

PART III

LETTER OF 28 JANUARY 1987 TO HIS EXCELLENCY  
THE ACTING GOVERNOR TENDERING ADVICE ON  
PROPOSED MODIFICATIONS OF RECOMMENDATIONS  
SET OUT IN PART I AND PART II

28 January 1987

His Excellency Sir David Akers-Jones, KBE, CMG, JP,  
Acting Governor of Hong Kong.

Your Excellency,

Review of Leave and Passages

In our two letters of 30 December 1985 and 17 February 1986 to Your Excellency, we put forward recommendations on a package of proposals by the Administration designed to simplify and rationalize leave and passage arrangements for serving officers in the civil service. We have recently been informed by the Administration that extensive consultation has since taken place with the three main staff consultative councils on our proposed arrangements and that most of them can be administratively adopted. The Administration is, however, of the view that modifications are required in two areas. We have been requested to advise on these modifications.

Simplification of Existing Types of Leave

2. In our letter dated 30 December 1985 to Your Excellency, we endorsed the proposal by the Administration to combine casual leave, which is leave-earning, with vacation leave, which is non-leave-earning, to form a single type of leave which should be non-leave-earning. Apart from recommending a small increase in the leave-earning rate for Model Scale 1 employees with less than 10 years of service by half a day, we recommended acceptance of the Administration's proposal to maintain existing leave-earning rates for all other serving officers in the civil service.

3. In the event, we understand from the Administration that, upon consultation with the main staff consultative councils, strong objection has been expressed by the Staff Side on the recommended leave-earning rates, although the overall proposal to combine casual leave with vacation leave is welcomed. The Staff Side is concerned that if the existing leave-earning rates for serving officers are adopted as they stand, there will be a consequential reduction of leave-earning in these rates when the existing leave-earning casual leave is combined with non-leave-earning vacation leave to form the new, also non-leave-earning, combined leave. The strongest objection has been voiced by the local members of the Staff Side who assert that the proposal is primarily for the benefit of simplifying the administration of leave and that their consequential loss in leave benefits would not be justified.

4. We have been informed that the Administration, noting the point made by the Staff Side, now considers it undesirable from the staff relations' point of view to impose changes unilaterally in the conditions of service of staff, particularly with regard to local officers who will not benefit from the overall package of new leave and passage arrangements as much as overseas officers. Accordingly, the Administration proposes that local officers at least should be proportionately compensated for the loss in their leave-earning per year, rounded to the nearest half day.

5. We have examined the Administration's proposal. We note, in particular, the point made by the local members of the Staff Side and we are inclined to concur with that view. As local officers will not obtain any significant increase in benefits from the overall package of new leave and passage arrangements, we feel that it would be unfair not to compensate them for their loss in leave-earning on the combination of the two types of leave. We therefore recommend the adoption of the following leave-earning rates proposed by the Administration for serving local officers : -

Tables J - Recommended Annual Leave-earning Rates for Serving Local Officers on 100% Pensionability

Table J1

Local Officers	Less than 10 years' service				
Rank	Existing Rates		Reduction in leave-earning per year due to new leave arrangements (Days)	Adjusted annual leave-earning rates by the Administration (Days)	Leave-earning rates now recommended by the Standing Commission (Days)
	Casual Leave (Days)	Vacation Leave (Days)			
MPS 18 and above	12	18	1	31	31
MPS 1 - 17	12	9	$\frac{1}{2}$	$21\frac{1}{2}$	$21\frac{1}{2}$
Model Scale 1	12	-	$\frac{1}{2}$	$12\frac{1}{2}$	$12\frac{1}{2}$

Table J2

Local Officers	More than 10 years' service				
Rank	Existing Rates		Reduction in leave-earning per year due to new leave arrangements (Days)	Adjusted annual leave-earning rates by the Administration (Days)	Leave-earning rates now recommended by the Standing Commission (Days)
	Casual Leave (Days)	Vacation Leave (Days)			
MPS 18 and above	12	27	$1\frac{1}{2}$	$40\frac{1}{2}$	$40\frac{1}{2}$
MPS 1 - 17	12	18	1	31	31
Model Scale 1	12	9	$\frac{1}{2}$	$21\frac{1}{2}$	$21\frac{1}{2}$

The Modified Annual Leave Scheme for Serving Overseas  
Officers on MPS 38 - 47 or the Equivalent

6. In paragraphs 8 to 19 of our letter dated 17 February 1986 to Your Excellency, we recommended that the Annual Leave Scheme should be extended to those on MPS 38 - 47 but with modifications to limit the increase in the fringe benefits of serving overseas officers pending the application of the total pay package concept to pay comparisons. This could be achieved by trading-off a portion of their leave rates for the extra leave benefits which they could attain under the scheme, as follows : -

- (a) a 20% - 30% reduction in the "overseas addition" element of their vacation leave rates to pay for flexibility in leave arrangements, i.e., for taking vacation leave annually and with no restriction on the location in which the "basic rate" element may be spent; and
- (b) a further reduction in the "overseas addition" element to bear 75% of the additional cost of passages to be provided on the understanding that, subject to negotiation with British Airways or other airlines, the APEX fare should be used.

