

ITEM FOR FINANCE COMMITTEE

HEAD 51 - GOVERNMENT PROPERTY AGENCY Subhead 104 Light and power

Members are invited to approve supplementary provision of \$32.6 million under Head 51 Government Property Agency Subhead 104 Light and power.

PROBLEM

Due to the increase in electricity consumption and the increase in electricity tariff, the approved provision for the payment of electricity charges in respect of government joint-user office buildings and accommodation under the management of the Government Property Agency (GPA) will not be sufficient to meet the requirement for 2002-03.

PROPOSAL

2. With the support of the Secretary for Financial Services and the Treasury, the Government Property Administrator proposes that a supplementary provision of \$32.6 million be provided under Head 51 Government Property Agency Subhead 104 Light and power to meet the increased expenditure.

JUSTIFICATION

3. The approved provision for the payment of electricity charges in respect of government joint-user office buildings and accommodation under the management of the GPA in 2002-03 is \$222.7 million. As at 31 December 2002, actual expenditure was \$203.7 million. According to GPA's assessment, the remaining balance of only \$19.0 million will be insufficient to meet the anticipated requirement for the remainder of the current financial year.

Encl.

4. Based on past expenditure patterns, GPA estimates that the total expenditure on electricity for 2002-03 (including contingency of \$3.2 million) would be about \$256.9 million (see Enclosure). After discounting the estimated rebate of \$1.6 million in electricity charges for 2002 by CLP Power Hong Kong Ltd.^(Note), the net total expenditure is estimated to be around \$255.3 million. Compared to the approved provision of \$222.7 million, there remains a shortfall of \$32.6 million.

5. Excluding the contingency, the shortfall amounts to \$29.4 million. Of this amount, \$12 million is estimated to be due to the tariff increase imposed in January 2002 by the Hong Kong Electric Co Ltd. Since the tariff increase was announced only after the 2002-03 draft Estimates had been prepared, the financial consequence of the increase was not reflected in the original Estimates.

6. The other \$17.4 million is estimated to be due to the increase in electricity consumption by user departments for the whole of 2002-03. Since the amounts of electricity used by departments in joint-user building are not individually metered, it is not possible to single out those departments which have caused the increase and, in turn, to pinpoint the reasons for it. In general, it is believed that a large part of the increase in electricity consumption might be attributable to the wider use of computers in departments.

7. According to Information Technology Services Department there was a 15% increase in the provision of midrange computer systems across Government between September 2001 and September 2002. Over the same period, provision of personal computers and common workstations also increased by 12% and 15% respectively. Especially where new servers are installed for supporting IT application systems and other departmental mission-critical systems, these have significant impact on electricity consumption because the servers have to operate in an air-conditioned environment round the clock.

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^(Note) CLP Power has announced a one-off rebate of 1.5 cents per unit to all customers in 2003 based on their electricity consumption in 2002. In this connection, the Agency estimates that a rebate of about \$1.6 million will be received.

FINANCIAL IMPLICATIONS

8. Subject to Members' approval of the proposal, we shall fully offset the supplementary provision by savings under Head 51 Government Property Agency Subhead 283 Rents and management charges for properties (other than quarters).

BACKGROUND INFORMATION

9. The Government Property Agency's Subhead 104 Light and power provides funds for payment of electricity charges of all government joint-user office buildings and accommodation. There are at present 46 such joint-user buildings and six other such accommodation housing offices of 66 bureaux/departments.

10. We circulated an information paper on this proposal to the Legislative Council Panel on Financial Affairs on 14 January 2003.

Financial Services and the Treasury Bureau
January 2003

Projected electricity consumption for 2002-03

(a) Expenditure pattern from April to December of the last five years -

Year	Whole year electricity expenditure \$ million	Electricity expenditure from April to December as a % of whole year expenditure
1997-98	178.1	79.99%
1998-99	204.4	80.37%
1999-00	201.2	80.24%
2000-01	212.7	79.78%
2001-02	223.9	81.12%
Average		80.30%

(b) Estimated total expenditure for 2002-03 projected from past expenditure pattern

$$\begin{aligned}
 &= \text{Actual expenditure (Apr to Dec 02)} \div 80.30\% \\
 &= \$203.7 \text{ million} \div 80.30\% \\
 &= \$253.7 \text{ million}
 \end{aligned}$$

(c) Sensitivity analysis -

Allowing a drop of 1% from past expenditure pattern of 80.3% to 79.3%, the estimated total expenditure for 2002-03 will be -
 $(\$203.7 \text{ million} \div 79.3\%) = \256.9 million