

立法會
Legislative Council

LC Paper No. CB(1)2325/07-08
(These minutes have been seen by
the Administration)

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Panel on Economic Development

Minutes of meeting
held on Monday, 23 June 2008, at 10:45 am
in the Chamber of the Legislative Council Building

- Members present** : Hon Jeffrey LAM Kin-fung, SBS, JP (Chairman)
Hon Abraham SHEK Lai-him, SBS, JP (Deputy Chairman)
Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon Fred LI Wah-ming, JP
Hon CHAN Kam-lam, SBS, JP
Hon SIN Chung-kai, SBS, JP
Hon Howard YOUNG, SBS, JP
Hon LAU Chin-shek, JP
Hon Albert CHAN Wai-yip
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon WONG Ting-kwong, BBS
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung
Hon KWONG Chi-kin
Hon TAM Heung-man
- Members attending** : Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Hon WONG Yung-kan, SBS, JP
Hon WONG Kwok-hing, MH
- Members absent** : Hon James TIEN Pei-chun, GBS, JP
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Dr Hon LUI Ming-wah, SBS, JP
Hon Miriam LAU Kin-ye, GBS, JP
Hon Vincent FANG Kang, JP

Public officers attending : Agenda Item III

Miss AU King-chi, JP
Commissioner for Tourism

Mrs Winifred CHUNG, JP
Assistant Commissioner for Tourism

Mr Anthony LOO, JP
Assistant Commissioner for Transport / Urban
Transport Department

Mr Albert SU
Principal Transport Officer / Urban
Transport Department

Agenda Item IV

Ms Eva CHENG, JP
Secretary for Transport and Housing

Miss Janice TSE Siu-wa, JP
Deputy Secretary for Transport & Housing

Mr Roy TANG Yun-kwong, JP
Deputy Secretary for the Environment

Mr Kenneth CHENG Kin
Principal Assistant Secretary for Financial Services &
the Treasury

Clerk in attendance : Ms Connie SZETO
Chief Council Secretary (1)6

Staff in attendance : Ms Debbie YAU
Senior Council Secretary (1)1

Ms Michelle NIEN
Legislative Assistant (1)9

I Confirmation of minutes and matters arising

(LC Paper No. CB(1)1916/07-08 - Minutes of meeting held on 28 April 2008)

The minutes of the meeting held on 28 April 2008 were confirmed.

2. The Chairman referred to the discussion at the meeting on 26 May 2008 regarding follow-up action on the letter from a private company to Panel members concerning a waste management solution with economic benefits for Hong Kong. He said that he had discussed the matter with the Secretary for the Environment who advised that the Administration was currently considering the development of an Integrated Waste Management Facilities (IWWMF) with incineration as the core technology for tackling municipal solid waste. According to the outcome of a comprehensive site search exercise, two potential sites had been identified as suitable for the development of IWWMF. While the Administration would carry out detailed engineering and environmental impact assessment for both sites, it would maintain an open mind in considering other possible sites and technologies put forward by private organizations having regard to factors, including the associated environmental impacts, planning parameters of IWWMF project, economic benefits of the proposals, and the views of district organizations.

II Information papers issued since last meeting

(LC Paper No. CB(1)1732/07-08(01) - Joint submission dated 26 May 2008 from three organizations on safeguarding local crew members' priority in taking up employment opportunities on board cross-boundary ferries between HK and Macao (Restricted to Members only)

LC Paper No. CB(1)1767/07-08(01) - Tables and graphs showing the import and retail prices of major oil products from May 2006 to April 2008 furnished by the Census and Statistics Department

LC Paper No. CB(1)1803/07-08(01) - Referral from the Complaints Division of the LegCo Secretariat on request for the Administration to provide statutory safeguards for consumers (Chinese version only) (Restricted to Members only)

- LC Paper No. CB(1)1928/07-08(01) - Administration's paper on safeguarding local crew members' priority in taking up employment opportunities on board cross-boundary ferries between HK and Macao (response to joint submission dated 26 May 2008 (LC Paper No. CB(1)1732/07-08(01)) (Restricted to Members only))

3. Members noted the above information papers issued since the last regular meeting.

III Proposed development of a Piazza in Tsim Sha Tsui

- (LC Paper No. CB(1)1927/07-08(01) - Administration's paper on proposed development of a Piazza in Tsim Sha Tsui

