

## **ITEM FOR FINANCE COMMITTEE**

### **VARIOUS HEADS OF EXPENDITURE Subhead 149 General departmental expenses**

Members are invited to approve with effect from  
1 April 2000 -

- (a) the introduction of a Supplementary Travel Allowance in lieu of the provision of Home-to-Office Travelling Expenses and Home-to-Office Mileage Allowance;
- (b) the initial rates of the Supplementary Travel Allowance and its future revision mechanism;
- (c) the initial rate of the “no-claim” limit for those who are allowed reimbursement of the actual travelling expenses for home-office journeys and its revision mechanism; and
- (d) delegation of authority to the Secretary for the Treasury to approve future revisions to the rates of the Supplementary Travel Allowance and “no-claim” limit in accordance with the approved revision mechanism.

### **PROBLEM**

The existing arrangements for providing home-to-office travel subsidy to eligible civil servants are outdated and should be modernised.

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**PROPOSAL**

2. The Secretary for the Civil Service proposes -
  - (a) to replace the current arrangement of providing reimbursement of home-to-office travelling expenses (HOTE) and home-to-office mileage allowance (HOMA) for staff who are posted to work in the New Territories (NT) with a non-accountable Supplementary Travel Allowance (STA) for those who are posted to work in offices in relatively inaccessible locations or in locations to which the cost of travel is high;
  - (b) to set the initial rates of the STA as follows -
    - (i) \$29 per return journey for staff working in the outlying islands (including Lantau Island); and
    - (ii) \$9.2 per return journey for staff working in the border areas or other less accessible areas;
  - (c) to set the initial rate of a “no-claim” limit for those who are allowed reimbursement of the actual travelling expenses for home-office journeys at \$22.4 per return journey; and
  - (d) to delegate to the Secretary for the Treasury the authority to approve future revisions to the rates of STA in (b) and the “no-claim” limit in (c) above on 1 April every year according to fare changes in the relevant modes of public transport as measured by the year-on-year change in such fares within the Composite Consumer Price Index (CCPI) for the 12-month period ending February of the year.

**JUSTIFICATION**

3. Reimbursement of HOTE was introduced in the 1950s when the NT was relatively undeveloped and transportation to and within the area inadequate. Staff who were posted to NT offices were compensated for the higher travelling expenses incurred. Payment of HOTE was based on the “cheapest route” minus a “no-claim” limit. Officers entitled to claim HOTE may alternatively claim HOMA if they are authorised to drive their private vehicles for duty purposes. With the urbanisation of Hong Kong and improvement in transportation network in the past decades, the existing system for payment of HOTE/HOMA is outdated.

4. We recognise that civil servants, unlike private sector employees who normally choose and know their place of work before accepting appointment, have relatively little control over their actual place of work. Hence, to overcome

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staff posting problems, there is a need to provide a reasonable travel subsidy to those required to work in offices in relatively inaccessible locations or in locations to which the cost of travel is high.

### **Proposed Arrangements**

5. We propose to categorise these offices into two groups: the outlying islands (including Lantau Island) group, and the border and miscellaneous group. These two groups of offices will form the “designated offices” for the purpose of STA payment.

6. The travel subsidy should only cover the average cost of the “additional” travelling expenses between the “designated offices” and their nearest commuter centres. This is based on the principle that an officer’s place of residence is normally a matter of his own choice and that he is basically expected to travel at his own expense to work. Based on an analysis of the travelling costs to the various “designated offices” from the nearest commuter centres, we propose to set a rate of \$29 per return journey for the outlying islands group and another rate of \$9.2 per return journey for the border and miscellaneous group. Details on the calculation of the proposed STA rates are set out in the Enclosure.

Encl.

7. Under the proposed arrangement, staff residing in the same region as the “designated offices” and those provided with transport at government expenses will not be eligible for the STA.

8. We also propose that where officers, irrespective of whether they work in the designated offices, have to claim reimbursement of actual travelling expenses for home-office journeys (for example, for taking taxis when other means of public transport is not available), they will be required to bear a “no-claim” limit, initially set at \$22.4 per return journey. This limit, according to the result of a staff survey conducted in 1998, represents the average travelling expenses for a home-office journey borne by an officer. Details of the survey are summarised in paragraph 14 below.

