

立法會
Legislative Council

LC Paper No. CB(1)1761/01-02
(These minutes have been seen
by the Administration)

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Legislative Council
Panel on Economic Services

Minutes of meeting held on
Monday, 22 April 2002, at 10:45 am
in the Chamber of the Legislative Council Building

- Members present** : Hon James TIEN Pei-chun, GBS, JP (Chairman)
Dr Hon LUI Ming-wah, JP (Deputy Chairman)
Hon Kenneth TING Woo-shou, JP
Dr Hon David LI Kwok-po, GBS, JP
Hon Fred LI Wah-ming, JP
Hon Mrs Selina CHOW LIANG Shuk-ye, JP
Hon CHEUNG Man-kwong
Hon HUI Cheung-ching, JP
Hon CHAN Kam-lam
Hon SIN Chung-kai
Dr Hon Philip WONG Yu-hong
Hon Jasper TSANG Yok-sing, JP
Hon Howard YOUNG, JP
Hon Miriam LAU Kin-ye, JP
Hon CHOY So-yuk
Hon Henry WU King-cheong, BBS
- Non-Panel Member attending** : Hon Michael MAK Kwok-fung
- Members absent** : Hon Eric LI Ka-cheung, JP
Hon LAU Chin-shek, JP

**Public officers
attending**

: Agenda Item IV

Economic Services Bureau

Ms Sandra LEE
Secretary for Economic Services

Marine Department

Mr S Y TSUI
Director of Marine

Mr K M LEE
Assistant Director of Marine (Port Control)

Mr Michael K F LEE
General Manager/Local Vessels Safety

Agenda Item V

Economic Services Bureau

Ms Sandra LEE
Secretary for Economic Services

Marine Department

Mr S Y TSUI
Director of Marine

Agenda Item VI

Economic Services Bureau

Ms Sandra LEE
Secretary for Economic Services

Ms Irene YOUNG
Principal Assistant Secretary for Economic Services

Health and Welfare Bureau

Miss Angela LUK
Principal Assistant Secretary for Health and Welfare

Agenda Item VII

Economic Services Bureau

Ms Sandra LEE
Secretary for Economic Services

Ms Annette LAM
Senior Treasury Accountant

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

Staff in attendance : Miss Anita HO
Assistant Legal Adviser 2

Ms Debbie YAU
Senior Assistant Secretary (1)1

I Confirmation of minutes and matters arising
(LC Paper No. CB(1)1380/01-02 - Minutes of meeting held on 25 February 2002)

The minutes of the meeting held on 25 February 2002 were confirmed.

II Information papers issued since last meeting
(LC Paper No. CB(1)1423/01-02(01) - Letter from the Chairman of the Industry, Trade and Labour Development Committee of the Eastern District Council on Hongkong Electric Co Ltd's tariff adjustment 2002; and
LC Paper No. CB(1)1435/01-02(01) - Tables and graphs showing the import and retail prices of major oil products from March 2000 to February 2002 furnished by the Census and Statistics Department)

2. Members noted the above information papers issued since last meeting.

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III Items for discussion at the next meeting scheduled for 27 May 2002

(LC Paper No. CB(1)1507/01-02(01) - List of outstanding items for discussion; and
LC Paper No. CB(1)1507/01-02(02) - List of follow-up actions)

3. The Chairman invited members' views on items to be discussed at the next meeting. He requested members to put forward their suggestions to the Clerk after the meeting.

4. Noting that Mr WONG Yung-kan would raise a motion on "developing ecotourism" at the Legislative Council meeting on 8 May 2002, members agreed to delete the item on development of ecotourism from the list of outstanding items for discussion.

