

May 31, 2005

**NESTA Special Allowance & Gratuity Committee**

The following data has been gathered by this committee in consideration of the recent crisis in retaining and recruiting experienced NETs. The cut in the Special Allowance last August, along with the civil servant salary cuts, has made the NET Salary Package much less attractive to present and future employees.

We note that the Special Allowance "is meant to provide sufficient incentive to attract qualified NETs who would have to meet additional household expense when they come to serve in schools in Hong Kong. The Special Allowance is to cover mainly the expense on meeting housing needs, and also other incidental expenses (like meeting the education cost of the NETs' accompanying children)." LC paper No. CB(2)322/03-04(01)

The statistics and expenses listed below, as well as our previous document submitted last week, show that NETs have a reduced earning power of 20% - 30% since 2003. The 19.3% cut to the Special Allowance was based on figures following the SARS period in Hong Kong, when rental costs were down approximately 10%, making the cut almost double the decrease in housing costs. Now that flat rentals are nearing a 10% increase since the time of the cut in August 2004, our teachers can no longer afford the Hong Kong housing market.

**Real Estate Rental Reports****Data Watch 22/03/05**

HK Feb. CPI up 0.8%

Housing rentals account for 20% of February CPI increase

**Hong Kong Property Review Supplement, May 2005/5/31**

Rental Index 2003 = 86.4%

Rental Index 2005 (1<sup>st</sup> 3 months) = 96.3, 96.7, 95.9%

An increase (2003 - March 2005) of 9.5%

**Midland Realty**

North Point

Property Consultant, Allen Ho

May 25/05

20% increase from 2003-05

**Centaline Property Agency**

Happy Valley

Property Consultant, Gloria

May 25/05

10 - 18% increase in 2004

6 - 8% expected in 2005

**SCMP - Rents for Homes, Average rent of 50 Housing Estates**

August 2004 Price per sq. ft. 11.4

January 2005/5/31 Price per sq. ft. 12.3

This is an increase of 7.895% in 5 months

**Rating and Valuation Dept:****Private Domestic Price Indices for Class C (70 sq. m – 99.9 sq.m)**

Since 2003 rentals have increased by 14.1%

\*Please refer to attached chart.

	<u>Hong Kong Island</u>	<u>Kowloon</u>	<u>New Territories</u>
2005	\$227 sq.m.	\$187 sq.m.	\$126 sq.m
2004	\$205 – 223 sq.m.	\$150-\$183	\$113-\$115

From the above figures, presently a 750 sq.ft flat would rent for:

\$17,000/mo. Hong Kong

\$14,000/mo. Kowloon

\$ 9,500/mo. New Territories

**Average cost per month = \$13,500**

**Consumer Price Indices**

<b>Month</b>	<b>Overall Consumer Prices</b>
September 2004	rose by 0.7%
October 2004	rose by 0.2%
November 2004	rose by 0.2%
December 2004	rose by 0.2%
January 2005	fell by 0.5%
February 2005	rose by 0.8%
March 2005	rose by 0.8%
April 2005	rose by 0.5%

\*Please refer to CCPI Chart attached.

**School Fees**

Examples: (cost per month)

Kindergarten	= \$3,300 (2005) - \$4000 (2006)
Yew Chung Kindergarten	= \$9890
Primary ESF	= \$4700
Secondary School ESF	= \$7800
Transportation (School Bus)	= \$1200

Air Fares

Increased fuel levy as of June 1/05:		Increased by:
Cathay Pacific	increase of 112% on the present \$118 levy	112%
Thai	\$86 (from \$46) HKG - BKK \$235 BKK - Sydney	110%
Quantas	\$250 (from \$117.00) (HKG - Sydney)	110%
Air Canada	\$235 (from \$125) HKG-YVR Then CAD\$19 per sector	+90%

Return air fares for summer 2005 prior to fuel levy adjustment:

To New Zealand, two adults/two children	=	\$32,300 return
To Sydney, Australia, one adult/two children	=	\$25,000 return
To Montreal, Canada, one adult	=	\$13,000 return

Medical Insurance

NETs are reimbursed \$1499 for medical insurance costs, but examples of the actual costs are:

## Family of 3 with outpatient coverage:

- \$12000 (1998)	over 80% increase in 7 years
- \$22000 (2005)	

## Single person without outpatient/clinic coverage:

- age group, 30 yrs.	\$3500 (2004)
- age group, 50 yrs.	\$5900 (2004)

