

ITEM FOR FINANCE COMMITTEE

**HEAD 144 – GOVERNMENT SECRETARIAT :
CONSTITUTIONAL AFFAIRS BUREAU**

Subhead 000 Operational expenses

**HEAD 96 – GOVERNMENT SECRETARIAT :
OVERSEAS ECONOMIC AND TRADE OFFICES**

Subhead 000 Operational expenses

Members are invited to approve –

- (a) the rates of Rent Allowance payable to officers posted to the Hong Kong Economic and Trade Offices in Shanghai, Chengdu, Berlin and the head of the Hong Kong Economic and Trade Office in London;
- (b) the delegation of authority to the Secretary for Constitutional Affairs to approve future revisions to the rates of the Rent Allowance for the Hong Kong Economic and Trade Offices in Shanghai and Chengdu in accordance with the proposed mechanism; and
- (c) the delegation of authority to the Secretary for Commerce, Industry and Technology to approve future revisions to the rates of the Rent Allowance for the Hong Kong Economic and Trade Office in Berlin and the head of the Hong Kong Economic and Trade Office in London in accordance with the proposed mechanism.

/PROBLEM

PROBLEM

We need to determine the rates of Rent Allowance (RA) for officers posted to the new Hong Kong Economic and Trade Offices (ETOs) in Shanghai, Chengdu and Berlin and the re-ranked head of the ETO in London.

PROPOSAL

2. We propose to –

- (a) pay RA, at the rates recommended in paragraph 5 below, to officers posted to the Mainland ETOs in Shanghai and Chengdu, the overseas ETO in Berlin, as well as the head of the ETO in London;
- (b) delegate to the Secretary for Constitutional Affairs (SCA) the authority to approve future revisions to the RA rates payable to officers posted to the ETOs in Shanghai and Chengdu in accordance with the mechanism set out in paragraph 6 below; and
- (c) delegate to the Secretary for Commerce, Industry and Technology (SCIT) the authority to approve future revisions to the RA rates payable to officers posted to the ETO in Berlin and the head of the ETO in London in accordance with the mechanism set out in paragraph 6 below.

JUSTIFICATION

3. Under the existing arrangements, all Hong Kong-based officers posted to ETOs are subject to the terms and conditions of services applicable to officers posted outside Hong Kong. Eligible officers will receive a RA, which is payable on a reimbursement basis and in the local currency of the city where the ETO is located, to assist them to rent accommodation in the city of posting. The RA rates represent the ceiling for reimbursement of the accommodation expenses.

/4.

4. With the imminent establishment of the three new ETOs in Shanghai, Chengdu and Berlin in the second half of 2006, and the adjustment in the ranking of the post of the Director-General, Hong Kong Economic and Trade Affairs, London (DGL) from Administrative Officer Staff Grade A (D6) to Administrative Officer Staff Grade B (AOSGB) (D3) level to take effect from 1 July 2006, we need to determine the RA rates applicable to officers posted to the three new ETOs and the head of the re-structured London ETO as there are no suitable RA rates for a D3 officer. Currently, the head of the ETO in London is provided with an official residence. We have plans to dispose of the property.

5. In compiling the proposed RA rates, we have taken into account the ranking and family status of officers, relevant findings of accommodation surveys, accommodation standards in the host cities, information on the prevailing rentals of residential accommodation in appropriate areas normally taken up by expatriate executive/managerial personnel, and input from an independent consultant. The proposed RA rates for the officers to be posted to the two new Mainland ETOs in Shanghai and Chengdu are set out at Enclosure 1. The proposed RA rates for the officers to be posted to the Berlin ETO and for the re-ranked DGL are set out at Enclosure 2.

Encl. 1

Encl. 2

6. We propose to adjust the RA rates for officers posted to the three new ETOs in Shanghai, Chengdu and Berlin and for DGL periodically with reference to the rental movements of relevant residential accommodation in Shanghai, Chengdu, Berlin and London. We further propose that the authority to approve such revisions in future be delegated from the Finance Committee (FC) to SCA and SCIT for ETOs under their respective purview.

FINANCIAL IMPLICATIONS

7. Based on the proposed RA rates for officers posted to the three new ETOs in Shanghai, Chengdu and Berlin and for the re-ranked DGL in London ETO, the net additional recurrent costs on RA are estimated at \$2.8 million for Head 144 – Government Secretariat: Constitutional Affairs Bureau and \$1.43 million for Head 96 – Government Secretariat: Overseas Economic and Trade Offices annually. We have sufficient provision in the 2006-07 Estimates of the respective Heads of Expenditure to meet the above costs.

/CONSULTATION

CONSULTATION WITH LEGISLATIVE COUNCIL PANEL

8. We consulted the Legislative Council Panel on Commerce and Industry on 16 May 2006. The Panel expressed support for the proposal as set out in paragraph 2 above.

