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26 January 2006

Miss Polly Yeung
Clerk to the Panel on Commerce and Industry
Legislative Council Secretariat
Legislative Council
8 Jackson Road
Central
Hong Kong

Dear Miss Yeung,

**Special Meeting of the Finance Committee
to Examine the Estimates of Expenditure 2005-06**

I refer to the Special Meeting of the Finance Committee to examine the Estimates of Expenditure 2005-06 held on 11 April 2005. At the meeting, the Administration undertook to inform the Commerce and Industry Panel on the levels of salary adjustment of the locally recruited staff in those Hong Kong Economic and Trade Offices (ETOs) which were not yet available at the time. (Please refer to Section 2.26 of Chapter II : Commerce and Industry of the Report on the examination of the Estimates of Expenditure 2005-06, Legislative Council of the Hong Kong Special Administrative Region Finance Committee, attached herewith for easy reference).

In reply to Question Serial No. 0649 (CITB(CI)016) and Question Serial No. 1605 (CITB(CI)013), we were only able to set out the salary adjustments of locally recruited staff of ETOs in Washington, New York, San Francisco, Brussels and Geneva for 2005 compared with 2004 as they were already known in April 2005. The salary adjustments of locally recruited staff of the remaining six ETOs in London, Tokyo, Guangdong, Singapore, Sydney and Toronto have since become available in the latter half of 2005 and they are set out in bold print below -

ETO (See Note 1)	Washington	New York	San Francisco	Brussels	Geneva	London (See Note 2)	Tokyo	Guangdong	Singapore	Sydney	Toronto
Percentage of increase/decrease for 2005 compared with 2004	+3.71%	+3.96%	+4.30%	+1.60%	+0.60%	+1.38% to 4.70%	-0.1%	+2.2%	±0%	+4.12%	+2.4%

Notes

1. The pay adjustment mechanisms of the locally recruited staff for various ETOs are as follows -
 - (a) adopting the pay adjustment for the host government's civil service as the basis for pay adjustment in ETOs in Washington, New York, San Francisco, London, Tokyo, Toronto, Singapore and Sydney;
 - (b) adopting the adjustment of the World Customs Organisation for the ETO in Brussels;
 - (c) adopting the adjustment in line with the World Trade Organization for the ETO in Geneva; and
 - (d) taking into account factors like local consumer price index, general employee and civil servant pay trends in Guangzhou and the recommendation of the Service Office for Foreign Establishments in Guangdong Province when considering the pay adjustment for the local staff of the ETO in Guangdong.
2. For London ETO, the adjustment is performance-related. Hence, the range of revision of salary for the locally recruited staff in percentage terms is shown.

I should be grateful if you would relay the above information to all Members of the Commerce and Industry Panel.

Yours sincerely,

(Philip Yung)
Permanent Secretary for Commerce, Industry and Technology
(Commerce and Industry) (Ag.)

c.c. Permanent Secretary for the Treasury (Attn : Miss Charlotte Lam)

Chapter II : Commerce and Industry

origin (CEPA) in 1.5 days. She advised that improvements, if any, to the performance standard of the Business Facilitation Division would have to be initiated by FS's Office.

Hong Kong Economic and Trade Offices

2.24 Mr SIN Chung-kai was concerned about the assignment of responsibilities and staffing arrangement in each Hong Kong Economic and Trade Office (ETO) overseas. Noting that the London ETO was currently tasked to promote Hong Kong's interest not only in the United Kingdom but also in 16 other European countries, with a majority in Eastern Europe while the Brussels ETO was the official representation to the European Communities and the majority of the member states, Mr SIN considered it more cost-effective for Brussels ETO to serve all member states of European Union (EU) having regard to its proximity to the Eastern Europe. To cope with the increased workload, more manpower could be assigned to Brussels ETO. He advised that the Administration should be more forward-looking in promoting Hong Kong's interest in Europe, in particular when more countries were in the pipeline to become a member state of EU.

2.25 In response, PSCI recalled that following the accession of 10 new member states to the EU with effect from 1 May 2004, CITB had reviewed the scope of responsibilities of London ETO and Brussels ETO together with the concerned ETOs. The outcome of the review was to maintain the existing division of responsibilities as it remained the most cost-effective mode of operation. Nevertheless, the Administration would keep the situation under review and take into account of the accession of more countries to EU and revert to CI Panel as necessary.

2.26 In reply to the Chairman on the salary adjustment of staff in overseas ETOs, PSCI explained that the salary of the Hong Kong-based civil servants was adjusted according to the 2005 civil service pay cut. The pay adjustment mechanisms of the locally recruited staff for most ETOs followed the pay adjustment for the civil service in the concerned host governments. She advised that since information on pay adjustment in certain host governments for 2005 was not yet released, the levels of salary adjustment of the locally recruited staff in the ETOs concerned were not yet known. She undertook to revert to the CI Panel once the information was available.