

17. Some serving officers may have a combined balance of casual and vacation leave which exceeds the new accumulation limits set out in the previous paragraph. We recommend therefore that the Administration should devise appropriate interim measures to ensure that no officer is required to forfeit leave due to him at the time when the new accumulation limits are introduced. We realize that departmental managements will encounter problems in the early stages since many officers will wish to take leave due to them and we consider that a reasonable period of transition is essential to the solution of this problem.

18. As regards proposal (b) in paragraph 13, the Administration considers that the introduction of a maximum limit of 180 days for vacation leave in the case of serving overseas officers would be an appropriate way to implement the proposal to introduce more flexible leave arrangements for overseas officers which is described in paragraph 22 of this letter. On the other hand, representatives of the Association of Expatriate Civil Servants of Hong Kong have told us that they are not in favour of a high accumulation limit as a lower limit would strengthen their case if they apply to go on leave at regular intervals when they might otherwise be instructed to curtail their leave. They told us that this occurred fairly frequently at present. We have taken account of these views.

19. We recommend that the new accumulation limits for serving overseas officers should be as close as possible to those of serving local officers, i.e. 120 days for overseas officers aged under 40, excluding those aged 35 to 39 with 10 years' service or more, and 180 days for overseas officers aged 40 or over regardless of length of service and officers aged 35 to 39 with 10 years' service or more.

20. In the case of serving overseas officers the recommendations in paragraph 19 are set out in the following table :

Table F

Number of Days' Leave that Serving Overseas Officers may accumulate

Rank	Existing Arrangements for Casual and Vacation Leave		Proposed Arrangements for One Single Type of Leave	
	Aged under 40 (Excluding those aged 35-39 with 10 years' service or more)	Aged 40 or over regardless of length of service or aged 35-39 with 10 years' service or more	Aged under 40 (Excluding those aged 35-39 with 10 years' service or more)	Aged 40 or over regardless of length of service or aged 35-39 with 10 years' service or more
MPS 1 & above	<u>C.L.</u> 30 <u>V.L.</u> (105)*	<u>C.L.</u> 30 <u>V.L.</u> (148)*	120	180

Note : *Overseas officers are not subject to any accumulation limits for vacation leave. Figures in brackets only denote the normal vacation leave earned for a tour or notional tour of 2½ years.

Flexible Leave Arrangements for Overseas Officers

21. Under the present rules, the vacation leave arrangements for overseas officers are restrictive in a number of ways. Except for officers eligible for annual leave, i.e. officers on or above MPS 48, overseas officers are normally only allowed to take earned vacation leave at the end of a normal or notional 2½ years' tour of service. If they choose to take less than their full entitlement of leave, they have to forfeit any untaken balance in excess of 7 days. Furthermore, all overseas officers are required to spend their vacation leave outside Hong Kong and Macau failing which they are liable to the forfeiture of the

"overseas addition" element in the leave they spend locally, calculated in accordance with a "forfeiture formula", as described in paragraph 25.

22. The Civil Service Branch review has established that, subject to the exigencies of the service, there are cogent, practical reasons for a relaxation of those restrictions which debar overseas officers from taking vacation leave at any time, as local officers are permitted to do. The present rigid arrangements not only tie the hands of overseas officers but may also be undesirable from an operational point of view as "long leave" after a 2½ years' period of service can cause staff management and posting problems. Having regard to these undesirable effects, the Administration therefore proposes that the same flexibility should be accorded to overseas officers as to local officers if they wish to take a shorter period of leave and that they should be allowed to carry forward the untaken balance, subject to a maximum accumulation limit, and subject also to the "forfeiture formula" which applies to leave spent locally.

23. Before we comment on the changes proposed by the Administration it is necessary to know the background to this issue. Historically, overseas officers and local officers were always on different sets of leave rates. Overseas officers enjoyed a much higher leave rate as it was considered in the past that these officers required more leave to recuperate in a temperate climate as well as to renew family and social ties in their home countries. The different sets of leave rates bore no relation to each other until 1971 when the Salaries Commission attempted to rationalize them. The 1971 Salaries Commission recommended that both overseas and local officers should be eligible for the same basic leave rates. It was recognised that whilst the need for overseas officers to have a longer period of leave to recuperate from an alien tropical climate no longer existed, there was a continuing need for them to renew their home ties.

