

立法會
Legislative Council

LC Paper No. CRM 573/17-18

Ref: AM 12/01/19(16-20)

**Subcommittee on Members' Remuneration and
Operating Expenses Reimbursement**

**Outcome of consultation with Members on annual adjustment
mechanism for Office Operation Expenses Reimbursement**

Purpose

This paper reports the outcome of consultation with Members on proposals for adopting a weighted adjustment index as the basis for annual adjustment to the level of Members' Office Operation Expenses Reimbursement ("OOER").

Background

2. At its meeting on 20 December 2017, the Subcommittee on Members' Remuneration and Operating Expenses Reimbursement ("the Subcommittee") considered the proposals for adopting a weighted index instead of Consumer Price Index (C) ("CPI(C)") as the basis for the annual adjustment to the level of Members' OOER, and agreed that all Members should be consulted on the proposals. The paper setting out the Subcommittee's proposals (LC Paper No. CRM 456/17-18) and the questionnaire issued to all Members for this purpose is in **Appendix I**.

Outcome of consultation with Members

3. Sixty-seven Members have responded to the questionnaire. The consultation outcome is set out in **Appendix II** and summarized as follows:

(a) Using a weighted index as the basis for annual adjustment

63 Members (94% of the respondents) agree to the proposal that a weighted index instead of CPI(C) should be used as the basis for annual adjustment to Members' OOER.

(b) Components of the proposed weighted index

63 Members (94% of the respondents) agree to the proposal that the three main components of OOER, i.e. staff expenses, office accommodation expenses and other operating expenses, should be used as the basis for calculating the weighted index.

(c) Weightings for the three main components

62 Members (93% of the respondents) agree to the proposal that the average utilization rates of OOER in the last three Legislative Council ("LegCo") terms, i.e. 73%, 7% and 20% for staff expenses, office accommodation expenses and other operating expenses respectively, should be used as the respective weightings for the three main components in calculating the weighted index.

(d) Adjustment factor for the component on staff expenses

(i) 58 Members (87% of the respondents) agree to the proposal for using civil service pay adjustment for middle and lower salary bands as the adjustment factor for the component on staff expenses; and

(ii) 6 Members (9% of the respondents) disagree to the proposal. Among the six Members, one Member has proposed that the Composite CPI¹ or civil service pay adjustment for middle and lower salary bands, whichever is the higher, should be used as the adjustment factor for the component on staff expenses. The other five Members consider that the proposed use of civil service pay adjustment as the basis for annual adjustment of the staff salaries component of OOER cannot adequately meet the resources needed by Members for pay adjustment for their staff (particularly those with longer service). These five Members have suggested that a comprehensive review should be conducted on Members' staffing needs, covering, among others, rankings of Members' staff and staffing complement of Members' offices.

¹ Please see paragraph 8 below for information on Composite CPI.

(e) Adjustment factor for the component on office accommodation expenses

(i) 54 Members (81% of the respondents) agree to the proposal for using rental index for Grade C offices² compiled by the Rating and Valuation Department ("RVD") as the adjustment factor for the component on office accommodation expenses; and

(ii) 8 Members (12% of the respondents) disagree to the proposal. These Members consider that an alternative indicator should be used, given that rental index for Grade C offices, which covers private offices of the lowest quality and cheapest rentals in the market, is inadequate to reflect the level of rental expenses incurred by Members.

(f) Adjustment factor for the component on other operating expenses

(i) 46 Members (69% of the respondents) agree to the proposal for using CPI(C) as the adjustment factor for the component on other operating expenses; and

(ii) 14 Members (21% of the respondents) disagree to the proposal. Among the 14 Members: (a) seven consider it inappropriate to use CPI(C) as the adjustment factor for the component on other operating expenses, as Members' other operating expenses generally cover expenditures for stationery and office supplies while CPI(C) is compiled based on the expenditure patterns of high income households; (b) one is of the view that CPI(C) is inadequate to reflect the level of other operating expenses incurred by Members and an alternative indicator should be used; and (c) five have put forward an alternative proposal that CPI(A) should be used as the basis for adjusting the component on other operating expenses.