9. The levels of STA and the “no-claim” limit in paragraphs 6 and 8 above will be adjusted annually on 1 April according to changes in the relevant modes of public transport as reflected in the CCPI for the 12-month period ending February of the year. We shall review the list of “designated offices” and boundary of regions for payment of STA on a regular basis, taking into account changes such as the availability of new public transport services and/or new

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government offices. We shall also conduct an overall review of the rates and “no-claim” limit every five years, taking into account overall changes in public transport modes and the general expenditure pattern on home-office journeys.

10. Subject to Members’ approval, we shall implement the above arrangements with effect from 1 April 2000.

### **Delegation of Authority**

11. We propose that Members delegate to the Secretary for the Treasury the authority to revise the levels of STA rates for officers working in the “designated offices” and the “no-claim” limit annually on 1 April in accordance with changes in the relevant modes of public transport within the CCPI.

### **FINANCIAL IMPLICATIONS**

12. We expect that the implementation of the proposed STA in lieu of the existing HOTE and HOMA will achieve immediate savings estimated at \$35 million per annum.

### **BACKGROUND INFORMATION**

13. Officers working in the NT offices are currently eligible for reimbursement of travelling expenses for their daily home-office journeys. The amount to be reimbursed is based on the cheapest route between their home and office minus a “no-claim” limit which was designed to reflect only the average home-office bus fares borne by an officer residing and working within the “urban” areas. The current rate is \$11.4 per return journey. Concerned officers who are authorised to drive their private vehicles for duty purposes and eligible for reimbursement of home-office travelling expenses may claim HOMA in respect of home-office journeys in excess of 24 kilometres (km) per return journey. According to a formula approved by the Finance Committee on 13 July 1990, the current HOMA rate is \$2.44 per km.

14. We conducted a staff survey on home-to-office journeys in 1998. The survey covered 5% of the total civil service strength distributed in various departments. Among the 7 300 valid questionnaires received, 634 cases concerned officers travelling from the urban area to the NT, which is only about 25% of the 2 277 cases travelling from the NT to the urban area. The survey reveals that the average travelling expenses for each return home-office journey is \$22.4.

15. The Director of Audit in its Report No. 33 recommended that the Administration should critically review the rationale for the provision of travelling subsidy to home-office journeys and revise the eligibility criteria and the level of no-claim limit. The Director also recommended that the provision of HOMA should be abolished.

16. We have consulted the Staff Sides Central Councils and the advisory bodies on civil service pay and conditions of service on the proposed changes to the eligibility criteria and arrangements for provision of home-office travel subsidy. They support the proposals.

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Civil Service Bureau  
March 2000

### Calculation of Rates of Supplementary Travel Allowance (STA)

#### (A) Outlying Islands Group (including Landau Island)

Region	Establishment	Number of eligible claimants*	Average fare <sup>@</sup> (single journey)	Sub-total fares
Airport	4 147	3 338	\$16.50	\$55,077.00
Islands	4 416	2 675	\$12.10	\$32,367.50
<b>Total</b>	<b>8 563</b>	<b>6 013</b>		<b>\$87,444.50</b>

Weighted average fare (single journey) = total fares / total number of eligible claimants  
 = \$87,444.50 / 6 013  
 = \$14.5

STA rate (single journey) = **\$14.5**

STA rate (return journey) = **\$29.0**

#### (B) Border and Miscellaneous Group

Region	Establishment	Number of eligible claimants*	Average fare <sup>@</sup> (single journey)	Sub-total fares
Border	3 079	1 366	\$4.23	\$5,778.18
Hong Kong	2 030	1 219	\$5.38	\$6,558.22
Kowloon	109	49	\$4.40	\$215.60
Sai Kung	225	31	\$3.97	\$123.07
New Territories East	479	301	\$4.45	\$1,339.45
New Territories West	979	573	\$3.94	\$2,257.62
<b>Total</b>	<b>6 901</b>	<b>3 539</b>		<b>\$16,272.14</b>

Weighted average fare (single journey) = total fares / total number of eligible claimants  
 = \$16,272.14 / 3 539  
 = \$4.6

STA rate (single journey) = **\$4.6**

STA rate (return journey) = **\$9.2**

Notes :

- \* The number of eligible claimants is derived by deducting from the establishment of the office -
- the estimated number of officers being provided with transport at government expenses<sup>#</sup>; and
  - the estimated number of officers residing in the same region of the designated office.

@ Average fare from the nearest commuter centres to designated offices.

# An officer will still be eligible for STA if the pick-up/drop-off point of the government transport is at a location designed for payment of STA.