



教育統籌局

Education and Manpower Bureau

本署檔號 Our ref :
來函檔號 Your ref :
電話 Tel. No. : (852) 28925796
圖文傳真 Fax No.: (852) 25735299

5 July 2005

Clerk to Panel
Education Panel
Legislative Council
8 Jackson Road
Central
Hong Kong
(Attn: Mr Stanley MA)

Dear Mr MA,

Panel on Education Special Meeting on 3 June 2005

I refer to your letter dated 3 June 2005 enclosing three papers provided by the Native English-speaking Teachers' Association (NESTA). The Administration would like to respond to some of the issues raised in those papers for reference of the Panel.

The Administration has taken note of the requests raised by the NESTA including a Special Allowance to be set at \$15,000 per month, higher gratuity at 25% as compared to the current 15% and a long service payment. While the Administration does not want to pre-empt further discussion regarding the NESTA's proposals at this stage, there are a number of areas where clarification of the current policies may help better focus the discussion. The responses concern mainly those on the remuneration package of NETs though NESTA's submissions also highlight some NET management and support issues which the Administration will take up separately through continuous liaison and discussion with NESTA.

Background of the NET remuneration package

The current remuneration package was approved by the Finance Committee in 1997, before the NET scheme was fully launched to secondary schools in 1998. Prior to that, NETs were engaged in pilot schemes. The NETs appointed on or before 1996 were remunerated on the then civil service expatriate terms. Upon abolition of the expatriate terms, the NETs appointed in 1996 and 1997 were given local terms of conditions of service on ground of parity. The local terms of conditions of service, however, could not attract enough NET applicants mainly because of the high accommodation cost at that time in Hong Kong. Taken the above into account, the Administration recommended to the Finance Committee in 1997 that on top of the comparable local terms of conditions of service, a non-accountable Special Allowance be considered to help meet the housing needs of NETs. **Appendix I** compares the NET remuneration package and that for local language teachers.

The Administration usually advertises, including information on the NET remuneration package in November or December so that prospective NET applicants can reasonably expect the level of remuneration when they come to join local schools in August after the turn of the year. A sample contract giving details of the conditions of service for schools to sign with their NETs is usually provided in mid to late May. In the 2005 exercise the Administration has the sample contract ready in mid May but has held its issue to make room for discussion with the NESTA, particularly relating to the Special Allowance. This has been made clear to NESTA. The Administration is surprised that NESTA's submission to the Panel suggests we unduly held back the sample contract.

Special Allowance

The Special Allowance is basically an allowance to help NETs meet accommodation cost. However, it is provided on a non-accountable basis so as to provide the NETs with the flexibility to dispose the allowance in meeting other living expenses of their own choosing. The use of the Special Allowance is a personal decision for NETs, but it has never been the intention of the Administration to provide the Special Allowance to cover all living expenses of NETs in Hong Kong on top of the salary. The NESTA in page 2 of the LC Paper No. CB(2)1775/04-05(01) complains that "Most NETs found that health, family education costs, transportation and the such like were extra costs paid for from their salaries. The Special

Allowance became a de facto accommodation subsidy”. The Administration has difficulty appreciating why it should not be the case.

When the Special Allowance was first set in 1997, reference was made to the then prevailing civil service housing benefit rates¹. From 1998 on, the local rental prices adjusted downward significantly, along with the civil service housing allowances. It was not justifiable to retain a fixed rate Special Allowance. An adjustment mechanism for Special Allowance that can better track market trend for determining the Special Allowance rate was recommended by the Administration in 2003 and was approved by the Legislative Council in 2004.

The Special Allowance adjustment mechanism was discussed between the Administration and the previous NESTA exco. The discussion underlined the letter the Administration issued to all NETs in November 2003 (appended as Annex A in NESTA’s LC Paper No. CB(2)1775/04-05(01) letting the NET community know of the Administration’s plan, well in advance to the formal approval by the Legislative Council in April 2004, and the application of the revised Special Allowance rate for the NETs who entered into contracts in mid 2004. The application of the revised Special Allowance rate in mid 2004 was widely discussed but not heatedly disputed, though definitely not welcome as it was a downward adjustment. The Administration was appreciative of the understanding attitude of the NET community.

For the NETs who were in the middle of their contracts in mid 2004, the Administration decided not to apply the revised Special Allowance rate in order to honour the original Special Allowance rate stipulated to them when they entered into contracts. However, upon reaching contract ends in mid 2005, the revised Special Allowance rate shall be equally applicable to these NETs just like it was applied in mid 2004. This two-step approach was intended to provide certainty to NETs so that they know the level of Special Allowance throughout their entire two-year contract. The approach was understood and considered as sensible by the previous NESTA exco. The Administration cannot agree that the 2005 round of adjustment to the Special Allowance is a sudden change, and that having two Special Allowance rates in parallel is “patently unfair” as stated in NESTA’s submission.

