

 Press Release

FS announces extension of ULSD concessionary rate

Following is the transcript (English portion) of a media session by the Financial Secretary, Mr Henry Tang, on the extension of the concessionary rate for ultra low sulphur diesel this morning (October 20) at the West Wing lobby, Central Government Offices:

Financial Secretary: We have taken great care and have considered very carefully the challenges and the pressure that the transport industry is facing today in view of the high oil prices. I have said on many occasions that the high oil prices, sustained over a long period of time, will pose many challenges for our economy, especially our transport industry. So although Hong Kong's economy is not very much dependent on oil, we are concerned that certain sectors of our economy are hit harder than many of the other sectors that are less reliant on oil. Transportation is one of these sectors that we are talking about. So after thorough consideration of our fiscal situation, as well as the overall economic situation, we have decided to extend the concessionary rate for ultra low sulphur diesel from December this year to December next year, meaning the \$1.11 concession rate for ultra low sulphur diesel will be extended until December of, 2005. This will translate into \$1.1 billion less revenue on our excise duty and we believe this is as far as we can go.

On the other hand, because the transport industry is facing a number of challenges, we have decided to pursue with the Guangdong authorities two measures that will improve their competitiveness. One of them is what is known as "four up and four down". The transport industry would know what it is, meaning the whole truck has to go up, including the driver, together, and then they come down together without separation of any sort. And the other issue is what is called "one driver, one truck", meaning that truck can only be driven by one driver and not somebody else. So if we are successful in getting these measures relaxed by the Guangdong authorities, our calculation is that each 40-foot container will be able to save between US\$100-\$120. This is a very significant saving and it will greatly enhance the competitiveness of this industry.

(Please also refer to the Chinese portion of the transcript.)

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