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***Extract from Chapter 7 of
the Public Accounts Committee
Report No. 33 (February 2000)***

Administration of allowances in the civil service

Home-to-office travelling allowance

32. Referring to paragraph 4.18 of Audit Report, the Committee noted that the Administration was aware of the need to review the HOTA as early as 1975 and had set the long-term objective of moving towards its abolition. In addition, in paragraph 4.11 of the Report, Audit considered that the HOTA had become outdated. Against this background, the Committee enquired whether the CSB agreed with the Audit's comment and whether there was a plan to delete the allowance.

33. The **Deputy Secretary for the Civil Service** stated that:

- the CSB had no dispute with the Audit's rationale and comment. The CSB had completed a review on the HOTA and would shortly put forward proposals to the Legislative Council for abolishing the allowance and replacing it with a new arrangement, taking into account the need to compensate officers who were posted to remote offices;
- the CSB considered that it was still necessary to provide some form of compensation for officers who were required to travel long distances to their place of work because, unlike the private sector where most employees were employed to work within a defined location, civil servants could be deployed anywhere within the territory. Therefore, there was a need to compensate them for the expense beyond the normal level of travel costs; and

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- under the new arrangement, there would be a list of designated remote locations including such places as the border area, some outlying islands and remote locations within Sai Kung. There would also be a regular review mechanism to ensure that the list was updated on a regular basis and the allowances were kept within reasonable levels. The allowances would be adjusted according to Consumer Price Index (A) so that the allowances would be kept in step with the costs.

34. The Committee were concerned about the possible staff reaction to the proposed abolition of the HOTA and asked:

- whether the staff unions had been consulted; and
- whether the Administration would try to post civil servants to offices close to their residence so as to avoid long home-to-office journeys.

35. The **Deputy Secretary for the Civil Service** stated that:

- the staff unions had been consulted and they had accepted the proposal. In fact, during the course of consultation, the proposals had been modified slightly to accommodate some of the unions' concerns. The Standing Commission had also been consulted and the Standing Committee was being consulted. It was expected that the new package would be acceptable to all parties concerned; and
- as for postings, there were a large number of officers who had to work on the border, including immigration officers, customs officers and police officers. While the Administration gave due regard to the need to avoid long home-to-office journeys, that was not an overriding consideration. It was possible that during the course of an officer's career he might be working near where he lived, then he might be posted to another location within two or three years.

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36. The Committee understood that since its introduction, the HOTA had been reviewed in 1975, 1984 and 1992. However, as revealed by paragraph 4.18 of the Audit Report, throughout the years reaction of the staff side had been the major obstacle to revising the terms of the HOTA. Noting that the staff unions had agreed to the new package after consultation, the Committee enquired whether the Administration had gone through the formal consultation procedure in the past reviews before concluding that there would likely be very strong reaction from the staff if the HOTA was abolished.

37. The **Deputy Secretary for the Civil Service** stated that the circumstances in 1999 were sufficiently different from those in 1975, 1984 and 1992. Hence, the consultation exercises should be perceived in context.

38. In his letter of 24 December 1999 in *Appendix 17*, the **Secretary for the Civil Service** provided the details of the three reviews of the HOTA as follows:

- the 1975 working party focused on ways to economise on payment of the home-to-office-mileage allowance (HOMA). It also considered the option of abolishing the payment of home-to-office travelling expenses (HOTE) but recognised that many outlying offices remained inadequately served by public transport. The Administration in the end formally consulted the staff sides of its intention to tighten up the payment of the HOTE. The no-claim limit was subsequently raised although not without staff objection. Abolition of the HOTE was considered as a long-term objective;
- after reviewing the subject again in 1984, the Administration maintained that the abolition of the HOTE should remain as a long-term objective. Proposals were then formally put forward to the staff side again to tighten up the payment of the HOTE. These included the exclusion of Tsuen Wan, Kwai Chung and Shatin from eligible areas for claiming the traveling allowance but the proposal was finally dropped due to strong objection from the staff side. Nevertheless, a revised method on adjusting the no-claim limit with reference to prevailing bus fares was agreed; and

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- in 1992, the Administration conducted its third review aiming again at excluding Tsuen Wan, Kwai Chung and Shatin from the areas for payment of the HOTE. Major departments with the largest expenditure on the HOTE/HOMA (namely, Fire Services Department, Regional Services Department, Agriculture and Fisheries department, Department of Health, Hospital Services Department and Royal Hong Kong Police Force) were asked to gauge the staff reaction to the proposal. The advice received was that staff would object strongly to the proposal and that there would be serious posting problems. In view of the adverse implications, the Administration considered it not opportune to pursue the proposal.

