

**Commission on Poverty**  
**Work Incentives for Working Poor -**  
**Transport Support For Those Living in Remote Areas**

**PURPOSE**

Noting the wide community concern about providing transport support to low-income earners living in remote districts, this paper sets out the key features and possible implications of such a support and invites Members' comments on the way forward.

**BACKGROUND**

2. Promoting self-reliance and upward mobility through work and capacity enhancement is one of the key objectives of the CoP. Consistent with this, Members agreed at the meeting in January 2006 to further consider how best to provide additional incentives for the low-income employees and their families to stay in employment instead of going on welfare, bearing in mind the sustainability of the public finance system. In the Budget 2006/07, a short-term traveling support scheme for eligible graduates of the Employees' Retraining Board (ERB) was introduced with a view to facilitating the transition from unemployment to work. In other words, the subsidy is, by design, one-off (paragraphs 8 – 15 in CoP Paper 4/2005 refer). This paper will focus on long-term travel support to those with low-income and living in remote areas having to commute to work across districts.

**COMMUNITY CONCERN**

3. Transport costs have been highlighted as one of the key issues which need to be tackled by the Administration. For the working poor living in remote areas having to commute long distance to work due to a relative lack of local employment opportunities, transport costs take up a significant proportion of their income. If left untackled, transport costs may become a disincentive to work/incentive for going on welfare. There is general support among CoP members and the community in finding appropriate ways to address the issue (CoP's previous discussion on the subject is extracted at [Annex A](#)).

4. Members may wish to note the efforts by the Administration to adjust the fares for long-distance travelers (**Annex B**). Some in the community however consider this inadequate and call for a deeper cross-subsidization among different regions similar to the practice in other places where commuting in city centres cross-subsidize commuting to remoter areas. However, this involves a complex and fundamental review involving possibly all modes of mass public transport. This is not feasible in the near term.

5. Others call for providing long-term travel subsidies of a recurrent nature to help promote job retention. The LegCo Subcommittee to Study the Subject of Combating Poverty at its meeting on 17 March 2006 also passed a motion to strongly request the HKSARG to provide a monthly transport subsidies of \$500 for the working poor living in remote districts (Yuen Long, Tuen Mun, Islands and the North districts) having to commute across districts to work.

## **POSSIBLE ARRANGEMENT**

6. The Government has listened to the community concern, and are willing to consider with an open mind possible options. We have explored the possible features of a subsidy to low-income earners living in remote districts. The following paragraphs set out the most often discussed elements -

- (i) *Targets* - definition of “low-income individuals/families”;
- (ii) *Territorial coverage* - definition of “remote districts”;
- (iii) *Amount* – the level of such subsidy; and
- (iv) *Screening and monitoring* – an effective system to minimize abuse.

### **(i) Targets**

7. There is fairly general consensus among proponents that the subsidies should be targeted to the needy only. Different thresholds have been suggested. There are some who favour giving the subsidies based on individual income level (e.g. \$5,000/\$6,000), which is simpler and in line with the objective to provide more incentives for the low-income earners to work across districts. However, the CoP as well as some LegCo Members feel that needs of the working poor should be assessed on a household basis (since low-income individuals may not necessarily be the needy e.g. voluntary part-timers; some with multiple family members working/high household income). In assessing household income, both 50% of median household income, and average CSSA

payment level have been cited. While the current difference between the two is small, the latter is a more well-established threshold with greater precision in targeting at the needy.

***(ii) Territorial coverage***

8. There is also a general consensus in providing transport subsidies to low-income earners living in remote districts like Yuen Long, Tuen Mun, Islands and the North districts. Data from the 2001-Census suggests that the percentages of jobs taken up by local residents are generally higher in remote districts, reflecting a preference to work and live in the same district (**Annex C**). Commuting-time aside, the cost of transport especially for low-income earners is also expected to be an important factor influencing the pattern. Also noteworthy is that the availability of jobs as a percentage of economically active persons living in these remote districts is relatively low. It is however pertinent to point out that the suggested four districts are not alone in having these characteristics (please see paragraph 11(a) and **Annex D**).

