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Panel on Commerce and Industry

Meeting on 20 December 2011

**Background brief on
rent allowance for officers posted outside Hong Kong**

Purpose

This paper summarizes previous discussions by the Panel on Commerce and Industry (the Panel) on issues relating to rent allowance (RA) for officers posted outside Hong Kong.

Background

2. Under the existing arrangements, all Hong Kong-based officers posted/seconded outside Hong Kong are subject to the terms and conditions of services applicable to officers posted outside Hong Kong. Eligible officers will receive an RA payable on a reimbursement basis to assist them to rent accommodation in the city of posting. The RA rates represent the ceiling for reimbursement of the accommodation expenses, which include rent, furniture rental and other mandatory charges such as management fees, tax and service charges where applicable. Utility costs like electricity, water and gas will not be reimbursable.

Discussions by the Panel on Commerce and Industry

3. At the Panel meeting on 21 June 2011, the Administration briefed members on the outcome of the review of the RA mechanism, and the Administration's proposal to rationalize the system for RA payable to officers posted to overseas Economic and Trade Offices (ETOs) under the Commerce and Economic Development Bureau (CEDB) and secondments to overseas organizations.

4. Panel members noted that in the past, the basis for determining RA rates varied amongst different locations. In the absence of a consistent adjustment mechanism, RA rates for many cities of posting/secondment had fallen out of step with changes in the rental market. Moreover, the structure of RA rates differed amongst different cities of posting/secondment. Some cities had one rate for officers of different family status while others had two or three tiers of rate. In addition, in some offices, the same rate applied to officers at Directorate Pay Scale point 2 and point 3 levels, while in other offices different rates applied. The Administration therefore considered that there was merit to devise a system to determine RA rates for overseas ETOs and secondments to overseas organizations in a consistent and objective manner.

5. Panel members also noted that CEDB had engaged a reputable consultant, whose rental data had been used by other governments and many large international companies and organizations, to conduct a study on the mechanism for determining RA rates. Having regard to the recommendations of the consultancy study, the Administration proposed to adopt a system as described below for determining RA rates –

- (a) a set of objective standards was used as the basis for drawing up RA rates which covered all the ranks in the civil service;
- (b) the rates of allowance covered rent, furniture rental and other mandatory charges such as management fees, tax and service charges where applicable;
- (c) different rates of allowance were set for officers at five different levels. For each level, two different rates of allowance, viz. single/married and family, were set for officers at different ranks on the basis of validated residential property rental data to cater for different family circumstances;
- (d) the rate of allowance was discrete for each level of seniority, i.e. the family rate of a rank did not exceed the single/married rate of a more senior level; and
- (e) having taken into account the representational role of the various Heads of ETOs who were required to host functions at home from time to time, an uplift factor of 15% to their RA rates was included.

6. The Panel supported in principle the proposed RA system and the proposed RA rates which would be effective from 1 August 2011. Panel members noted that to avoid undue hardship to those serving officers on their

current tour who had already engaged their accommodation in the cities of posting/secondment, the Administration proposed to grandfather their existing RA entitlement covering their existing tenancy agreement in the case where the RA rates had been reduced. The new rates would only apply when the officers moved from one residence to another. The proposed RA system was approved by the Finance Committee (FC) on 18 July 2011.

7. At the Panel meeting on 18 October 2011, the Administration briefed members on the proposed detailed arrangements for the establishment of the Hong Kong Economic, Trade and Cultural Office in Taiwan (HKETCO), including the creation of a directorate post to head the HKETCO and the proposed rates of RA payable to officers to be posted to the HKETCO. The proposed RA rates are set out in the **Appendix**. Members noted that the Administration would set up the HKETCO within 2011 to promote multi-faceted and multi-level exchanges between Hong Kong and Taiwan. The functions of the HKETCO would be similar to that of the ETOs in the Mainland. The Panel supported in principle the creation of a permanent directorate post to head the HKETCO and the proposed RA rates. The proposals were approved by FC on 18 November 2011.

