



From the President 校長
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30 October 2009

Ms. Joanne Mak
Clerk to Bills Committee on
Public Officers Pay Adjustment Bill
3/F, CitiBank Tower
3 Garden Road, Central
Hong Kong, China

Dear Ms. Mak

Bills Committee on Public Officers Pay Adjustment Bill

Thank you for your letter of 28 October 2009 inquiring about the Institute's plan on the salaries of its employees following the passage of the Public Officers Pay Adjustment Bill.

The Institute has made preliminary assessment on the impact of the Bill, which seeks to adjust the pay and certain allowances payable to civil servants for the upper salary band, and recognized that the passage of the Bill will affect the Institute's Recurrent Grant. With reference to the University Grants Committee (UGC) Notes on Procedures, if the Administration revises civil service pay downward, a downward adjustment will be made to the relevant portion of the Recurrent Grant ("Supplementary Adjustment"). The amount of this Supplementary Adjustment is calculated based on a predetermined ratio of the pay-related expenditure to the total recurrent expenditure of the institutions, the percentage of civil service pay adjustment and the assessed recurrent funding requirement of individual institutions for the year. According to the agreed mechanism between the UGC and its funded institutions, the resultant pay adjustment applicable to the Institute (and likely other UGC-funded institutions) will be much higher than the quoted weighted average of -1.56%.

Following the deregulation of University Salaries in 2003, institutions are free to decide their own remuneration systems, and the Institute had de-linked its salaries from those of the civil service with effect from 1 July 2006.

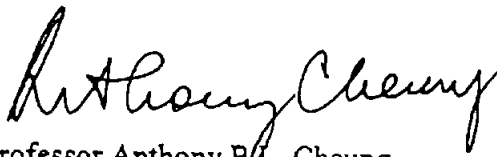
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Against these considerations and in order to cope with the prospective reduction in recurrent funding following the passage of the Public Officers Pay Adjustment Bill, the Management and relevant Council Committees of the Institute had considered the matter and would explore options, including but not limited to achieving savings through various measures, and/or passing on the reduction in Recurrent Grant onto its employees by way of adjustment of salaries. The Council of the Institute has yet to make any firm decision on the matter, pending the outcome of these explorations and that of the legislative process on the proposed public officers pay adjustment.

Yours sincerely,



Professor Anthony B.L. Cheung
President