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**Speech by the Hon Mrs Selina Chow Liang Shuk-ye, GBS, JP  
Motion Debate on Reducing Electricity and Gas Tariffs, 13  
November 2002**

Selina Chow:

Madam President, high electricity tariffs will impose a heavy burden on individual citizens, the commercial and industrial sector, the tourism industry, the retail sector and even society as a whole. Since the Liberal Party upholds the principles of free market, some may wonder why we would support the motion today, that is, why we can agree to urging the Government to negotiate promptly with the two power companies and Towngas with the aim of encouraging them to reduce tariffs and offer concessions. In fact, we totally respect the right of the two power companies and Towngas to pricing. But we also believe that a scrupulous enterprise should note the importance of balancing the interests of different business operators, instead of just focusing on maximizing profits all the time. This balance is essential to ensuring the sustained sound development and prosperity of society.

A couple of days ago, the HEC made a comparison of the electricity tariffs in 24 places all over the world, and the findings indicate that the level of tariffs in Hong Kong, averaging about \$0.83 per unit, ranks only the 13th in the comparison. But according to the analysis of Prof LAM Pun-lee of The Hong Kong Polytechnic University, while the comparison of the HEC is based on a monthly consumption of 300 units of electricity, the average monthly electricity consumption of Hong Kong households in summer will often exceed 500 units.

What is more, local electricity tariffs are computed on a progressive basis, but the opposite is the case in other countries, meaning that the smaller is the consumption, the higher are the charges. For this reason, the HEC's adoption of 300 units as the basis of comparison will necessarily yield the finding that electricity tariffs in Hong Kong are lower than those in other countries. Prof LAM Pun-lee is of the view that there is something tricky about the basis of computing electricity tariffs in the HEC's comparison.

Computed on the basis of average electricity consumption, the industrial and domestic electricity tariffs in Hong Kong are very high, second only to those in Japan, and well above those in Taiwan, Korea and Europe and America.

Besides, a research report of the Lehman Brothers, a large American securities dealer, also points out that in terms of Return on Equity, the returns of the CLP and the HEC are among the highest in the world. This

shows that the power companies in Hong Kong do have the capacity to lower their tariffs.

Since the local economy slipped into a continuous decline, the retail businesses have sustained unprecedented blows. On the one hand, they are faced with deflation and shrinking turnover; and on the other, they are also burdened by high operating costs, and their marginal profits have continued to drop. But the case with electricity tariffs is just the opposite, for they have kept on rising and remained high. Some retail business operators have told me that electricity tariffs account for at least 10% of their gross profits, and because of high electricity tariffs, shopping centre management companies have repeatedly turned down their requests for lower management fees. It is small wonder that many retail business operators have joined the call for lower electricity tariffs.

The tourism industry is extremely important to the revitalization of the local economy. The night scene of Hong Kong is famous worldwide; even tourists who have seen its resplendence just once will never forget it for the rest of their life. Unfortunately, since electricity tariffs have not been reduced despite all sorts of business difficulties in recent years, the costs of lighting neon signs have become a heavy burden for shops and buildings. As a result, lights and neon signs will go out very early, and people notice that the night scene of Hong Kong is no longer as resplendent and glittering as before. I therefore think that the two power companies should offer some kind of concessions to shops and buildings which keep their neon signs on during the off-peak hours at night, so that that Pearl of the Orient called Hong Kong can remain radiant, so that its glittering night scene can continue to appear in publications all over the world, without any worry of being replaced by the neon signs of the bund and Nanjing Lu in Shanghai.

To the industrial sector, which consumes huge quantities of electricity, high electricity tariffs are especially a very heavy burden. Industrial users can generally avoid electricity consumption during the peak periods, meaning that they can avoid competing with shops and domestic users for electricity supply during the peak periods in the day and at night and can therefore avoid adding to the burden on generation. That is why the power companies should offer concessions to off-peak users. The HEC does not offer such concessions at the moment. As for the CLP, although in the case of high-consumption users, there are separate scales of charges applicable to peak and off-peak periods, the actual concessions it offers are just very small when compared with those in other countries. When one compares the tariffs for the first 200 units consumed during peak and off-peak periods, one can see that the saving in tariffs is just about 17%. In contrast, in Singapore, the actual saving is well above 60%. And, in Australia, there can be a difference of some 160% between peak and off-peak tariffs for industrial users.

The SCAs signed between the Government and the two power companies will only expire in 2008. As a cosmopolitan city, Hong Kong

must respect the spirit of contract and must not breach the agreements lightly, lest this may affect the confidence of investors. However, while we respect the spirit of contract, we must at the same time try to balance the interests of different categories of consumers. For very long periods in the past, Hong Kong was able to enjoy uninterrupted economic development and take-off, so the SCAs between the Government and the two power companies apparently cannot take account of the current economic downturn and restructuring. The Liberal Party thinks that since the Government and the two power companies will conduct interim reviews next year, there will be a good opportunity to make active efforts to balance the interests of all stakeholders. Lessons should be drawn from experience, and on the premise of maintaining investor confidence, consideration should be given, for example, to factoring deflation into the mechanism for determination of tariffs and offering better concessions to high-consumption users during off-peak periods. These measures will not only offer true benefits to all the people, but also give some breathing space to the industrial and commercial sector. Besides, the Government should also clearly define that "permitted return" should mean the maximum return permitted, not any "guaranteed return". This can prevent the power companies from increasing their tariffs by again saying that they have not attained their permitted rate of return.

Thank you, Madam President.