IV Merchant Shipping (Local Vessels) (General) Regulation and Merchant Shipping (Local Vessels) (Safety Survey) Regulation

(LC Paper No. CB(1)1310/01-02(06) - Information paper provided by the Administration)

5. At the Chairman's invitation, the Assistant Director of Marine (Port Control) (AD of M/PC) briefed members on the new provisions in the Merchant Shipping (Local Vessels) (General) Regulation which aimed at enhancing the safe operation of local vessels within Hong Kong waters related to the following three regulatory areas, viz (a) designation of bunkering areas within Hong Kong waters, (b) overboard cargoes, and (c) issue of new permits to Mainland vessels and vessels licensed in the Macau Special Administrative Region.

Merchant Shipping (Local Vessels) (General) Regulation ("LV(G)R")

Designation of bunkering areas within Hong Kong waters

6. Noting that bunkering activities had recently been found to be proliferating near the boundary of Hong Kong waters due to the sharp increase in the extra-territory demand for diesel oil, Mr Howard YOUNG enquired whether the proposed legislation was intended to tackle the problem of smuggling.

7. AD of M/PC clarified that the bunkering activities near the boundary of Hong Kong waters such as south of Lamma Island, Tai A Chau, Siu A Chau and Ninepin Group had been a matter of concern for the Marine Department. At those exposed locations at sea, both the oil bunkering vessel and oil receiving vessel might suffer from excessive motions caused by the sea and swells, thus causing the risks of marine pollution and accidents. As such, there was a need to confine the oil bunkering

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activities at specified anchorages and designated bunkering areas to enhance safety. Whilst the proposal would facilitate the enforcement actions taken by the Police and Customs and Excise Department to combat smuggling, the legislative intent behind the present proposal was to enhance the safe operation of local vessels.

8. Members noted that oil bunkering activities conducted by vessels were currently governed by regulation 45(2) of the Shipping and Port Control Regulations. According to that regulation, an oil bunkering vessel not exceeding 2 000 net tonnage might lie alongside another vessel for the purpose of bunkering. Other than regulation 45(2) of the Regulations, bunkering activities in the waters of Hong Kong were not regulated under existing law. On the size of local bunkering vessels, AD of M/PC advised that the average net tonnage of these vessels was around 100 tons.

9. Mr Henry WU welcomed the proposal to enhance safety. He however expressed concern about the proposed penalties for illegal bunkering activities within Hong Kong waters which were a fine at level 5 (i.e. \$50,000) and imprisonment for six months. Compared with the penalties for non-compliance with the direction given by the Director of Marine to remove overboard cargoes which were a fine at level 4 (i.e. \$20 000) and imprisonment for one year, there seemed to be some inconsistency between the proposed penalties for the two offences, particularly the reduced imprisonment term for illegal bunkering activities.

10. AD of M/PC advised that the proposed penalties had been examined by the Department of Justice (D of J) taking into account the nature of the offences. In view of Mr WU's concern, he would request D of J to look into the matter again.

Overboard cargoes

11. Mr CHAN Kam-lam was concerned about the legal responsibility of ship owners for the removal of any overboard cargoes from the sea. He said that as ship owners might not be aware of the actual cargo handling operation on board vessels, it would be unfair for them to bear the legal consequences, particularly when such incidents were caused by inadvertence or carelessness of other parties which were outside his control, for example, improper conveyance of bulk cargoes by porters on land.

12. AD of M/PC pointed out that incidents which involved cargoes fallen overboard might endanger the safety of life and might have far-reaching consequences to the marine environment. There were cases in the past whereby the Administration was required to take a considerable time to verify the type and amount of suspected marine pollutant substances which had been fallen overboard prior to taking appropriate course of action. In some cases, the Administration needed to deploy substantial resources, both in terms of time and money, to remove overboard cargoes. This kind of incidents would also endanger the safe operation of vessels in the vicinity. In view of the importance to identify the nature of cargoes and remove overboard

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cargoes as quickly as possible, the Administration proposed to strengthen the regulatory regime related to overboard cargoes by making new provision in the LV(G)R. Under the proposed legislation, the owner, his agent and the coxswain should all be liable for the removal of any overboard cargoes from the sea. Whilst the coxswain should shoulder direct responsibility to ensure that no cargo should fall overboard from his ship, there was a need to include the owner in the proposed legislation. In case of major cargo overboard affecting a large area of waters where the coxswain was unable to meet the fine or expenses incurred on removal of the cargoes, the ship owner who appointed the coxswain would be held liable in the end. AD of M/PC confirmed that prosecution against an owner could not be instituted if there was no evidence to prove that the overboard cargoes were fallen from his vessel. Similar arrangements for ocean-going vessels were already in existence.