- LC Paper No. CB(1)1979/07-08(01) - Submission on proposed development of a Piazza in Tsim Sha Tsui from Designing Hong Kong Limited (English version only)

- LC Paper No. CB(1)1979/07-08(02) - Submission on proposed development of a Piazza in Tsim Sha Tsui from a member of the public (English version only)

- LC Paper No. CB(1)2005/07-08(01) - Administration's response to LC Paper No. CB(1)1979/07-08(02) *(tabled at the meeting and subsequently issued on 24 June 2008)*

- LC Paper No. CB(1)2016/07-08 *(tabled at the meeting and subsequently issued via e-mail on 23 June 2008)* - Administration's paper on proposed development of a Piazza in Tsim Sha Tsui (power-point presentation materials))

Briefing by the Administration

4. At the invitation of the Chairman, the Commissioner for Tourism (C for Tourism) said that the Administration had gauged public views on the development parameters and possible uses of the proposed piazza in Tsim Sha Tsui (TST) through different channels and the majority of views collected supported the

development. She invited members' views on the proposed development parameters for the project and the Administration's plan to conduct an open competition for the design of the piazza.

5. With the aid of power-point presentation, the Assistant Commissioner for Tourism briefed members on the background to the development of the piazza, the details and outcome of the public engagement exercise, the planning principles and proposed development parameters for the project. The Assistant Commissioner for Transport/Urban (AC for Transport/U) also briefed members on the related traffic and transport arrangements for the project.

Discussion

Proposed development parameters for the proposed piazza

6. Mr Howard YOUNG said that the tourism industry was very supportive of the proposed piazza which had been under discussion for some years. Noting that the alfresco dining facilities operating at the deck of the Central Star Ferry Pier had been popular among tourists, he asked whether alfresco dining operations could be allowed at TST Star Ferry Pier to make up for the drop of business arisen from the relocation of the Pier in Central. C for Tourism agreed that suitably designed alfresco dining facilities at TST Star Ferry Pier could blend in well with the proposed piazza. She understood that dining facilities were permitted at TST Star Ferry Pier, subject to approval of the relevant authority.

7. Referring to the popularity of "London Eye" which provided a panoramic view of the vicinity area, Mr Howard YOUNG expressed concern about the imposition of a 15-meter height restriction for structures at the project site which might preclude the development of attractions similar to "London Eye". C for Tourism explained that the height restriction of 15 metres above Principal Datum was the planning restriction imposed over development on the site in general. Depending on the future design of the piazza, approval might be sought from the Town Planning Board for structures and facilities exceeding the height limit if these were considered desirable for maintaining the uniqueness of the design.

8. Mr CHAN Kam-lam sought clarification over the building height restriction which drew reference to the height of "existing building", and was concerned that the 10% site coverage together with the building height allowed might result in constructions blocking the views of the existing TST Star Ferry Pier, TST Clock Tower and the five flag-posts, which were famous and popular landmarks and attractions for local people and tourists. C for Tourism explained that the "existing building" referred to existing structures within the public transport interchange (PTI). She said that the building height restriction and the building site coverage were planning requirements to regulate the maximum height and area coverage of new structures to be developed on the site. The Administration would consider a suitable design for the piazza having regard to the aspirations and suggestions of the public, and the ultimate development might not necessarily reach the maximum building height and site coverage allowed.

9. Mr SIN Chung-kai welcomed the development of the piazza and considered that building structures on the site should be minimized. To facilitate pedestrian flow and avoid obstruction of views on the site, he suggested that the Administration should explore the feasibility of introducing more underground development, such as shopping facilities, in place of above-ground development, and linking up these underground facilities with the Middle Road pedestrian subway currently under construction.

10. Mr Abraham SHEK expressed support for the piazza to help promote the development of tourism and economy of Hong Kong, and welcomed the proposal of conducting a design competition for the piazza. He further stressed the need for the Administration to take into consideration the historical background of the area in taking forward the project, since TST Star Ferry Pier and nearby structures were part of Hong Kong people's collective memories. Sharing the proposal of developing commercial facilities underground to boost tourism, he urged the Administration to formulate a comprehensive plan for developing the entire area, including the open space outside the Hong Kong Cultural Centre (HKCC).

