

立法會
Legislative Council

LC Paper No. CB(1)199/00-01
(These minutes have been
seen by the Administration)

Ref: CB1/PL/ES/1

Legislative Council
Panel on Economic Services

Minutes of meeting held on
Tuesday, 24 October 2000, at 10:45 am
in the Chamber of the Legislative Council Building

Members present : Hon James TIEN Pei-chun, JP (Chairman)
Hon Kenneth TING Woo-shou, JP
Hon Eric LI Ka-cheung, JP
Dr Hon David LI Kwok-po, JP
Hon Fred LI Wah-ming, JP
Hon Mrs Selina CHOW LIANG Shuk-ye, JP
Hon CHEUNG Man-kwong
Hon HUI Cheung-ching
Hon SIN Chung-kai
Dr Hon Philip WONG Yu-hong
Hon Howard YOUNG, JP
Hon Mrs Miriam LAU Kin-ye, JP
Hon Abraham SHEK Lai-him, JP
Hon Henry WU King-cheong, BBS

Members absent : Dr Hon LUI Ming-wah, JP
Hon CHAN Kam-lam
Hon LAU Chin-shek, JP
Hon CHOY So-yuk

Public officers attending : **For Agenda Item V**
Ms Sandra LEE
Secretary for Economic Services

Mrs Erika HUI
Acting Commissioner for Tourism

For Agenda Item VI

Ms Sandra LEE
Secretary for Economic Services

Miss Winnie HO
Assistant Commissioner for Tourism

Mr W K TAM
Deputy Director of Civil Engineering

For Agenda Item VII

Ms Sandra LEE
Secretary for Economic Services

Mr James WONG
Principal Assistant Secretary for Economic Services (FM)

Miss Vega WONG
Principal Assistant Secretary for Economic Services (C)

Clerk in attendance : Mr Andy LAU
Chief Assistant Secretary (1)2

Staff in attendance : Ms Alice AU
Senior Assistant Secretary (1)5

Action

I Election of Deputy Chairman

Members noted that Mr Fred LI had tendered resignation from his present office as the Deputy Chairman of the Panel as from 23 October 2000. Members agreed that as many of the eligible candidates were not present at the meeting, the by-election should be deferred to the meeting on 27 November 2000.

Action

II Confirmation of minutes and matters arising

(LC Paper No. CB(1)65/00-01 - Minutes of meeting held on 10 October 2000)

2. The minutes of the meeting held on 10 October 2000 were confirmed.

III Information papers issued since last meeting

(LC Paper No. CB(1)28/00-01 - Tables and graphs showing the import and retail prices of major oil products from September 1998 to August 2000)

3. Members noted the tables and graphs showing the import and retail prices of major oil products from September 1998 to August 2000 furnished by the Administration and requested that the import price of ultra low sulphur diesel be included in future submissions.

IV Items for discussion at the next meeting scheduled for 27 November 2000

(LC Paper No. CB(1)78/00-01(01) - List of outstanding items for discussion)

4. Members agreed to discuss the following issues at the next meeting scheduled for 27 November 2000:

- (a) Hong Kong Tourist Association (Amendment) Bill 2000;
- (b) Promoting competitiveness of Hong Kong as a logistics centre in the region; and
- (c) Report on the work of the Competition Policy Advisory Group.

5. Members agreed to include the item "Provision of typhoon shelters" in the list of outstanding items for discussion by the Panel.

V An outline on the legislative programme of Economic Services Bureau for 2000-2001 and the organization of the Bureau

(LC Paper No. CB(1)78/00-01(02) - Information paper provided by the Administration)

6. At the invitation of the Chairman, the Secretary for Economic Services (SES) briefed members on the legislative programme of the Economic Services Bureau (ESB) for 2000-20001 and the organization of the Bureau.

7. The Chairman advised that the meeting was not intended to discuss the details

Action

of the bills under the legislative programme of ESB and the Administration was invited to further consult the Panel before the bills were introduced into the Council.