***(iii) Amount***

9. An informed estimate is difficult when key features are themselves subjects of discussion. A ballpark guess suggests that a scheme covering only the four districts of Yuen Long, Tuen Mun, Islands and North Districts and giving no more than \$300 - \$500 for employed persons in households with incomes below average CSSA level could be in the region of \$0.3 billion per annum. Changes in the eligibility, amount of subsidy, territorial coverage and possible abuses will all have financial implications.

***(iv) Screening and monitoring mechanism***

10. It is also well accepted that any scheme involving recurrent income support made possible through the transfer of taxpayers' money ought to be need-based and means-tested to minimize abuse. An implementation machinery is a must. In terms of attributes, this machinery needs to –

- (a) be adequately resourced to assess applications, conduct interviews, seek further information in respect of dubious cases and conduct selected in-depth checks;
- (b) have legal backup<sup>1</sup> to enable it to approach other public and private agencies to obtain personal data to verify claims; and

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<sup>1</sup> Housing Department relies on the Housing Ordinance (Cap 283) while Social Welfare Department relies on the Theft Ordinance (Cap 210).

- (c) have resort to launch criminal proceedings against those who willfully commit fraudulent claims.

## MAJOR CONSIDERATIONS

11. Few social policies are static. When conceiving a new policy, it would be remiss if the longer term considerations are not taken into account, particularly if such have been made explicit. In this connection, Members may wish to note that the comments on the nature and impact of the subsidy made at the meeting of the LegCo Subcommittee on 17 March, as follows –

- (a) ***Parity***: Members noted the issue of parity arising from the coverage of districts. While Yuen Long, Tuen Mun, Islands and the North districts are commonly recognized as the more remote districts, we would need to carefully consider the justification for selecting these districts vis-à-vis the others and the long term implications of the selection. In considering the issue, we have drawn reference to a number of relatively more objective criteria (Annex D).
- (b) ***Fundamental nature of support***: Few would challenge that the travel support is but a form of income support. Some consider the support as an interim relief pending the resolution of the minimum pay issue (see paragraphs 12 and 13 below).
- (c) ***Impact on wages***: Given the glut in supply of low-skilled, low-educated labour and hence their low bargaining leverage, some warn against possible depression of wages by some employers (see paragraph 14 below).

### ***Fundamental nature of support***

12. The discussion on transport subsidy is often mixed with calls for a “second safety net” and income support for the working poor. Given the rather comprehensive in-kind services and financial support already in place for the working poor<sup>2</sup>, the issue is not the absence of a “second safety net” or needs-based support, but rather whether there are gaps that should be filled. Three such gaps have been raised by different quarters of the community and echoed by Members of the LegCo Subcommittee to Study the Subject of Combating Poverty –

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<sup>2</sup> CoP Paper 1/2006 refers.

- (a) *Transport subsidies*: to help defray the significant expenditure incurred by the working poor living in remote areas and who have to commute to work;
- (b) *Rental subsidies*: to help defray the rental cost incurred by working poor living in private domestic units since rent constitutes a major component in the expenditure of working poor households; and
- (c) *Income support*: while CSSA low-income category may be viewed as a de facto income support to working poor families, only a small percentage of working poor families are on low earnings CSSA support. Some Members have questioned whether the present arrangement is the optimal form of long term support for the working poor.

13. In considering any new transport subsidy scheme, we need to bear in mind the implications of the wider discussion on the “support for the working poor” and to consider in a holistic manner the appropriate level of such support, be they in-kind or in cash.

### ***Impact on wages***

14. Given the abundant supply of low-skilled, low-educated labour, there is little justification for employers to pay a wage rate higher than would be necessary to secure the manpower needed. Therefore, some LegCo members (and academics) have highlighted the possible unethical practice of some employers in depressing the wages by up to the amount of the travel support. While acknowledging this possibility, forestalling or even reducing this is an almost impossible feat in a market economy. This has in turn led some to view the travel support as an interim step to minimum wage. We notice that community views on the issue of minimum wage are divided.