11. C for Tourism responded that as required under the proposed development parameters, the future design of the piazza should take into consideration the historical background of the site and its vicinity. As regards the proposal for underground development at the project site, C for Tourism advised that the Administration had already considered similar suggestions received during the public consultation. However, preliminary assessment by the works departments indicated that there might be technical constraints, such as the structural loading of the sea wall, which might need to be reconstructed depending on the extent of excavation works involved for any underground development. In addition, such development might necessitate the diversion of underground public utilities at the site. This would prolong the construction period which might adversely affect retail operations in the neighbourhood. Also, the excavation works might affect the foundation of the Clock Tower which was a declared monument. As regards the proposal for commercial development, she said that this was not in line with the majority of public views collected which considered that the proposed piazza should provide leisure enjoyment in the form of a green open space for locals and visitors alike.

12. Mr Abraham SHEK said that he did not oppose to implement greening measures for the piazza. But he considered it advisable to develop underground commercial facilities at the project site to optimize use of the precious site. Mr Howard YOUNG expressed reservation on the proposal, pointing out that there were already plenty of quality shopping malls in the vicinity. He considered that the piazza should be developed as an open space for leisure purpose which would help benefit the tourism industry. C for Tourism said that Mr YOUNG's view echoed those of the tourism industry. Nonetheless, the Administration would take note of members' views above.

13. Mr Abraham SHEK suggested that consideration could be given to entrusting the management of the piazza to the private sector, such as the Wharf (Holdings) Limited which was the parent company of the Star Ferry Company.

14. Mr Albert CHAN emphasized the need for the piazza to stay in harmony with the surrounding environment, in particular the open space outside HKCC. On the development mode of the project, he said that while he did not oppose to inviting the private sector to undertake the design and construction works, he did not favour private sector management of the piazza. He also considered it unadvisable to entrust the management task to the Wharf (Holdings) Limited given the company's poor performance in the management of the open space outside Times Square. Mr CHAN considered that the management of the piazza should adopt a similar model as that of HKCC, and urged the Government to retain the management right of the piazza to ensure that the public could enjoy the facilities therein.

15. C for Tourism responded that the majority of public views collected in the public consultation were in favour of private sector management of the piazza, for reason that this might offer room for greater creativity. However, having regard to the possible impact of the piazza's final design on its future facilities and commercial viability, the Administration would defer consideration of the management mode and put forward a more concrete proposal when the design of the piazza was confirmed. Possible proposals might include the setting up of a management committee comprising members of the public for monitoring the management of the piazza.

16. The Chairman supported adopting a holistic design for the proposed piazza to enable it to integrate in harmony with the surrounding environment. He sought information on the details of the design competition and assessment of the proposals. C for Tourism advised that the proposed development parameters would form the basis for the design competition, adding that an important consideration was the piazza's integration with the design and uses of the surrounding area. The Tourism Commission had started preparation for the design competition in conjunction with the Architectural Services Department, and would consider inviting relevant professional bodies to join in the adjudication for the design competition.

Related traffic and transport arrangements of the proposed piazza

17. Mr WONG Ting-kwong sought information on the reduction in the number of passengers of the Star Ferry with the closure of the existing PTI outside TST Star Ferry Pier. Mr Abraham SHEK cautioned that the development of the piazza should not bring about adverse impact on the patronage of Star Ferry. AC for Transport/U said that a relatively small proportion, about 34% of the existing ferry passengers travelled to TST Star Ferry Pier by buses, and that a turnaround facility with bus stops would in future be provided outside HKCC to facilitate bus passengers interchanging to ferry. Although the relocation of the existing PTI outside TST Star Ferry Pier might cause inconvenience to some passengers

travelling by buses, it was expected that development of the piazza would bring increased pedestrian flow to the area, thus enhancing the patronage of Star Ferry. Such increase would offset the reduction in the number of existing ferry passengers which was estimated to be no more than 5%.

18. Mr WONG Ting-kwong was concerned whether the Administration would need to compensate the Star Ferry Company for possible drop in ferry passenger number. AC for Transport/U responded that compensation claims, if any, would be handled in accordance with the terms and conditions of the franchise. In response to the Chairman's concern, C for Tourism assured that during the construction of the piazza, the Administration would seek to minimize the inconvenience caused to ferry passengers and pedestrians.