Issue of new permits to Mainland vessels and vessels licensed in the Macau Special Administrative Region

13. Noting that Mainland vessels operating within coastal or river trade limits and vessels licenced in the Macau Special Administrative Region would be issued with new permits to enter and remain in Hong Kong waters as provided for under section 89(2) of the Merchant Shipping (Local Vessels) Ordinance, Ms Miriam LAU sought clarification on the changes to the permit system, particularly with reference to the duration of stay and whether Mainland vessels and vessels licensed in Macau were allowed to operate within Hong Kong waters.

14. AD of M/PC explained that under the existing legislation, Mainland vessels and vessels licensed in Macau were required to report arrival when entering Hong Kong waters. They were allowed to remain in Hong Kong waters by obtaining an anchorage permit issued under either regulation 3 of the Merchant Shipping (Miscellaneous Craft) Regulations (MCR) (in respect of any vessels other than tugs) or regulation 7 of the Merchant Shipping (Launches and Ferry Vessels) Regulations (LFVR). When the new legislation came into force, the MCR and LFVR would be repealed. Mainland vessels and vessels licensed in Macau would be issued with two permits, namely the "permit to enter" and "permit to remain" as provided for under section 89(2) of the Merchant Shipping (Local Vessels) Ordinance to enable them to enter and remain in the waters of Hong Kong. On the duration of stay, AD of M/PC advised that the Director of Marine might upon application allow the vessel to remain in the waters of Hong Kong for any one period not exceeding 7 days. However, the exact duration would depend on the need of individual applicants, and normally not more than three days would be granted. He confirmed that Mainland vessels and vessels licensed in Macau were not allowed to operate in Hong Kong waters. If they wished, they must be licensed locally.

Other port control issues

15. Noticing that some broken vessels lying half below the water table were left

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unattended near the shore, the Chairman called on the Administration to take proper actions to remove such vessels so as to protect the environment and enhance tourism.

16. AD of M/PC responded that daily patrol would be conducted by the Marine Department. Broken vessels lying half below the water table would be immediately removed by the Marine Department. However, for unattended vessels, the Administration had to go through the statutory procedures before action could be taken to remove them.

Merchant Shipping (Local Vessels) (Safety Survey) Regulation

17. The General Manager/Local Vessels Safety (GM/LVS) briefed members on the Merchant Shipping (Local Vessels) (Safety Survey) Regulation (LV(SS)R). The purpose of the LV(SS)R was to consolidate the scattered provisions covering the requirements regarding the safety construction, machinery, equipment and survey of local vessels into one single piece of legislation. It also made new provisions to streamline existing arrangements, codify existing practices and adopt internationally-accepted practices applied to vessel operation.

18. To minimize the risks of marine pollution due to oil leakage, Mr Howard YOUNG enquired whether new regulations for double bottoms on vessels engaging in bunkering operation should be introduced.

19. GM/LVS advised that under the proposed LV(SS)R, vessels involved in high-risk operations would be subject to more stringent safety requirements and would need to be certified. They were required to be issued with a Record of Safety Equipment which was a condition for licensing the vessels.

20. Members noted that under the LV(SS)R, the Director of Marine would formally delegate powers to a ship inspector to carry out survey and to sign and issue certificate for a local vessel. Ms Miriam LAU enquired about the implication of the proposal.

