

立法會
Legislative Council

LC Paper No. CB(2)2317/00-01

(These minutes have been
seen by the Administration)

Ref : CB2/BC/15/00

Bills Committee on Revenue Bill 2001 and Revenue (No.2) Bill 2001

**Minutes of the second meeting
held on Thursday, 24 May 2001 at 4:30 pm
in Conference Room A of the Legislative Council Building**

Members Present : Hon Margaret NG (Chairman)
Hon HUI Cheung-ching
Hon CHAN Kam-lam
Hon SIN Chung-kai
Hon Howard YOUNG, JP
Dr Hon YEUNG Sum
Hon Mrs Miriam LAU Kin-yee, JP
Hon Andrew CHENG Kar-foo
Hon Tommy CHEUNG Yu-yan, JP

Member Absent : Hon CHAN Yuen-han

Public Officers Attending : Mr Martin GLASS, JP
Deputy Secretary for the Treasury

Ms Esther LEUNG
Principal Assistant Secretary for the Treasury

Mr Donald CHEN
Assistant Secretary for the Treasury

Miss Maisie CHAN
Assistant Secretary for the Treasury

Mr Simon WONG
Assistant Commissioner of Customs and Excise
(Administration and Excise)

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Mr Peter LUK
Assistant Commissioner for Transport
(Management and Licensing)

Mr K F CHENG
Senior Assistant Law Draftsman, Department of Justice

Deputations by Invitation : The Hong Kong Beer Industry Coalition

Mr Vincent KELLY

Mr Stephen C N YIP

Karaoke Requirements Concern Group

Mr HO Wai-sing

Hong Kong Association of Bar & Pub Business

Mr Isaac CHAN

Mr YAN Chun-tin

Hong Kong Catering Industry Association

Mr TAM Kai-chi

Helicopters Hong Kong Limited

Mr Andrew E TSE
Chief Executive Officer

Miss Clara LAU
Director of Sales & Marketing

Clerk in Attendance : Ms Doris CHAN
Chief Assistant Secretary (2) 4

Staff in Attendance : Ms Bernice WONG
Assistant Legal Adviser 1

Miss Mary SO
Senior Assistant Secretary (2) 8

I. Meeting with deputations

(LC Paper Nos. CB(2)1570/00-01(01) and (02))

Revenue Bill 2001

Proposed increase from 30% to 40% the duty rate on liquors with an alcoholic content of 30% and below (except wine)

Mr Stephen YIP of the Hong Kong Beer Industry Coalition (the Coalition) took members through the Coalition's submission (LC Paper No. CB(2)1570/00-01(01)) which opposed the proposed duty increase from 30% to 40% the duty rate on liquors with an alcoholic content of 30% and below (except wine) for the following reasons -

- (a) Raising the duty as proposed would not generate the additional revenue the Government expected

As consumers were extremely price sensitive in the current economic environment, an increase in the retail price of beer would almost certainly lead to a further decline in overall consumption. Moreover, an increase in the retail price would encourage consumers to choose lower-priced beers, leading to a decrease in the dutiable value of beer purchased.

- (b) It would impose an unfair price burden on consumers

As beer constituted 90% of all alcoholic beverages sold in Hong Kong, the proposed increase would have a much broader adverse impact on the general population than an increase in the duty rate on many other less widely consumed products.

- (c) It would harm the catering and entertainment industries

Revenue from sales of beer was particularly important to the catering industry, which bought 40% of all beer sold in Hong Kong. Under the current market situations, restaurants, bars and entertainment outlets were unlikely to pass on to consumers any price increase resulting from the duty increase. If the profit margins of these businesses were further eroded, the livelihood of all those who worked in them would also be affected.

- (d) It would result in a further consumption shift across the border

The proposed increase would further widen the price disparity between beer products in Hong Kong and Shenzhen, thereby making it more

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attractive for consumers to go across the border for shopping, dining and drinking. This would not only harm the beer industry in Hong Kong, but also the restaurant, bar and entertainment industries which were already coping with a downturn in their business.

2. Representatives of the Karaoke Requirements Concern Group, Hong Kong Association of Bar & Pub Business and Hong Kong Catering Industry Association echoed concerns expressed by the Coalition in paragraph 1 above.

Revenue (No.2) Bill 2001

Air Passenger Departure Tax (APDT)

3. Mr Andrew TSE of the Helicopters Hong Kong Limited (HHKL) introduced the HHKL's submission (LC Paper No. CB(2)1570/00-01(02)) which opposed the proposal to levy APDT on helicopter passengers. Notably, HHKL was of the view that while the proposed \$30 increase represented only a small fraction of the overall cost of international travel for airline passengers, the impact on helicopter passengers would be much more significant. After deducting an existing passenger embarkation fee of \$18, there would be a net increase of \$62 in tax, representing 5% of their average fare, and potentially 10% of a planned discount fare. Moreover, whereas a tax applied uniformly on all international carriers did not penalise any single carrier, a 5% tax on helicopter travel would penalise the helicopter operator relative to its competitors in the price-sensitive Pearl River Delta, such as ferries and buses. As many alternative modes of transport were available, helicopter passengers were price-sensitive and value-conscious. For this reason, HHKL was very concerned that imposing APDT on helicopter passengers would stifle passenger growth.

