

財經事務及庫務局
(庫務科)
香港下亞厘畢道
中區政府合署

FINANCIAL SERVICES AND THE
TREASURY BUREAU
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30 July 2008

Ms Jessica Chan
Legislative Council Secretariat
Legislative Council Building
8 Jackson Road, Central
Hong Kong

Dear Ms Chan,

Motion on “Reducing the duties on motor vehicle fuels”

Thank you for your letter of 20 June 2008.

After careful and comprehensive consideration of various factors, including the impact of high oil prices on the industry and on inflation, the importance of freight transport to our economic development, as well as the views from members of the Legislative Council and different sectors of the community, the Administration moved a resolution on 9 July 2008 to waive the duty on Euro V diesel and the resolution was passed by the Legislative Council. This relief measure came into force on 14 July 2008.

As regards the duty on petrol, petrol is primarily used by private cars. Hong Kong is a small city with limited road space. The transport needs of the public are met by our well-developed public transportation network. The community generally agrees that private cars are not a necessity for living in Hong Kong. The duty on petrol provides an important and stable source of revenue for the government. Besides, it helps control traffic congestion and air pollution.

Statistics also reveal that the rise of petrol price in recent years has not slackened the growth of private cars or petrol consumption. Therefore, reducing the petrol duty rate may aggravate the problems of traffic congestion and air pollution. In view of the above, the Administration considers that there is no need to lower the petrol duty rate at this stage.

Yours sincerely,

(Steve Tse)
for Secretary for Financial Services and the Treasury

c.c.
Director of Administration (Attn: Mr Tommy Poon)