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24 September 2003

By fax (fax no. : 2121 0420)

Mr Andy Lau  
Clerk to Panel  
LegCo Panel on Economic Services  
Legislative Council  
Citibank Tower  
3 Garden Road, HK

Dear Mr Lau,

The Administration was asked at the meeting of the Economic Services Panel on 31 March to provide benchmarking on local and overseas gas tariff with reference to actual rates, sales volume and the level of investment made by the gas companies.

The gas supplied by The Hong Kong and China Gas Company Limited (HKCG) is manufactured gas. Intensive research has revealed that there are very few companies in the world which produce manufactured gas. To date, we can only identify three other gas companies which produce/supply manufactured gas, viz. the City Gas Pte Ltd. in Singapore, the Nanjing Coal Gas General Company in Nanjing and the North Shanghai Gas Co., Ltd. in Shanghai.

All these three companies are state-owned and in the case of the Nanjing Coal Gas General Company and the North Shanghai Gas Co., Ltd., their tariffs are determined by the Government. The HKCG is investor-owned and is a publicly-listed company.

With regard to the feedstock used for producing the manufactured gas, the City Gas Pte Ltd. in Singapore uses naphtha as in the case of HKCG. The North Shanghai Gas Co., Ltd. uses coal and heavy oil substantially and the Nanjing Coal Gas General Company mainly uses light oil, heavy oil and coal. Though less environmentally friendly, coal

and heavy oil are cheaper than naphtha. And Singapore with its own oil refinery, may not have to incur shipment costs for the naphtha used in gas manufacturing as is the case with the HKCG.

Thus 'benchmarking' of the tariffs charged by the HKCG and the three companies is not appropriate. Moreover, while we have managed to obtain data of the companies' sales volume, we have no access to the investment by the three companies as such is not public information. Data as available on the three companies and the HKCG are tabulated hereunder for Members' information -

City	Supplying Company	Main Feed-stock	Tariffs (HK Cents/MJ)	Annual Sales of Gas (Million MJ)
Hong Kong	HKCG (privately-owned)	naphtha	20 - 21	26,600
Singapore	City Gas (state-owned)	naphtha	17 - 19	5,000
Nanjing	Nanjing Coal Gas (state-owned)	light oil/ heavy oil/ coal	5 - 12	3,400
Shanghai	North Shanghai Gas (state-owned)	coal/ heavy oil	5 - 9	14,800

I must however emphasise that no conclusion could, and indeed, should be drawn from these data.

Yours sincerely,

(James Wong)  
for Secretary for Economic Development and Labour