19. Pointing out that traffic along the section of Canton Road outside the Marco Polo Hong Kong Hotel was already congested, Mr WONG Ting-kwong was concerned that development of the piazza might aggravate the problem. In response, AC for Transport/U said that the Administration had already implemented measures to improve the situation in late 2007 by restricting commercial vehicles from using the lay-by on Canton Road outside the Marco Polo Hong Kong Hotel. Moreover, private vehicles could also pick up and drop off passengers at the additional traffic lane on Canton Road outside the former Marine Police Headquarters in future. To maintain smooth traffic flow in the area, a new turnaround at Salisbury Road outside HKCC to complement the development of the piazza would be built before the closure of PTI outside TST Star Ferry Pier.

Implementation timetable of the piazza project

20. Mr WONG Ting-kwong enquired about the implementation timetable of the piazza project. C for Tourism said that the Administration planned to launch the design competition for the piazza in early 2009 and to seek funding approval from the Legislative Council afterwards. Subject to the smooth relocation of bus routes to the new PTI in TST East in phases and completion of the new turnaround at Salisbury Road outside HKCC, the Administration expected that construction works might commence in 2010 the earliest, and would take two to three years to complete. The timeframe for construction of the piazza might need to be fine-tuned having regard to the progress of the phased relocation of bus routes and construction of the turnaround.

Conclusion

21. Summing up, the Chairman said that the Panel supported the development of the proposed piazza in general. Members considered that a holistic and themed design should be adopted for the piazza to enable the new attraction to blend well with the existing historic structures nearby, including TST Clock Tower and the five flag-posts. Some members had also called on the Administration to consider underground development at the project site.

IV Rising fuel cost

(LC Paper No. CB(1)1979/07-08(03) - Administration's paper on rising fuel cost)

Briefing by the Administration

22. At the invitation of the Chairman, the Secretary for Transport and Housing (STH) briefed members on the Administration's proposal to exempt the duty for Euro V diesel in response to calls from the transport and logistics industry to help alleviate the impact of rising fuel cost on the industry. She stressed that the Government had all along been very concerned about the impact of rising inflationary pressure and surging oil prices on the industry. The Financial Secretary had announced earlier a series of measures to help relieve the inflationary pressure faced by various sectors. In the response to the motion debate on "Reducing the duties on motor vehicle fuels" at the Council meeting on 19 June 2008 (the motion debate), the Secretary for Financial Services and the Treasury also undertook to expedite the review of the duty for Euro V diesel. Having regard to the tremendous operating difficulties faced by the transport and logistics industry, the Government was prepared to exempt the duty for Euro V diesel by way of moving a resolution to amend Schedule 1 to the Dutiable Commodities Ordinance (Cap. 109) as soon as possible, with a view to effecting the exemption within the current legislative session. STH emphasized that the decision was made on the basis of principle of equity, as the proposal would be in line with the Government's existing policy not subjecting industrial diesel and fuel used by commercial vessels and aircrafts, as well as franchised buses etc, to tax, although the duty for diesel comprised less than 5% of the retail price. On the industry's request for the Government to provide fuel subsidy, STH stressed that this was not Government's policy as this would be inconsistent with the free market principle and level playing field championed in Hong Kong, and would put a heavy burden on tax payers and public finance, with far reaching impacts.

Discussion

23. The Chairman welcomed the Government's proposal to exempt the duty for Euro V diesel. He considered the proposal good news for the transport and logistics industry, which would benefit the community at large as operation of the industry was closely related to the livelihood of the general public. He asked when the Administration would propose the concerned resolution. STH responded that the Administration planned to move the resolution at the Council meeting of 9 July 2008 after giving the required notice.

Measures to ensure the monitoring of oil companies

24. Mr Andrew LEUNG was pleased to note the Administration's proposal of exempting the duty for Euro V diesel, which Hon Miriam LAU had persistently pressed for years on behalf of the transport and logistics industry. Mr Howard YOUNG also welcomed the proposal which represented a positive response of the Administration to the motion debate. He was keen to ensure that the oil

companies would reflect the duty waiver fully in their pump prices. Sharing the concern, Miss TAM Heung-man asked whether the Administration would impose sanction on oil companies, such as rejecting renewal of tenancies for petrol filling stations (PFSs), if the companies failed to pass the full amount of duty exemption to the customers.