24. Thus the vacation leave rate for overseas officers at the time was split into two components : the basic leave rate and the "overseas addition" which, in fact, was the difference between their leave rates and the leave rates for their local counterparts. The following table shows the components :

Table G

Leave Entitlement of Overseas Officers

	Days per year of service		
	Full leave rate	Basic rate	Overseas addition
Overseas officers aged 40 or over, or aged 35-39 with 10 years' service or more			
(a) 100% pensionable	59	27	32
(b) 90% pensionable*	78	36	42
Overseas officers under 40 (except those aged 35-39 with 10 years' service or more)			
(a) 100% pensionable	42	18	24
(b) 90% pensionable*	56	24	32
Overseas officers on or above MPS 48 and eligible for annual leave			
(a) 10 years' service or more	45	25	20
(b) less than 10 years' service	45	17	28

(*Note : Prior to 1959, the remuneration of civil servants was composed of pensionable basic salary and a non-pensionable cost of living allowance. The 1959 Salaries Commission recommended the consolidation of cost of living allowance into basic pay which should be made fully pensionable. However, for financial reasons, only 90% of the proposed

revised salaries was made pensionable at that time. Subsequently, as a result of the recommendations of the 1965 Salaries Commission, the pensionability of salaries was raised to 100% subject to a 25% reduction in vacation leave-earning rates. Serving officers were however given the option of retaining their existing vacation leave-earning rates coupled with 90% pensionability.)

25. The "forfeiture formula" was introduced administratively in 1979. Before this time, permission for overseas officers to spend vacation leave locally was granted only exceptionally on strong compassionate grounds. Where such permission was granted, no forfeiture was applied. Since the end of 1979, a more liberal approach has been adopted : approval for overseas officers to spend leave locally is readily granted so long as they forfeit, in full or proportionately, the "overseas addition" component of their leave under the following formula :

$$a = \frac{b \times (c - d)}{d}$$

where a = number of days of vacation/annual leave forfeited

b = number of days of leave spent locally

c = full leave rate

d = basic leave rate

26. The purpose of applying the forfeiture formula is to reduce the value of an overseas officer's leave to the same level as his local counterpart in respect of any vacation/annual leave spent locally. For instance, if in a year an overseas officer on 59 days vacation leave per annum spends 27 days vacation leave locally, (which equals the entire vacation leave entitlement of his local counterpart) he is deemed to have taken his entire leave earned (59 days) for the year, and the 32 days "overseas addition" is forfeited. If he spends 10 days locally, 12 days will be forfeited, and a total of 22 days (10 + 12) will be deducted from his leave balance.

27. The forfeiture formula is however not applied in the following circumstances :

- (a) when an officer is on final leave prior to leaving the service;
- (b) when the period of leave spent locally is 7 days or less; and
- (c) where there are strong compassionate grounds.

28. Whilst we endorse the Administration's reasons for wishing to introduce some further flexibility into the leave arrangements for overseas officers we do not agree with the way in which it is proposed that this should be done because it does not draw a distinction between the two elements in the vacation leave of overseas officers, the basic rate, which is the same for both local and overseas officers, and the "overseas addition" which is provided to enable overseas officers to renew home and family ties.

29. We consider that a distinction should be made between these two elements of the vacation leave of overseas officers and that recognition should be given to the convenient air travel of modern times. At the same time, we realize that under the existing arrangements in the civil service, overseas officers who spend all the basic element of their vacation leave locally forfeit all their "overseas addition" in accordance with the forfeiture formula set out in paragraph 25. In view of these considerations, we recommend that flexibility should be introduced in the following ways :

