

立法會
Legislative Council

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Panel on Financial Affairs

Meeting on 3 May 2013

Background brief on electricity charges subsidy

Purpose

This paper provides background information on the electricity charges subsidy proposed in the 2013-14 Budget, and summarizes the main concerns and views expressed by Members when similar measures were proposed by the Government in the Budgets of 2008-09, 2011-12 and 2012-13 Budget.

Background

2. The Financial Secretary ("FS") has proposed a number of one-off measures on easing pressure and stimulating economic growth in the 2013-14 Budget. One of these measures is to grant each residential electricity account a subsidy of \$1,800, which will cost the Government about \$4.5 billion.

3. In the 2008-09 Budget, FS proposed to grant each residential electricity account a subsidy of \$1,800 to ease the pressure of inflation on households. The then proposal was to grant a subsidy of \$300 for six consecutive months to each residential electricity account. Any unused subsidy in a month would be carried forward for paying billed electricity charges under the same account within a three-year time limit to exhaust the subsidy. The Chief Executive subsequently announced on 16 July 2008 a further package of relief measures, and one of these measures was an additional electricity charges subsidy of \$1,800 per household. As such, a total of \$3,600 would be credited to each eligible resident electricity account by 12 consecutive months (i.e. a subsidy of \$300 in each month). The time limit for the eligible residential electricity accounts to exhaust the subsidy was extended to six years, i.e. mid 2014. The

two relevant funding proposals ("the 2008 Scheme") were approved by the Finance Committee ("FC") on 23 May 2008 and 18 July 2008 respectively. Disbursement of the subsidy started from 1 September 2008.

4. In both the 2011-12 Budget and the 2012-13 Budget, FS proposed to grant each residential electricity account a subsidy of \$1,800 to ease inflationary pressure on households. Under each of the proposal, each residential electricity account would be granted a subsidy of \$150 for 12 consecutive months ("the 2011 and 2012 Schemes"). Any unused credit in a month would be carried forward to cover billed electricity charges under the same account until 30 June 2015¹ or the close of account, whichever was earlier. The relevant funding proposals were approved by FC on 10 June 2011 and 1 June 2012 respectively. Disbursement of the 2011 and 2012 schemes started from 1 July 2011 and 1 July 2012 respectively.

Deliberations of the Panel and the Finance Committee

5. The Administration briefed the Panel on Financial Affairs ("FA Panel") on the 2008, 2011 and 2012 Schemes at the meeting on 5 May 2008, 9 May 2011 and 21 May 2012 respectively. The major concerns and views expressed by Members at meetings of FA Panel and FC, as well as the Administration's responses are summarized in the ensuing paragraphs.

Households not eligible for the electricity charges subsidy

6. Some Members expressed concern that since only the registered users/holders of residential electricity accounts would be eligible for the electricity charges 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 charges 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 subsidy was part of the overall Government policy objective to leave wealth with the people and to benefit the majority of households.

¹ When proposing the 2012 scheme, the Administration also proposed to extend the expiry date of the 2008 and 2011 Schemes from 31 August 2014 to 30 June 2015.

Environmental concerns

8. Some Members were concerned that the electricity charges subsidy might encourage households to consume more electricity. There were suggestions that the subsidy should be restricted to households with low electricity consumption, for example, those households which had consumed less electricity compared to a previous billing period, or those households whose electricity consumption was below a certain threshold. On the other hand, a Member opined that the increase in overall electricity consumption was attributable to a number of factors, and it would not be feasible to draw conclusions as to whether the higher electricity consumption was a result of the provision of the electricity charges subsidy and/or other factors. The Member disagreed linking the electricity charges subsidy, which was essentially a relief measure, to electricity consumption as such an arrangement would complicate the subsidy scheme and add to its administrative costs.

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 be carried forward for paying electricity charges under the same account till expiry of the three-year period or the close of the account, 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 stressed that the purpose of the electricity charges subsidy was to ease the pressure of inflation on households. It would not be feasible to link the subsidy to electricity consumption because electricity consumption varied with a host of factors, many of which were unrelated to whether a household was environmentally conscious. While the overall electricity consumption had continued to increase since 2003, no conclusion could be drawn as to what factors or how different factors might have contributed to the increase. Moreover, prescribing an electricity consumption threshold as an eligibility criterion for the subsidy would be difficult and might involve high administration costs. Nevertheless, the Administration took note of Members' suggestion to devise measures to encourage households to reduce electricity consumption under the electricity charges subsidy scheme.

Disbursement of the electricity charges subsidy

10. There was concern from Members that the disbursement of subsidy to the two electricity companies might generate considerable income in the form of interest for them. The Administration explained that the subsidy would be

² A maximum use period of three years was applied to the \$1,800 electricity charges subsidy provided in the 2008-09 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 charges subsidy.

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.

11. 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 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.