² Please see paragraph 10 below for information on rental index for Grade C offices.

(g) Other comments

Three Members are of the view that any additional provision made available to Members as a result of the adoption of the proposed weighted adjustment index should be used for enhancing the pay package of Members' staff, given that the proposal is meant to address the concern that the existing adjustment mechanism does not provide adequate resources for pay adjustment for Members' staff.

Analysis of the consultation outcome

4. According to the outcome of the consultation, over 90% of the respondents support the proposals for adopting a weighted index, comprising the three main components of staff expenses (73%), office accommodation expenses (7%) and other operating expenses (20%), as the basis for annual adjustment to OOER, in lieu of CPI(C) (i.e. proposals set out in paragraphs 3(a) to (c) above).

5. As regards the adjustment factors for the three main components of the weighted index (i.e. proposals set out in paragraphs 3(d) to (f) above), while the majority of respondents (87%, 81% and 69% respectively) agree to the proposals for using civil service pay adjustment for middle and lower salary bands, rental index for Grade C offices compiled by RVD and CPI(C) as the respective basis for adjustment, some Members have raised other proposals/views, as follows:

- (a) the Composite CPI or civil service pay adjustment for middle and lower salary bands, whichever is the higher, should be used as the adjustment factor for the component on staff expenses, so as to ensure that the level of adjustment would not be less than the prevailing inflation rate;
- (b) an alternative indicator instead of rental index for Grade C offices should be used as the basis for adjusting the component on office accommodation expenses; and
- (c) CPI(A) instead of CPI(C) should be used as the basis for adjusting the component on other operating expenses.

6. To facilitate members' consideration of the above proposals, information on CPIs, civil service pay adjustment for middle and lower salary bands and rental indices for private offices are set out in the ensuing paragraphs.

Consumer Price Indices

7. CPI measures the changes over time in the price level of consumer commodities and services generally purchased by households. The year-on-year rate of change in CPI is widely used as an indicator of the inflation affecting consumers.³

8. Four series of CPIs are compiled by the Census and Statistics Department to reflect the impact of consumer price changes on households in different expenditure ranges. CPI(A), CPI(B) and CPI(C) are compiled based on the expenditure patterns of households in the relatively low, medium and relatively high expenditure ranges respectively.⁴ A Composite CPI is also compiled based on the overall expenditure patterns of all households covered by the above three indices to reflect the impact of consumer price changes on the household sector as a whole. A summary of the changes in Composite CPI, CPI(A) and CPI(C) since 1995 is in **Appendix III**.

Civil service pay adjustment for middle and lower salary bands

9. The actual rates of the civil service pay adjustment for middle and lower salary bands and the Composite CPI since the 2012-2013 financial years are set out below for members' reference:

Financial year	Civil service pay adjustment for middle and lower salary bands (%)	Annual change in Composite Consumer Price Index (%)*
2012-2013	5.80	3.7
2013-2014	3.92	4.4
2014-2015	4.71	4.5
2015-2016	4.62	2.7
2016-2017	4.68	1.8
2017-2018	2.94	2.0

* Based on the 12-month period as at the end of the financial year concerned (e.g. the figure for 2012-2013 shows the Composite CPI for the 12-month period ending 31 March 2013).

³ CPIs are composed of nine commodity/service sections, namely food; housing; electricity, gas and water; transport; clothing and footwear; durable goods; alcoholic drinks and tobacco; miscellaneous goods and miscellaneous services. For more details on the concepts and methods for compilation of CPIs, please see "Introduction to CPIs" published by the Census and Statistics Department, which is available at <https://www.censtatd.gov.hk/hkstat/sub/sc270.jsp?productCode=B8XX0021>

⁴ CPI(A), CPI(B) and CPI(C) respectively cover some 50%, 30% and 10% of households in Hong Kong. The average monthly household expenditures of these groups were \$5,800 - \$25,700, \$25,700 - \$46,400 and \$46,400 - \$93,800 respectively at 2017 prices.