### **WAY FORWARD**

15. The major considerations in paragraphs 11 – 14 involve complex policy issues like parity, other support for the working poor, the impact on wages and probable displacement of labour arising from the travel subsidy. All these deserve an informed community discussion and could not be addressed overnight. Meanwhile, for the low-income individuals and households concerned, work remains their important means to capacity enhancement and self-reliance.

16. Members may therefore wish to consider if we should consider travel support as a form of temporary relief, to be time-limited (e.g. in terms of maximum duration a person can be entitled to the travel support). This needs to be complemented by other more proactive measures to address the lack of local employment opportunities for low-skilled, low-educated labour in remote areas, e.g.

- (a) *strengthening district employment assistance*: Annex C shows that a sizeable portion of the jobs in remote areas are taken up by people resident *outside* the areas. This seems to suggest that location accounts for only part of the unemployment problem; the lack of skills, knowledge, attitude, etc. to hold down a job may also be relevant. In the long-run, more effective and coordinated employment assistance and capacity enhancement at the district level coupled with local economy and social enterprise development, may well prove to be more sustainable and effective in removing the need of financial subsidies to low-income earners<sup>3</sup>;
- (b) *sustainable town planning and development*: Members have raised previously the importance of town planning to meet the needs of our community and achieve sustainable development, including employment and the needs of the disadvantaged. There is also growing awareness on the topic in the community<sup>4</sup>. It is worthwhile to give more attention on how our town planning and other relevant public policies can help promote local employment in the remote areas in a sustainable manner.

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<sup>3</sup> Members will be invited to discuss the recommendations in CoP 6/2006 “District Study on Employment Assistance”. Members may also wish to note that, given Hong Kong’s economic structure, relocating labour-intensive manufacturing industries to Hong Kong would unlikely work unless the products are competitive on the international market.

<sup>4</sup> For instance, during the recent consultation of the Lantau Concept Plan, the Council for Sustainable Development expressed the hope that further planning would proceed on a basis of a long-term and holistic perspective. Major social considerations such as population, employment, supporting facilities and other people-based issues should be taken into account.

**ADVICE SOUGHT**

17. Discussion on support to be provided to working poor has revealed fundamental questions on whether the Government should provide income support, and if so, in what form. Transport subsidy has frequently been mentioned as one such possibility. Members may wish to comment on the following, given the major considerations flagged above -

- (a) whether we should provide transport subsidy as a new form of income support in addition to the wide-ranging forms of existing support for the working poor<sup>5</sup>;
- (b) if so, whether travel support should be the long term solution addressing the needs of the low-skilled, low-educated and low-income earners residing in remote areas (however defined); or whether travel support should be regarded as a temporary stop-gap measure while longer term measures are being worked out (re. paragraphs 15 – 16);
- (c) the design of such support, e.g. targets, territorial coverage, implementation agency and amount of support (re. paragraphs 6 – 10) and its interface with existing employment assistance measures; and
- (d) how to address the major considerations (including district coverage , other forms of income support and impact on wages) (re. paragraphs 11 – 14).

Secretariat to the Commission on Poverty  
March 2006

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<sup>5</sup> CoP Paper 1/2006 refers.

Annex B to CoP Paper 9/2005 discussed at CoP meeting on 11 April 2005

## **Transport Costs**

### **(A) Low-income earners living in remote areas and traveling to work in urban/distant areas**

There have been calls for fare concessions to low-income earners living in remote areas and traveling to work in urban areas since transport costs may take up a significant proportion of their income. The concern is that, if left untackled, the issue of high transport costs may indirectly and inadvertently reduce the incentives to work vis-à-vis going on welfare. In addition, there is opinion that the meager net disposable income left after discounting transport expenses also detracts from the provision of equitable access to opportunities by the younger generation of such families. Suggestions that have been put forth to help this group include -

- (a) introducing a transport subsidy scheme similar to EMB's Student Travel Subsidy Scheme<sup>1</sup>, either in cash or in coupons; or
- (b) giving open concession to passengers of certain routes from certain remote areas to urban areas at certain time.