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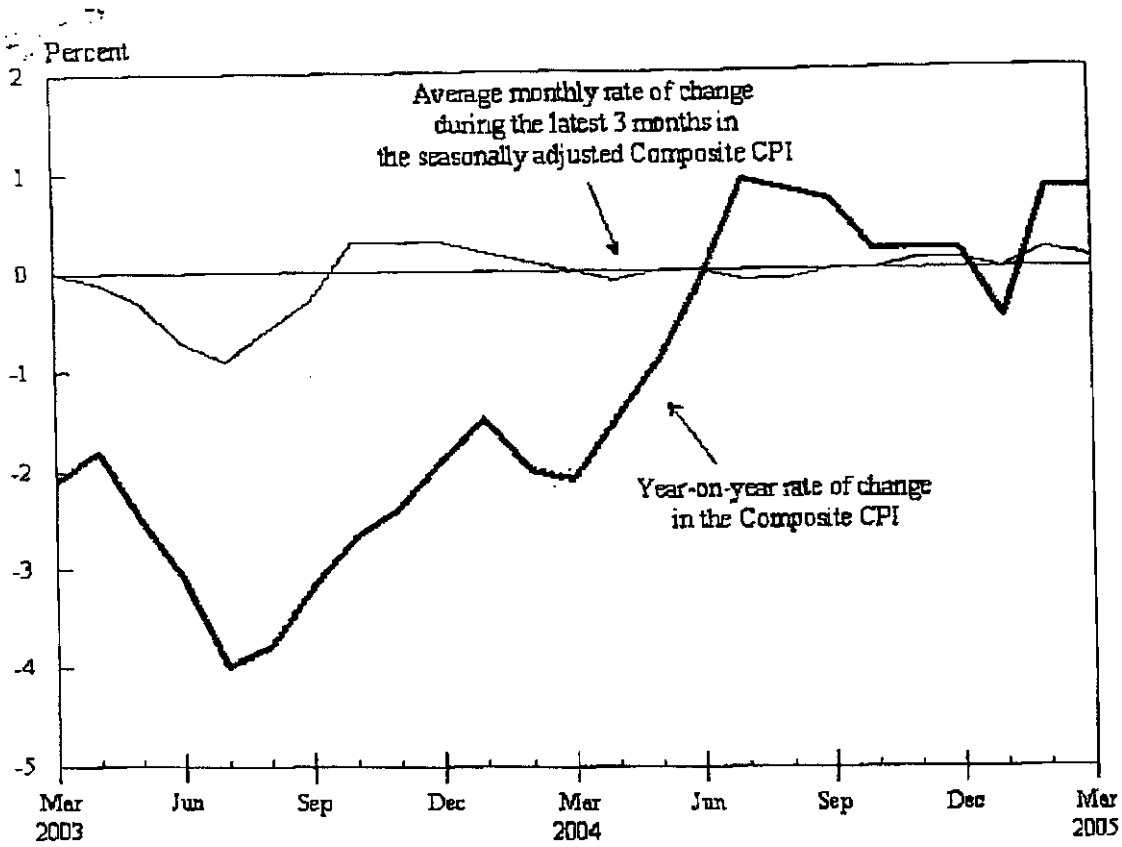
私人住宅 — 各類單位售價指數 (全港)  
PRIVATE DOMESTIC - PRICE INDICES BY CLASS (TERRITORY-WIDE)  
(1999=100)

年 / 月 Year / Month	A	B	C	D	E	A, B & C	D & E	所有類別 All Classes
2003	59.7	61.1	67.5	70.2	76.2	61.0	71.0	61.6
2004	72.7	77.2	80.8	96.5	106.6	76.6	99.4	78.0
2003 10 - 12	62.2	63.5	69.4	75.7	82.6	63.6	77.8	64.4
2004 1 - 3	69.5	72.8	82.0	88.0	97.1	72.4	90.7	73.6
4 - 6	72.0	76.5	86.6	95.4	103.7	75.8	97.8	77.2
7 - 9	72.6	77.0	87.6	95.7	107.1	76.4	98.9	77.8
10 - 12	76.6	82.5	95.0	106.9	118.4	81.6	109.9	83.4
2005 1 - 3 *	81.8	88.1	102.3	113.0	125.7	87.2	116.1	88.9
2003 10	61.3	62.5	68.6	73.8	80.4	62.6	75.7	63.4
11	62.1	63.6	69.5	74.3	81.7	63.6	76.5	64.3
12	63.2	64.4	70.0	79.1	85.6	64.5	81.1	65.4
2004 1	66.4	68.8	75.4	81.1	92.2	68.5	84.3	69.5
2	69.2	72.4	81.5	86.0	96.2	72.1	89.7	73.2
3	72.9	77.1	89.0	96.0	102.9	76.7	98.0	78.1
4	73.4	79.2	89.3	98.1	101.7	78.0	99.2	79.4
5	72.8	76.4	87.4	96.0	103.1	76.2	98.1	77.5
6	69.7	73.9	83.2	92.1	106.3	73.3	96.2	74.7
7	70.0	74.0	83.9	93.4	103.5	73.5	96.3	74.9
8	73.1	76.4	87.8	93.3	104.1	76.3	96.4	77.6
9	74.7	80.5	91.2	100.3	113.8	79.4	104.0	80.9
10	77.6	83.2	95.8	106.0	117.1	82.4	109.0	84.1
11	75.9	81.6	95.1	106.8	117.3	80.9	109.6	82.7
12	76.4	82.6	94.1	107.9	120.8	81.5	111.2	83.3
2005 1 *	77.7	83.9	98.5	111.8	122.7	83.1	114.5	85.0
2 *	80.9	87.8	101.3	110.8	127.9	86.7	115.0	88.3
3 *	86.7	92.5	107.1	116.4	126.6	91.8	118.8	93.3

\* 臨時數字

\* Provisional figures

### Chart 1 Movements of the Composite Consumer Price Index



Note: The seasonally adjusted indices are subject to revision up to 3 years after original publication.