Rental indices of private offices

10. Rental indices of private office premises are published by RVD. Private office premises, which comprise premises situated in buildings designed for commercial/business purposes, are generally categorized into three classes (i.e. Grades A, B and C). The definition of each class of private offices and a summary of the changes in the rental indices for each class as well as the overall rental index in the last LegCo term are in **Appendix IV**.

Advice sought

11. Based on the outcome of the consultation, the Subcommittee is invited to endorse the proposals in paragraph 3(a) to (c) above. As regards the proposals in paragraph 3(d) to (f) above, the Subcommittee is invited to consider:

- (a) whether (i) civil service pay adjustment for middle and lower salary bands, or (ii) Composite CPI or civil service pay adjustment, whichever is the higher, should be used as the adjustment factor for the component on staff expenses;
- (b) whether rental index for Grade C offices compiled by RVD or an alternative indicator such as the overall rental index for private offices compiled by RVD should be used as the adjustment factor for the component on office accommodation expenses; and
- (c) whether CPI(C) or an alternative indicator such as CPI(A) or Composite CPI should be used as the adjustment factor for the component on other operating expenses.

12. Subject to the Subcommittee's decision, the Administration may be invited to consider the proposals or attend a Subcommittee's meeting to discuss the proposals. Members are invited to note that the said proposals are subject to the recommendation of the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the HKSAR to be obtained by the Administration in due course.

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LC Paper No. CRM 456/17-18

Ref : AM 12/01/19 (16-20)

**Subcommittee on Members' Remuneration and
Operating Expenses Reimbursement**

**Consultation with Members on annual adjustment mechanism for
Office Operation Expenses Reimbursement**

Purpose

This paper seeks Members' views on the proposal of the Subcommittee on Members' Remuneration and Operating Expenses Reimbursement¹ ("the Subcommittee") for adopting a weighted adjustment index as the basis for annual adjustment to the level of Members' Office Operation Expenses Reimbursement ("OOER").

Background

Existing annual adjustment mechanism

2. In 1994, the Commission on Remuneration for Members of Legislative Council ("LegCo") recommended that there should be a system of automatic annual adjustment to the level of Members' remuneration and their monthly expenses allowances to ensure that these payments would not be eroded by inflation. It was recommended that the adjustment should be made by reference to movements of the Hang Seng Consumer Price Index (renamed Consumer Price Index (C) ("CPI(C)") in 1999). It was also recommended that the Secretary for the Treasury² be delegated the authority to make such annual adjustments each year. The recommendations were endorsed by the Finance Committee in July 1995. Since then, Members' remuneration as well as the ceilings for their OOER and Entertainment and Travelling Expenses Reimbursement are automatically adjusted annually in October in accordance with the movement of CPI(C).

¹ The Subcommittee was formed under the House Committee in December 2016 to study issues relating to Members' remuneration and operating expenses reimbursements.

² Currently known as Secretary for Financial Services and the Treasury.

3. The Subcommittee discussed issues relating to the level of and the annual adjustment mechanism for OOER at its meetings held in January, June and December 2017. Members of the Subcommittee were generally of the view that it was inappropriate to use CPI(C), which reflected the price level of consumer commodities and services, as the basis for annual adjustment to Members' OOER, given that staff expenses accounted for over 70% of OOER but the components of CPI(C) did not include wages and salaries. The Subcommittee considered that different adjustment mechanisms should be adopted for different components of OOER (i.e. staff expenses, office accommodation expenses and other operating expenses) having regard to the different nature of these expenses, and a weighted index instead of CPI(C) should be used as the basis for annual adjustment to OOER.

