

PROVISION AND MONITORING OF REHABUS SERVICES

Executive Summary

1. The objective of the Government's rehabilitation policy is to provide suitable support and necessary facilities to persons with disabilities (PWDs) to help them develop their potentials so that they can participate in various activities on an equal basis with others, thereby facilitating their full integration into society. To meet the transport needs of PWDs, Rehabus services are provided for those who are unable to use public transport services. Since 1980, Rehabus services have been subvented by the Government. There are three main types of Rehabus services, i.e. scheduled route service (SRS), dial-a-ride service (DAR) and feeder service. Since 1978, Rehabus services have been operated by Operator A. In June 2019, to allow Operator A to concentrate their resources on SRS and DAR, Operator B was engaged as the operator for feeder service. The Labour and Welfare Bureau is responsible for overseeing the overall policy of Rehabus services and the Transport Department (TD) is responsible for administering the Government subvention and monitoring of the provision of Rehabus services. A Memorandum of Understanding (MOU) was signed between TD and each of the two operators setting out the general principles and guidelines governing the role of the operators and the administrative arrangements for the Government. In 2022-23, the amounts of subvention provided to Operator A and Operator B were \$112 million and \$13 million respectively. As of December 2023, Operator A had 59 office staff and 243 bus captains, while Operator B had 6 office staff and 32 bus drivers. The Audit Commission (Audit) has recently conducted a review to examine the provision and monitoring of Rehabus services.

Monitoring of Rehabus operators and procurement of vehicles

2. *Need to ensure compliance with frequency of meetings.* According to MOUs and/or TD's Internal Guideline, each operator has to set up a Rehabus Management Committee (RMC) and a Users' Liaison Group (ULG). RMCs shall meet at least once every quarter whereas ULG of Operator A and Operator B shall meet every four and six months respectively. Audit examined the relevant records from 2021 to 2023 and found that both RMC and ULG of Operator B had only held one meeting during the period (paras. 2.4 and 2.5).

Executive Summary

3. ***Room for improvement in submitting financial documents.*** According to MOUs, the operators shall submit to TD an annual budget at least four months before the commencement date of the next financial year and a set of annual audited accounts not later than 31 July following the end of the financial year. Audit examination of the financial documents submitted by the operators in 2021-22 to 2023-24 revealed that:

- (a) there were delays by Operator B in submitting the annual budgets for 2022-23 and 2023-24 by 164 and 115 days respectively, as well as delays in submitting the annual audited accounts for 2020-21 and 2021-22 by 12.3 and 2 months respectively; and
- (b) not all the reporting details (e.g. salary scale of staff of Rehabus services) had been included in the annual budgets submitted by Operator A and Operator B (paras. 2.7 and 2.8).

4. ***Need to strengthen monitoring of Operator B.*** According to the Internal Guideline, TD and the senior management of the operators shall meet on a regular basis to discuss financial and operational issues of the Rehabus services. Audit noted that while Operator B was a relatively new non-governmental organisation established in April 2019, TD had held fewer regular meetings with Operator B than Operator A (i.e. 15 regular meetings with Operator B from 2021 to 2023 in comparison with 32 regular meetings with Operator A during the period) (para. 2.10).

5. ***Setting performance pledge.*** As stipulated in MOUs with Operator A (MOU A) and Operator B (MOU B), there were two performance pledges, namely the number of passenger trips for Rehabus services and the number of vehicles allocated for Rehabus services. The two performance pledges were reported in TD's Controlling Officer's Reports as performance indicators. According to the Guidelines issued by the Financial Services and the Treasury Bureau, when developing performance measures, performance targets should preferably be measured in terms of intended outcome (instead of output or input). To enhance transparency and accountability, TD needs to consider setting additional performance pledges (e.g. outcome targets) other than the two performance pledges (para. 2.11).

6. ***Room for improvement in vetting procurement proposals of vehicles.*** TD is responsible for arranging the procurement of vehicles with Rehabus operators for

Executive Summary

replacement and meeting additional passenger demand. From 2018-19 to 2022-23, 124 vehicles amounting to \$135.3 million were procured. According to the Internal Guideline, TD shall critically assess the justification and cost-effectiveness of procurement proposals submitted by the operators. Audit examination on the proposals submitted by the operators from 2021 to 2023 found that some relevant information, such as the utilisation of existing vehicles, had not been included in the proposals (paras. 2.14 and 2.16).