25. The Deputy Secretary for the Environment (DSE) said that the Administration had put in place measures to ensure the exempted duty for Euro V diesel would not be pocketed by the oil companies before implementing the concessionary duty rate of \$0.56 per litre for Euro V diesel in December 2007. In addition to advising the oil companies to award the concession in full to the customers, the Administration had stepped up monitoring the pump prices to ensure the savings from the duty reduction would be passed on to the customers. In reply to the Chairman's enquiry, DSE said that to assist the Environment Bureau (ENB) in monitoring the movement of oil prices, the Census and Statistics Department and the Electrical and Mechanical Services Department had been providing information on the imported prices of various fuel products and the daily movement of pump prices to the Bureau. The Administration was fully aware whether the duty concession was reflected on the pump prices. He stressed that ENB would draw on the successful experience in implementing the present proposal.

26. Mr Andrew LEUNG was concerned that by arguing the reduction in pump prices was offset by the upsurge in oil prices, the oil companies might be able to pocket the exempted duty. DSE re-iterated the successful experience of the stepped up measures for monitoring the pump prices of oil companies since December 2007, which had resulted in corresponding reduction in the pump prices for Euro V diesel reflecting the duty rate reduction. Moreover, the oil companies were required to inform the Administration before raising their pump prices. He assured that in monitoring the retail oil prices, ENB had kept a close watch on the trends of local pump prices and movement of Singapore FOB prices for diesels.

27. Mr WONG Yung-kan referred to the fuel subsidy provided in the Mainland for its fishing industry, and expressed dissatisfaction about the lack of Government assistance for the local fishing industry, which was facing tremendous operating difficulties due to rising fuel cost. He expressed concern about the Administration's failure in monitoring the prices of diesel sold to local fishing vessels, and regulating the sale of duty exempted diesel to Mainland vessels. In this connection, Mr WONG voiced his dissatisfaction on the Government's differential treatment for the transport and logistics industry, and the fishing industry. DSE responded that in a free market economy, the Government could not dictate the retail prices of fuels. The same principle applied to the retail prices of diesel sold at oil barges for vessels.

Duty concessions for other fuels and environment-friendly commercial vehicles

28. Mr Howard YOUNG sought explanation why the Administration had not proposed similar duty exemption for ultra low sulphur diesel (ULSD). Mr Andrew LEUNG echoed the concern, and said that in line with the principle of

equity, operators using ULSD or unleaded petrol should also enjoy duty exemption. Mr Albert CHAN opined that the Administration should consider providing duty exemption for petrol to relieve the burden on private car owners in the middle class. Mr WONG Kwok-hing expressed dissatisfaction on the Administration's stance of not providing fuel subsidy for private car owners.

29. STH remarked that the soaring oil prices had not curbed the increasing use of vehicles, and hence petrol consumption. For instance, despite the surge in oil prices, the number of vehicles seeking first registration had increased over 40% in the first quarter of 2008. Hence, for revenue, traffic and environmental considerations, the Government had no intention to lower the duty for petrol. DSE re-iterated that to encourage the use of cleaner fuel and improve roadside air quality, the Administration had reduced the duty for Euro V diesel by half to \$0.56 per litre from 1 December 2007 onwards for a period of two years. He said that since Euro V diesel was a more environmental friendly fuel as it emitted about 80% less sulphur dioxide and 5% fewer particulates than Euro IV, exemption of the duty rate would further encourage the use of the cleaner fuel. Hence, the Administration considered it inappropriate to introduce similar tax relief for Euro IV and ULSD.

30. Mr Ronny TONG supported the Government's proposal to exempt the duty for Euro V diesel. To gauge the extent of benefit of the proposal for the transport and logistic industry, he sought information on the number of commercial vehicles that were currently using Euro V diesel. He also urged the Administration to devise more measures to encourage the use of Euro V diesel by drivers.

31. Mr CHAN Kam-lam welcomed the proposal and called on the Administration to consider implementing more measures to help alleviate the burden of the transport and logistics industry amid soaring international oil prices. He further reflected the industry's concerns about lower efficiency of Euro V diesel as compared to ULSD and the unavailability of ULSD at most PFSs since oil companies had switched to the provision of Euro V diesel due to higher profit margin of the fuel. He urged that the Administration should require oil companies to also provide ULSD, so as to offer drivers with choices on fuel types.