Proposed weighted adjustment index

4. The Subcommittee deliberated on the proposals for adopting a weighted index for annual adjustment to OOER at its meeting on 20 December 2017. Members may refer to paragraphs 10 to 15 of LC Paper No. CRM 198/17-18 issued for the Subcommittee meeting for further details.

5. The Subcommittee considered that the proposed weighted index should comprise the three main components of OOER, i.e. staff expenses, office accommodation expenses and other operating expenses, with each component to be adjusted in accordance with the relevant adjustment indicator. On the adjustment indicators to be adopted, the Subcommittee noted that the annual adjustment to OOER for the 2017-2018 legislative session, which was based on movement of CPI(C), was only 1.5%, as compared to the civil service pay adjustment for middle and lower salary band of 2.94% for 2017-2018. Subcommittee members expressed concern that they had to cut back on other office expenses so as to increase the salary of their staff by a percentage higher than 1.5%. The Subcommittee generally took the view that the component of OOER on staff expenses should be adjusted with reference to civil service pay adjustment, with a view to ensuring that staff engaged by Members could receive a reasonable level of remuneration. As for the components covering office accommodation expenses and other operating expenses, the Subcommittee took the view that the rental index for Grade C Offices compiled by the Rating and Valuation Department and CPI(C) should be used for adjusting these two components respectively.

6. The Subcommittee noted from the statistics compiled by the LegCo Secretariat that the ratios of Members' expenditure in the three main components of OOER were relatively stable over the past three LegCo terms,³ and considered it reasonable to use the average utilization rates of OOER in the last three LegCo terms (i.e. 73%, 7% and 20% for staff expenses, office accommodation expenses and other operating expenses respectively) as the basis for calculating the weighted adjustment index. The proposed weightings to be accorded to the three main components would not affect the discretion of Members to apportion their OOER among different types of expenses according to their own needs.

7. The Subcommittee noted that the rates of adjustment to OOER using the proposed weighted adjustment index as compared to those under the existing mechanism based on movements of CPI(C) for the 2012-2013 to 2015-2016 legislative sessions were as follows:

Legislative session (Fifth LegCo)	CPI (C) (%)	Proposed weighted adjustment index (%)
2012-2013	5.00	6.00
2013-2014	3.50	4.30
2014-2015	3.80	4.99
2015-2016	2.50	4.39

8. The Subcommittee supported adopting the proposed weighted adjustment index which provided a fair and reasonable mechanism for adjusting the overall level of Members' OOER. The Subcommittee's proposals are summarized as follows:

- (a) a weighted index of the three main components of OOER (i.e. staff expenses, office accommodation expenses and other operating expenses) instead of CPI (C) should be used as the

³ Members' average utilization rates of OOER during the last three Legislative Council ("LegCo") terms are summarized in the following table:

Components	Average utilization rates of OOER				
	Third LegCo	Fourth LegCo		Fifth LegCo	Average of three LegCo terms
(a) Staff expenses	70.18%	74.04%		73.5%	72.57%
(b) Office accommodation expenses	7.68%	6.84%		6.3%	6.94%
(c) Other operating expenses					
(i) Equipment and furniture	0.67%	0.91%		0.6%	0.73%
(ii) Other expenses	12.09%	10.61%		11.6%	11.43%
(iii) Unused portion	9.38% 22.14%	7.6%	19.12%	8% 20.2%	8.33% 20.49%
Total	100%	100%		100%	100%

basis for annual adjustment to OOER;

- (b) relevant reference indicators, i.e. civil service pay adjustment for middle and lower salary band, the rental index for Grade C Offices compiled by the Rating and Valuation Department and CPI(C), should be used as the respective basis for adjusting the three main components of OOER;
- (c) the relative weightings to be accorded to the three main components should be based on the average utilization rates of OOER in the last three LegCo terms, i.e. 73%, 7% and 20% for staff expenses, office accommodation expenses and other operating expenses respectively; and
- (d) should there be significant changes to Members' expenditure pattern in future, adjustments may be made to the weightings of the individual components of the index accordingly.