2. EMB's current Student Travel Subsidy Scheme is premised on the policy of ensuring that students are not deprived of education for lack of financial means. Over 240 000 students benefited from the scheme in 2003-04 with an annual recurrent expenditure of about \$380 million. We need to take into account policy as well as financial and administrative implications in introducing any similar transport subsidy scheme. Possible implications include the following -

- (a) *policy implications*: Pertinent questions include: Why transport costs and why transport costs only when other offsetting cost-of-living implications of residing in remoter areas are taken into consideration? Should the assistance be time-limited? How should it be paid for and what are the related economic/public policy implications? How to qualify a "remote area", "low-income earners" and the related issues of equity? Merits vis-à-vis other intervention measures, e.g. subsidized shuttle or outright wage subsidy? How to prevent subsidy recipients from enjoying double-benefit due to other existing welfare/ subsidy schemes?

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<sup>1</sup> The Student Travel Subsidy Scheme is a means-tested scheme for non-CSSA needy students in primary education and above who have not completed their first degree and who live beyond ten minutes' walking distance from their school and travel to school by public transport. Eligible students may receive, depending on their family financial situation, a full rate or half rate subsidy for home-school travel during term time.



(b) *financial implications*: the amount of recurrent expenditure is expected to be significantly higher given the size of the working population, cost of travel as well as the administrative costs involved;

(c) *administrative implications*: managing a subsidy scheme for “low-income earners” “living in remote areas” and “traveling to work in urban/distant areas” will likely involve the setting up of a new mechanism to means-test and identify the targets. Susceptibility to, and safeguard against possible, abuses will trigger additional administrative complications.

3. The proposal in 1(b) above would remove the administrative complications mentioned in 2(c) above. Nevertheless, the policy and financial implications remain. Without clear targets, the service may benefit people other than the low-income earners. Moreover, proposal 1(b) involves other difficulties on implementation include: How to identify the routes regarding which fare concession is to be provided? How to differentiate passengers eligible for the concession from the other passengers to ensure effective enforcement of the scheme? Are the public transport operators willing to bear the revenue foregone arising from the concession or should the Government compensate the operators for the revenue foregone due to the concession?

#### **(B) Smaller/easily identifiable target groups**

4. Instead of giving concessions to all low-income earners living in remote areas and traveling to work in urban/distant areas, it has been suggested that concessionary schemes targeted at a smaller group of easily identifiable people can be introduced, in particular to encourage their participation in the labour force (instead of going on welfare).

5. To this end, the model of the Local Domestic Helper (“LDH”) Discounted Fare Scheme (九巴本地家務助理優惠) introduced by KMB and the Employees Retraining Board (ERB) from 1.11.2002 to 31.10.2003 has been proposed as one of the precedents from which the Commission may draw reference. Under the Scheme, 50%-discounted fare was offered for eligible domestic helpers when travelling on over 300 KMB routes including cross-harbour routes solely operated by KMB. It is worth noting that the concession is justified on the basis of the differential between supply of LDH and demand in more wealthy areas instead of being a pure subsidy.

6. Another suggestion mooted is the provision of transport subsidies to able-bodied recipients of the Intensive Employment Assistance Projects (IEAPs) with a view to facilitating their search for work. Nevertheless, it is relevant to note that Temporary Financial Assistance (TFA) is already being provided for immediate and direct disbursement to needy near-CSSA/CSSA recipients to tide them over temporary financial hardship. Recipients can use TFA for meeting expenses such as transport cost for attending job interviews/commuting to work, purchasing working uniform, etc up to a maximum of \$1,000 during the period of participation in IEAPs. TFA will be totally disregarded when assessing CSSA payment.

7. In addition, ‘disregarded earnings’ (DE) is provided under the CSSA Scheme to encourage CSSA recipients to find and maintain employment. Under the scheme, the first month’s income earned by a recipient from a new job will be totally disregarded, while the earnings from the month following can be partially disregarded up to a maximum of \$2,500 per month to save as an incentive to recipients to continue working. Recipients are free to use the DE to supplement CSSA payment to meet expenses including transport costs. Arrangements for DE will be reviewed by the end of this year.

8. Given the community’s concern about assisting the disadvantaged and needy, the Commission on Poverty may wish to consider the desirability and implications of assisting certain easily identifiable groups, e.g. participants in the Youth Pre-employment Training Programme (展翅計劃) and the Youth Work Experience and Training Scheme (青見計劃), who live in the remoter districts and who are assessed by NGOs under the two schemes as needy (e.g. for attending job interviews).