21. GM/LVS advised that the proposed legislation would have no implication on the inspection requirements. Indeed, the proposal was introduced for streamlining the existing delegation process. At present, the Director of Marine would need to issue an order to those who considered fit to be inspectors. Whenever there were changes to staff deployment, there was a need to issue the order again. To streamline the process, the Administration proposed to codify this order arrangement in the legislation so that the Director would not need to issue order on a case by case basis. At present, there were 15 ship inspectors in the department for the survey of local vessels.

22. As radar was part of the navigational equipment essential for all ferry vessels plying outside the Victoria Harbour to facilitate navigation in restricted visibility and

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under heavy marine traffic situation, Ms Miriam LAU urged the Administration to consider requiring vessels of larger size to be equipped with approved-type radar and trained radar operator. Mr CHAN Kam-lam was also concerned about the training opportunities provided to radar operators.

23. GM/LVS took note of Ms LAU's request and replied that the Administration would consider the matter further. He also confirmed that different training courses in radar operation were offered by the Hong Kong Polytechnic University or the seafarers' training centres on a need basis.

24. Noting that certain types of dry cargo vessels operating within Hong Kong waters or river trade limits were regarded as "high risk" vessels, necessitating more stringent safety requirements and certification process, Mr Henry WU considered it necessary to clearly define the scope of "high risk" vessels.

25. GM/LVS explained that currently, certain types of dry cargo vessels operating within river trade limits and oil carriers were regarded as relatively "high risk" vessels. At some exposed locations at the river trade limits, these vessels might suffer from excessive motions caused by the sea and swells, thus causing the risks of marine pollution and accidents. To enhance safety, they were required to subject to a more stringent safety requirements. He confirmed that clear definition on "high risk" vessels would be provided for in the code of practice to be issued by the Marine Department.

26. Regarding the proposed extension of the application of freeboard and related certification requirements to cover dredgers and waterboats, GM/LVS advised that the proposal was intended to tackle the problem of overloading. As overloading of dredgers and waterboats were becoming more common, the presence of the freeboard mark, which indicated the minimum distance between the deck and the fully-loaded water line might help the enforcement agencies to identify overloaded vessels more easily.

27. Noting that under LV(SS)R, any space on a vessel where the noise level at maximum operating speed of propulsion engines exceeded 85dBA should not be assigned for passenger space, Mr CHAN Kam-lam urged the Administration to bring the standard in line with those imposed on land (i.e. 70 dBA).

28. In response, GM/LVS pointed out that the above standard followed the International Maritime Organization's recommendations prescribed in the "Code on Noise Levels on Board Ships". The Marine Department had been applying this to all local passenger vessels administratively and now provided for it in the law. He said that the same standard also applied to ocean-going passenger vessels. It would not be appropriate for Hong Kong to adopt a different standard.

29. The Chairman asked whether LV(SS)R would cover the control of smoke

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emission from vessels. GM/LVS replied that according to the code of practice on safety survey for vessels, any ships emitting smoke darker than Shade 2 on the Ringelmann Chart, a smoke colour/shade comparison scale in determining whether the installations concerned emitted excessive dark smoke, for more than 3 minutes would be prohibited. AD of M/PC added that under existing legislation, a vessel emitting black smoke in such quantity as to be a nuisance was an offence but enforcement actions could only be taken in response to complaints. In view of the difficulties, the Administration planned to introduce legislative proposals to take speedy enforcement actions in respect of vessels emitting excessive smoke.

30. The Chairman concluded that members supported the legislative proposals in principle.

V "Flag State Quality Control System" : An update

(LC Paper No. CB(1)1507/01-02(03) - Information paper provided by the Administration)

31. The Director of Marine (D of M) took members through the Administration's paper on Flag State Quality Control (FSQC) system: an update.

