

**Legislative Council
Panel on Public Service
Meeting on 21 February 2000**

Review of Provision of Home-to-Office Travelling Subsidy

PURPOSE

This paper serves to inform Members of the outcome of the Administration's recent review of the home-to-office travel allowance.

HOME-TO-OFFICE TRAVELLING SUBSIDY

Background

2. Reimbursement of Home-to-Office Travelling Expenses (HOTE) was introduced in the 1950's when the New Territories (NT) were 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 (currently at \$11.4 per return journey - which is intended to reflect the average home-office bus fares borne by an officer residing and working within the "urban" areas). Such officers may alternatively claim Home-to-Office Mileage Allowance (HOMA) (currently at \$2.44 per km - this is calculated according to a formula approved by the Finance Committee on 13 July 1990) 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, we have conducted several reviews of the system and have now come to the view that changes are necessary and appropriate.

3. In the private sector, it is not common to reimburse the cost of travel between an employee's home and workplaces. Where the workplace is not readily accessible by public transport, companies may provide employees with free transport to and from pick-up points.

Recent Developments

4. We conducted a staff survey on home-to-office journeys in the first half of 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 1/4 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 with the largest group of respondents spending \$18.0 - \$18.9.

Assessment

5. We are of the opinion that the existing system which is based simply on the NT criterion for payment of HOTE/HOMA is outdated, not least because of vast improvements in public transport in most areas. On the other hand, 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 staff posting problems, there is a need to provide a reasonable travel subsidy to those required to work in offices located in relatively inaccessible locations or in locations to which the cost of travel is high.

Proposed arrangements for provision of home-office travelling subsidy

6. 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, it is considered that any travel subsidy to be paid to staff should only cover the cost of any "additional" travelling cost between the main transportation centres and offices in less accessible areas. Accordingly, we propose the following arrangements -

- (a) A new Supplementary Travel Allowance (STA) should be introduced to replace HOTE and HOMA.
- (b) Staff who are posted to work in relatively inaccessible locations or in locations to which the cost of travel is high will be eligible for payment of the STA. The offices in these locations will form the "designated offices" which will be categorised into two groups: the outlying islands (including Lantau Island) group, and the border and miscellaneous group. The list of "designated offices" will be reviewed on a regular basis taking into account changes such as introduction of new public transport routes and setting up of new offices.
- (c) Staff who reside in the same region as the "designated offices" will not be eligible for STA. The regions classification (which shall broadly include Hong Kong, Kowloon, Sai Kung, New Territories East, New Territories West, individual Islands) will be reviewed on a regular basis taking into account changes such as introduction of new public transport routes and redistribution of population.

- (d) STA will be fully taxable but non-accountable. There will be two levels of payment to reflect the cost of journeys to different locations, the initial rates¹ of which will be -
 - (i) for staff working at the airport/outlying islands - \$29.0; and
 - (ii) for staff working at other “designated offices” - \$9.2.

- (e) STA will be adjusted in April every year with reference to fare changes in the relevant modes of public transport within the Composite Consumer Price Index (CCPI) for the 12-month period ending February of the year. An overall review of the rates will be conducted every five years to ensure that they reflect realistically the prevailing level of travelling expenses.

- (f) Officers who are provided with transport at government expenses will not be eligible for STA unless both ends of the journey are in locations for which STA is payable.

- (g) Where officers (including those not working in “designated offices”) have a need to claim reimbursement of actual travelling expenses (e.g. for use of taxis when no other suitable means of public transport are available), they will be required to bear a “no-claim” limit. It is proposed to set the initial rate for this limit at \$22.4 per return journey, which was arrived at through the 1998 survey (para. 4 above refers). This rate will be revised annually according to the fare changes of the relevant modes of public transport within CCPI.

CONSULTATION

7. The Staff Sides and the advisory bodies on civil service pay and conditions of service have been consulted on the proposed changes. They support the proposals.

FINANCIAL IMPLICATIONS

8. We expect that the implementation of the proposed STA will result in immediate savings estimated at \$35 M per annum – arising from the abolition of HOMA and the change in payment criteria. Future adjustments of the STA and no-claim limit will follow movements in the relevant modes of public transport in the CCPI.

¹ *The rates are for return trips, calculated according to the weighted average (in terms of establishment) of travelling expenses between the “designated offices” and their nearest commuter centres. A summary of the calculations is at Annex I.*

WAY FORWARD

9. Subject to the approval of the Finance Committee, we intend to implement the proposed STA arrangements on 1 April 2000.

ADVICE SOUGHT

10. Members are requested to note the proposed arrangements for provision of home-office travelling subsidy as detailed in para. 6 above.

*Civil Service Bureau
14 February 2000*

(HOTE-Panel-paper)

Calculation of Rates of Supplementary Travel Allowance

(A) Outlying Islands Group (including Lantau Island)

Region	Establishment	No. of Eligible Claimants*	Av. Fare (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
Total	8,563	6,013		\$87,444.50

Weighted Average Fare (single journey) = total fares / total no. 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	No. of Eligible Claimants*	Av. Fare (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
Total	6,901	3,539		\$16,272.14

Weighted Average Fare (single journey) = total fares / total no. of eligible claimants
= \$16,272.14 / 3,539
= \$4.6

STA Rate (single journey) = **\$4.6**
STA Rate (return journey) = **\$9.2**

* The no. of eligible claimants is derived by deducting from establishment of the office -
(a) estimated no. of officers being provided with transport at government expenses; and
(b) estimated no. of claimants residing in the same region of the designated office.