

**Consolidated Response to Comments raised by Utility Undertakers
during the Consultation in December 1999**

Abbreviated Organization Names:

CWHKT: Cable & Wireless HKT

HCL: Hutchison Telecommunication Ltd.

NT&T: New T&T Hong Kong Ltd.

HKCG: The Hong Kong and China Gas Co. Ltd.

HEC: The Hongkong Electric Co. Ltd.

NWT: New World Telephone Ltd.

CLP: CLP Power Hong Kong Ltd.

Item No.	Comment	Utility Undertakers raising the Comment	Administration's Response
1	Utility undertakers (UUs) have already achieved considerable improvements in reducing the inconvenience to the public due to road opening works over the recent years. The three-tier co-ordination structure, i.e. the JUPG, UTLC and ROCCs established by HyD and UUs has been working well. Introduction of the charging and penalty system is considered unnecessary and it is not justified to incur such large amount of costs for monitoring the road opening sites.	CWHKT, NWT, HEC, HKCG, CLP	<p>Improvement in recent years is in fact a combined result of UUs' self-regulating effort and Government's tightened control. Notwithstanding the above, there are still aspects (e.g. untidy sites, inadequate temporary facilities for pedestrians etc.) for which further improvement can be achieved by introducing the penalty system.</p> <p>We are not introducing a new system. The excavation permit (EP) system has been in place for some years and the charging scheme only serves to recover the costs incurred in administering the EP system, which is in line with the user-pays principle.</p>

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2	The charging system will impose a heavy financial burden on UUs, who will eventually transfer the cost to consumers.	CWHKT, HCL, NT&T, NWT, HEC, HKCG	The proposed fees constitute only a very small part of the total capital and operating costs of UUs. The impact of the fee proposal on consumers should not be significant even if the fees are eventually transferred to them. Besides, the cost recovery proposal is in line with the user-pays principle. Without the charging scheme, costs incurred by Government in controlling EP works will have to be recovered from the general revenue contributed by taxpayers.

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3	<p>Applications for extension of EP are required due to reasons such as delay or cancellation of works after a co-ordinated works programme has been come up by the UUs concerned, underground services obstruction, bad weather and imposition of control requirements from the Police, TD, EPD etc. Any EP extension fees imposed under such situations will not be fair or appropriate to the affected UUs.</p>	<p>CWHKT, HCL, NT&T, HKCG, CLP</p>	<p>The construction programme and works progress are essentially under control of the permittee. When denoting the proposed commencement date and duration of his works in his EP application, the UU should have taken into account the impact on traffic, safety and environment, and the lead time required for seeking advice from the relevant Government departments (e.g. Police, TD, EPD etc) who may impose control requirements affecting the commencement and completion dates of his proposed works.</p> <p>The proposed fees serve to recover the costs genuinely incurred by the Government. Waiving the extension charges means that Government has to bear the costs, which would not be fair or appropriate.</p> <p>Notwithstanding the above, in case a site is not available for excavation by a permit holder at the specified commencement date due to occupation by another permittee, the Authority may without any extra charges extend the EP period by the number of days so delayed.</p>

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4	<p>The proposed system would create unnecessary administration work for all parties. This would result in additional costs to be incurred and affect efficiency. The closer co-ordination of UUs coupled with the improvement measures such as trenchless construction, electronic data circulation etc. should be a better solution to the problem, rather than introducing a charging scheme. The proposed scheme will not help to reduce the necessity of road opening works.</p>	<p>CWHKT, HCL, NT&T, NWT, HEC, HKCG, CLP</p>	<p>The EP system has been in place for some years. Other than the payment of EP fees, the additional administrative work is minimal.</p>
5	<p>The implementation of the proposal would discourage the new fixed telecommunication network operators from expanding their fixed telecommunication network. The recovery of economic downturn is fragile. Improvement of unemployment will require further investment in the market. The proposal would add financial burden to fixed telecommunication network operators who would be forced to pull back on some of their expansion plans. It will set back any momentum on economic recovery and the labour market would be adversely affected.</p>	<p>HCL, NT&T, NWT</p>	<p>We should not ask the taxpayers to subsidize any corporation in their business expansion. Moreover, the proposed fees constitute only a very small part of the total capital investment of the utility service.</p>