In arriving at the leave rates for the modified Annual Leave Scheme recommended by us in paragraphs 15 and 16 of our letter dated 17 February 1986, we had followed a number of guidelines and had based our recommendations on a number of assumptions detailed in that letter.

7. We have recently been informed by the Administration that the expatriate members of the Staff Side have expressed strong reservations on the modified Annual Leave Scheme and that the Administration itself has identified a few practical problems, including staffing problems, in implementing it in full. In order to simplify the administration of annual leave arrangements, the Administration now proposes an alternative scheme, which retains most of the principles we advanced in our letter of 17 February 1986. The main features of the scheme are as follows : -

- (a) the concept of "flexibility" in spending the "basic rate" element is largely dispensed with; the concept of the existing Annual Leave Scheme for officers on or above MPS 48 is to be applied to those on MPS 38 - 47. In other words, there will be a restriction on the location in which the "basic rate" element is to be spent, contrary to what was recommended in item (a) of paragraph 6. Annual leave should be spent consecutively outside Hong Kong. If more than 7 days' annual leave is spent locally, the "forfeiture formula" will continue to apply and the "overseas addition" element will be forfeited proportionately;
- (b) annual leave passages should be provided at the Excursion fare (currently \$11,010 per adult compared to the British Airways contract fare of \$13,124 and the APEX fare of \$8,190);
- (c) the reduced rates of annual leave should be worked out in accordance with the following guidelines : -
  - (i) overseas officers concerned should pay for 75% of the additional cost of passages by a reduction in the "overseas addition" element of their leave rates. This is in accordance with one of our recommendations for the modified Annual Leave Scheme. However, as the concept of "flexibility" in spending the "basic rate" element is now largely dispensed with, officers should not be required to reduce further the "overseas addition" element of their vacation leave rates;
  - (ii) the computed "overseas addition" element after the reduction should be adjusted in accordance with the principle that it should not be lower than that for new appointees, tentatively fixed at 12 days; and
  - (iii) for administrative simplicity, one set of leave rates for officers on MPS 38 - 43 and MPS 44 - 47 should be adopted.

8. In view of the above, the Administration's proposed leave rates are shown in the following table : -

Table K - Proposed Annual Leave Rates  
(Including Casual Leave)  
for Serving Overseas Officers

Category of Officers	Sub-Category	Annual Leave Rates (Including Casual Leave)		
		Standing Commission's previous recommendations		Administration's proposals#  (Days)
		After one year  (Days)	Within one year*  (Days)	
MPS 44 - 47	(a)	53	46	46½
	(b)	42	38	37½
MPS 38 - 43	(a)	51	45	46½
	(b)	42	38	37½

Note (a) Aged 40 or above, or 35 - 39 with 10 years' service or more.

(b) Aged below 40 (excluding those aged 35 - 39, with 10 years' service or more).

\*The conversion of these leave rates from rates earned after one year has been effected in compliance with the practice of the Annual Leave Scheme.

#These are rates earned within one year. Any untaken days of annual leave will lapse unless attributable to curtailment in the public interest.

9. We have been further informed by the Administration that while the Association of Expatriate Civil Servants is in general agreement with the concept of a modified Annual Leave Scheme for serving overseas officers on MPS 38 - 47, the Association does not endorse the leave rates recommended by the Administration. The Association has proposed an upward adjustment in these rates to take into account other factors and to achieve, in its view, a more balanced leave structure for the two categories of serving overseas officers on MPS 38 - 47 (who are eligible for the revised Annual Leave Scheme) and those on MPS 48 - 51 (who already enjoy the Annual Leave Scheme). The existing rate for overseas officers on MPS 48 - 51 is 55½ days. This can be illustrated as follows : -

Table L - Proposed Leave Rates under the Modified Annual Leave Scheme

Overseas Officers on MPS 38 - 47	Annual Leave (Including Casual Leave)	
	Administration's Proposal (Days)	AECS's Proposal (Days)
Aged 40 or above, or 35 - 39 with 10 years' service or more	46½	49
Aged below 40 (excluding those aged 35 - 39, with 10 years' service or more)	37½	42

10. We have examined in detail the two different sets of proposed rates for the modified Annual Leave Scheme put forward by the Administration and by the Association of Expatriate Civil Servants, taking into account the various factors and principles used in arriving at them. We have found insufficient justification to support the rates proposed by the Association of Expatriate Civil Servants in paragraph 9. Our main objection to the adoption of the rates



proposed by the Association is that the end-of-contract gratuity has been used in the calculation of these rates as if such a gratuity is part of salary whereas it is our view the end-of-contract gratuity is a fringe benefit.

