

For information
January 2008

LEGISLATIVE COUNCIL PANEL ON FINANCIAL AFFAIRS

Review of the Personalized Vehicle Registration Marks Scheme

PURPOSE

This paper informs the Panel the outcome of the review of the Personalized Vehicle Registration Marks (PVRM) Scheme after the first year of implementation.

BACKGROUND

2. In the 2004-05 Budget, the Financial Secretary proposed the PVRM Scheme to raise Government revenue and offer more choices to vehicle owners. The enabling legislation, Revenue (Personalized Vehicle Registration Marks) Bill 2005, was passed by the Legislative Council (LegCo) in December 2005, and the first PVRM auction was held on 16 September 2006. Between 16 September 2006 and 15 September 2007, nine PVRM auctions were held. A total of 2 058 PVRMs were auctioned, with proceeds of about \$58.2 million.

3. During LegCo's scrutiny of the Bill, the Administration undertook to review the Scheme after the first year of implementation and report its findings to the LegCo.

THE REVIEW

4. This review is divided into two parts. The first part reviews the operation of the Scheme and the second part responds to some concerns about the Scheme.

REVIEW OF OPERATION OF THE SCHEME

5. We have reviewed the following main procedures of the PVRM Scheme –

- (a) invitation and submission of applications;
- (b) selecting and checking applications;
- (c) deposit payment and vetting selected applications; and
- (d) allocation by auctions.

Invitation and Submission of Applications

6. Compared with the traditional vehicle registration marks, combinations of PVRMs are more diversified and complicated. The relevant checking and vetting procedures are therefore more time-consuming. To ensure that applications are collected and processed systematically and efficiently, they are invited and processed in batches, subject to a limit on the number of applications in each exercise. Four invitation exercises were held in the first year of operation. In each of these four exercises, the number of applications exceeded the limits, and is increasing. Relevant figures are summarised in the table below –

Invitation Exercise	1 st	2 nd	3 rd	4 th
Application Period	1.4.2006 to 2.5.2006	22.9.2006 to 23.10.2006	5.3.2007 to 16.4.2007	1.8.2007 to 12.9.2007
Application Limit	1 000	1 500	1 500	1 500
No. of Applications received	1 542	1 632	1 749	1 885

7. We consider that the current mode of accepting applications through invitation exercises is well accepted by the public and is conducive to efficient processing. Such an arrangement should continue.

Selecting and Checking Applications

8. If the number of applications received in an invitation exercise exceeds the preset limit, the Transport Department (TD) will select applications for vetting by drawing lots. Selected applications will then be checked against the basic combination requirements stipulated under the law. A list of the basic combination requirements is at **Annex A**.

9. Of the 5 500 applications selected for basic checking in the four invitation exercises, 837 (15.2%) failed. The main reasons were non-compliance with combination requirements, duplication with a PVRM being processed or in use, and similarity to a traditional vehicle registration mark.

10. To reduce the rejection rate, TD will introduce an online enquiry service in the first quarter of 2008 to enable prospective applicants to check whether their proposed PVRMs comply with the basic combination requirements or duplicate with those already allocated or being processed.

Deposit Payment and Vetting Selected Applications

11. Applicants of those proposed PVRMs that have passed the basic checking are required to deposit \$5,000 within two weeks. In the four exercises held, 78% of the applicants paid their deposits on time while 22% of them failed to do so. As there has been an increasing number of applications and the great majority of the applicants duly paid the deposits, we consider there is no need to change the deposit level.

12. Applications with deposit duly paid will be submitted to the Commissioner for Transport (C for T) for determining whether the proposed PVRMs are suitable for allocation in accordance with the vetting criteria set out in the legislation. A copy of the relevant regulation is at **Annex B**.

13. A Vetting Committee comprising both official (mainly representatives from Hong Kong Police Force and TD) and non-official

members was set up in June 2006 to assist the C for T in vetting the applications. When required, views from other departments will also be sought.

14. Non-official members come from different sectors of the community to give views mainly on the prevailing standard of morality and decency in the community. The pool of non-official members has increased from 41 (in the first term between June 2006 and May 2007) to 78 (in the second term between June 2007 and May 2008) with people of different professions, cultural background and nationalities. TD also conducts researches through the Internet, past records and overseas experience on the possible meanings and applications of the proposed marks for members' information.

15. Up to September 2007, 2 611 applications collected from the first three exercises were vetted and only 66 were rejected. The major reasons for rejection are set out below -

Reason for Rejection	Total	
(a) Is likely to be offensive to a reasonable person, or has a connotation offensive to good taste	24	36%
(b) Refers to any triad title or nomenclature or otherwise has a triad connotation	3	5%
(c) Reference to – (i) Hong Kong Garrison/ office set up by Central People's Government in Hong Kong (ii) Government (iii) any public body (iv) any country or the government of any country (v) an international organization in which the Government participates in any capacity	13	21%
(d) May cause danger to the safety of any user of the road	4	6%
(e) Is confusing for the purposes of law enforcement	22	33%
Total	66	100%
Percentage out of all applications vetted	2.5%	

16. Subsequent to the successful judicial review lodged by the applicant of a rejected PVRM, improvement measures have been introduced with a view to establishing a more objective and cogent basis for C for T's consideration of an application. These include seeking more concrete views from the Vetting Committee members and conducting more researches on the meanings and popularity of proposed PVRMs. TD will monitor the vetting procedures closely for any further room for improvement.