Rental costs in Hong Kong vary greatly for different quality, locations

¹ Civil service grades and ranks comparable to NETs do not usually enjoy housing allowance but long serving civil servants may benefit from a Home Purchase Allowance (HPA) subject to point scores and the annual quota. The then HPA rate in 1997 was about \$10,000. Its rate is now \$6,000 per month in 2005 following housing prices trend in the years between.

and many other factors. As NESTA has pointed out in its submissions to the Panel, the current Special Allowance rate (at \$10,500 per month) may not be adequate to rent a 800 square feet apartment in South Horizon of Hong Kong Island, but is far above adequate in the New Territories. When deciding an adjustment mechanism for the Special Allowance, the Administration needs a steady and objective parameter for making adjustment as we cannot count on individual cases. The current Special Allowance adjustment mechanism makes reference to the trend of the private rental component of the Composite Consumer Price Index (CCPI), rather than the entire CCPI as the NESTA has suggested because living expenses other than private rental are not relevant in determining the Special Allowance rate.

Despite latest signs that market rentals are on the rise, the private rental index of CCPI is still on the declining trend, probably because the index includes all effective rental leases, i.e., new and old ones, hence the most recent rises in market rentals are moderated. The Table 1 below captures the year to year change, taking 1997 as the base year.

Table 1

Year	Private Rental Index of CCPI (1997 based)
1997	100
1998	106
1999	99
2000	89
2001	87
2002	81
2003	76
2004	71
2005 first quarter	70

We have considered suggestions from some of the NETs to make reference only to market prices of new leases which shall follow market trend more closely. However, in absolute dollar terms, the new lease market prices have experienced much greater drop from 1997 to 2004, and even with the rebound in end 2004 and early 2005, the latest new lease market prices will be significantly below that in 1997. Table 2 below shows the trend.

Table 2

Year	New Lease Market Prices (1997 based)
1997	100
1998	84
1999	74
2000	73
2001	71
2002	62
2003	55
2004	58
2005 first quarter	61

If the Special Allowance were adjusted in accordance to new lease prices, its rate will be around \$8,000, rather than the current \$10,500. More importantly, while market prices of new leases better capture latest trends, they are extremely volatile from month to month, hence cannot provide a steady and predictable parameter to adjust the Special Allowance.

Having taken into account the above, the Administration does not find good justifications for departing from the current Special Allowance adjustment mechanism. As the Administration has undertaken to Panel, the Administration will keep in view the impact of the Special Allowance on NET recruitment and attrition rates, if any. In the 2004 round of adjustment of Special Allowance, the possible impact of the revised Special Allowance was minimal (as shown by similar number of applications to recruitment drives and a similar attrition rate as previous year). For the 2005 exercise, so far no evidence shows that the revised Special Allowance rate is a significant factor determining whether a NET will choose not to come to work or not to continue to work in Hong Kong. There are a range of professional and personal factors which will determine such decisions for individual NETs.

Other expenses

The Administration appreciates that NETs who come with families will encounter more problems, in both monetary and non-monetary terms, than those who come alone. It is, however, the personal choice of individual NETs to consider whether it is worthy and practical to bring their families along to Hong Kong as the employment is between the schools and the NET, irrespective of the NET's family

status. Family support is definitely essential for NETs working in Hong Kong. The NET remuneration package hence contains provision for families of NETs (including passage, baggage and medical allowances) but it is not realistic to expect the Administration to help cover all major living expenses the accompanying family members of NETs may incur. It should be noted the tax regime in Hong Kong provides some accommodation of family circumstances.

The Administration would like to facilitate integration of NETs and their accompanying families in Hong Kong (like giving support to education-related employment possibilities of spouses of NETs as they need separate work visas to work in Hong Kong, and compiling lists of public sector schools which may enrol more non-Chinese speaking students) but there is a limit of our reach given the variety of family circumstances of NETs. It is difficult for the Administration to justify and provide additional monetary support in areas where relevant provisions in the civil service and aided sector are found long obsolete - like education allowances and removal allowances, in the NET remuneration package.

It would also be difficult for the Administration to consider, in the context of the NET remuneration package, things that not only affect the NET community but every person who works and lives in Hong Kong, such as tax changes, air and water quality, increase in fuel levy, expenses for children to join extra-curricular activities or changes in salary of domestic helpers, that are highlighted in NESTA's submissions. All these may have impact on quality of life and daily expenses, but they cannot be considered in isolation and be addressed in a remuneration package.

The Administration would like to provide the above for reference of the Panel. Grateful if the Secretariat will help to distribute.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Sam Hui', written in a cursive style.

(Sam HUI)

for Secretary for Education and Manpower

Encl.

Appendix I

Comparison between the Remuneration Packages of NET and Local Teachers

NETs	Local English Teachers in Aided Schools
<p><i>Salary</i> On the same Master Pay Scale, entitled to increment and with contract gratuities</p>	<p><i>Salary</i> On the same Master Pay Scale, entitled to increment and with provident fund</p>
<p><i>Leave</i> Terminal leave provided at end of each contract Casual leave, sick leave and maternity leave same as local teachers</p>	<p><i>Leave</i> Terminal leave not applicable Casual leave, sick leave and maternity leave</p>
<p><i>Housing benefit</i> Special allowance provided to mainly meet accommodation costs</p>	<p><i>Housing benefit</i> Nil for teachers at comparable grade and rank as NETs</p>
<p><i>Passage and baggage</i> Provided at beginning and end of each contract for families of NETs</p>	<p><i>Passage and baggage</i> Not applicable</p>
<p><i>Medical benefit</i> Reimbursable medical allowance for families of NETs</p>	<p><i>Medical benefit</i> Nil</p>