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1997 issue 'hampering growth of power firms'

The 1997 issue has hindered the development of the two power companies in Hongkong, an academic told a forum yesterday.

Because of our uncertain future, most of the overseas banks and finance companies that agreed to loans for local firms wanted their money back before 1997, said a lecturer of the Hongkong Baptist College, Dr Chow Ho-suen.

At a forum on "Government's monitoring of the two power companies" at the University of Hongkong he said that the power companies could only obtain overseas loans under this condition.

Dr Chow said that this uncertainty also hindered the development plans of the power companies, because it was too risky to put much money into development, and hard to obtain loans from overseas.

"They are not willing to make any long term investments," said Dr Chow.

He said that if the Government could guarantee the repayment of overseas loans for the power companies, they might be able to get better deals from banks and finance companies.

"But this is only a wild guess," he added.

He said it was a good idea to have some sort of monitoring committee including representatives of the general public, to ensure that the two power companies did not make more profits than they needed.

"This committee should meet every year to assess the schemes of control for the companies and make amendments if necessary," said Dr Chow.

He said that it was only reasonable that the power companies should wish to produce a "reasonable profit" for their shareholders. If they did not, they would not be able to attract people to buy their shares.

Without sufficient capital, development would be hindered and this would have negative consequences for society, he added.

People protested against power rate increases because the control scheme seemed to be designed only to protect the profits of the power companies, said Dr Chow.

"It is for the protection of the public as well. The people of Hongkong have failed to see that the control system also limits the profits that the power companies can make," he said.

Another speaker at the forum, which was organised by the Social Affairs Committee of the Hongkong University Students' Union, was the managing director of Central Textiles (HK) Ltd, Mr Alexander Woo.

He agreed that a committee to monitor the power companies was needed, but he favoured a temporary committee rather than a long-term one.

He said the committee should comprise representatives of the public, the two power companies, the Government, and also an internationally recognised accountants' firm to decide on a reasonable profit for the power companies.

And after the amendment, if necessary, of the control scheme, the committee should disperse and meet again after

five years, when the control scheme could be reviewed again.

But, he said, the composition of the committee should be agreed by the two power companies.

He said that protests against power rate increases would not be effective, because the power companies could always raise their rates again.

"A committee to amend the control scheme is the only solution," said Mr Woo.

He said it was most important to make sure there was enough power, and at the same time that the power companies did not make unreasonable profits.

Reasonable profits for the power companies should leave them, after the repayment of loans and interest, a fair amount for shareholders' dividends and provident funds for their employees, he explained.

"Since very little information about the power companies can be obtained from the Government it is difficult to say whether they are making a 'reasonable profit' or not," said Mr Woo.

He agreed that a lot of information should not be released to the general public, since it might affect the stock market and the value of the companies' shares.

"That's why the committee comprising representatives of the public is important. They could discuss and agree on a reasonable profit for the power companies without releasing any information that would affect the value of their shares," said Mr Woo.