32. Ms Miriam LAU congratulated D of M on the successful implementation of the FSQC system. She asked about the promotion campaign to publicize the FSQC system with a view to attracting more ships to register in Hong Kong. Notwithstanding the fact that the shipping register had a port state control detention rate well below the international average, she enquired if the Marine Department had examined the reasons of detention with a view to further improving the situation. In view of its associated benefits, Ms LAU suggested that the FSQC system should be extended to cover local vessels.

33. D of M pointed out that since its implementation in 1999, he had personally discussed with the Secretary-General of the International Maritime Organization on the wider application of FSQC system in other member states. Besides, the Administration had actively promoted the FSQC system at international conferences held locally or overseas.

34. On possible measures to lower the detention rate, D of M replied that the FSQC system aimed at finding out those ships which quality was declining and brought them back on track to minimize detention. While it remained inevitable that some latent problems of ships lying undetected during inspection would lead to detention, the FSQC system was able to track down these latent problems through enhanced communications with ship owners and Classification Societies (Classes) to prevent the recurrence of similar problems in the future. On the list of deficiencies as identified by other overseas Port States, he said that some of the items were considered unreasonable. Upon clarification by the Administration, some of them were deleted

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from the list.

35. Regarding the application of the FSQC system to local vessels, D of M mentioned that similar safe management system had been applied to high speed ferries running between Hong Kong and Macau.

36. Noting that ships registered in Hong Kong would be subject to an annual inspection by the Classes and a periodic survey by the Marine Department every five years, Mr CHAN Kam-lam enquired whether the FSQC system would affect the independent judgement of Classes, and the need for annual inspection and periodic survey.

37. D of M clarified that the conventional requirements of periodic surveys (i.e. annual survey and special survey) carried out by the Classes for ships registered in Hong Kong were still required. These would continue to be implemented in line with the international practice. Under the FSQC system, the survey records of the ship carried out by its Class and other objective criteria related to ship quality which included data on casualty incidents, Port State control inspection records and detention records would be fed into the database system for quality grading of the ship. Potential problem areas on the ship that might cause or had caused its deterioration in quality would be identified, followed by devising possible solutions and preventive measures before follow-up actions were taken to facilitate quality control. It could also help monitor closely the conditions set by the Classes upon issuance of certificates.

VI Regulation of beauty products and services provided by beauticians

(LC Paper No. CB(1)1507/01-02(04) - Information paper provided by the Administration; and
LC Paper No. CB(1)1535/01-02(01) - Submission from Hon Fred LI Wah-ming)

38. Mr Fred LI Wah-ming referred members to his submission circulated vide LC Paper No. CB(1) 1535/01-02(01). He called on the Administration to introduce a new regulatory framework for beauty products and services to further protect and promote the interest of consumers. He said that there was at present virtually no legislation governing the selling of beauty products and provision of beauty services. The Consumer Goods Safety Ordinance (CGSO) was inadequate in protecting the consumers' right to information. In the absence of a "use by" date label together with the ingredients of the products and the instructions for use, it would be difficult for consumers to judge whether the products available on the market were safe for consumption and would not adversely affect their health. Taking into account the regulatory framework adopted by other overseas countries such as the United States, the United Kingdom, Canada and other European countries, he saw the need for the Administration to introduce further regulatory measures to safeguard users of beauty

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products and services.

39. SES replied that to safeguard consumer safety, the Administration set safety standards for different consumer goods. Under the CGSO, no person should supply, manufacture or import into Hong Kong consumer goods, including beauty or cosmetic products, unless they complied with the "general safety requirement" for consumer goods. Reasonable standards stipulated by national or international standards institutes were recognized by the Commissioner of Customs and Excise for the purpose of enforcing the CGSO. In other words, beauty or cosmetic products supplied in Hong Kong should comply with well-established safety standards, for example, those adopted by the United States Food and Drug Administration. In case a product had not been certified by a recognized certification authority, the Government Chemist could test the product against the Chinese National Standards - Hygiene Standards for Cosmetics (GB7916-87), which was a comprehensive set of standards for regulatory purposes. The Customs and Excise Department conducted spot checks of beauty products from time to time. In 2001, more than 300 spot checks were conducted on beauty products. Non-compliance of safety standards would be subject to prosecution. Notwithstanding the above, it was most important that the general public should be on the alert, and should choose and use consumer goods with care. They should avoid purchasing these products from unknown sources. The Administration would work with the Consumer Council to arouse the awareness of consumers.