9. Nevertheless, when targeting special concessions to encourage participation in the labour force by the low-income earners and disadvantaged youths, we also need to consider balancing the needs of other needy groups for assistance in transport costs (e.g. people with disabilities). We also have to consider whether the cost of the concession should be borne by the public transport operators or should be offered as a Government subsidy and how to identify appropriate agencies/NGOs in managing and implementing the targeted schemes.

### **(C) Appealing to public transport operators to consider special concessions**

10. In accordance with the spirit of free enterprise, it will be the commercial decision of individual public transport operators on whether they could reduce their fares or offer concessions. The Government will continue to encourage public transport operators to consider lowering their fares or introducing further concession schemes.

11. The Government has been encouraging public transport operators to introduce fare reduction or concession having regard to their respective operating conditions and the social needs of the community. Most of the public transport operators offer children aged below 12 and elderly aged 65 or above with long-term fare concessions. In addition, public transport operators have altogether introduced over 80 fare concession schemes since July 2002, including bus-rail interchange schemes and discounted bus or railway fares. Residents in Yuen Long/ TSW can benefit from around 20 of them.

12. The concessionary schemes help reduce transport expenses of the traveling public. For example, four franchised bus companies introduced a 10% discount on fares of \$15 and above on all routes (except recreational routes and Airport “A” routes) in October 2003. This scheme has brought greatest benefit to passengers of long-distance routes (including residents of TSW), whose transport expenses normally

tend to constitute a relatively higher proportion of their household expenditure. Another example is that an adult passenger can enjoy a \$3.2 discount for every \$30 of Light Rail travel accumulated within 6 days under Light Rail Enhanced Bonus Scheme Light Rail.

13. Given the community's concern about assisting the disadvantaged and needy, the Commission on Poverty can consider how it may further appeal to the public transport operators to give special concessions to certain easily identifiable groups (those mentioned in section (B) above). However, members may wish to note that public transport operators have been very conservative in introducing new or extending existing fare concession schemes. The public operators' main concerns in providing additional fare concessions are increasing competition in the public transport industry as opposed to the slow increase in overall patronage, extraordinary rise in fuel cost in the past year and pressure for salary increase from their staff.

Commission Secretariat

*(with input from relevant bureaux)*

April 2005

## **Lowering Fares of Public Transport For Long-distance Travelers**

The Government has been encouraging public transport operators to introduce fare reduction or concession having regard to their respective operating conditions and the economic situation of the community. Since public transport services in Hong Kong are commercially operated, in accordance with the spirit of free enterprise, whether to reduce fares or offer fare concessions will be a commercial decision of the public transport operators.

2. In the light of persistent calls for reduction in bus fares, particularly for passengers making use of long-distance routes whose travelling expenses are relatively higher, the Government discussed with Citybus Limited (Franchise for operation of Hong Kong Island and cross-harbour bus services) and Kowloon Motor Bus Company (1933) Limited on the introduction of fare reduction initiatives during the franchise negotiations in 2005. Both bus companies agreed to provide the following fare reduction initiatives after the new bus fare adjustment arrangement takes effect and upon the grant of the new franchises –

- (a) 10% same day return fare reduction on routes where the single fare is \$15 or above<sup>1</sup>;
- (b) 5% same day return fare reduction on routes where the single fare is between \$10 and \$14.9<sup>1</sup>;
- (c) \$2 flat fare or half fare, whichever is lower, for elderly on Sundays and public holidays<sup>2</sup>;
- (d) an addition of 47 bus-bus interchange (BBI) schemes<sup>3</sup>;
- (e) extending the initiatives set out in (a) to (c) to the equivalent routes operated by their sister companies, viz. New World First Bus Services Limited, Citybus Limited (Franchise for operation of Airport and North Lantau services) and Long Win Bus Company Limited, as well as routes jointly operated by franchised bus companies; and
- (f) the above initiatives, except for the additional BBI schemes, will be reviewed in three years' time when the Government next reviews the bus fare adjustment arrangement.