Consultation with Members

9. The Subcommittee has agreed that all Members' views should be sought on its proposals before taking them forward with the Administration.

10. Members are invited to indicate their views on the Subcommittee's proposals by completing and returning the questionnaire in the **Appendix** to the Clerk to the Subcommittee by **27 April 2018**.

Complaints and Resources Management Division
Legislative Council Secretariat
April 2018

Questionnaire

(please return on or before 27 April 2018)

Ref : AM 12/01/19 (16-20)

To : Ms Amy YU
Clerk to Subcommittee on Members' Remuneration
and Operating Expenses Reimbursement
Legislative Council Secretariat
(Fax: 2521 7518)

**Subcommittee on Members' Remuneration
and Operating Expenses Reimbursement**

**Consultation with Members on annual adjustment mechanism for
Office Operation Expenses Reimbursement**

Part I

QUESTION 1 :

The Subcommittee proposes that a weighted index instead of Consumer Price Index (C) ("CPI(C)") should be used as the basis for annual adjustment to Members' Office Operation Expenses Reimbursement ("OOER").

Please indicate whether you agree to the above proposal.

- (a) I agree.
- (b) I do not agree.
- (c) I have no comment.

(If your answer is (a) or (c), please go to Part II of this questionnaire. If your answer is (b), please go to Part III of this questionnaire.)

Part II

QUESTION 2 :

The Subcommittee proposes that the three main components of OOER, i.e. staff expenses, office accommodation expenses and other operating

expenses, should be used as the basis of calculating the weighted adjustment index.

Please indicate whether you agree to the above proposal.

- (a) I agree.
- (b) I do not agree.
- (c) I have no comment.

QUESTION 3 :

The Subcommittee proposes that the average utilization rates of OOER of the last three Legislative Council terms, i.e. 73%, 7% and 20% for staff expenses, office accommodation expenses and other operating expenses respectively, should be used as the respective weightings for the three main components in calculating the weighted index.

Please indicate whether you agree to the above proposal.

- (a) I agree.
- (b) I do not agree.
- (c) I have no comment.

QUESTION 4 :

The Subcommittee proposes that relevant reference indicators, i.e. civil service pay adjustment for middle and lower salary band, rental index for Grade C Offices compiled by the Rating and Valuation Department and CPI(C), should be used as the respective basis for adjusting the three main components.

Please indicate whether you agree to the proposal for using civil service pay adjustment for middle and lower salary band as the adjustment factor for the component on staff expenses.

- (a) I agree.
- (b) I do not agree.
- (c) I have no comment.

QUESTION 5 :

Please indicate whether you agree to the proposal for using rental index for Grade C Offices compiled by the Rating and Valuation Department as the adjustment factor for the component on office accommodation expenses.

- (a) I agree.
- (b) I do not agree.
- (c) I have no comment.

QUESTION 6 :

Please indicate whether you agree to the proposal for using CPI(C) as the adjustment factor for the component on other operating expenses.

- (a) I agree.
- (b) I do not agree.
- (c) I have no comment.

Part III

Other comments, if any:

(If space is insufficient, please provide the information in a separate sheet.)

Signature : _____

Name of Member : _____

Name of contact person
and telephone number : _____

Date : _____

Subcommittee on Members' Remuneration and Operating Expenses Reimbursement

Responses to questionnaire on annual adjustment mechanism for Office Operation Expenses Reimbursement

No. of responding Members: 67

Question	Agree	Disagree	No comment
Part I			
1. <u>Using a weighted index as the basis for annual adjustment</u> It is proposed that a weighted index instead of Consumer Price Index (C) ("CPI(C)") be used as the basis for annual adjustment to Members' Office Operation Expenses Reimbursement ("OOER").	(63)	(0)	(4)
Part II			
2. <u>Components of the proposed weighted index</u> It is proposed that the three main components of OOER, i.e. staff expenses, office accommodation expenses and other operating expenses, be used as the basis of calculating the weighted adjustment index.	(63)	(0)	(4)