Latest position

8. The Administration will brief the Panel on 20 December 2011 on the review of the rent allowance mechanism conducted by the Constitutional and Mainland Affairs Bureau, and seek members' support for a proposal to rationalize the current system for rent allowance payable to officers posted to the Mainland and Taiwan.

Relevant papers

Administration's paper on Rent Allowance and Exchange Compensation Allowance for officers posted outside Hong Kong for the Commerce and Industry Panel meeting on 21 June 2011

<http://www.legco.gov.hk/yr10-11/english/panels/ci/papers/ci0621cb1-2481-3-e.pdf>

Minutes of the Commerce and Industry Panel meeting on 21 June 2011

<http://www.legco.gov.hk/yr10-11/english/panels/ci/minutes/ci20110621.pdf>

Administration's paper for the Finance Committee meeting on 18 July 2011: FCR(2011-12)45

<http://www.legco.gov.hk/yr10-11/english/fc/fc/papers/f11-45e.pdf>

Administration's paper on establishment of the Hong Kong Economic, Trade and Cultural Office in Taiwan for the Commerce and Industry Panel meeting on 18 October 2011

<http://www.legco.gov.hk/yr11-12/english/panels/ci/papers/ci1018cb1-37-5-e.pdf>

Background brief prepared by the Legislative Council Secretariat for the Commerce and Industry Panel meeting on 18 October 2011

<http://www.legco.gov.hk/yr11-12/english/panels/ci/papers/ci1018cb1-37-6-e.pdf>

Administration's paper for the Finance Committee meeting on 18 November 2011: FCR(2011-12)50

<http://www.legco.gov.hk/yr11-12/english/fc/fc/papers/f11-50e.pdf>

Council Business Division 1
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**Proposed Rent Allowance for
Hong Kong-based Officers posted to the HKETCO¹**

Rank	No. of Posts	Family size	Total rental allowance ² (New Taiwan Dollars)
AOSGB1 (D4) ³	1	Single/married	219,900
		Family	255,000
AOSGB (D3)		Single/married	154,100
		Family	198,800
SAO/PTO or ranks with equivalent pay scales (MPS 45-49)	2	Single/married	97,300
		Family	148,100
TO/SIO/EOI or ranks with equivalent pay scales (MPS 28-44)	4	Single/married	62,000
		Family	70,100
PSI or ranks with equivalent pay scales (MPS 27 and below)	1	Single/married	44,100
		Family	56,200

Legend –

AOSGB1	-	Administrative Office Staff Grade B1
AOSGB	-	Administrative Office Staff Grade B
SAO	-	Senior Administrative Officer
PTO	-	Principal Trade Officer
TO	-	Trade Officer
SIO	-	Senior Information Officer
EO I	-	Executive Officer I
PS I	-	Personal Secretary I
MPS	-	Master Pay Scale

Notes:

- ¹ The proposed RA rates are determined having regard to the policies and broad standards of accommodation provided by major Hong Kong organisations and multi-national corporations for their expatriate executive/managerial personnel of comparable levels in Taipei, and the results of accommodation surveys conducted by the independent consultant engaged by the Government.
- ² The proposed Rent Allowance (RA) rates for officers posted to the HKETCO are in New Taiwan Dollars. These rates cover rent, furniture rental and other mandatory charges such as service charges, management and car parking fees. For reference, the exchange rate between New Taiwan dollars and Hong Kong dollars as at 10 October 2011 is NTD100=HK\$25.63.
- ³ The HKETCO is proposed to be headed by an AOSGB (D3) officer. The proposed RA rates for AOSGB1 (D4) will only be invoked when an AOSGB1 (D4) officer is posted to the HKETCO under the flexi-ranking system.

Source: Administration's paper on establishment of the Hong Kong Economic, Trade and Cultural Office in Taiwan for the Commerce and Industry Panel meeting on 18 October 2011 (LC Paper No. CB(1)37/11-12(05)).