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<sup>1</sup> The fare reduction initiatives for routes where the single fare is \$15 or above and of \$10 to \$14.9 would not cover Airport "A" routes, recreation routes and racecourse routes.

<sup>2</sup> The fare reduction initiative would not cover Airport "A" routes and racecourse routes.

<sup>3</sup> At present, all franchised bus companies are implementing a total of 167 BBI schemes and are providing BBI discounts, ranging from \$0.1 to \$20.7, for passengers who need to interchange between different bus routes during their journeys.

3. The special elderly fare discount on Sunday and public holidays already commenced since 28 January 2006 (the day preceding to Lunar New Year's Day) to enable the elderly enjoy the discount early during those festive days. For the 10% and 5% same day return fare reduction covering 42 and 56 routes respectively that are of medium or long distance, they were implemented on solely-operated routes with effect from 19 February 2006. Since bus companies need to carry out modification work to the software and hardware of their Octopus systems for implementing the fare reduction schemes consistently across different bus companies, the same-day return fare reduction will be implemented on jointly operated routes from 1 July 2006.

4. While the 10% and 5% same day return fare reduction on routes with fares of \$15 or above and \$10 to \$14.9 would help alleviate the travelling burden of passengers of medium and long haul routes, the introduction of 47 additional BBIs also help reduce the transport expenses of passengers who need to travel for long-distance and have to interchange bus routes during a journey. With the implementation of the 47 additional BBI schemes, over 220 BBIs covering about 390 bus routes with discount ranging from \$0.1 to \$28 will be in place. These cover about 70% of the total number of bus routes.

5. In addition to bus companies, railway corporations also provide fare concessions which may help alleviate travelling burden of long distance travellers. For example, the Kowloon-Canton Railway Corporation introduced Monthly Passes for West Rail, East Rail and Ma On Shan Rail users in August 2004, April 2005 and January 2006 respectively. Passengers using the Monthly Pass can enjoy unlimited rides on West Rail, East Rail and Ma On Shan Rail at \$300, \$380 and \$200 respectively in the same month. For travellers residing in the North-West New Territories, they may enjoy the Octopus discount scheme for Light Rail, under which an adult passenger can have a rebate of \$3 after payment of fares of \$30 or above on six consecutive days. MTR Corporation Limited also provides \$2 flat fare discount to eligible child and elder Octopus cardholders on Sundays/ public holidays during festive periods.

6. While continued effort will be made to encourage public transport operators to offer concessionary fares for disadvantaged groups, public transport operators have raised concerns about the hiking fuel price, increasing competition in the public transport industry and pressure for salary increase from the staff with the onset of inflation. Moreover, some public transport operators consider that financial transport support for the needy should be provided by the Government as a welfare policy instead of borne public transport operators.

## Extracted/modified from 2001 Census

District	(a) Work and live in the same district <sup>@</sup>	(b) Number of jobs (fixed work place) in the district	(c) Economic Active persons living in the district	% (a)/(b)	% (a)/(c)	% (b)/(c)	% of (b) of total (100%)	% of (c) of total (100%)
Central and Western	59,533	319,597	149,587	19%	40%	214%	11%	4%
Wan Chai	25,449	253,180	96,498	10%	26%	262%	9%	3%
Eastern	84,708	215,233	327,925	39%	26%	66%	8%	10%
Southern	32,855	73,520	151,475	45%	22%	49%	3%	4%
Yau Tsim Mong	46,244	357,834	147,391	13%	31%	243%	13%	4%
Sham Shui Po	32,923	170,943	170,940	19%	19%	100%	6%	5%
Kowloon City	33,454	146,607	194,757	23%	17%	75%	5%	6%
Wong Tai Sin	23,768	73,749	213,484	32%	11%	35%	3%	6%
Kwun Tong	64,251	239,442	277,754	27%	23%	86%	9%	8%
Kwai Tsing	54,958	190,095	243,796	29%	23%	78%	7%	7%
Tsuen Wan	30,170	126,177	147,046	24%	21%	86%	5%	4%
Tuen Mun	62,253	102,177	248,923	61%	25%	41%	4%	7%
Yuen Long	58,448	100,732	219,444	58%	27%	46%	4%	6%
North	31,128	62,619	142,801	50%	22%	44%	2%	4%
Tai Po	29,626	64,642	154,897	46%	19%	42%	2%	5%
Sha Tin	67,098	152,995	328,387	44%	20%	47%	5%	10%
Sai Kung	23,787	62,774	172,962	38%	14%	36%	2%	5%
Islands*	13,522	71,528	49,925#	19%	27%	143%	3%	1%
Total	774,175	2,783,844	3,437,992	28%	23%	-	100%	100%

