

For Information  
On 31 March 2003

## **Legislative Council Panel on Economic Services**

### **INFORMATION AND CONSULTATION AGREEMENT WITH THE HONG KONG AND CHINA GAS COMPANY LIMITED**

#### **Introduction**

This paper informs Members of improvements to the Information and Consultation Agreement (ICA) between the Government and The Hong Kong and China Gas Company Limited (HKCG).

#### **Background**

2. The Government and HKCG first entered into an Information and Consultation Agreement relating to the Company's core gas business and gas-related activities in Hong Kong in April 1997. The ICA was concluded on a voluntary basis and on terms and conditions mutually acceptable to both parties. When it expired in April 2000, it was extended for three years by a Supplemental Agreement from 3 April 2000 to 2 April 2003.

#### **The Objective of the ICA**

3. The objective of the ICA is to increase transparency in the HKCG's tariff setting mechanism, and justification thereof, in the event of tariff adjustments. The ICA also stipulates certain procedures for the Company to :

- (i) consult the Government in the event of tariff adjustments and major system additions (e.g. addition to infrastructure); and
- (ii) disclose certain corporate information to the public on an annual basis.

4. Pursuant to the ICA, the Company consulted the Government and briefed the Energy Advisory Committee (EnAC) and Legislative Council Panel on Economic Services in late 1997 on the adjustment to their tariff and fixed monthly service charge for the year 1998. This was the only occasion when the ICA was 'invoked' : HKCG has not made any adjustment to its tariff and fixed monthly service charge since then.

5. HKCG has not had any major system additions since the signing of the ICA.

6. Pursuant to the ICA, HKCG publishes each year, a booklet (Towngas Corporate Information) for the public to provide information relating to the financial, operational and environmental matters in the preceding year. The Company has been receptive to suggestions on the content of this booklet.

### **Recent Development**

7. The current ICA will expire on 2 April 2003. Following discussions, we have agreed with the HKCG that –

- (i) the ICA should be extended to meet its objective (paragraph 3 above); and
- (ii) improvements should be made to the ICA, to demonstrate the Government's priority and HKCG's commitment to provide transparency on tariff setting and enhance public safety.

### **Improvements to the ICA**

8. To enhance public safety and transparency in tariff setting, HKCG will provide the Government annually with their planned capital expenditure and those on network repairs and maintenance, in the coming financial year, and the actual expenditure on each of the foregoing items in the preceding year.

9. By way of providing information to the public to enhance transparency, HKCG will disclose more information in the booklet (Towngas Corporate Information) published annually to :

- (a) expound on the Company's commitment to operational efficiency and environmental awareness, their action taken and the results thereof; and
- (b) include, and separately account for measures taken and the results thereof, to enhance safety of the gas supply system and that of the public.

10. To tie in with the HKCG production of its annual report, the Towngas Corporate Information booklet will be published in June, instead of April as from 2003.

#### **Next steps**

11. We have informed the Energy Advisory Committee on 27 March 2003 of the new additions to the agreement. The improvements, as set out in Annexes 1 & 2, will be incorporated into a supplemental agreement to be signed between the Government and the HKCG. The supplemental agreement is proposed to take effect from 3 April 2003 for a period of three years. A copy of this supplemental agreement will be sent to the Legislative Council after the signing. It will also be uploaded to the Economic Development and Labour Bureau's website.

#### **Members' Advice**

12. Members are requested to note the improvements and the proposed extension to the ICA.

## **The ICA : Amendments**

- (a) The term of the Agreement shall be extended for a period of 3 years commencing from 3 April 2003.
- (b) Subclause 4.1 of the Agreement shall be deleted and replaced by the following :
  - “4.1 The Company shall on or before 30 June of each year provide the Government with a written statement containing the information about the Company during the preceding financial year which is set out in Schedule 3. At the time of submission of the statement to the Government the Company shall also make available this information to the general public.”
- (c) The following shall be added to the Agreement as Subclause 4.3 :
  - “4.3 In addition to the information provided in accordance with subclause 4.2, the Company shall, on or before 30 November of each year, provide the Government with figures showing its planned capital expenditure and network repairs and maintenance expenditure in respect of the following financial year and, on or before 30 June of each year, provide the Government with figures showing the actual costs incurred for each of the items above in respect of the preceding financial year. The information provided under this subclause 4.3 shall not be disclosed by the Government to any third party, without the prior written consent of the Company.”
- (d) Schedule 3 is to be amended and replaced by the new Schedule 3 which is attached to this agreement.

### SCHEDULE 3 : Amendments

#### **Financial, Operational, Environmental and Safety information to be provided by the Company under Clause 4**

##### **(1) Financial**

- (i) annual review of the business of the Company;
- (ii) profit and loss account of the Company, the Maintenance Service provided under the Fixed Monthly Service Charge;
- (iii) balance sheet;
- (iv) auditor's report; and
- (v) number of directors within different bands of remuneration and the analysis of directors' remuneration including -
  - (a) directors' fee;
  - (b) basic salaries and allowances;
  - (c) contributions to pension schemes for directors;
  - (d) directors' bonuses; and
  - (e) sign-on fees and terminal payment.

##### **(2) Operational**

- (i) service standards;
- (ii) efficiency (*include measures to improve efficiency*);
- (iii) customer liaison;
- (iv) performance pledges;

Note : Items in italic bold are newly added/amended items

(v) *Fixed Monthly Service Charges; and*

(vi) *Fuel Cost Variation Charges.*

**(3) Environmental**

(i) environmental policy and objectives;

(ii) relevant environmental aspects and environmental performance of the company's activities and facilities;

(iii) environmental actions, programmes and education;

(iv) *environmental promotional activities;*

(v) *energy saving;*

(vi) *significant environmental achievements; and*

(vii) *awareness and outreach programmes such as community environmental programmes.*

**(4) Safety**

(i) *network & production plant safety;*

(ii) *customer safety;*

(iii) *occupational safety; and*

(iv) *safety service pledge.*