8. Noting that responsibilities for consumer protection and competition policy had been transferred to ESB, Mr CHEUNG Man-kwong queried the rationale for placing the respective policy areas under the purview of the Commissioner for Tourism and the C Division of ESB which was mainly responsible for energy supplies-related matters. He pointed out that consumer protection should not be simply confined to tourists but also local consumers. Likewise, policy matters relating to competition should be extended to cover other sectors of the economy but not simply the energy supply market.

9. SES replied that ESB was committed to safeguarding the legitimate interests of consumers, both visitors and local residents alike. As for the arrangements for placing the duties relating to consumer protection under the purview of the Commissioner for Tourism, she said that this was merely an interim arrangement, pending the creation of a D2 post. Meanwhile, arrangements had been made to re-deploy staff in other divisions to assist the Commissioner in handling the related work. On competition policy, SES clarified that whilst the related work was placed under the purview of the C Division responsible for energy supplies, it did not mean that the Administration would not take initiatives to promote competition in other sectors of the economy. Indeed, the present arrangement was merely for administrative convenience. She would keep a constant watch on staff deployment and seek additional manpower where justified.

10. In view of the heavy workload associated with the implementation of the policy commitments to strengthen Hong Kong's position as a logistics hub, Mrs Miriam LAU opined that there was an urgent need to increase the staffing support for the port and maritime division, particularly in areas relating to logistics services. SES noted the member's request. She remarked that every division in ESB was tasked with heavy responsibilities and she would constantly review the staffing arrangements and make necessary changes as and when required.

VI Progress update on Hong Kong Disneyland

(LC Paper No. CB(1)78/00-01(03) - Information paper provided by the Administration)

11. At the invitation of the Chairman, the Assistant Commissioner for Tourism (AC for Tourism) briefed members on the salient points of the paper (LC Paper No. CB(1)78/00-01(03)).

12. Referring to the press report that the proposal to adopt a Chinese style design for the development of the public piers at the Hong Kong Disneyland (HKD) had been rejected by the Walt Disney Company, Mr Fred LI sought clarification from the Administration as to whether the Company or the Government had a final say on the

Action

design of the project. AC for Tourism clarified that the allegation made by the media was unfounded and the Administration did not put forward any such proposals to the Walt Disney Company for consideration. On the authority to make decision, she said that the internal design of the HKD would be a matter for the Hongkong International Theme Parks Limited (HKITP) to decide. Regarding the infrastructural development in support of the HKD, it was undertaken by the Government. In the course of decision, the Administration would take all relevant factors into consideration including the views of HKITP and the need to harmonize the design of the internal facilities and external environment of the HKD.

13. Mr CHEUNG Man-kwong expressed grave concern about the allegation made by the Friends of the Earth that the Penny's Bay reclamation had caused fishkills in the fish culture zones in Ma Wan. He also enquired about the possible compensation for the loss of fish catch and fishkills.

14. SES and the Deputy Director of Civil Engineering (DD of CE) said that investigation reports so far showed no evidence to link fishkills at Ma Wan with Penny's Bay reclamation project. DD of CE said that there were various reasons for fishkills. These included changes in weather conditions and water flows etc. He stressed that work was carried out in compliance with the requirements of the Environmental Permit for the reclamation work and his department had been carrying out close monitoring on possible environmental impacts on water quality since commencement of the reclamation contract this year.

15. Regarding the ex-gratia allowances for fishermen and mariculturists, SES advised that the subject matter was being reviewed by another bureau. The Chairman also advised that policy matters relating to agriculture and fisheries fell under the purview of the Health Services Panel and would be subsequently transferred to the new Panel on Food Safety and Environmental Hygiene when established. He asked members to take up the matter at the relevant panels.

16. SES noted Mr SIN Chung-kai's request that a financial report of the HKD project should be included in future submissions to the Panel.

17. The Chairman was concerned about the progress in resuming land occupied by the Cheoy Lee Shipyard and the possible effects this matter had on the project. SES replied that the Administration was still liaising with the owner. The present target was to resume the land by the first half of next year.