40. The Chairman remarked that inclusion of particulars such as the ingredients of products might facilitate enforcement by the Administration.

41. Whilst supporting the initiative to introduce measures to promote consumer protection, Mrs Selina CHOW expressed reservation on the proposal put forward by Mr Fred LI Wah-ming. She remarked that the proposed labelling requirements of beauty products would seriously affect the operation of the trade. The upsurge in operating costs would eventually be borne by consumers. As such, the trade had expressed objection to the proposals. She remarked that compared with other overseas countries, the safety standard adopted by Hong Kong was already very tight. Even in the United States, there was no requirement for products to carry a "use by" date label. To enhance consumers' right to information, the trade had suggested to introduce a "labelling" system, whereby the identity of the importer of the goods would be made known to the consumer at the time of the purchase. However, the proposal was not accepted by the Democratic Party. Indeed, industry self-regulation played an important role in consumer protection. To this end, representatives from the industry, the Consumer Council and the Vocational Training Council had jointly set up a Beauty Care and Hairdressing Training Board to raise the standard of beauty-related services.

42. Mr SIN Chung-kai remarked that in discussing the Trade Marks Bill, there were divergent views over the justification for introducing a "labelling system"

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whereby the identity of the importer of the goods would be made known to the consumer at the time of the purchase. On beauty products, there should be a proper labelling system to help identify the composition of the products having regard to the inherent risk associated with them. In case a recall was necessary by overseas authorities, it would be much easier for the Administration to verify the suspected substances prior to taking appropriate course of action.

43. Mr Fred LI Wah-ming also remarked that the present proposal was made having regard to the need to enhance consumer protection. Based on the result of a pervious survey, where over 64% of the respondents had the experience of using beauty products and services and around 55% of the respondents said they had suffered from allergy or some other problems after using the beauty products sold in the market. He would welcome the opportunity to exchange views with the industry on the proposal to introduce further regulatory measures on beauty products and beauty services.

44. Citing the example of the safety implications associated with the mercury poisoning incident happened in January 2002, Mr CHEUNG Man-kwong opined that there was a need to strengthen the control of the sale of beauty products which might be harmful to human body. He also asked whether the so-called "beauty and health food products" available on the market were safe for consumption and whether these products were regarded as pharmaceutical products and regulated under the Pharmacy and Poisons Ordinance (PPO), given that some importers might emphasis the curative effects of their products on weight loss, body shape up and removal of toxic substances.

45. SES advised that beauty products, like other products were regulated as pharmaceutical products under the PPO, if they contained substances which were defined as pharmaceutical products or made medicinal claims as stipulated in the PPO. The Principal Assistant Secretary for Health and Welfare (PAS for H&W) added that the Health and Welfare Bureau was conducting a review of regulatory framework for medical equipment including laser devices used in "beauty treatment" and it would address concerns about improper use of such equipment. Upon the enactment of the subsidiary legislation of the Chinese Medicine Ordinance, beauty products containing Chinese medicines would also be brought under control.

46. Members noted that under the existing legislation, importation of beauty products which were general consumer goods did not require prior approval from the Government in respect of the products' ingredients.

47. Miss CHOY So-yuk enquired whether "beauty treatment" services such as ear-piercing, breast implantation, skin resurfacing, cosmetic eyelid surgery were subject to any form of control. She opined that services of this kind should be undertaken by qualified personnel who had received proper training.

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48. PAS for H&W clarified that beauty treatment was not considered as health care services and beauticians were not classified as health care professionals such as doctors, nurses, pharmacist and physiotherapists, etc. who were subject to statutory regulation. She confirmed that breast implantation was a surgical procedure which should be carried out by qualified doctors. Non-compliance would be an offence in law.