Question	Agree	Disagree	No comment
<p>3. <u>Weightings for the three main components</u></p> <p>It is proposed that the average utilization rates of OOER in the last three Legislative Council terms, i.e. 73%, 7% and 20% for staff expenses, office accommodation expenses and other operating expenses respectively, be used as the respective weightings for the three main components in calculating the weighted index.</p>	(62)	(1)	(4)
<p>4. <u>Adjustment factor for the component on staff expenses</u></p> <p>It is proposed that civil service pay adjustment for middle and lower salary bands be used as the adjustment factor for the component on staff expenses.</p>	(58)	<p>(6)</p> <ul style="list-style-type: none"> - Staff expenses should be adjusted with reference to the Composite Consumer Price Index and civil service pay adjustment for middle and lower salary bands, whichever is the higher, to ensure that the level of remuneration can keep pace with inflation. (1) - Discussion on the remuneration of Members' assistants should be re-opened because even if civil service pay adjustment for middle and lower salary bands is used as the adjustment factor for the component on staff expenses in 	(3)

Question	Agree	Disagree	No comment
		<p>the annual adjustment mechanism, it cannot adequately reflect Members' need for adjusting the remuneration of their assistants, in particular the need for meeting the expenses for remuneration of more experienced staff. Furthermore, the Subcommittee has not considered such issues as staffing complement and ranking of Members' assistants in the context of its discussion; hence the manpower needs of Members have not been reflected. It is proposed that the Subcommittee should start afresh an overall discussion on the level of remuneration of Members' assistants. (5)</p>	
<p>5. <u>Adjustment factor for the component on office accommodation expenses</u></p> <p>It is proposed that rental index for Grade C Offices compiled by the Rating and Valuation Department be used as the adjustment factor for the component on office accommodation expenses.</p>	(54)	<p>(8)</p> <p>- Given that rental index for Grade C Offices reflects the rents paid on the type of commercial premises which are of the poorest quality and with the cheapest rents, and the rental values of Members' offices in private premises/public rental housing estates exceed those of Grade C Offices, it is unreasonable to use rental index for Grade C Offices for the calculation. (7)</p>	(5)

Question	Agree	Disagree	No comment
		<ul style="list-style-type: none"> - It is considered that rental index for Grade C Offices should not be used as the adjustment factor as the rental rate reflected in this factor is insufficient for determining the level of Members' office accommodation expenses, and an adjustment factor based on a higher rental rate should be adopted. (1) 	
<p>6. <u>Adjustment factor for the component on other operating expenses</u></p> <p>It is proposed that CPI(C) be used as the adjustment factor for the component on other operating expenses.</p>	(46)	<p style="text-align: center;">(14)</p> <ul style="list-style-type: none"> - Other operating expenses of Members, in general, are expenses incurred for the purchase of stationery and office supplies. However, CPI(C) is compiled based on the expenditure patterns of high income groups. It is unreasonable to use CPI(C) as the basis for adjusting the level of other operating expenses of Members. (7) - It is considered that CPI(C) should not be used as the adjustment factor since the amount reflected in this factor is insufficient for determining the expenditure level of other operating expenses. An alternative adjustment factor reflecting higher expenditure level should be used. (1) 	(7)

Question	Agree	Disagree	No comment
		- Consideration should be given to adopting Consumer Price Index (A) as the adjustment factor. (5)	

Part III

Other comments:

- Agreed to the analysis of the Complaints and Resources Management Division of the Secretariat that the proposed weighted adjustment index instead of CPI(C) should be used as the basis for annual adjustment of Members' OOER. However, in view of the fact that the present adjustment to the mechanism is made on the basis that staff expenses of Members' offices constitute the main expenditure component, Members should use the new resources obtained after the adjustment to improve the remuneration of staff of their offices to align with the original intent of the adjustment. (2)
- Members should use the new resources obtained after the adjustment to improve the remuneration of staff of their offices to align with the original intent of the adjustment. (1)

