

CSO/ADM CR 3/1136/02

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25 July 2002

Clerk to LegCo Panel on Public Service
(Attn: Ms Rosalind Ma)
Legislative Council Building
8 Jackson Road
Central
Hong Kong

Dear Ms Ma,

**LegCo Panel on Public Service
Follow-up to Special Meeting on 3 July 2002**

Thank you for your letter of 4 July 2002.

At the special meeting of the Public Service Panel on 3 July, a Member queried the reliability of the data particularly in Table 10(a), Part 6 of the Final Report of the Review of Remuneration of Senior Executives in Statutory and other Bodies. We would like to explain how the information is obtained.

Members would note that the consultant has compiled two tables for each of the ten bodies covered by the review, as set out in Part 6 of the Final Report. The first table for each body is a summary of the “medians” of the remuneration data collected from the consultant’s survey of selected comparator companies. The second table is a summary of the consultant’s recommended remuneration packages, derived from the survey data and a set of adjustment principles as explained in the Final Report.

“Median” is the middle value in a set of data arranged in order of size. The consultant has chosen to use the median, rather than the mean or average value, as the benchmark for measuring market remuneration practices because it is less sensitive to the impact of any extreme remuneration policies that may be adopted by one or two comparator companies at the upper or lower end.

As an illustration, Table 10(a) of the Final Report contains the medians of the remuneration data collected from the comparator companies pertinent to the Kowloon-Canton Railway Corporation (KCRC). As far as the Chief Executive Officer position of KCRC is concerned, the consultant has examined remuneration packages of comparable positions in 19 comparator companies. More than half of these 19 senior executives did not receive any “long-term incentives” during the period under study. As a result, the “median” of this set of data, or the middle remuneration package of the 19 positions surveyed, contains no “long-term incentives”. Hence the value of \$0 as indicated in Table 10(a).

As regards the next level shown as “Senior Director” in Table 10(a), the consultant has examined comparable positions in 12 comparator companies. Most of these companies offered some “long-term incentives” to their senior executives at this level and the “median” of this set of data on “long-term incentives” was found to be \$119,000.

Similarly, the consultant has studied 15 comparator companies for comparison with the third level executive or “Director” of KCRC. As more than half of the 15 senior executives did not receive any long-term incentives during the period under study, the “median” of this set of data is \$0.

The private sector offers a wide variety of remuneration policies and practices. It is not uncommon that remuneration packages of some senior executives do not contain any components of “long-term incentives” or “allowances”. Depending on the expertise required or functions and duties involved, it is also possible for a private company to offer what could appear as more attractive remuneration packages to selected executives at lower levels. Nevertheless, Members may be assured that the data on comparison groups as set out in the Final Report only reflect prevailing remuneration practices in the selected private companies during the period under study.

We hope that Members would find the above background information useful. As to Members’ other questions about the separate reports by the 10 organisations under review to their respective Directors of Bureaux, contract expiry dates of their senior executives, etc., we will brief the Public Service Panel after six months as agreed at the Panel meeting on 3 July.

Yours sincerely

(Sidney Chan)
for Director of Administration