7. ***Need to ensure compliance with Procurement Guidelines.*** Audit examined the 6 procurement exercises conducted for 2020-21 to 2022-23 (4 related to Operator A and 2 related to Operator B) and found non-compliances with the Procurement Guidelines, for example:

- (a) for Operator A, while staff of its managerial grade were required as members of the Tender Opening Committee, one member of the Tender Opening Committee was a staff below managerial grade in 1 exercise. In addition, there was no documentary evidence showing that the tender reports of all the 4 procurement exercises had been endorsed by TD; and
- (b) for Operator B, the Tender Opening Committee only comprised 2 members instead of the requirement of 3 members in both exercises (para. 2.17).

Provision of scheduled route service and dial-a-ride service

8. ***Need to strengthen vetting of registration and renewal of Rehabus customers.*** Only a registered Rehabus customer can use Operator A's Rehabus services. To vet the eligibility of using Rehabus services, Operator A will review the relevant supporting documents when an application for registration as a Rehabus customer is received and upon renewal. However, Operator A has not laid down written guidelines setting out the vetting procedures. According to the requirement stipulated in MOU A, Operator A shall keep proper supporting documents up to seven years for inspection by the Government. Despite this, in view of privacy concern, Operator A would dispose of the supporting documents immediately after vetting was completed (paras. 3.2 and 3.3).

Executive Summary

9. ***Need to review the routings of existing SRS routes.*** SRS is a regular commuting service for work, school, training or rehabilitation operated on weekday morning and evening peak hours (para. 1.3). Audit analysed the patronage records from 2019 to 2023 and found that:

- (a) ***Decrease in numbers of SRS users and passenger trips.*** While the average monthly number of scheduled routes increased by 14% from 106 in 2019 to 121 in 2023, the average monthly number of enlisted SRS users decreased by 9% from 1,409 to 1,283 and the actual annual average passenger trips per route decreased by 30% from 4,139 to 2,912 during the period. Audit analysis revealed that of the 121 routes as of September 2023 (including 2 routes introduced in March 2023), 22 (18%) had a monthly average of 6 or less enlisted passengers from January to September 2023; and
- (b) ***Increase in number of applicants on SRS waiting list.*** As at 30 September 2023, there were 98 applicants (including carers) on SRS waiting list, of which 8 (8%) applicants (including 6 PWDs and 2 carers) had been on the waiting list for more than one year, whereas the longest waiting time was 22.7 months. Although three new routes had been introduced from August 2022 to December 2023, no service arrangements were offered to them (para. 3.7).

10. ***Need to take follow-up actions on enlisted SRS users not meeting trip usage requirements.*** An SRS user has to take at least five trips per week. According to Operator A, if the number of trips taken by a user is less than half of the trips arranged per week for 2 consecutive months without a reasonable explanation, Operator A will follow up with the relevant user. Audit analysed the summary of attendance records of the 1,279 SRS users as of September 2023 for the three-month period from September to November 2023 and found that:

- (a) there were 192 users taking less than half of the arranged trips in September and October 2023, of which 154 users had also taken less than half of the arranged trips in November 2023. However, there was no documentation showing that Operator A had duly followed up with them; and
- (b) there were 17 users not taking any trips for 3 consecutive months from September to November 2023. However, there were no documentation

Executive Summary

showing that Operator A had duly followed up with 7 of the 17 users (paras. 3.9 and 3.11).

11. ***Need to improve utilisation of vehicles deployed for providing point-to-point DAR.*** Point-to-point DAR is a pre-booked service provided to meet the irregular transport needs of PWDs. Audit analysis found that from 2019 to 2023, while the number of total orders received increased by 28% from 136,151 to 174,668, the number of rejected orders increased by 102% from 10,632 to 21,425. Notwithstanding the increase in number of rejected orders, Audit noted that the average number of spare vehicles on weekdays (except public holidays) (i.e. when the passenger demand was often concentrated) ranged from 9 to 42 from 2019 to 2023 (paras. 1.3, 3.15 and 3.16).

