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25 July 2014

Clerk to Panel on Environmental Affairs
Legislative Council
Legislative Council Complex,
1 Legislative Council Road,
Central, Hong Kong
(Attn.: Ms Miranda HON)

Dear Ms Hon,

**Panel on Environmental Affairs
Meeting on 17 July 2014**

**Collection of Charges for
District Cooling System at the Kai Tak Development**

I refer to the list of follow-up actions attached to your email of 21 July 2014, and would like to provide additional information concerning the need for legislation to provide for the collection of charges for using the services provided by the District Cooling System (DCS) at the Kai Tak Development (KTD).

The Administration has sought legal advice which indicates that there should be clear and explicit statutory authority based on which the Administration may impose a charge or a fee. In addition, as explained in the Administration's paper CB(1)1785/13-14(01), section 3(1) of the Public Finance Ordinance (Cap. 2) provides that any charges received for the purposes of the Government will form part of the general revenue unless there are express statutory provisions to provide

for alternative arrangements. In order to empower the Electrical and Mechanical Services Department (EMSD) to make use of the DCS charges and fees received by the Government to settle payment to the DCS operator as well as utility costs arising from the operation of the DCS, the Administration will need to introduce the relevant statutory provisions to provide for this offsetting arrangement.

On the basis of the above considerations, it would be necessary for the Administration to introduce a new piece of legislation to provide legal backing for the Government to collect charges from non-Government users of the district cooling services at KTD, and to use the revenue collected to offset the operating costs incurred by EMSD.

To prepare for the collection of charges from non-Government users which are expected to subscribe to the district cooling services in July 2015, we would need to have the legislation in place within the 2014-15 legislative year.

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'Sheena'.

(Miss Sheena YAP)

for the Secretary for the Environment