

2 April 1992

His Excellency Lord Wilson of Tillyorn, GCMG,  
Governor of Hong Kong.

Your Excellency,

Review of Air Passage Arrangements

We have been invited by the Administration to advise, under Clause I(e) of our Terms of Reference, on a number of proposals which will lead to greater flexibility in the use of leave passages.

(A) Air Passage Agreement

Background

2. The provision of Government passages is governed by an agreement with British Airways (BA). Signed on 15 October 1974, it initially gave BA the exclusive right to carry all Government-sponsored passengers between Hong Kong and London (the UK route). The agreement was modified in 1976 and in 1980. The modifications in 1980 allow, among other things, Cathay Pacific Airways (CPA) to carry Government-sponsored passengers on the same route.

The Administration's Proposals

3. The Administration informed us that after negotiations with BA and CPA, it had secured a new air passage agreement with the following main features:

- (a) it would only cover duty, school and standard leave passages on the UK route. Non-standard leave passages, i.e. air passages between Hong Kong and an officer's country of origin by an indirect route or between Hong Kong and a destination other than his country of origin, and passages under the Long Service Travel Award (LSTA) Scheme would be excluded from the new agreement;

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- (b) Advance Purchase/Special Excursion (Apex) fares would be used for student passages on the UK route without the restrictions which normally apply to these fares. The Apex return fare is 4% to 17% cheaper than the existing student fare;
- (c) published fares would continue to be used for duty and school passages on non-UK routes; and
- (d) there would not be any change in the percentage of rebate for contract fares for duty passages and leave passages on the UK route.

4. The new agreement would enable officers arranging non-standard passages and passages under the LSTA Scheme to use the cheaper fares available in the market. Government will also achieve an annual saving of about \$2.6 million as a result of the lower student fare. The Administration further indicated that the proposed concessions were the best offer from BA and CPA which were the only airlines providing direct flights to the UK and that any further concessions would make the arrangement commercially unattractive.

5. The Administration proposed that Government should sign a two-year tripartite agreement with BA and CPA. Thereafter, any of the parties concerned could withdraw from the agreement by giving six months' notice. This would enable the Administration to review the agreement after two years.

The Commission's Views and Recommendation

6. In Report No. 19, we recommended that the Administration should be more responsive to changes in the civil aviation field and should continue to negotiate with BA or some other airlines for better terms in the provision of leave passages. We agree with the Administration that the new agreement with BA and CPA represents a substantial improvement over the current agreement with BA. The exclusion of non-standard passages and passages under the LSTA Scheme from the new passage agreement should address the main complaint from staff as it would make it possible for them to use the cheaper fares available in the market. We also note that the lower student fares would bring about an annual saving of \$2.6 million. We support the Administration's proposal for the tripartite agreement.

(B) Modification of Leave Passage Provisions

Background

7. Under the existing provisions for leave passages, in addition to the air fare, an officer can claim reimbursement for any travel undertaken by car, coach, rail or ferry, provided that it forms part of his journey to his declared destination. Additionally, he can claim a subsistence allowance for the number of nights required for the journey by road by the most practicable route. However, the passage allowance cannot be used to cover hotel accommodation or package tours. If the total amount claimed is smaller than the passage allowance, officers will not receive the unexpended portion in cash, nor can they carry it forward to the next eligibility period.

The Administration's Proposals

8. The Administration has from time to time received requests from staff that they be allowed to use the passage allowance to pay for hotel accommodation and package tours and other travel-related expenses. Staff also consider leave passages to be an entitlement which they have earned. They should not therefore have to forfeit any unused portion. Having regard to representations from staff and private sector practice, the Administration proposed that officers be permitted to use their passage entitlement to cover accommodation, package tours, car-hire charges and airport tax, in return for giving up the subsistence allowance for travel undertaken by road which is difficult to administer.

9. The Administration further proposed that passage accounts be introduced with the following features:

- (a) individual accounts would be established for an officer and his family members;
- (b) the cash value of an untaken passage or unused balance would be carried forward from one eligibility period to the next;
- (c) the amount of passage allowance which could be accumulated at any one time would be twice the prevailing passage entitlement;
- (d) any unused balance in the account when the officer leaves the service would lapse; and
- (e) officers and their family members would be able to travel twice within each eligibility period.

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The Commission's Views and Recommendations

10. We are of the view that the proposals of allowing staff to use their passage entitlement to pay for accommodation, package tours, car-hire charges and airport tax will be welcomed by staff, particularly recipients of LSTA as they would not have to spend substantial amounts on accommodation and other travel-related expenses. The introduction of passage accounts would address the concern of staff over inability to take leave within an eligibility period. Since claims for the four types of travel-related expenses proposed to be covered can be easily verified, the proposals would not entail too much additional administrative work. We therefore support the Administration's proposals regarding the use of passage entitlement and the setting up of passage accounts. In addition, we recommend that consideration be given to permitting staff to use their passage entitlement to cover excess baggage charges.

11. We support the withdrawal of subsistence allowance for travel undertaken by road because of the cumbersome administrative work involved and the extension of passage entitlement to cover other travel-related expenses.

(C) Extension of Split Leave and Passage Arrangements to Non-Directorate Overseas Officers

Background

12. On the advice of the Standing Committee on Directorate Salaries and Conditions of Service, split leave and passage arrangements were introduced for directorate officers in 1987. Under these arrangements, directorate officers may use their passage entitlement for two separate journeys within an eligibility period provided that the total cost to Government does not exceed an individual officer's entitlement.

