

立法會 *Legislative Council*

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Panel on Financial Affairs

Meeting on 5 May 2011

Background brief on electricity charge subsidy

Purpose

This paper provides background information on the electricity charge subsidy proposed in the 2011-2012 Budget, and summarizes the main concerns and views expressed by Members when a similar measure proposed by the Administration in 2008.

Background

2. In view of the impact of inflation on people's livelihood, the Financial Secretary has proposed a number of one-off relief measures in the 2011-2012 Budget. One of these measures is to grant each residential electricity account a subsidy of \$1,800, which would cost the Government about \$4.7 billion.

3. In the 2008-2009 Budget, the Financial Secretary proposed a similar measure of granting each residential electricity account a subsidy of \$1,800 to ease the pressure of inflation on households. The then proposal was to grant the subsidy in six consecutive months (i.e. a subsidy of \$300 in each month) to each residential electricity account. Any unused subsidy in a month would be carried forward for paying billed electricity charges under the same account. A three-year time limit was applied for the eligible residential electricity accounts to exhaust the subsidy. The relevant funding proposal was approved by the Finance Committee on 23 May 2008.

4. At the Chief Executive's Question and Answer Session on 16 July 2008, the Chief Executive announced a further package of relief measures. One of these measures was an additional electricity charge subsidy of \$1,800 per

household, based on the same eligibility criteria and operational parameters as those specified for the \$1,800 subsidy provided in the 2008-2009 Budget. As such, a total of \$3,600 would be credited to each eligible resident electricity account by 12 consecutive months, and the maximum period for the use of the \$3,600 subsidy was extended to six years. The relevant funding proposal was approved by the Finance Committee on 18 July 2008. Starting from 1 September 2008, the subsidy had been credited to each residential account on the first day of each month.

Deliberations of the Panel and the Finance Committee

5. The major concerns and views expressed by Members during the discussions at the Panel on Financial Affairs¹ and the Finance Committee and the Administration's responses are summarized in the ensuing paragraphs.

Households not eligible for the electricity charge subsidy

6. Some Members expressed concern that since only the registered users/holders of residential electricity accounts would be eligible for the proposed electricity charge subsidy, some households in particular needy families living in bedspace apartments and cubicles might not be able to benefit from the proposal. They suggested the Administration appeal to landlords to pass on the electricity charge subsidy to their tenants where the rent payable was inclusive of electricity charges.

7. The Administration advised that whether the landlord should pass on any amount of the subsidy to the tenant would depend on the terms of the tenancy agreement, and it would be inappropriate for the Government to intervene in contractual matters between landlords and tenants. The Administration also stressed that the proposed subsidy was part of the overall Government policy objective to leave wealth with the people and to benefit the majority of households.

Environmental concerns

8. Some Members were concerned that the proposed electricity charge subsidy might encourage households to consume more electricity. There was a suggestion that the subsidy should be restricted to households with low electricity consumption.

9. The Administration explained that since the subsidy would be available for use over a period of three years² and any unused subsidy in a month could

¹ The Administration briefed the Panel on Financial Affairs on 5 May 2008 on the electricity charge subsidy proposed in the 2008-09 Budget.

be carried forward for paying electricity charges under the same account till expiry of the three-year period or the close of the account, whichever was the earlier, users would have sufficient time to fully utilize the subsidy and did not need to increase normal electricity consumption to exhaust the subsidy. The Administration also advised that prescribing an electricity consumption threshold as an eligibility criterion for the subsidy would be difficult and might involve high administration costs.

Time limit for the use of the subsidy

10. A Member was concerned that some households might not be able to fully utilize the \$1,800 subsidy within the three-year time limit, and urged the Administration to exercise discretion on compassionate grounds to extend the time limit so that the full amount of the subsidy could be exhausted.

11. The Administration advised that it was expected that over 95% of the households would have fully utilized the subsidy within the three-year time limit and that the remaining 5% of households were believed to be mainly premises being left vacant or not used as primary residence. It was necessary to set a time limit for the one-off subsidy and that it would be impracticable for the Administration to give special consideration for individual cases.

