

Panel on Development
Revision of non-livelihood related fees and charges
under the purview of the Water Supplies Department

Follow-up Issues of the Meeting held on 22 July 2015

At the meeting on 22 July 2015, the Panel on Development discussed the LC Paper No. CB(1)993/14-15(01) on “Revision of non-livelihood related fees and charges under the purview of the Water Supplies Department” (“the Paper”). This note sets out our response to the following supplementary information requested by Members regarding the 20 Government fees and charges for services under the purview of Water Supplies Department (WSD) as set out in the Annex to the Paper -

- (a) the existing cost recovery levels varied widely (i.e. between 20.4% and 91.4%); and
- (b) the cost recovery levels of some items (such as items 1 to 6) were far below the full cost recovery level.

2. Items 1 to 6 are for making connections of inside services or fire services to the Government main. These services are mainly performed by WSD’s contractors and are thus subject to the prevailing market prices. The relevant contract rates have increased significantly in the past years due to more stringent environmental and safety requirements and increases in labour and material costs. However, the fees for these items had not been adjusted from 2002 to 2011¹, and were only increased at about 20% per annum in the last three fees and charges revisions during 2012 to 2015 in accordance with the prevailing guidelines as set out in paragraph 3 of the Paper. The average rate of increase in fees for these items in the past years have been lower than that of the contract rates, thus resulting in their cost recovery levels of between 20.4% and 47.1% (at 2015-16 price level) and are well below the full cost recovery level.

3. On the other hand, items 7 to 20 are services performed by in-house staff, such as providing and installing water meters, testing of water meters, examination of water samples etc. The costs for providing these services are mainly attributed

¹ These fees and charges were not proposed to be increased mainly due to the prevailing economic and political conditions at the relevant time. There was an SARS outbreak in 2003 and a global financial tsunami in 2008.

to the staff costs. From 1997 to 2010, the civil service salary had been reduced or frozen and was only increased at modest rates ranging from 0.56% to 6.81%, if applicable (based on the pay rise adjustments for the middle and lower salary bands). Although the fees for most of these items had not been adjusted from 1997 to 2010, they were increased at about 5% to 15% in the last four fees and charges revisions during 2011 to 2015 in accordance with the prevailing guidelines as set out in paragraph 3 of the Paper. Overall, the fees for these items have been increased at the rates that could compensate the increase in cost, thus resulting in the cost recovery levels of between 80.7% and 91.4% (at 2015-16 price level).

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