32. STH said that all of the existing some 110 000 truckers in Hong Kong were using Euro V diesel. The proposed exemption of duty for Euro V diesel would help alleviate the impact of rising fuel cost on the transport and logistics industry. As regards the concern about provision of ULSD in Hong Kong, DSE stressed that the Administration had not prohibited the import of ULSD or Euro IV diesel. The decision to supply Euro V diesel at PFSs was made by the oil companies in response to market forces. On the efficiency of Euro V diesel, DSE said that there was no evidence suggesting that the fuel was less efficient. Indeed Euro V diesel had already become the statutory standard in the US, Germany, and Japan, which had demonstrated the efficiency of the fuel. He pointed out that vehicles using Euro V diesel found to be consuming higher volume of the fuel might be caused by technical problems with the vehicles and drivers should send the vehicles for detailed inspection. In reply to Mr WONG Kwok-hing's concern about possible

manipulation in the supply of Euro V diesel by oil companies, DSE advised that at least six of the existing oil companies were importing Euro V diesel into Hong Kong directly and there was no question of monopoly in the sale of Euro V diesel.

33. Mr SIN Chung-kai appreciated the Government's prompt response to the request of the transport and logistics industry by putting forward the proposal. However, by abolishing the duty of Euro V diesel, he was concerned what other financial tools the Administration could use to encourage the adoption of cleaner fuels, such as Euro VI diesel, in the future. STH re-iterated that the current proposal was to assure the transport and logistics industry that the Administration had taken on board their request. It remained the Administration's policy to introduce cleaner fuels and encourage their use by drivers, so as to improve the air quality in Hong Kong. In encouraging the use of cleaner fuels, DSE said that the Administration could consider various measures, including providing financial incentives to drivers, having regard to the Government's financial position, support of the community and stakeholders, and the prevailing economic and social conditions. For example, in April 2007, the Government offered a reduction in the First Registration Tax for environment-friendly vehicles to encourage drivers to use the new vehicle model. Since then, the import of environment-friendly vehicles had increased by some 70%. If the circumstance permitted, the Government could also consider introducing a new fuel standard through legislation. In reply to Miss TAM Heung-man's further enquiry, DSE said that offering concession to the annual registration fee for environment-friendly vehicles might have limited effect in improving air quality as the measure could not encourage drivers to switch to use environment-friendly vehicles of the latest model.

Other measures to address the problem of rising fuel cost

34. Mr Albert CHAN said that despite the exemption of duty for Euro V diesel, the transport and logistics industry still faced other problems, such as rising handling charges and parking fees. The global upsurge in oil prices had also brought tremendous operating difficulties for many other sectors, such as the fishing industry and, the laundry operators. Mr CHAN considered that the Government should put forward a comprehensive set of measures to help the various sectors to tide over the difficult period.

35. Mr Abraham SHEK considered that waiving the duty for Euro V diesel was only a short-term measure to alleviate the impact of soaring oil prices on the transport and logistics industry. He shared that other economic sectors and the general public were also hit by the rising fuel cost. He called upon the Administration to implement strategies and put in place long-term measures to tackle problems arising from the upsurge in oil prices. He further suggested that the Administration should prepare an information paper outlining the measures for coping with inflation for members' consideration.

36. While expressing appreciation on the Administration's proposal to exempt the duty for Euro V diesel, Mr WONG Kwok-hing considered that with rising

inflation, the proposal would have limited effect in alleviating the impact of high fuel cost on the operation of the transport and logistics industry. The Chairman sought information on other measures the Administration would consider in helping the various sectors and Hong Kong people to combat rising oil prices.

37. STH responded that the surge in oil prices was a global issue which could not be dealt with simply through administrative means. The Administration had listened to the views of the transport and logistics industry and addressed its concerns by bringing forward the review of providing concessionary duty rate for Euro V diesel, which the Administration had pledged to undertake after two years of the implementation of the duty rate effective from 1 December 2007. She said that the Government had acted in a responsible manner by proposing to waive the duty for Euro V diesel which was an effective and equitable measure to alleviate the burden of the transport and logistics industry promptly. STH stressed that the Government was aware of the impact of rising fuel cost on the livelihood of the general public, and had been considering measures to prevent various sectors from passing the rising operating costs to the general consumers. She understood that the Government Economist was conducting on-going studies on various factors leading to rising inflation. The Administration was examining possible measures to tackle the problem of inflation in all fronts. The subject was under the purview of the Panel on Financial Affairs, to which the Administration would brief on Hong Kong's economic situations on a quarterly basis.