BACKGROUND

9. On 13 January 2006, after considering EC(2005-06)7, FC approved the establishment of two new Mainland ETOs in Shanghai and Chengdu to strengthen the HKSAR's representation in Mainland as proposed by SCA. On 19 May 2006, after considering EC(2006-07)1, FC approved the establishment of a new overseas ETO in Berlin and the re-organisation of the ETOs in Europe to strengthen the HKSAR's representation in Europe as proposed by SCIT. The latter proposal entails a re-structuring of the London ETO, resulting in the adjustment in the ranking of the DGL post to AOSGB (D3) level.

Constitutional Affairs Bureau
Commerce, Industry and Technology Bureau
June 2006

Enclosure 1 to FCR(2006-07)15

**Proposed Rent Allowance for Hong Kong-based Officers
Posted to the ETOs in Shanghai and Chengdu**

ETO	Rank	No. of posts	Rates of Allowance per month	
			Single/Married*	Family [#]
Shanghai	AOSGB (D3)	1	RMB¥33,000 (HK\$31,928)	RMB¥41,000 (HK\$39,669)
	SAO/PTO or ranks with equivalent pay scales (MPS 45-49)	2	RMB¥22,000 (HK\$21,286)	RMB¥27,000 (HK\$26,123)
	TO/SIO/EO I or ranks with equivalent pay scales (MPS 44 and below)	4	RMB¥16,000 (HK\$15,480)	RMB¥20,000 (HK\$19,351)
Chengdu	AOSGC (D2)	1	RMB¥20,000 (HK\$19,351)	RMB¥27,000 (HK\$26,123)
	SAO or ranks with equivalent pay scales (MPS 45-49)	1	RMB¥13,000 (HK\$12,578)	RMB¥18,000 (HK\$17,415)
	TO/SIO/EO I or ranks with equivalent pay scales (MPS 44 and below)	4	RMB¥10,000 (HK\$9,675)	RMB¥12,000 (HK\$11,610)

Notes –

The proposed Rent Allowance (RA) rates are determined having regard to the typical rentals of residential units for different ranks of executives of foreign companies in Shanghai and Chengdu. The RA rates for the heads of the ETOs are set with reference to the typical rentals for the chief representatives of foreign companies, while the RA rates for the section heads and supporting executives are set with reference to the rentals for the senior to middle management staff. For Shanghai, the typical monthly rentals of residential units for the chief representatives of foreign companies on average range from RMB¥33,000 to RMB¥41,000. For middle to senior management staff, the rentals range from RMB¥16,000 to RMB¥27,000. As for Chengdu, the typical monthly rentals of residential units for the chief representatives of foreign companies on average range from RMB¥20,000 to RMB¥27,000. For middle to senior management staff, the rentals range from RMB¥10,000 to RMB¥18,000.

Legend –

AOSGB	– Administrative Officer Staff Grade B	TO	– Trade Officer
AOSGC	– Administrative Officer Staff Grade C	SIO	– Senior Information Officer
SAO	– Senior Administrative Officer	EO I	– Executive Officer I
PTO	– Principal Trade Officer	MPS	– Master Pay Scale

* Single/Married – Single officers/ Officers accompanied by spouses
 # Family – Officers accompanied by spouses and children

(Exchange rate as of 2.5.2006 is used)

Enclosure 2 to FCR(2006-07)15

**Proposed Rent Allowance for Hong Kong-based Officers
Posted to the ETO in Berlin and Head of the ETO in London**

ETO	Rank	No. of posts	Rates of Allowance per month	
			Single/Married*	Family [#]
Berlin	AOSGC (D2)	1	EUR2,700 (HK\$26,305)	EUR2,900 (HK\$28,254)
	SAO or ranks with equivalent pay scales (MPS 45-49)	1	EUR1,900 (HK\$18,511)	EUR2,100 (HK\$20,460)
	TO/EO I or ranks with equivalent pay scales (MPS 44 and below)	2	EUR1,500 (HK\$14,614)	EUR1,700 (HK\$16,563)
London	AOSGB (D3)	1	GBP2,750 (HK\$38,871)	GBP3,100 (HK\$43,819)

Notes –

The proposed Rent Allowance (RA) rates are determined having regard to the typical rentals of residential units for different ranks of executives of foreign companies in Berlin and London. The RA rates for the heads of the ETOs are set with reference to the rentals for the chief representatives of foreign companies, while the RA rates for section heads and supporting executives are set with reference to the rentals for the senior to middle management staff. For Berlin, the typical monthly rentals of residential units for the chief representatives of foreign companies on average range from EUR2,700 to EUR2,900. For middle to senior management staff, the rentals range from EUR1,500 to EUR2,100. As for London, the typical monthly rentals of residential units for the chief representatives of foreign companies on average range from GBP2,750 to GBP3,100.

Legend –

AOSGB – Administrative Officer Staff Grade B
AOSGC – Administrative Officer Staff Grade C
SAO – Senior Administrative Officer
TO – Trade Officer
EO I – Executive Officer I
MPS – Master Pay Scale

* Single/Married – Single officers/ Officers accompanied by spouses

Family – Officers accompanied by spouses and children

(Exchange rate as of 2.5.2006 is used)