49. In view of members' concern about the matter, the Chairman suggested and members agreed that the item be put on the agenda for the next meeting. Representatives of the industry, the Consumer Council and the Beauty Care and Hairdressing Training Board formed under the Vocational Training Council should be invited to the meeting.

50. To facilitate members' consideration, members requested the Administration to provide the following information:

- (a) registration details of beauty products which were classified as pharmaceutical products under the Pharmacy and Poisons Ordinance;
- (b) the Administration's view on the introduction of a "labelling" system whereby the identity of the importer of the goods would be made known to the consumer at the time of the purchase; and
- (c) the overseas regulatory framework for beauty products and services.

VII Retail prices of petrol

(LC Paper No. CB(1)1568/01-02(01) - Information paper provided by the Administration; and

LC Paper No. CB(1)1562/01-02(01) - Submission from Hon CHAN Kam-lam)

51. The Chairman explained that in view of the recent adjustments of petrol prices by oil companies, Mr Fred LI Wah-ming had requested the item be included in the present meeting for discussion. Mr CHAN Kam-lam had also put forward a written submission to the Panel for members' information. He also drew members' attention to the information paper provided by the Administration which was tabled at the meeting.

52. Referring to the weighted average import costs of unleaded petrol in September, October and November 2001 which were \$1.75, \$1.45 and 1.33 per litre respectively and the pump prices of \$10.59 per litre in September and October 2001 and \$10.39 per litre in November 2001, Mr Fred LI Wah-ming was gravely concerned that the oil companies had promptly increased the pump prices in response to an upsurge in oil prices but failed to lower it at the same pace when there was a drop in

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oil prices. Further, the extent of reduction for the pump prices was also relatively smaller as compared to the corresponding reduction rate of the import costs.

53. Mr CHAN Kam-lam also considered it unacceptable that some oil companies had justified their price increases on ground of upsurges in operating costs but had not correspondingly lowered the pump prices when the operating costs went down as in the past year, leaving an unjustified gap between the import costs and pump prices for both petrol and diesel. Given that oil products were daily necessities, he urged the Administration to introduce measures to bring in more competition in the market to safeguard public interest.

54. The Senior Treasury Accountant of the Economic Services Bureau clarified that the import unit value of an oil product for a particular month was the weighted average unit value of the imported consignments of that product declared by oil companies for that month. It might be different from the import cost of that product experienced by any particular individual oil company.

55. SES said that as operating costs were considered as commercially sensitive information, the oil companies had declined to provide such information to the Bureau. As such, the present assessment was drawn up with reference to information provided by the Census and Statistics Department based on declarations by importers. The tables on oil price movements only showed weighted average imported costs which could not be directly applied to individual oil companies.

56. Referring to members' comment that the oil companies had promptly revised the pump prices of oil products when there was an upsurge in oil prices but deliberately deferred its adjustment when oil prices dropped, SES reiterated that the Bureau was unable to come up with a judgement in the absence of essential information on the import costs, quantity ordered per consignment and operating costs of individual oil companies. The Chairman enquired whether the same observation as cited by members existed in other overseas countries. SES replied that it would be difficult to draw a comparison as some countries might exercise strict control over oil prices while some others might offer subsidies to end-users. She however agreed with the Chairman that under the principle of free economy, the Bureau should not compel the oil companies to provide commercially sensitive information to the Bureau. Unlike the case in following up with the oil companies on whether the full benefits of the concessionary duty on ultra low sulphur diesel (ULSD) were passed on to consumers which involved the use of public monies, the Bureau, in the present case, was not in a position to request the oil companies to produce commercially sensitive information to the Bureau for verification purpose.

57. Referring to the commitments made by the former SES in enhancing competition in the market and strengthening the monitoring of oil companies, Mr CHAN Kam-lam enquired about the progress of the various initiatives including their implementation timetable.