11. As to the alternative Annual Leave Scheme for serving overseas officers on MPS 38 - 47 proposed by the Administration in paragraph 7, we note that it differs from our original modified Annual Leave Scheme in three major areas : -

- (a) the concept of "flexibility" is largely dispensed with in the alternative scheme;
- (b) the alternative scheme adopts the Excursion fare instead of the APEX fare as the passage cost for calculation purposes; and
- (c) the alternative scheme adopts a uniform set of leave rates for officers on MPS 38 - 43 and MPS 44 - 47.

12. On points (a) and (c), we agree that the alternative scheme should be simpler to administer.

13. On point (b), the Administration has proposed that the Excursion fare, instead of the APEX fare, should be used as the standard passage for the modified Annual Leave Scheme, in view of a number of practical difficulties in the use of the APEX fare. We have been informed that the APEX fare is not available for some routes (such as Hong Kong - Australia) and its conditions are so restrictive that dates of travel cannot be altered unless heavy penalties are paid and, in addition, no stopovers are allowed on the Hong Kong - London route. On the contrary, the conditions associated with the Excursion fare are less restrictive and do permit a break in the journey. After taking into account all this relevant information, including the complexities likely to be encountered by the Administration in re-negotiating with British Airways for a new fare, we support the use of the Excursion fare for the modified Annual Leave Scheme on the proviso that it is only an interim measure to facilitate early implementation of the scheme. We stand by our original recommendation that the Administration should ultimately secure with British Airways or some other airline(s) the cheapest fare that best suits the parameters of the scheme by following the grading of passages recommended in our letter of 30 December 1985 to Your Excellency, i.e., point-to-point Economy Class for officers on MPS 47 and below.

14. We have also taken note of the intention of the Administration to make the revised Annual Leave Scheme optional. In this connection, we have previously recommended that the proposed arrangements for annual leave for overseas officers on MPS 38 - 47 should be mandatory even though we would not object if the Administration, in the interest of good staff relations, considers it preferable to give individual officers the option of remaining on the present vacation leave terms. In such a case, we have previously recommended that the option, once exercised, should be irrevocable. We feel that our previous recommendation should still stand. A revocable option, in our view, would run counter to the primary objective of the Administration in this review which is to simplify leave and passage arrangements in the civil service.

15. Subject to the above observations, we endorse the revised rates for the modified Annual Leave Scheme proposed by the Administration in paragraph 8.

Passage Benefits for Local Non-Directorate Officers

16. In the course of our review of leave and passage arrangements for the civil servants, we have also received the following representations from the Hong Kong Chinese Civil Servants' Association and the Model Scale 1 Staff Consultative Council through the Administration : -

(a) The Hong Kong Chinese Civil Servants' Association

The Association considers that some form of passage benefits should be made for local officers not at present eligible for such benefits. Such new arrangements may replace the existing Long Service Travel Award Scheme.

(b) The Model Scale 1 Staff Consultative Council

The Staff Side of the Council considers it inequitable that the proposed improvements to the leave and passage entitlements of overseas officers are not to be matched by corresponding improvements for lower paid staff. The Staff Side has requested the Commission to consider recommending for them some form of travelling benefits to nearby places such as Guangdong once in every five years, in addition to being considered for inclusion in the Long Service Travel Award Scheme.

17. We have been informed that the Administration is unable to give full support to these requests. We also have our own reservations after taking into account the following : -

- (a) apart from welfare and staff morale reasons, there are no valid arguments in support of extending passage benefits to local officers below the Directorate level. The raison d'etre for providing passages to non-Directorate overseas officers is to enable them to renew home ties in their country of origin. There is no such need in the case of local officers; and
- (b) the 1985 and 1986 Fringe Benefits Surveys conducted by the Pay Survey and Research Unit show that the provision of holiday passage benefits for local staff is not a common practice in the private sector.

In view of these considerations, we do not recommend that any recreational passage or travelling benefits should be provided to local non-Directorate officers.

#### Conclusion

18. If our recommendations in this letter are accepted, we recommend their implementation from a current date.

We have the honour to be  
Your Excellency's obedient servants,

(S.Y. Chung)  
Chairman

Kim Y.S. Cham

Therese H.C. Chan

Stanley G. Elliott

Victor K.K. Fung

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