12. ***Need to investigate “Large group” passenger bookings for point-to-point DAR with actual number of passengers not meeting the required number for making the bookings.*** Point-to-point DAR is provided on a first-come-first-served basis. According to the booking procedures of Operator A, “Large group” (5 or more) passengers can make bookings up to 12 months in advance while “Small group” (4 or less) passengers can only make bookings up to 3 months in advance. Audit analysed point-to-point DAR orders completed from 1 January to 30 September 2023 and found that 6,976 (25%) (involving 233 users) of the 27,807 “Large group” passenger bookings turned out to be with only 4 or less passengers. Furthermore, in 2,088 (30%) of the 6,976 bookings (involving 110 users), only 1 to 2 passengers took the trip. According to Operator A, despite that there was a handling mechanism for following up with users of which the actual number of passengers not meeting the required number for making “Large group” passenger bookings, it was not in force due to insufficient manpower (paras. 3.20 to 3.22).

13. ***Need to review the practicability of setting limit on the maximum number of carers in point-to-point DAR bookings.*** There is no limit set on the maximum number of accompanying carers to a PWD for a point-to-point DAR booking. Audit analysis on the records of completed point-to-point DAR orders from 1 January to 30 September 2023 found that 2,201 (2%) of the 88,852 orders were with at least 3 carers accompanying each PWD. In particular, in 338 (0.4% of 88,852) orders, there were 5 or more carers accompanying each PWD. In three extreme cases, a PWD was accompanied by 12 carers in each case (para. 3.23).

Executive Summary

14. *Need to review pooled dial-a-ride service (PDAR) routes with low patronage.* PDAR is a shared-ride return trip service provided on a weekly basis for taking PWDs (especially those living in boarding facilities and hostels) to and from schools or hostels. A minimum of 4 PWDs is required for each PDAR route. Audit analysed the number of enlisted PWDs of the 40 PDAR routes as of December 2023 and found that 18 (45%) were enlisted with less than 4 PWDs, with 7 of the 18 routes enlisted with only 1 or 2 PWDs. Audit examined the passenger records for 2023 of the 7 PDAR routes and found that 6 routes had less than 4 PWDs enlisted for more than 3 consecutive months. However, there was no documentary evidence showing the justifications for retaining the routes (paras. 1.3, 3.25 and 3.26).

15. *Need to expedite the implementation of new integrated computer system.* According to Operator A, the systems and programmes to handle different functions and tasks are not fully integrated and cannot be modified to cater for the needs of operations. In order to improve the efficiency and convenience to users, in 2017, Operator A proposed to develop a new integrated computer system to replace its Rehabus services operating systems and programmes. The contract for the new system was awarded at about \$9 million in 2019 and the system was originally scheduled to be completed by January 2023. However, there was delay (2.5 years behind the original schedule according to the latest schedule) in system implementation (paras. 3.31 to 3.33).

Provision of feeder service

16. *Need to expedite service performance review on hospital routes with low patronage.* Hospital routes of the feeder service operate to and from hospitals, clinics and railway stations, normally from Monday to Friday (except public holidays). Audit analysed the number of vehicle trips and passenger trips served by hospital routes and found that in 2023, the average passenger trips per vehicle trip for 3 of the 12 routes were less than 1. In particular, 80% or more of the vehicle trips of these 3 routes were without passengers (paras. 4.2 and 4.3).

17. *Low patronage of some recreational routes.* Recreational routes of the feeder service operate at weekends and on public holidays to and from local tourist attractions. Advance booking is required. Audit analysed the number of bookings, vehicle trips and passenger trips served by the 5 recreational routes in 2023 and found that of the total 195 bookings served, while 141 bookings (72%) had been served for

Executive Summary

Lantau Island Route (with 906 passenger trips), only 54 bookings (28%) had been served in total for the remaining 4 routes (with 196 passenger trips in total) (paras. 4.2 and 4.5).

18. ***Need to expedite the implementation of improvement measures included in MOU B.*** In response to TD's Invitation for Proposal exercise, in December 2021, Operator B had submitted in its proposal some service improvement measures, which were also included in MOU B. Audit noted that some of the improvement measures, including the analysis and forecasting of demand and travelling needs of passengers, revamping of the mobile application and development of multi-purpose bus, had not been implemented as of December 2023 (para. 4.9).

