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12 January 2004

Clerk to Panel
Panel on Public Service
Legislative Council
Legislative Council Building
8 Jackson Road
Central, Hong Kong

(Attn: Ms Rosalind Ma)

Dear Ms Ma,

Panel on Public Service

Follow-up to the meeting on 15 December 2003

**Agenda item III – “Update on review of remuneration of
Senior executives of statutory and other bodies”**

Thank you for your letter of 27 December 2003 to the Director of Administration setting out the follow-up items to the meeting of the Panel on Public Service held on 15 December 2003. Our responses are set out below -

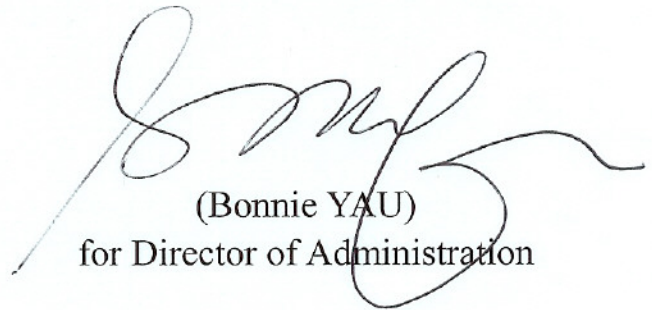
(a) Members' concern about remuneration level of CE/HKMA

We have conveyed the Panel's concern regarding the remuneration level of the Chief Executive of the Hong Kong Monetary Authority to the Financial Secretary.

(b) Supplementary information on comparators for the senior executives of Hong Kong Tourism Board

As explained at the meeting on 15 December, the selection of comparators was based primarily on the scope of the responsibilities of the positions concerned instead of the specific levels that the positions were placed. Details on the selection of comparison companies and positions are set out at the Annex.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Bonnie YAU', written in a cursive style. The signature is positioned above the printed name and title.

(Bonnie YAU)
for Director of Administration

c.c. AA/FS Miss Shirley Yuen

**Supplementary information
on
Selection of comparators under the study**

At the meeting of the Panel on Public Service held on 15 December 2003, a Member asked whether it was unfair to compare the remuneration level of the Executive Director of the Hong Kong Tourism Board with that of the chief executive officers of some selected private companies. The Administration pointed out at the meeting that this was not the case as the selection of comparators was based primarily on the scope of the responsibilities of the positions instead of the specific levels of positions per se. The following paragraphs set out in detail the mechanism for selection of comparators under the consultancy study.

The consultant had selected a group of comparison companies and relevant senior executive positions in the companies for the purpose of comparing their remunerations with that of the senior executives of the particular body under review. For the purpose of the selection, the consultant took into account –

- (a) the relevance of the sectors in which the comparison companies operated; and
- (b) the scope of the responsibilities of relevant positions in the comparison companies that should be comparable to the responsibilities of the senior executives in the body under review.

The consultant had identified at least 10 private sector companies as the comparison group for each of the bodies under review. Information provided by the comparison companies on their geographic and business units and scope of the responsibilities of the senior executive positions was used as the basis for identifying the relevant levels and positions of the companies that should be selected as comparable to each tier of senior executives of the bodies under review. Considerations that the

consultant had taken account in establishing comparability of scope and responsibilities between different executive positions include, among other things –

- (a) revenue size of the company;
- (b) organizational structure;
- (c) the position's geographic scope of responsibilities, e.g. local, regional or global; and
- (d) range of businesses or activities.

To achieve fair comparison between senior executive positions of different bodies and private companies, the consultant's selection of positions were based primarily on the scope of the responsibilities of the positions concerned, rather than the specific levels that the positions were placed in the organisation structure. Therefore, the consultant might choose positions at the second or other tier of a private company as the comparators for the head or chief executive officer of the body under review, as we explained to Members at the meeting on 15 December 2003.

It should be noted that the consultant could not disclose raw or detailed information on the comparison positions. In conducting the remuneration survey under the study, the consultant undertook to maintain the strictest confidentiality of information provided by the companies participating in the survey. It also made it clear that the relevant data so provided would be used solely and only for the purpose of compiling the median remuneration levels and would not be used for other purposes.