Disbursement of subsidy to the electricity companies

12. A member expressed concern that the disbursement of subsidy to the two electricity companies might generate considerable income in the form of interests for them. The Administration explained that the subsidy would be disbursed to the two electricity companies having regard to the due dates of the electricity charges. For control purpose, the two electricity companies were required to provide relevant monthly reports to the Government.

Other concerns

13. According to the Administration, the electricity charge subsidy granted to a recipient of the Comprehensive Social Security Assistance (CSSA) would not lead to a reduction in the amount of CSSA payment to the recipient.

14. Regarding the arrangements for households that had changed their residence, the Administration advised that the subsidy was account-based and a household moving to another residential address would take up the account of the new residential address and be entitled to the credit for that account. The Administration also advised that as long as an eligible account existed on a

² A maximum use period of three years was applied to the \$1,800 electricity charge subsidy provided in the 2008-2009 Budget. The maximum period was extended to six years under the subsequent proposal announced by the Chief Executive to grant a further \$1,800 electricity charge subsidy.

credit date, regardless of whether it was currently an existing electricity account or a new account, it would be entitled to the subsidy at that credit date.

Discussions at Council meetings

15. At the Council meeting on 12 November 2008, Hon WONG Kwok-kin raised an oral question regarding the electricity charges subsidy for those residents in the Lower Ngau Tau Kok Estate who had to move homes due to the redevelopment of the estate. Members requested the Government to devise measures to enable the residents concerned to enjoy the unused portion of the credited subsidy in the electricity accounts before removal, and to make the same arrangement for all other households moving home within the period during which the subsidy on electricity charges could be used.

16. The Secretary for Financial Services and the Treasury (SFST) explained that when devising the electricity charges subsidy scheme, the Administration already recognized that some payers of electricity charges might not be able to fully utilize the subsidy for various reasons. For implementation considerations, the Administration had specified in the scheme that any unused subsidy could only be used to offset electricity charges under the same account to which the subsidy was credited. Noting that redevelopment of public rental housing estates and the related rehousing normally involved only the Housing Authority as a single landlord and its tenants, SFST undertook to discuss with the Transport and Housing Bureau and the electricity companies to explore whether there were feasible arrangements to deal with any unused subsidies for electricity charges accumulated by the tenants of the Lower Ngau Tau Kok Estate on removal, and whether such arrangements could be applied to other Housing Authority tenants who had to be relocated on the redevelopment or demolition of public rental housing estates.

17. At the Council meeting on 5 January 2011, Members passed a motion moved by Hon WONG Sing-chi urging the Government to take measures for ameliorating inflation and alleviating people's livelihood pressure. One of the proposed measures in the motion was "to provide a subsidy of \$3,600 to each of the 2.5 million or so residential electricity accounts in Hong Kong; and in order to encourage the public to reduce electricity consumption, to provide a subsidy of \$1,200 to members of the public whose electricity consumption in any half-year period is 5% or more less than that for the same period of the preceding year".

Latest development

18. The Administration will consult the Panel on the proposal on electricity charge subsidy in the Panel meeting on 5 May 2011.

Relevant papers

19. The relevant papers are available at the following links:

Meeting of the Financial Affairs Panel on 5 May 2008	Administration's paper Minutes (paragraphs 43-59)
Meeting of the Finance Committee on 23 May 2008	Administration's paper Minutes (paragraphs 34-44)
Meeting of the Legislative Council on 16 July 2008	Hansard
Meeting of the Finance Committee on 18 July 2008	Administration's paper Minutes (paragraph 15)
Meeting of the Legislative Council on 12 November 2008	Hansard (page 54-62)
Motion on "Urging the Government to take measures for ameliorating inflation and alleviating people's livelihood pressure"	Wording of the motion passed Progress Report

Council Business Division 1
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