- (a) in respect of the basic element of vacation leave overseas officers should be allowed the same degree of flexibility as their local counterparts. Subject to the exigencies of the service and to a maximum accumulation limit, they should be permitted to take the basic element of their vacation leave freely within their entitlement. They should also be allowed, if they so wish, to spend all their basic leave locally without being subject to the "forfeiture formula" under which they would previously have forfeited all the "overseas addition";
- (b) in the case of the "overseas addition" there should be a reduction of 20% to 30% and no flexibility. The "overseas addition" should all be taken at the end of a normal or notional tour of $2\frac{1}{2}$ years. For

this purpose, passages should be provided for overseas officers to their country of origin. No advance of leave should be allowed without very good reason;

- (c) overseas officers should be allowed to combine basic vacation leave with the "overseas addition" element, after a tour or notional tour of 2½ years, if they so wish; and
- (d) the leave accumulation limits for overseas officers recommended in paragraph 19 should remain unchanged and should exclude the "overseas addition".

We recommend that the proposed arrangements set out in (a) to (d) should be mandatory and should apply to all civil servants. If they were allowed to exercise an option the leave system would inevitably be more complicated and this would be inconsistent with one of the primary aims of the current review which is to simplify and rationalize the existing leave and passage arrangements. However, we note that it is the view of the Administration that more flexible leave arrangements are desirable for operational reasons and that the disruption which is now caused by the prolonged absence of staff on long leave would be reduced if staff took shorter periods of leave more frequently. If, therefore, the Administration would prefer to allow individual officers to have the option of remaining on the present leave arrangements or accepting the proposed new ones, and if it is prepared to accept the additional administrative work involved, we would not object.

30. If our proposals are accepted, they would have the advantages of conforming to the spirit of the definition of leave proposed in paragraph 4, of narrowing the existing differences between the vacation leave arrangements of local and overseas officers and of helping to solve a management problem by cutting down the need for overseas officers to take "long leave" every 2½ years.

31. It should be noted, however, that our recommendations do not apply to overseas officers on annual leave terms. We intend to review the arrangements for this particular category of officers in the second stage of our review when, amongst other things, we shall be examining the provision of annual leave passages to overseas officers.

Grading of Passages

32. In the course of our review of the Administration's proposals on leave and passage arrangements in the civil service we also looked at a related issue, namely, the grades of passage to which civil servants are entitled. At present, officers on or above D6 on the Directorate Pay Scale are entitled to first class air passages while other officers are entitled to economy class air passages. We have examined the current types and costs of the passages which are provided under an agreement between the Government and British Airways drawn up in 1974 and it is our view that the rates for these passages are not the most economical ones now available for return trips between Hong Kong and London, especially in the case of officers below MPS 48. On the other hand, we consider that it would be reasonable for a better type of passage to be provided for senior non-directorate civil servants on MPS 48 and above in recognition of their higher official status.

33. For these reasons, we recommend that the Administration should review its agreement with British Airways with the object of securing from this airline or some other a two-tier system of leave passages for non-directorate officers, i.e. full economy class and economy class. Eligible officers would then travel in a class appropriate to their rank, as follows :

Rank		Passage
Directorate Officers		As recommended by the Ross Committee
Non-Directorate Officers	MPS 48 - 51	Point to Point Full Economy Class or equivalent
	MPS 47 and below	Point to Point Economy Class or equivalent

In view of the keener competition amongst airlines at the present time and the increase in the types of passages which has taken place since 1974, we believe that the Government should be able to obtain passages for civil servants on

better terms than at present. To ensure that the civil service is always provided with the most cost-effective means of air travel, we also recommend that the Administration should be more responsive to changes in the civil aviation field, and that it should not only seek better terms under the existing agreement with British Airways but should also examine the possibility of a new agreement with other airlines which may be able to offer better terms.

Conclusion

34. If our recommendations on these proposals are accepted, we recommend their implementation from a current date. As we have indicated in paragraph 3 we shall submit our recommendations on the other proposals put to us by the Administration at a later date.

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

(S.Y. Chung)
Chairman

Kim Y.S. Cham

Therese H.C. Chan

Sunny Choi Shun-shing

Stanley G. Elliott

Victor K.K. Fung

Vincent H.C. Ko

Alice Lam

Gordon M. Macwhinnie

Andrew K.W. So