19. ***Need to separately account for costs incurred in self-financing activities and subvented activities by Operator B.*** Apart from the subvented Rehabus feeder service, Operator B operates other self-financing activities providing customised accessible transportation services for non-profit making purpose. Before June 2023, pending cost apportionment, costs incurred in self-financing activities would firstly be charged to the subvented account and reimbursed from the self-financing account afterwards. In July 2023, TD commented that the situation was improper from auditing and monitoring points of view and requested Operator B to cease the cost reimbursement arrangement immediately. Audit notes that while the accounting and payment arrangements of direct costs incurred (including drivers' salary, fuel expense and tunnel toll) in the self-financing activities and the provision of feeder service have been agreed between TD and Operator B, the arrangements of indirect costs incurred, such as office rental, office staff costs have not been discussed (paras. 4.11 and 4.12).

20. ***Need to set up separate bank account for keeping accumulated reserve.*** According to MOU B, Operator B is required to place surpluses into a reserve and the accumulated reserve must be kept in a separate interest-bearing account with a licensed bank. However, up to December 2023, no designated bank account had been set up for keeping the accumulated reserve separately (para. 4.14).

Executive Summary

Audit recommendations

21. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that the Commissioner for Transport should:**

Monitoring of Rehabus operators and procurement of vehicles

- (a) **take measures to ensure that the meeting frequencies of RMC and ULG comply with the stipulated requirements (para. 2.12(a));**
- (b) **take measures to ensure that the annual budgets and annual audited accounts with reporting details set out in MOUs are timely submitted by Rehabus operators (para. 2.12(b));**
- (c) **strengthen TD's monitoring on the performance of Operator B, for example, by increasing the frequency of regular meetings (para. 2.12(c));**
- (d) **consider setting additional performance pledges in MOUs for enhancing TD's monitoring on the operators' performance (para. 2.12(d));**
- (e) **in arranging the procurement of vehicles for Rehabus services, require the Rehabus operators to provide additional relevant information in the procurement proposals for TD's assessment and take measures to ensure that the Procurement Guidelines are complied with (para. 2.19(a));**

Provision of SRS and DAR

- (f) **step up the oversight of Operator A in strengthening the vetting of the registration and renewal of Rehabus customers (e.g. laying down written guidelines on the vetting procedures and reviewing the retention periods of the supporting documents) (para. 3.5);**
- (g) **closely monitor the operation of SRS and require Operator A to review the routings of its existing routes and take follow-up actions on the**

Executive Summary

enlisted SRS users not meeting the trip usage requirements (para. 3.12(a) and (b));

- (h) **closely monitor the operation of DAR and require Operator A to take the following improvement measures:**
 - (i) **addressing the increasing demand for point-to-point DAR through enhancing the utilisation of vehicles (para. 3.27(a)(i));**
 - (ii) **investigating “Large group” passenger bookings for point-to-point DAR with actual number of passengers not meeting the required number for making the bookings and taking measures to address the irregularities (para. 3.27(b));**
 - (iii) **reviewing the practicability of setting a limit on the maximum number of carers allowed to accompany a PWD in using point-to-point DAR taking into account the views of stakeholders (para. 3.27(c)); and**
 - (iv) **reviewing PDAR routes with low patronage (para. 3.27(d));**
- (i) **closely monitor the progress of the new integrated computer system under development by Operator A with its contractor (para. 3.34(b)); and**

Provision of feeder service

- (j) **require Operator B to:**
 - (i) **expeditiously complete the service performance review on hospital routes with low patronage and draw up improvement measures as appropriate (para. 4.7(a));**
 - (ii) **take measures to improve the patronage of recreational routes with low utilisation (para. 4.7(b));**

Executive Summary

- (iii) **expedite the implementation of the service improvement measures included in MOU B as far as practicable (para. 4.15(a));**
- (iv) **strengthen measures to ensure that the costs (direct or indirect) of subvented activities and self-financing activities are separately accounted for and paid under different bank accounts as far as practicable (para. 4.15(c)); and**
- (v) **set up a designated interest-bearing bank account for keeping the accumulated reserve separately (para. 4.15(d)).**

Response from the Government

22. The Commissioner for Transport agrees with the audit recommendations.