4. Miss Clara LAU of HHKL supplemented that contrary to popular belief, helicopter service was not a service for the rich, but an efficient mode of public transportation for both leisure and business. In order to achieve a high load factor so as to keep the business floating, HHKL had not raised its ticket price in eight years despite the fact that the rent paid to the Government for the use of the Macau Ferry Terminal (MFT) Helipad had continued to rise over the past 10 years. Miss LAU pointed out that although the Government received rentals from the helicopter operators for the use of MFT Helipad over the past 10 years, it had never expended any funds to improve the facilities thereat. Miss LAU further said that the proposed levy of APDT on helicopter passengers would make it very difficult for helicopter operators to survive, given that they already had to make hefty rental payment to the Government for use of the MFT Helipad. To this end, HHKL urged the Administration to review its policy towards the development of the helicopter industry in Hong Kong and the rental charge for the use of the MFT Helipad.

II. Meeting with the Administration

Revenue Bill 2001

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Proposed increase from 30% to 40% the duty rate on liquors with an alcoholic content of 30% and below (except wine)

5. Mr Tommy CHEUNG asked the Coalition how much of the proposed duty increase on beer would be passed on to the traders. Mr Vincent KELLY of the Coalition responded that it was very difficult to give a definite answer to the question, as there were over 500 different beer products in Hong Kong. He, however, was of the view that the increase to be passed on to the traders could range from 20 cents to 40 cents per can of beer. Mr CHEUNG further enquired whether the restaurants and bar and karaoke establishments would consider passing on the price increase on beer to the consumers. Representatives of the Karaoke Requirements Concern Group, Hong Kong Association of Bar & Pub Business and Hong Kong Catering Industry Association replied in the negative given that the economy had not yet fully recovered.

6. Deputy Secretary for the Treasury (DS for Tsy) responded that given the very modest increase, the Administration did not believe that that it would cause any significant adverse impact on the consumption of beer. For the more popular brands of beer, the proposal would practically only increase the duty amount per can of beer within a range from six cents to 26 cents. DS for Tsy further said that he would provide members with information comparing the proposed duty increase for different brands of beer with the changes in their corresponding retail prices based on a recent market survey.

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Committee Stage amendments (CSAs) and the Administration's written response (LC Paper Nos. CB(2)1570/00-01(03) and (04))

7. Members noted the Administration's proposed CSAs to the Revenue Bill 2001 relating to the revenue proposal of increasing vehicle and driving licence fees which were technical in nature, and the Administration's response to members' enquiries raised at the last meeting held on 11 May 2001 regarding transport-related licence fees.

8. Referring to the survey results of parking meter utilisation in March 2001 set out in the second paper, Mr Andrew CHENG was of the view that there was no need to increase the parking meter charges to contain the utilisation of the metered parking spaces to below 85% as the average utilisation rate was only 78%. Assistant Commissioner for Transport responded that there was a need to increase parking meter charge as according to the utilisation survey conducted in March 2001, the utilisation rate during peak hours was 86%, and in some busy areas such as Yau Tsim Mong, Tsuen Wan and Yuen Long, the utilisation rate during peak hours ranged between 94% to 98%.

Revenue (No.2) Bill 2001

Air Passenger Departure Tax

9. Responding to the concern expressed by HHKL about the proposal to extend

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APDT to cover helicopter passengers departing from MFT Helipad, DS for Tsy said that the Administration appreciated that such a proposal might have an impact on HHKL, but it remained of the view that it was fair and appropriate to do so as helicopter passengers departing from HKIA were already required to pay APDT under the existing Air Passenger Departure Tax Ordinance. DS for Tsy further said that to his understanding, there had been a steady rise in the number of people using helicopter service departing from MFT Helipad. As to the issues relating to the business costs borne by HHKL and the future development of the helicopter service industry as a whole, DS for Tsy said that the Administration would be happy to address such issues separately. The Chairman suggested and members agreed to refer these issues to the Panel on Economic Services for consideration.

10. Mrs Miriam LAU said that the argument put forward by the Administration that the reason for extending the scope of APDT to cover helicopter passengers departing from MFT Helipad was because helicopter passengers departing from HKIA were currently required to pay APDT was unsound, having regard to the fact that helicopter operators at HKIA were only required to pay a landing charge of about \$550 for using the helipad thereat whereas helicopter operators at MFT Helipad currently had to pay a fixed fee per passenger of \$50 for each journey as rental to the Government. As the maximum passenger capacity of a helicopter was 12, the total fee to be paid to the Government would amount to \$600 per journey. DS for Tsy responded that the extent to which rentals should be recovered from helicopter passengers was a commercial decision for the helicopter company to take, as the rental charge was neither a tax, nor a fee charged on helicopter passengers. DS for Tsy further said that it was not relevant to compare the rental treatment for MFT Helipad with the situation at HKIA, given the differences in their locations, scope of services provided and the market demand for such services. DS for Tsy undertook to furnish members with information on the rental charge on HHKL and the charges on helicopter operators at HKIA.

Adm

11. In concluding the discussion, the Chairman requested the Administration to give a written response to the views/concerns expressed by the deputations. The Administration agreed.

Adm

III. Date of next meeting

12. Members agreed to hold the next meeting on 29 May 2001 at 4:30 pm to continue discussion with the Administration on the Bills and to proceed with the examination of the Bills clause by clause.

13. There being no other business, the meeting ended at 5:40 pm.