Mr WONG Kwok-kin |
| Mr Michael TIEN Puk-sun | Mr Frankie YICK Chi-ming |
| Mr WU Chi-wai | Mr YIU Si-wing |
| Mr CHAN Han-pan | Mr IP Kin-yuen |
| Ir Dr LO Wai-kwok | Mr Alvin YEUNG |
| Mr Holden CHOW Ho-ding | Mr Wilson OR Chong-shing |
| Ms YUNG Hoi-yan | Dr Pierre CHAN |
| Mr CHAN Chun-ying | Ms Tanya CHAN |
| Mr CHEUNG Kwok-kwan | Mr LAU Kwok-fan |
| (20 members) | |

Against:

| | |
|------------------------------|-------------------|
| Mr Charles Peter MOK | Mr CHAN Chi-chuen |
| Dr Fernando CHEUNG Chiu-hung | Mr CHU Hoi-dick |
| Dr CHENG Chung-tai | |
| (5 members) | |

48. The Chairman declared that the item was approved by FC.

49. The meeting ended at 7:03 pm.