VII Retail prices of major fuels and competition in the markets

(LC Paper No. CB(1)78/00-01(04) - Information paper provided by the Administration)

18. At the invitation of the Chairman, the Principal Assistant Secretary for Economic Services (C) briefed members on the salient points of the paper (LC Paper

Action

No. CB(1)78/00-01(04)).

Ultra low sulphur diesel (ULSD)

19. Mrs Miriam LAU expressed grave concerns about the retail price and concessionary duty for ULSD. She pointed out that the import price differential in July 2000 between ULSD (\$2.08 per litre) and regular motor diesel (\$1.66 per litre) was only \$0.42 per litre. This compared with the concessionary duty rate of \$0.89 per litre on ULSD seemed to suggest that the oil companies were pocketing tax subsidy and infringing consumer benefits.

(Post-meeting note: The Administration advised that the import price differential in August 2000 between ULSD (\$2.27 per litre) and regular motor diesel (\$1.81 per litre) was \$0.46 per litre.)

20. The Principal Assistant Secretary for Economic Services (Financial Monitoring) (PAS for ES/FM) advised that the Administration was aware of the observation and had requested the oil companies to explain the price differential. He learnt from the oil companies that apart from import price differential, there were increases in import price of ULSD since July and other operating costs associated with the provision of ULSD in Hong Kong. The Administration was following up the issue with the relevant oil companies to see whether they had passed the full benefit of the concessionary duty to consumers. The ESB had also requested them to account to the public with convincing data.

21. Mrs Miriam LAU felt dissatisfied with the reply and remarked that should there be a price differential between the import price of ULSD and the concessionary duty, the full benefits should be transferred to consumers.

22. Mr CHEUNG Man-kwong also opined that the few oil companies in Hong Kong had already monopolized the market. Worse still, the rationale and basis for price adjustments were not transparent enough. He queried how Government was monitoring the movement of fuel prices and whether it had the necessary information to perform the monitoring role.

23. SES replied that oil companies were not obliged to provide proprietary and commercially sensitive data to the Administration. However, the Administration had been monitoring the daily movement of international oil prices and urging oil companies to increase their transparency and let the public know the rationale and basis for price adjustments. She had been personally discussing with the oil companies with a view to enhancing the transparency of fuel price adjustments, and enhancing communication between oil companies and the Energy Advisory Committee and its Competition Subcommittee.

24. Mr CHEUNG Man-kwong stated that he failed to see how Government could monitor the fuel price movements if it did not have access to the sensitive cost and

Action

profit data of the oil companies. Likewise, Government might not be aware of the allegation that oil companies had profited from the introduction of ULSD at the expense of either government or consumers. The Chairman opined that if the oil companies were not co-operative, the Administration should consider introducing legislation to safeguard the interest of consumers.

25. Mrs Selina CHOW suggested that oil companies should be invited to attend a closed meeting of the Panel so that they could brief members on the allegation of pocketing tax subsidy.

(Post-meeting note: A closed meeting with three oil companies and the Administration was held on 4 November 2000.)

Facilitating new entrants to the market

26. Referring to the 21 sites with the potential for setting up petrol filling stations, the Chairman enquired the timetable for tendering. SES advised that the various sites would be put out for tender at different times. Apart from the sites planned by the Administration, interested parties might apply for conversion of land lease on suitable sites subject to compliance with relevant public safety standard and traffic impact assessment. ESB would be happy to render assistance in the process.

27. Mr Fred LI remarked that the crux of the present problem lied on the land leasing procedures where existing oil companies could offer high land premium in return for the monopolization of petrol filling stations in Hong Kong. He opined that the bidders should be asked to bid for sites on a nil premium basis, with winning bids determined simply on offers of a price ceiling formula (as was currently the case with auto liquefied petroleum gas (LPG)).

