

Appendix I

4 March 1992

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

Your Excellency,

Review of Accommodation Allowance

We have been invited by the Administration to advise, under Clause I(e) of our Terms of Reference, on a proposal to review the Accommodation Allowance annually on the same basis as the Private Tenancy Allowance.

Background

2. In our letter of 29 May 1990, we endorsed the Administration's proposed package of housing benefits for civil servants, the main components of which were an improved Home Purchase Scheme (HPS), a Home Financing Scheme (HFS) and an Accommodation Allowance Scheme (AAS). In respect of the AAS, we recommended that the rates of the allowance should be kept under review. Our recommendations were accepted by the Government and the package was implemented in October 1990.

The Administration's Proposals

3. Under the new package of housing benefits, overseas recruits appointed on or after 1 October 1990 are eligible only for an Accommodation Allowance (AA) for renting accommodation during their service. The rates of AA have not been revised since the introduction of the scheme.

4. It is now Government's established policy to review the rates of Private Tenancy Allowance (PTA)

Appendix I (Cont'd)

annually having regard to rental movements. Since the AA is, like the PTA, also intended for renting accommodation and the quality of housing will affect overseas recruitment, the Administration proposed to revise the rates of AA annually on the same basis as the PTA in order to maintain the real value of the allowance.

5. The rates of PTA are reviewed annually based on changes in the rental indices compiled by the Rating and Valuation Department for selected geographical locations where the majority of PTA recipients live. The indices for the third and fourth quarters of the year under review are compared with the average rental index of the base year (1989). As the small number of AA recipients (66) prevents meaningful compilation of separate indices, and to avoid invidious comparison between the rates of AA and PTA, the Administration proposed that the AA should be revised annually in accordance with the rates of revision for the PTA family rates.

The Commission's Views and Recommendations

6. When we considered the AAS in 1990, we noted the concern expressed by some staff that the rates of AA were not sufficiently attractive, thus creating difficulty for overseas recruitment in future. Upon the Administration's confirmation that the rates were adequate and would enable officers to rent accommodation of a reasonable standard and comparable in size to that provided for expatriates in the private sector, we endorsed the Administration's proposal. However, we recommended that the rates of AA should be kept under review to take account of changes in the level of rent and of any emerging expatriate recruitment difficulties attributed to housing provision. We therefore support the Administration's present proposal of reviewing the rates of AA annually to maintain the real value of the allowance.

7. As regards the review methodology, we note that the small number of AA recipients prevents separate compilation of any meaningful rental index, that about 80% of the geographical locations of AA tenancies now fall within those of PTA tenancies, and that linking the rate of revision of AA to that of the PTA would avoid invidious comparison between the two schemes. We therefore support the Administration's proposal of revising the rates of AA in accordance with the rates of revision for PTA family rates.

Appendix I (Cont'd)

8. Since new recruits appointed after 1 October 1990 are no longer eligible for PTA and existing recipients of PTA may opt for HFS, the number of PTA recipients may drop in future. At the same time, the number of AA recipients may gradually increase as it is the only form of housing assistance available to officers recruited after 1 October 1990. We therefore further recommend that the methodology for reviewing the rates of PTA and AA should be re-examined in future having regard to changing trends.

9. While all Members support the above recommendations, one Member had reservations about the annual adjustment of the allowance for officers on contract terms who have entered into tenancy agreements for a fixed period. However, the remaining Members felt that any fine-tuning of this nature would introduce too many complications in the Administration of the scheme.

10. If our recommendations are accepted, we propose that they should be implemented from a current date.

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

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