Complaints and Resources Management Division
Legislative Council Secretariat
 May 2018

Summary of movements of Consumer Price Indexes ("CPI")

Year	Composite CPI		CPI(A)		CPI(C)	
	<u>Average change for 12 months (%)</u> (Based on August each year)	<u>In HKD Value (1994=\$10,000)</u>	<u>Average change for 12 months (%)</u> (Based on August each year)	<u>In HKD Value (1994=\$10,000)</u>	<u>Average change for 12 months (%)</u> (Based on August each year)	<u>In HKD Value (1994=\$10,000)</u>
1994		10,000		10,000		10,000
1995	9.4	10,940	8.9	10,890	10.0	11,000
1996	7	11,706	6.6	11,609	7.4	11,814
1997	6	12,408	5.9	12,294	6.1	12,535
1998	4.7	12,991	4.3	12,822	5.0	13,161
1999	-2.4	12,680	-2.1	12,553	-2.0	12,898
2000	-4.4	12,122	-3.4	12,126	-5.1	12,240
2001	-1.8	11,903	-1.6	11,932	-2.0	11,996
2002	-2.6	11,594	-3.0	11,574	-2.3	11,720
2003	-2.8	11,269	-2.4	11,296	-2.9	11,380
2004	-1.4	11,112	-0.9	11,195	-1.9	11,164
2005	0.6	11,178	0.9	11,296	0.4	11,208
2006	1.8	11,379	1.6	11,476	1.9	11,421
2007	1.7	11,573	1.0	11,591	2.4	11,695
2008	4.5	12,094	4.4	12,101	4.5	12,222
2009	1	12,215	-0.2	12,077	1.8	12,442
2010	1.9	12,447	2.3	12,355	1.4	12,616
2011	4.3	12,982	4.9	12,960	3.9	13,108
2012	4.7	13,592	4.0	13,478	5.0	13,763
2013	4.1	14,149	5.0	14,152	3.5	14,245
2014	4.1	14,729	4.3	14,761	3.8	14,786
2015	4.1	15,333	6.0	15,646	2.5	15,156
2016	2.6	15,732	3.1	16,132	2.3	15,504
2017	1.5	15,968	1.5	16,373	1.5	15,737

Source: Annual Report on the Consumer Price Index

<http://www.censtatd.gov.hk/hkstat/sub/sp270.jsp?productCode=B1060002>

**Rental indices of private offices
compiled by the Rating and Valuation Department¹**

Rental indices of private office premises compiled by the Rating and Valuation Department cover premises situated in buildings designed for commercial/business purposes. Excluded are non-domestic floors in composite buildings. Offices are graded as follows:

- (a) Grade A – modern with high quality finishes; flexible layout; large floor plates; spacious, well decorated lobbies and circulation areas; effective central air-conditioning; good lift services zoned for passengers and goods deliveries; professional management; parking facilities normally available.
- (b) Grade B – ordinary design with good quality finishes; flexible layout; average-sized floor plates; adequate lobbies; central or free-standing air-conditioning; adequate lift services, good management; parking facilities not essential.
- (c) Grade C – plain with basic finishes; less flexible layout; small floor plates; basic lobbies; generally without central air-conditioning; barely adequate or inadequate lift services; minimal to average management; no parking facilities.

2. It should be noted that location is not a feature of grade. Offices owned by the Government of the Hong Kong Special Administrative Region and managed by the Government Property Agency are excluded.

3. Rental indexes by grade in the last Legislative Council term are as follows:

Offices	Overall (%)	Grade A (%)	Grade B (%)	Grade C (%)
Legislative Session				
2012-2013	15.11	17.69	10.92	10.97
2013-2014	10.83	11.24	10.32	10.70
2014-2015	8.39	7.41	9.19	11.44
2015-2016	4.70	3.55	5.68	7.46

¹ Source: 2018 Hong Kong Property Review issued by Rating and Valuation Department.