

**Legislative Council Panel on Transport
Information Note**

**Rectification of the Wage Indices
And Consequential Revision to Fare Adjustment Formula Outcomes**

Purpose

This paper provides information about the recent rectification of wage indices and consequential revision to the fare adjustment formula outcomes.

Rectification of the Wage Indices

(i) Background

2. The Census and Statistics Department (C&SD) conducts a quarterly Labour Earnings Survey (LES) to collect average wage data of specific occupations at supervisory level or below in selected industry sectors in respect of March, June, September and December of each year. Based on the data obtained, wage indices and average wage statistics are compiled and released.

(ii) Rectification of Wage Indices

3. After the release of the wage statistics for December 2008 on 26 March 2009, C&SD discovered that the wage trend in the transport services sector as reflected by the wage statistics did not match with the views as obtained from various sources. As a result, C&SD took the initiative to review the relevant data.

4. After a careful scrutiny of the data used for compiling the wage statistics of the transport services sector for September and December 2008, it was detected on 9 April that there were inconsistencies between the data used for computing the average wages and the raw information obtained. A comprehensive checking was immediately conducted on the wage statistics and related computation for the past three years. On 14 April, it was confirmed that there was error in the data used for compiling the wage statistics of the transport services sector for September 2008 and December 2008. The relevant statistics were rectified and the rectified statistics were announced to the public on 15 April. These statistics

were also released through the website of C&SD concurrently.

5. The rectified wage indices of the transport services sector and the corresponding year-on-year percentage changes, together with those released earlier, are as follows:

	September 2008		December 2008	
	Before rectification	After rectification	Before rectification	After rectification
Nominal Wage Index	151.0 (+0.5%)	155.8 (+3.7%)	145.1 (-4.2%)	150.5 (-0.7%)
Real Wage Index	116.1 (+0.9%)	119.7 (+4.0%)	106.8 (-5.4%)	110.8 (-1.9%)

Notes:

1. Figures in brackets denote percentage changes in the Nominal Wage Indices over a year earlier.
2. The Real Wage Index is obtained by deflating the nominal index by the 2004/05-based Consumer Price Index (A).

6. Owing to the above rectification, the overall wage indices for “all industry sectors” have also been rectified accordingly.

7. The incident arose because in the LES some establishments provided only raw information which had to be converted by manual computation before they could be used for compiling average wages. The error was caused by a mistake committed by the staff concerned in performing manual computation on some types of allowances among different occupations. The subsequent checking procedures could not correct the error. As a result, wage statistics of the transport services sector released earlier had to be rectified.

(iii) Enhancement measures implemented

8. C&SD attaches great importance to the quality of the statistics it compiles. International statistical standards are followed in regard to both data compilation and data dissemination. The Special Data Dissemination Standard promulgated by the International Monetary Fund is also fully conformed to. C&SD will deal with the incident seriously and follow up actively to uphold its professional ethics although it is an isolated case. Also, C&SD has already implemented a series of measures to avoid similar incidents from recurring again:

- (i) Enhancing the data processing system of the LES by

developing customised electronic templates with built-in calculation formula for establishments to do away with the manual computation procedures in data collection. Field officer will only need to enter the raw information provided by respondent into the template, and the information will be automatically converted into the form as required by the survey. Thus, computation error could be avoided. If the computed result shows substantial variation from those provided by the same establishment in the previous rounds of the survey, the computer will detect such deviations automatically and alert the field officer to check the input data.

- (ii) Enhancing the sensitivity of data quality checks. If the quarter-to-quarter change in the average wages of an establishment cannot pass the tests, staff concerned will have to carry out verification to find out the reasons.
- (iii) Strengthening the data verification process. If the average wages of an establishment still show significant quarter-to-quarter change after verification by the responsible field officer, the supervisor should arrange further checking of the case by another team of staff. The supervisor also has to assess how the case would affect the average wages of the industry concerned. If relatively large quarter-to-quarter fluctuation is observed in the industry concerned, the case has to be brought to the attention of supervisor of a higher rank for endorsement.

9. In view of this incident, C&SD will also enhance the training and communication with staff at different levels to ensure that they understand the work requirements and procedures and enhance their professional ethics and quality, so that they may discharge their duties properly.

Consequential Revision to Fare Adjustment Formula Outcomes

10. In the light of the rectification to the nominal wage index for the transport services sector in December 2008 announced on 15 April 2009 by C&SD, the Government had re-calculated the bus fare adjustment formula outcome. The revised latest quarterly formula outcome under the bus fare adjustment arrangement is -1.26%, which has not yet reached

the -2% triggering point for the review of bus fares.

11. Under the existing arrangement for the adjustment of franchised bus fares, the Administration takes into account a basket of factors in determining the fare level, including:

- (i) changes in operating costs and revenue since the last fare adjustment;
- (ii) forecast of future costs, revenue and return;
- (iii) need to provide the operator with a reasonable rate of return;
- (iv) public acceptability and affordability;
- (v) quality and quantity of service provided; and
- (vi) outcome of the fare adjustment formula ($0.5 \times \text{Change in Nominal Wage Index for the Transport Services Sector} + 0.5 \times \text{Change in Composite Consumer Price Index} - 0.5 \times \text{Productivity Gain}$). The formula outcome does not operate as an automatic determinant of the bus fare adjustment outcome.

12. The Government will continue to apply on a quarterly basis the fare adjustment formula in accordance with the existing bus fare adjustment arrangement, and will proactively initiate a comprehensive fare review if the formula outcome reaches -2%.

13. Members are invited to note the above.

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