13. When we last reviewed leave and passage arrangements from June 1985 to January 1987, the Administration sought our advice on whether split leave and passage arrangements should be extended to non-directorate overseas officers on MPS 45-49. We did not support the extension at the time for the following reasons:

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- (i) there was no real reason to treat overseas officers on MPS 45-49 in the same way as directorate officers. Indeed, there would be serious implications in the other areas of pay and conditions of service if this were to be done;
- (ii) overseas officers enjoyed more generous leave and passage terms and this had been justified on the grounds that they needed to renew their home and family ties. If they were allowed to split their passage entitlement, the implication was that overseas officers were not expected to return to their home country on every occasion when they took overseas leave. To grant such a flexibility would jeopardise the whole concept of renewal of home ties; and
- (iii) the proposal, if adopted, would mean that overseas officers were allowed to use their passages for relaxation and recreation. This being so, it would open the door to claims from local officers for parity of treatment.

Details of our recommendations were set out in Report No. 19.

The Administration's Proposal

14. The Administration asked us to reconsider extending split leave and passage arrangements to non-directorate overseas officers on the following grounds :

- (i) it is consistent with private sector practice;
- (ii) it is operationally less disruptive for an officer to take two short holidays a year instead of a long one;
- (iii) by making it easier for officers to take leave, savings could be made as fewer officers would be required to curtail their annual leave on operational grounds;
- (iv) overseas officers on MPS 45-49 or equivalent have the same leave and passage entitlements as overseas directorate officers;
- (v) overseas officers already use leave passages for recreational travel through non-standard passages;

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- (vi) most overseas officers (82% in 1990) return to their country of origin during their leave although many visit other countries on the way;
- (vii) the introduction of split passages for directorate officers has had no significant effect on the proportion of directorate overseas officers returning to their country of origin (81% in 1990); and
- (viii) the use of cheaper air passages under the proposed air passage agreement would make it easier for overseas officers to accommodate both the need to renew home ties and the desire for recreation and relaxation.

15. As the proposal will create some additional administrative work, the Administration proposed to phase its implementation as follows:

- (i) Stage I - split leave and passage arrangements for officers on MPS 45-49, and split leave for officers on MPS 34-44; and
- (ii) Stage II - split passage arrangements for officers on MPS 34-44.

The Commission's Views and Recommendations

16. We have reconsidered our reservations as expressed in Report No. 19. We note the Administration's arguments in paragraph 14 above, in particular the point that the introduction of split leave and passage arrangements for directorate officers has had no significant effect on the proportion of directorate overseas officers returning to their country of origin. In the course of our deliberation, the Administration also assured us that when staff were consulted, both overseas and local officers had supported the proposal and local officers had not pressed their claim on the provision of passages to local non-directorate officers. While the views expressed in Report No. 19 still have validity, we support the Administration's proposal as it would provide greater flexibility for both management and staff and would not incur any additional cost. However, two Members would prefer not to form a view on the proposal until the Administration has completed the current review of leave arrangements.

(D) Grading of Passages

Background

17. We recommended in Report No. 19 that a two-tier system of leave passages should be introduced for non-directorate overseas officers as follows:

- (a) Point-to-Point Economy Class for officers on MPS 44 and below or equivalent; and
- (b) Point-to-Point Full Economy Class (i.e. with a seat in Business Class) for officers on MPS 45-49 or equivalent.

The Administration's Proposal

18. The Administration has provided us with the following information:

- (i) at the time the Commission made the recommendation in paragraph 17(a) above, officers on MPS 44 and below were entitled to the same grade of Economy Class passage as officers on MPS 45-49. However, while officers on MPS 45-49 were provided with passages every year, those on MPS 44 and below were only provided with passages once every 2½ years;
- (ii) under the modified annual leave scheme introduced in 1987, officers on MPS 34-44 are allowed to opt for annual passages in return for a lower leave-earning rate and provision of passages at Excursion fares which are lower than the Economy Class fare enjoyed by officers on MPS 45-49. Those who remain on vacation leave terms are still provided with the same grade of Economy Class passage as officers on MPS 45-49, but they are given leave passages only once every 2½ years;
- (iii) the BA Agreement allows officers travelling direct to or from the UK to sit in Business Class at a discounted fare. Our recommendation would reduce the non-standard passage allowance for UK officers by 10%; and

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- (iv) non-UK officers are provided with passages at the full Economy Class fare which does not entitle them to sit in Business Class. Business Class could be made available to non-UK officers only by upgrading the officer's passage entitlement from Economy Class to Business Class. This does not appear to have been the Standing Commission's intention.

19. The Administration proposed that there should be no change to the existing grading of leave passages for non-directorate overseas officers, because:

- (i) the introduction of the modified annual leave scheme in 1987 has resulted in a two-tier system of leave passages for overseas officers on MPS 34-44 and those on MPS 45-49, thus satisfying the spirit of the recommendation in Report No. 19;
- (ii) it is undesirable on staff relations grounds to reduce the passage benefits of serving officers; and
- (iii) the introduction of another category of leave passage benefit would further complicate the administration of leave and passages.

The Commission's View

20. We note the Administration's difficulties in fully implementing our recommendation in Report No. 19 on the grading of passages. Since the spirit of our recommendation has already been achieved on the introduction of the modified annual leave scheme, we agree that our earlier proposal should not be further pursued.

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

(Sidney Gordon)  
Chairman  
For and on behalf of  
Members of the Standing Commission