28. SES highlighted the dilemma faced by the Administration. Since the Administration was committed to proactively nurturing fair competition and hence, all petrol filling stations should be put out for open tender. The Chairman remarked that, in order to facilitate new entrants, the Government should put out for open tender a number of potential sites for petrol stations at one go so as to prevent certain existing players from successfully bidding all new petrol filling stations. Regarding the nil premium approach as suggested by Mr LI, SES said that this was introduced as part of the environmental measures to promote the switching of LPG taxis. The Administration would need to examine further whether the nil premium approach was feasible in the present context.

29. Mr Kenneth TING enquired whether the safety standards adopted by the Administration were too stringent, thereby imposing unnecessary obstacles for new entry. He enquired the reasons for not adopting the safety standards currently in use by Tokyo. SES replied that the Administration had examined the case in Tokyo. Indeed, the related safety standards were also very stringent particularly in urban areas. On individual applications for petrol filling stations, she said that applicants could

Action

obtain information on the safety standard from the Administration and ESB would offer assistance as and when required.

Storage facilities

30. Mrs Miriam LAU opined that in order to facilitate new entry, there was a need to provide adequate storage and other infrastructure facilities to potential operators at low costs.

Octane 95 unleaded petrol

31. Mr Fred LI queried whether the octane level of gasoline in Hong Kong was higher than necessary so as to justify a higher price of petrol products. He opined that octane 95 unleaded petrol should be provided to ensure consumers choice. His view was echoed by Mrs Miriam LAU. SES replied that the Administration also took the view that consumers should be given a wider choice on petrol products. ESB had conveyed the request to introduce Octane 95 unleaded petrol to the oil companies earlier.

Price of LPG

32. Referring to Annex 3 of the paper, Mrs Selina CHOW enquired about the retail price differential between cylinder LPG and piped LPG. PAS for ES/FM briefed members on the cost components of cylinder LPG and piped LPG. He said that retail prices of cylinder LPG were determined by the dealers taking into account the local operating environment and running costs, etc. On piped LPG, additional costs such as maintenance of pipe lines and meter reading were incurred. Hence, the retail prices of the two products could not be compared directly as their cost components were different.

33. Mrs Selina CHOW enquired whether the Administration was satisfied that the retail prices of LPG products were reasonable. SES replied that it was not the Government's policy to regulate the prices of oil products. From the Administration's point of view, every price increase on oil products should be fully justified. She hoped oil companies would increase their transparency and let the public know the rationale and basis for price movements.

34. Members noted that during the period between January and September 2000, the wholesale price of LPG had already increased by \$0.98/kg. Mr Fred LI opined that this compared with the average import price of about \$2/kg represented a very significant level of increase. He therefore expressed serious concern about the impact on existing users which amounted to some 290 000.

35. SES replied that in the recent price review, one oil company said it had absorbed part of the price increase according to their established pricing review mechanism, the price increase in September 2000 would have been \$1.62/kg, instead

Action

of the actual price increase of \$0.98/kg. SES assured members that the Administration maintained daily monitoring of oil prices in the international oil market and it would continue to monitor the movement of fuel prices in Hong Kong.

High fuel prices

36. Mrs Miriam LAU remarked that the high fuel prices in Hong Kong had seriously affected the competitiveness of Hong Kong, particularly the transport sector. She asked the Government to formulate policy to address the issue. SES noted the member's request and remarked that one means was to introduce more competition to the market. Regarding the allegation that Hong Kong ranked first in terms of petrol prices in the world and diesel prices in Asia-Pacific Region, SES remarked that price subsidy and price regulation were observed in other countries and hence, direct comparison might not be appropriate.

37. Mr Henry WU suggested that for future submissions on similar subject, the import prices of oil products should be included.

VIII Any other business

Proposed amendments to the terms of reference of the Panel

38. Members noted and endorsed the proposed amendments to the terms of reference of the Panel as set out in LC Paper No. CB(1)84/00-01.

39. There being no other business, the meeting ended at 12:30 pm.

Legislative Council Secretariat

23 November 2000