38. The Chairman noted that despite energy consumption in the Mainland was lower than the world's average, there had been reports about oil speculation activities lately. He was concerned whether these activities would affect the operation of the oil companies in Hong Kong. STH said that member countries attending the recent oil summit in Saudi Arabia held different views about the existence of oil speculation activities. Nevertheless, information about import and pump prices for oil products were disclosed in Hong Kong, and the retail fuel market in Hong Kong was transparent. DSE added that oil was a commodity traded in the international financial markets the price of which would be subject to volatilities in the markets. To help ensure a stable fuel supply locally, the Government had enhanced competition by maintaining market openness and removing entry barriers, for instance, by disposing of sites for PFS purposes by public tender. Moreover, to lower the demand, the Administration would continue to promote energy conservation in various fronts.

39. Mr WONG Kwok-hing asked whether the Administration would consider the suggestion from the transport and logistics industry of setting up a duty-free PFS at the border area in order to enhance the cross-boundary trucking operation and facilitate the use of cleaner fuel by cross-boundary vehicles. STH advised that after abolishing the duty for Euro V diesel, cross-boundary truck drivers would be encouraged to use diesel sold in Hong Kong. Hence, it would be unnecessary to set up a duty-free PFS at the border area.

Liquefied petroleum gas filling stations

40. Given that liquefied petroleum gas (LPG) was considered by the transport and logistics industry as a more economical and environment-friendly fuel, Mr WONG Kwok-hing called on the Administration to provide more dedicated LPG filling stations in Hong Kong to facilitate taxi and minibus drivers. In this connection, Mr Albert CHAN pointed out that only one dedicated LPG filling station situated in an inconvenient location was found in the entire Tsuen Wan and Kwai Ching area.

41. DSE advised that a total of 12 dedicated LPG filling stations were currently established in Hong Kong. Due to the stringent safety requirements of LPG filling stations, the Administration had encountered a lot of difficulties in identifying suitable sites for setting up the stations. Hence, no new dedicated LPG filling stations had been set up since 2004. Nevertheless, the number of filling stations providing LPG and other fuels had increased from 40 in 2004 to 46 in 2008. Moreover, the average waiting time for gas refills at the dedicated LPG filling stations had decreased from about an hour to 10-15 minutes after the implementation of monthly LPG ceiling price adjustment mechanism in March 2006. Currently, queuing of vehicles for gas refills at dedicated filling stations mainly occurred during afternoons when taxi drivers changed their shifts. Noting the Administration's response, Mr WONG Kwok-hing expressed his disappointment on behalf of the taxi and minibus trade about the lack of a clear policy with targets and timetable for the establishment of more dedicated LPG filling stations in Hong Kong.

Competition in the retail fuel market

42. Mr Ronny TONG considered that the Administration should put in place long-term strategies, such as expediting the construction of new container terminals, to assist the transport and logistics industry to tackle the problems of surging global oil prices and lack of competition in the industry. STH responded that the Government was committed to enhancing competition in the transport and logistics industry, and the overall competitiveness of the industry vis-à-vis other competitors in the region. For example, the construction of Hong Kong-Zhuhai-Macao Bridge would greatly improve Hong Kong's connection with the western part of the Pearl River Delta area, whereas the development of Container Terminal No. 10 would strengthen the industry's competitiveness in offering high value-added services. Moreover, the Government had sponsored 500 truckers on a pilot basis to install an On-Board Trucker Information System utilizing global positioning system technology to enhance cross-boundary trucking efficiency.

43. Mr WONG Kwok-hing considered introduction of a cross-sector competition law in Hong Kong could help combat possible collusion among oil companies by enhancing the level-playing field in the retail fuel market. Noting that the Government was preparing the competition law, Mr WONG sought information on the implementation timetable. STH advised that formulation of the cross-sector competition law was under the purview of the Commerce and

Economic Development Bureau (CEDB) which was conducting another round of consultation on the detailed proposals of the legislation. She believed that CEDB would keep the Panel abreast of the latest development, including the implementation timetable.

V Any other business

44. There being no other business, the meeting ended at 12:45 pm.

Council Business Division 1
Legislative Council Secretariat
26 September 2008