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6	It is unreasonable that UUs have to pay EP fees for those diversion works requested by Government authorities.	HKCG	Under the statutory provisions, UUs are required to bear all necessary costs for utility diversions demanded by Government. The EP fees associated with the diversion work should also be borne by the UUs.
7	Major road works or drainage improvement works have much effect on traffic disruption. It is unfair to hold UUs responsible for poor traffic condition.	HKCG	We are not holding UUs solely responsible for poor traffic conditions. All road works, no matter whether they are Government or utility projects, are subject to the same EP requirements.
8	Should the actual permit duration or the actual site occupation date be counted for the daily charge?	HKCG	Calculation of the daily charge will be based on the permit period stipulated in the EP issued to the Permittee.

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9	How could excavation involving different utilities in common trench be done? How would the daily charge be calculated in such cases?	HKCG	<p>The "Guidance Notes on Utilities Co-ordination under the Utility Management System" and the "Second Evaluation report on Trial on Improvement on Co-ordination & Implementation of In-series Trench Works" have provided guidelines for carrying out excavation works involving different utilities in common opening.</p> <p>If properly coordinated, the outgoing UU could save time and effort in reinstating the common opening, and the incoming UU in excavating the opening.</p> <p>Calculation of the daily charge is based on the permit period stipulated in the EP, no matter the excavation is carried out in a common trench or not.</p>
10	If the fundamental rationale of the charging system for recovery of Government administrative cost on the "user-pays" principle stands, utility companies requiring less supervision by the Government should be charged less. Unfortunately, no matter how well a utility company performs in road opening, according to the charging scheme it still has to pay the same rate as others.	CLP	<p>All permit holders are supposed to be good performers. In case there is a breach of EP conditions by a poor performer, we shall take prosecution action against the poor performer. The cost of the prosecution team is not included in the EP fees.</p>

Information Requested by LegCo Panel

- (a) *Numbers of road excavation permits and works orders issued to contractors working on behalf of private utility undertakers and Government departments in the past two years:*

	No. of road excavation permit/works order issued	
	Year 1998	Year 1999
Excavation permit issued to private utility undertakers	18376	17430
Excavation permit issued to DSD and WSD	4042	4388
Works order issued to HyD contractors ^(note)	46387	47881

Note : The figures include orders for very minor works such as repair of traffic signs and railings etc.

- (b) *Prosecution figures in respect of contravention of EP conditions by Government contractors and utility undertakers in the past two years:*

In 1996, the then AGC advised that there was a grey area between the then Crown Land Ordinance [the current Land (Miscellaneous Provisions) Ordinance] and the practice of issuing EPs, that might render prosecution not successful. Under the existing practice, EPs are issued to works promoters (i.e. utility undertakers in most cases). However, under most circumstances, the actual excavation works are carried out by independent contractors who have not been issued the EP. AGC have reservation on prosecuting a works promoter who does not in fact carry out any excavation work. They have also cast doubt on whether the contractor to whom no EP has been issued could be prosecuted on contravention of EP conditions. In view of the uncertainty, there was no prosecution in respect of contravention of EP conditions in the past two years.

