

立法會
Legislative Council

LC Paper No. CB(3) 799/07-08

Ref : CB(3)/M/OR

Tel : 2869 9205

Date : 25 June 2008

From : Clerk to the Legislative Council

To : All Members of the Legislative Council

Council meeting of 9 July 2008

**Proposed resolution under
the Dutiable Commodities Ordinance**

I forward for Members' consideration a proposed resolution which the Secretary for Transport and Housing will move at the Council meeting of 9 July 2008 under the Dutiable Commodities Ordinance. The President has directed that "it be printed in the terms in which it was handed in" on the Agenda of the Council.

2. The draft speech, in both English and Chinese versions, which the Secretary for Transport and Housing will deliver when moving the proposed resolution, is also attached.

(Mrs Justina LAM)
for Clerk to the Legislative Council

Encl.

DUTIABLE COMMODITIES ORDINANCE

RESOLUTION

(Under section 4(2) of the Dutiable Commodities Ordinance (Cap. 109))

RESOLVED that the Dutiable Commodities Ordinance (Cap. 109) be amended, in Part III of Schedule 1 –

- (a) in paragraph 1B(a), by repealing “30 November 2009” and substituting “13 July 2008”;
- (b) by repealing paragraph 1B(b) and substituting –
“(b) from 14 July 2008, at \$0 per litre.”.

DRAFT

Speech by the Secretary for Transport and Housing on 9 July 2008 To move that the resolution to waive the duty for Euro V diesel be passed under the 《Dutiable Commodities Ordinance》

Madam President,

I move that the resolution under my name, as set out in the agenda, be passed. The resolution aims to reduce the duty rate on diesel of Euro V standard (“Euro V diesel”) to zero in accordance with the 《Dutiable Commodities Ordinance》.

2. The Government is very concerned about the impact of inflation and the surge of oil prices on the transport sector. The Financial Secretary announced a series of measures with a view to relieving the inflationary pressure earlier this year. The Chief Executive has also stated clearly that the Government will consider all feasible and effective measures to alleviate the pressure from inflation. The proposal in the resolution is one of such relief measures.

3. As announced by the Chief Executive in last year’s Policy Address, the duty rate for Euro V diesel was adjusted to a concessionary duty rate of \$0.56 per litre. The rate has taken effect from 1 December 2007 and was to be valid for two years. A pledge was also made in the Policy Address to review the arrangement before making Euro V diesel the statutory standard in 2009. Due to the recent surge in global oil prices and the fact that fuel cost accounts for a substantial part of their operating cost, the transport sector is facing great operating difficulties. Therefore, we have decided to bring forward the review.

4. After careful and comprehensive consideration of various factors, including the impact of high oil prices on the industry and on inflation, that freight transport is indispensable to our economic development, as well as the views from members of the Legislative Council and different sectors of the community, the Government proposes to amend the 《Dutiable Commodities Ordinance》 to waive the duty for Euro V diesel. There are concerns that this arrangement would set a precedent for the Government to subsidize individual sectors. I wish to emphasize that the present proposal is very different from Government subsidies. I also wish to reiterate that the Government will not provide fuel subsidy as doing so would be against the principles of free market and fairness to which Hong Kong has long subscribed. This would also impose a heavy burden on public finance and tax payers, resulting in far-reaching implications.

5. Madam President, notwithstanding that the duty on diesel provides a stable source of revenue and comprises less than 5% of the retail price, the Government hopes to help alleviate the pressure of rising oil prices on the industry as far as possible. We have conducted a pragmatic review of the situation and our proposal has been made against a unique global environment. I hope Members would support this resolution for the benefit of the transport and other sectors. Thank you.

Transport and Housing Bureau
23 June 2008