# The number of economic active persons living in the Islands district is 61 200 as at 2004 based on General Household Survey data.

@ Exclude persons working at home

\* Include marine population.

## Possible Criteria in Defining Remote Districts

While Yuen Long, Tuen Mun, Islands and the North districts are commonly recognized as the more remote districts, we need to consider whether other districts, e.g. in the New Territories should also be covered in the future. In considering the issue, we have drawn reference to a number of relatively more objective criteria -

- (i) ***Distance*** – Is district a sufficient criterion? An area not along the main transport nexus (e.g. in Sai Kung or Tai Po) can be more “remote” (involving more time and cost) than traveling from the North district or Tuen Mun.
- (ii) ***Balance of supply and demand for jobs in the locality*** – Annex C of this paper indicates that three of the four districts proposed have relatively few local job opportunities and a higher percentage of local residents working in the same district. However, the neighbouring districts e.g. Tai Po, Shatin and Sai Kung also share similar pattern.
- (iii) ***Unemployment rates & CSSA caseload*** – Appendix to this Annex illustrates that there are districts worse than the four selected in terms of unemployment rate, CSSA unemployment caseload and CSSA low-income caseload. To what extent do these reflect the relative needs of districts for strengthened employment assistance/work incentives?

2. From an equity point of view, any attempt to define needs with reference to “remoteness” is necessarily arbitrary. While the initial phase of any long term travel subsidy can start with a few selected districts, the possible future territorial expansion cannot be dismissed. This raises the merits of a more elaborate needs test based on commuting distance and even differentiated levels of support in accordance with the distance/cost involved.

**District Profile –Unemployment Rates and CSSA Able-bodied Caseload**

District	Unemployment Rate* (%)	(a) CSSA Low Earnings Cases@	(b) CSSA Unemployment Cases @	(c) Labour Force	(a)/(c) %	(b)/(c) %
Central and Western	4.0	143	529	132 700	0.1	0.4
Wan Chai	3.2	99	564	85 200	0.1	0.7
Eastern	5.1	795	1 457	313 900	0.3	0.5
Southern	4.5	507	420	150 200	0.3	0.3
Yau Tsim Mong	6.3	434	3 491	161 600	0.3	2.2
Sham Shui Po	8.4	1 308	4 451	179 400	0.7	2.5
Kowloon City	5.5	570	1 652	185 300	0.3	0.9
Wong Tai Sin	7.9	1807	2 850	209 200	0.9	1.4
Kwun Tong	8.0	2 342	4 183	279 300	0.8	1.5
Kwai Tsing	9.5	2 228	3 982	256 200	0.9	1.6
Tsuen Wan	5.7	455	1 195	148 700	0.3	0.8
Tuen Mun	8.4	909	3 567	270 500	0.3	1.3
Yuen Long	8.4	2 265	5 264	263 900	0.9	2
North	8.7	736	1 569	148 600	0.5	1.1
Tai Po	7.8	509	1 173	160 900	0.3	0.7
Sha Tin	6.9	1 173	2 035	335 000	0.4	0.6
Sai Kung	6.3	1 167	1 581	218 300	0.5	0.7
Islands	6.5	680	1 007	61 200	1.1	1.6
Total	7.0	18 138 <sup>^</sup>	40 995 <sup>^^</sup>	3 560 200	0.5	1.2

@ Source: Social Welfare Department (as at February 2006)

<sup>^</sup> There are 11 cases without information on geographical district.

<sup>^^</sup> There are 25 cases without information on geographical district.

\* Source: Compiled by Census and Statistics Department based on General Household Survey data (as at 2004 only)