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94. **Conclusions and recommendations** The Committee:
- express serious dismay that:
 - (i) the Administration has failed to abolish outdated allowances although it has long been aware that the allowances have become outmoded and no longer justified in present-day circumstances;
 - (ii) since 1980, the Committee on Allowances has reduced its own function. Thereafter, the Administration has taken limited initiative to review individual allowances and the system of administration of allowances in the civil service; and
 - (iii) in the last 20 years, there have only been three reviews on job-related allowances;
 - express dismay at the Administration's strict adherence to the practice of "non-deprivation of existing benefits" where serving officers are allowed the options of retaining the existing benefits and of receiving new benefits and the self-imposed convention of not unilaterally altering the conditions of service without the staff side's agreement, which are the main reasons for continuing to provide the more generous fringe benefits to civil servants, notwithstanding that:
 - (i) these practices have not been endorsed by the Executive Council or the Committee on Allowances;
 - (ii) there are legal grounds on the basis of which the Government can modify the terms of appointment and conditions of service; and

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- (iii) there is a well-established procedure for resolving disputes with the staff associations should these occur;
- express serious concern that:
 - (i) even though the Civil Service Bureau (CSB) wanted to alter the home-to-office travelling allowance (HOTA) and withdraw the Independent Commission Against Corruption (ICAC) post allowance in 1992 as they were considered outmoded, it did not vigorously follow through the proper process of consultation; instead, it had only asked the departments concerned to gauge the staff reaction to the proposed change to the HOTA and had not consulted the ICAC staff; and
 - (ii) the CSB subsequently gave up its proposals to withdraw or alter the allowances in view of the likely difficulties it perceived;
- are encouraged by the staff associations' reasonable and positive response when the Administration formally put up the justifications and proposals for altering the allowances through the consultation mechanism, as in the cases of the HOTA where the staff side has accepted the alteration proposal and of the furniture and domestic appliances allowance (FDAA) where the staff side has agreed to the cessation of payment to new recruits appointed on or after 1 May 1999;
- urge the Secretary for the Civil Service to:
 - (i) consider implementing a programme to review regularly the justifications for individual allowances at the policy level;
 - (ii) issue guidelines, including the criteria for approval, to ensure that the mileage allowance is only provided for duty journeys where the use of public transport is not possible;
 - (iii) in consultation with the Commissioner for Official Languages, the Commissioner of Police and the Judiciary Administrator:
 - (a) review the current practice of paying the dialect allowance regardless of the frequency of using the dialects by the claimants of the allowance; and

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- (b) critically examine the justifications for including Putonghua as a dialect qualifying for an allowance;
- (iv) take positive action to enforce the requirement that excessive overtime work should be minimised and remind Bureau Secretaries and Heads of Department of the importance of compliance with this requirement;
- (v) urgently review, in conjunction with the Heads of Department concerned, the significant recurrent payments of overtime allowance (OTA) in departments, with a view to reducing these payments. In particular, the Secretary for the Civil Service should:
 - (a) develop strategies to minimise the overtime work of government departments. In doing so, the CSB may wish to draw on the Hong Kong Police Force's experience in reducing the Disciplined Services Overtime Allowance (DSOA);
 - (b) require the departments concerned to conduct thorough reviews of the staff requirement so as to ascertain ways of minimising the overtime work; and
 - (c) consider seeking the assistance of the Secretary for the Treasury, in the vetting of the annual estimates for the OTA and the DSOA, with a view to reducing overtime expenditure; and
- (vi) regularly monitor the payment of the OTA and the DSOA by departments and take positive action to reduce regular and excessive overtime payments;
- acknowledge that the CSB had implemented the proposals of the review on the acting appointment system, including prolonging the qualifying period for acting allowance to 30 days;
- express concern that the new qualifying period does not apply to officers acting in posts above the level of Bureau Secretary and Head of Department, and urge the Administration to consider applying the new rule to all officers acting in posts at all ranks;
- urge the Secretary for the Civil Service, in conjunction with the Secretary for the Treasury, to take urgent action to ensure that acting appointments are made only when there are genuine operational needs. In particular:

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- (i) the Secretary for the Civil Service should promulgate guidelines requiring Policy Secretaries and Heads of Department to exercise due care in making acting appointments. The justifications for all acting appointments should be vigorously vetted; and
 - (ii) the Secretary for the Treasury should, in consultation with the Secretary for the Civil Service, consider tightening up the budgetary control over the acting allowance;
- urge the Administration to conduct formal staff consultation with a high degree of transparency in accordance with the established procedure, with a view to working out a timetable for abolishing the outmoded allowances, paying due regard to the Director of Audit's concerns, value-for-money considerations, accountability for public expenditure, prevailing human resource practices in the private sector, and staff reaction;
 - urge the Administration to continue to discuss the review on allowances with the Legislative Council; and
 - wish to be kept informed of the consultation process, staff reaction, the Administration's stance, the results of the review and, if there are any allowances which are considered not outmoded, the justifications for their continuation.