12. In response to Members' enquiry, the Administration clarified that the electricity charges subsidy granted to a recipient of the Comprehensive Social Security Assistance ("CSSA") would not be regarded as income and hence provision of the subsidy would not lead to a reduction in the amount of CSSA payment to the recipient.

Discussions at Council meetings

13. 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.

14. The Secretary for Financial Services and the Treasury ("SFST") replied 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. 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 concerned, 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.

15. 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".

16. At the Council meeting on 2 November 2011, Members passed a motion moved by Hon LAU Kong-wah urging the Government to put forward effective measures in the 2012-13 Budget to alleviate the financial burden of middle-class people. One of the proposed measures in the motion was "providing each residential electricity account with an electricity charges subsidy of \$3,600".

Latest development

17. At the special meetings of the Finance Committee to examine the Estimates of Expenditure 2013-14, Members raised a number of written questions relating to the implementation of the proposed electricity charges subsidy set out in the 2013-14 Budget and similar measures in the past and whether the Administration had reviewed past similar measures. The details are shown in **Appendix I**.

18. The Administration will consult the FA Panel on the proposal in the 2013-14 Budget on electricity charges subsidy at the meeting on 3 May 2013.

Relevant papers

19. A list of relevant papers is in the **Appendix II**.

Examination of Estimates of Expenditure 2013-14

Reply Serial No.

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)021

Question Serial No.

2983

Head: 147 Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch) Subhead (No. & title): 700 General non-recurrent

Programme:

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 130 of the Budget Speech that the Government proposes “granting each residential electricity account a subsidy of \$1,800. This will cost the Government \$4.5 billion.” Will the Administration advise this Committee whether a comprehensive review of the previous provision of electricity charge subsidy has been conducted? If so, what are the findings? How will this new round of subsidy provision be operated and implemented? Has the Administration reviewed past experience and made improvement? Will the Administration consider providing incentives such as more subsidy for less consumption to encourage electricity saving? When is the subsidy expected to be given?

Asked by: Hon. FUNG Kin-kee, Frederick

Reply:

Electricity consumption may be affected by many factors, such as the number of occupants, weather, the meter reading date, occupants going on a business trip or vacation, etc. and may not be directly related to the environmental awareness of households. Considering the amount of subsidy by making reference to the electricity consumption of individual households may not be fair, is complicated in operation and may cause disputes.

The Budget this year proposes to provide electricity charges subsidy to ease pressure and stimulate economic growth, so as to benefit the majority of the public. We consider it appropriate to grant the new round of electricity charges subsidy under the existing arrangements.

After the passage of the Appropriation Bill, we shall seek funding from the Finance Committee of the Legislative Council. We hope to start granting the new subsidy from July, immediately after the last credit of the existing subsidy in June this year.

Name in block letters: Ms Elizabeth TSE
Permanent Secretary for Financial
Post Title: Services and the Treasury (Treasury)

Date: 19.3.2013

Examination of Estimates of Expenditure 2013-14

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(Tsy)035

Question Serial No.

0458

Head: 147 Government Secretariat: Financial Services and the Treasury
Bureau(The Treasury) Subhead (No. & title): 700 General non-recurrent

Programme:

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Each residential electricity account will be granted a subsidy of \$1,800 this year (2013-14). May I know among the residential units which will be granted the subsidy, how many are bought in the name of companies? What is the percentage of subsidy for these units to the total amount of subsidy for residential electricity accounts?

Asked by: Hon. LEUNG Kwok-hung

Reply:

The Budget proposes that an electricity charges subsidy of \$1,800 be provided to each residential electricity account. Under the current mechanisms of the electricity companies, the registered holder of a residential electricity account is not necessarily the property owner. As such, the Government does not have information on the number of benefited properties that are bought in the name of a company.

Name in block letters: Ms Elizabeth TSE
Permanent Secretary for Financial
Post Title: Services and the Treasury (Treasury)
Date: 19.3.2013

Examination of Estimates of Expenditure 2013-14

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(Tsy)041

Question Serial No.

1910

Head: 147 Government Secretariat: Financial Services and the Treasury Bureau
(The Treasury Branch) Subhead (No. & title): 700 General non-recurrent

Programme:

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As regards the provision of electricity charges subsidy for eligible residential accounts in 2013-14 as proposed by the Government, will the Administration inform the Committee of the estimated administrative expenses, and how does it compare with the administrative expenses incurred by similar measures in the past 5 years (i.e. 2008-09, 2009-10, 2010-11, 2011-12 and 2012-13)?

Asked by: Hon. TIEN Pei-chun, James

Reply:

Same as the electricity charges subsidy in 2008, 2011 and 2012, we shall make use of our existing resources to implement the new round of electricity charges subsidy.