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58. In response, SES stressed that the Administration had been working on the initiatives to bring in more competition in the market. On the proposal to set up petrol filling stations in carparks, she had been advised by the Director of Fire Services that the plan had practical difficulties. Given that unleaded petrol was highly inflammable, and the poor ventilation in enclosed or underground carparks, setting up petrol filling stations in such carparks posed potential hazard to the public. There could also be technical problems in constructing the oil tanks beneath the carparks. To facilitate market entry, she had been working closely with the Planning and Lands Bureau to identify suitable sites for the operation of petrol filling stations. She maintained an open view on the proposal for the Government to construct its own oil depots and let out storage space to interested companies so as to enhance competition as suggested by the Chairman. The Chairman asked the Administration to provide further information on the initiatives undertaken by the Administration to facilitate market entry and promote competition in the market with detailed implementation timetable after the meeting.

(Post-meeting note: Information on the promotion of competition prepared by the Administration was circulated to members on 10 May 2002 vide LC Paper No. CB(1)1714/01-02).

59. Ms Miriam LAU pointed out that notwithstanding the fluctuation of import costs, the pump prices of ULSD remained at \$5.84 per litre for the period between February 2001 and October 2001. During the same period, the import costs per litre dropped from \$1.68 in February 2001 to \$1.55 in October 2001. Unlike the case in the US where oil companies would adjust the pump prices with reference to changes in oil prices, the oil companies in Hong Kong did not transfer the benefit of reduced import costs to the consumers. On a further analysis by deducting the import costs and duty from the pump prices to obtain the sum of profit and operating costs, she detected a peculiar trend by end 2001 in which the sum of the profit and operating costs increased from the usual \$2.6/\$2.8 to \$2.9/above \$3 for unleaded petrol and from \$3.01 to \$3.1/\$3.2 for ULSD. In other words, the oil companies were grasping a larger portion of profit from their operation. Reflecting the above from her limited information at hands, Ms LAU questioned whether the Administration had conducted similar analysis to monitor the trends and safeguard consumers' interests.

60. SES said that they would analyze all the information available. However, she stressed that in the absence of essential information such as the import costs for individual oil companies including the number of consignments and the quantities ordered, it would be difficult, if not impossible, for the Bureau to ascertain the allegation that the oil companies were reaping a larger portion of profits through such a manner, in particular when the import costs of ULSD did rise from \$1.68 per litre in February 2001 to \$1.74 per litre and \$1.77 per litre in May and June 2001 respectively before returning to \$1.55 per litre in October 2001. It was the oil companies business decision as to whether to adjust the pump price monthly. The Chairman was not

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satisfied with the reply. He considered it necessary to have a proper mechanism to monitor the oil prices. He also remarked that oil companies should be in the best position to make investment decisions on oil products. As such, it was hard to believe that the orders placed by oil companies would be on the high side.

61. Noting that the Financial Secretary (FS) had urged the oil companies to undertake social responsibilities not to raise the pump prices, Mr CHEUNG Man-kwong questioned the basis of his remark which seemed to be contradictory with the earlier point made by SES that the Bureau was unable to ascertain the allegation that the oil companies were swift in raising the pump prices but slow to reduce it according to import costs. He was gravely concerned about the Government's inability to assess the long term trend of oil prices, leaving the consumers being exploited by the few oil companies monopolizing the fuel market.

62. In response, SES believed that there was no inconsistency with the statement made by FS. In fact, she had made a similar appeal last week urging the oil companies to refrain from raising the pump prices taking into account the latest situation in Hong Kong.

63. To sum up, the Chairman concluded that members were generally dissatisfied with the present situation and urged the Administration to come up with an effective mechanism to monitor oil prices and introduce more competition in the market.

VIII Any other business

64. There being no other business, the meeting ended at 1:05 pm.

Legislative Council Secretariat

5 June 2002