- (c) *Details on the number and rank of the staff involved and the associated costs in relation to the issue of EPs:*

Table attached

DEPARTMENT : Highways

JOB DESCRIPTION : Excavation Permit

COST ELEMENT : Staff Costs

A. EP Administration - Staff Cost

Grade	Equivalent No. of Staff (A)	Annual Staff Cost Per Ready Reckoner No.99/1 (B) \$	(A) x (B) (C) \$	Total Amount (C) + Departmental Administrative Overhead \$	Task1 - Issue EP	Task2 - EP Ext	Task3 - EP Daily	Total
					Staff Cost \$	Staff Cost \$	Staff Cost \$	
Senior Engineer	1.3	1,800,156	2,340,203	2,677,910	477,471	73,910	2,126,528	2,677,910
Engineer/Assistant Engineer	5.8	1,243,332	7,211,326	8,251,968	1,471,326	227,754	6,552,887	8,251,968
Chief Technical Officer	2.8	1,175,544	3,291,523	3,766,511	671,569	103,956	2,990,987	3,766,511
Senior Inspector of Works	3.1	1,075,476	3,333,976	3,815,091	680,231	105,297	3,029,563	3,815,091
Inspector of Works	5.1	665,652	3,394,825	3,884,720	692,646	107,218	3,084,857	3,884,720
Assistant Inspector of Works	14.4	422,700	6,086,880	6,965,257	1,241,905	192,241	5,531,110	6,965,257
Works Supervisor I	79.1	351,720	27,821,052	31,835,812	5,676,325	878,668	25,280,818	31,835,812
Works Supervisor II	105.8	281,832	29,817,826	34,120,734	6,083,727	941,732	27,095,275	34,120,734
Senior Technical Officer	1.8	664,884	1,196,791	1,369,496	244,181	37,798	1,087,517	1,369,496
Technical Officer	7.5	391,368	2,935,260	3,358,837	598,881	92,704	2,667,253	3,358,837
Assistant Clerical Officer	3.0	329,088	987,264	1,129,733	201,431	31,181	897,121	1,129,733
Clerical Assistant	6.2	223,332	1,384,658	1,584,473	282,512	43,731	1,258,230	1,584,473
			<u>89,801,584</u>	<u>102,760,541</u>				

B. Utility Management System (UMS) - Staff Cost (shared by both EP system and HyD works)

Staff Cost for R&D Division, HyD

Grade	Equivalent No. of Staff (A)	Annual Staff Cost Per Ready Reckoner No. 99/1 (B) \$	(A) x (B) (C) \$	Total Amount (C) + Departmental Administrative Overhead \$	Task1 - Issue EP	Task2 - EP Ext	Task3 - EP Daily	Total
					Staff Cost \$	Staff Cost \$	Staff Cost \$	
Senior Engineer	0.5	1,800,156	900,078	1,030,923	59,890	28,366	629,792	718,049
Engineer/Assistant Engineer	1	1,243,332	1,243,332	1,424,076	82,730	39,184	869,970	991,884
Senior Technical Officer	1	664,884	664,884	761,538	44,241	20,954	465,225	530,420
Technical Officer	1	391,368	391,368	448,261	26,041	12,334	273,844	312,219
Assistant Clerical Officer	0.5	329,088	164,544	188,464	10,949	5,186	115,133	131,267
			<u>3,364,206</u>	<u>3,853,262</u>				

ITSD Projected Staff Cost for 2000/2001

Grade	Equivalent No. of Staff (as per PIDR) (A)	Annual Staff Cost per Ready Reckoner No. 99/1 (B) \$	Total Amount (A) x (B) \$	Task1 - Issue EP	Task2 - EP Ext	Task3 - EP Daily	Total
				Staff Cost \$	Staff Cost \$	Staff Cost \$	
Senior System Manager	0.5	1,687,752	843,876	49,024	23,220	515,525	587,769
System Manager	1	1,123,248	1,123,248	65,254	30,907	686,194	782,354
Analyst Programmer I	4	709,092	2,836,368	164,775	78,044	1,732,742	1,975,561
Analyst Programmer II	1	433,476	433,476	25,182	11,927	264,811	301,921
Clerical Officer	2	458,328	916,656	53,252	25,222	559,987	638,461
			<u>6,153,624</u>	<u>565,527</u>	<u>252,316</u>	<u>2,939,189</u>	<u>3,757,032</u>
				<u>18,903,540</u>	<u>3,111,535</u>	<u>87,715,369</u>	<u>109,730,444</u>