Name in block letters: Ms Elizabeth TSE
Permanent Secretary for Financial
 Post Title: Services and the Treasury (Treasury)
 Date: 19.3.2013

Examination of Estimates of Expenditure 2013-14

Reply Serial No.

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)049

Question Serial No.

1412

Head: 147 Government Secretariat: Financial Services and the Treasury Bureau
(The Treasury Branch) Subhead (No. & title): 700 General non-recurrent

Programme:

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding Item 881 "Electricity charges subsidy for eligible residential accounts", will the Administration explain the following:

1. Currently, are there any households that have not used up their electricity charges subsidies granted in the preceding years (\$3,600 in 2008, \$1,800 in 2011 and \$1,800 in 2012)? If so, how many households are involved and what is the balance of the unused subsidies?
2. As there are many households that have not used up their subsidies, will the Administration extend the validity period of the subsidy?
3. On page 412, it is stated that the balance of the commitment for Item 881 is only about \$2.6 billion after deducting the expenditure for 2012-13. How will the Administration fund the electricity charges subsidy, estimated at \$4.5 billion, for the current year (2013-14)?
4. Will the Government provide funding to increase the commitment under this item?

Asked by: Hon. WONG Kwok-kin

Reply:

1. Further to the provision of electricity charges subsidy in 2008 and 2011, the Government granted each registered residential electricity account a monthly electricity charges subsidy of \$150 from 1 July 2012 until June 2013. The subsidy credited to each account since 2012 will be combined with the unused subsidy provided in 2008 and 2011 (if any) and maintained in the account to offset the electricity charges of that account. As we are currently providing a monthly subsidy, all residential electricity accounts in Hong Kong (about 2.5 million) are having subsidy for use. The current approved commitment for item 881 "Electricity charges subsidy for eligible residential accounts" is \$17.8 billion and the balance of the commitment as at the end of February 2013 is about \$2.9 billion.

2., 3. The Budget this year proposes to further grant an electricity charges subsidy of \$1,800 to each residential electricity account. The expenditure involved is about \$4,500 million. After the passage & 4. of the Appropriation Bill 2013, we shall seek approval from the Finance Committee of the Legislative Council to increase the commitment by \$4,500 million. We shall propose that the new subsidy be valid for three years and that the validity of the existing subsidies be also extended to the same date.

Name in block letters: Ms Elizabeth TSE
Permanent Secretary for Financial
Post Title: Services and the Treasury (Treasury)
Date: 19.3.2013

List of relevant papers

Date	Event	Papers/Minutes of meeting
5 May 2008	The Panel on Financial Affairs ("FA Panel") discussed the electricity charges subsidy proposed in the 2008-09 Budget	Discussion paper (LC Paper No. CB(1)1379/07-08(07)) Minutes (LC Paper No. CB(1)1774/07-08)
23 May 2008	The Finance Committee ("FC") approved the funding proposal on the electricity charges subsidy proposed in the 2008-09 Budget	Paper for the Finance Committee (LC Paper No. FCR(2008-09)18) Minutes (LC Paper No. FC136/07-08)
16 July 2008	The Chief Executive ("CE") announced a further package of relief measures	Hansard
18 July 2008	FC approved the funding proposal on the electricity charges subsidy set out in CE's further package of relief measures	Paper for the Finance Committee (LC Paper No. FCR(2008-09)41) Minutes (LC Paper No. FC18/08-09)
12 November 2008	Hon WONG Kwok-kin raised an oral question regarding the electricity charges subsidy	Hansard
5 January 2011	The Legislative Council passed the motion on "Urging the Government to take measures for ameliorating inflation and alleviating people's livelihood pressure"	Hansard Wording of the motion passed Progress Report

Date	Event	Papers/Minutes of meeting
9 May 2011	FA Panel discussed the electricity charges subsidy proposed in the 2011-12 Budget	Discussion paper (LC Paper No. CB(1)2040/10-11(04)) Minutes (LC Paper No. CB(1)2556/10-11) Administration's follow-up letter (LC Paper No. CB(1)2373/10-11(01))
10 June 2011	FC approved the funding proposal on the electricity charges subsidy proposed in the 2011-12 Budget	Paper for the Finance Committee (LC Paper No. FCR(2011-12)21) Minutes (LC Paper No. FC103/11-12)
2 November 2011	The Legislative Council passed the motion on "Urging the Government to take measures for ameliorating inflation and alleviating people's livelihood pressure"	Hansard Wording of the motion passed Progress Report
21 May 2012	FA Panel discussed the electricity charges subsidy proposed in the 2012-13 Budget	Discussion paper (LC Paper No. CB(1)1881/11-12(04)) Minutes (LC Paper No. CB(1)2267/11-12)
1 June 2012	FC approved the funding proposal on the electricity charges subsidy proposed in the 2012-13 Budget	Paper for the Finance Committee (LC Paper No. FCR(2012-13)30) Minutes (LC Paper No. FC189/11-12)