Allocation by Auctions

17. In the first year of operation, nine auctions were held with 2 058 PVRMs sold. The total proceeds were \$58,248,000. The outcomes of the nine auctions are set out below –

Auction Date	No. of Marks Auctioned	Proceeds	Average Price	Highest Priced PVRM
16.9.2006	210	\$11,254,000	\$53,590	\$1,400,000 1 LOVE U
28.10.2006	224	\$9,335,000	\$41,674	\$700,000 FERRAR1
2.12.2006	223	\$5,020,000	\$22,511	\$280,000 BENZ
20.1.2007	221	\$3,735,000	\$16,900	\$240,000 CY
24.3.2007	230	\$5,867,000	\$25,509	\$570,000 HC
5.5.2007	235	\$3,707,000	\$15,774	\$170,000 SN
30.6.2007	230	\$4,631,000	\$20,135	\$600,000 AY
4.8.2007	240	\$7,898,000	\$32,908	\$450,000 FC
15.9.2007	245	\$6,801,000	\$27,759	\$500,000 JW
Total	2 058	\$58,248,000	\$28,303	

18. Although the auction proceeds in the first year of implementation fell short of our original estimate of \$70 million, we are generally satisfied with the result, taking into consideration that the recurrent cost of running the Scheme is only some \$7 million.

RESPONSE TO CONCERNS

Implications for Traditional Vehicle Registration Marks Auctions

19. There have been concerns about whether the PVRM Scheme would adversely affect the proceeds from the auctions of traditional vehicle registration marks. The following comparison of the performance of the auctions of traditional marks before and after the introduction of the PVRM Scheme shows that there were no obvious implications –

	1 year before the first PVRMs auction (16.9.05 – 15.9.06)	1 year after the first PVRMs auction on (16.9.06 – 15.9.07)
Proceeds	\$53.8M	\$50.7M
No. of marks auctioned	4 600	3 840
No. of marks sold	4 337	3 649
Average price	\$12,402	\$13,883 (+12%)
No. of auction days	19.5 days	15.5 days
Proceeds per auction day	\$2.76M	3.27M (+18%)

Funding for Poverty Alleviation

20. In introducing the PVRM Scheme, the Administration has undertaken to set aside an annual amount of \$60 million (estimated net receipts from the Scheme) for poverty alleviation initiatives for five years from 2006-07 to 2010-11. We would like to reiterate the assurance that even if the proceeds from the Scheme cannot reach the estimated annual revenue of \$70 million, the commitment will not be affected.

Law Enforcement

21. There were concerns about whether PVRMs would create problems for law enforcement. The Hong Kong Police Force reported that 700 traffic cases between September 2006 and September 2007 involved vehicles bearing PVRMs. The Customs and Excise

Department recorded crossings by 49 PVRM-bearing vehicles during the same period. Both departments did not encounter any difficulties when performing their enforcement duties on these vehicles.

Intellectual Property Issues

22. Since the introduction of the PVRM Scheme, 13 enquiries about intellectual property issues have been received. The Administration's view is that since PVRMs do not include symbols and there is generally no copyright in a single word and short phrases, no question of copyright should arise. Besides, since trademark infringement involves the unauthorised use of a trademark in the course of trade or business in relation to goods and services, it is unlikely that the use of a PVRM will constitute an infringement of a trademark. After our explanation, no further enquiries have been received from the enquirers.

CONCLUSION

23. We generally consider that the operation of the PVRM Scheme has been smooth and effective and requires no major overhaul. In terms of revenue generation and offering more choices for vehicle owners, the Scheme is serving its purpose. The Administration will continue to monitor the implementation of the Scheme and identify room for further improvement.

Financial Services and the Treasury Bureau
January 2008

Basic Combination Requirements

- (1) A personalized vehicle registration mark shall consist of not more than 8 letters (which shall not include the letters 'I', 'O' and 'Q'), numerals and/or blank spaces.
- (2) There shall be not more than one blank space between any 2 letters or numerals, or between a letter and a numeral.
- (3) There shall be in its arrangement of the letters and numerals not more than 4 identical letters or numerals placed together side by side.
- (4) A personalized vehicle registration mark shall not duplicate an existing vehicle registration mark or be of a similar pattern to existing forms of vehicle registration marks, i.e. it must not consist only of 1 to 4 numerals, or consist of 1 to 2 letters, at the beginning, and followed by 1 to 4 numerals.
- (5) A personalized vehicle registration mark shall not be of similar pattern to existing forms of permit/licence numbers, i.e. should not consist of the letters 'VV' or 'T', at the beginning, and followed by a number, or consist of the letter 'T', as the suffix, and preceded by a number.
- (6) The combination shall not duplicate the registration marks reserved for certain vehicles, i.e. registration marks consisting only of letters 'AM', 'A', 'F', 'LC' or 'ZG', or consisting of these letters, at the beginning and followed by a number; or consisting of these letters, as the suffixes, and preceded by a number.
- (7) A personalized vehicle registration mark shall not be the ones specified in Schedule 5A to the Road Traffic (Registration and Licensing of Vehicles) Regulations.
- (8) A personalized vehicle registration mark shall not be identical to

the registration mark of a vehicle issued with an international circulation permit.

- (9) A personalized vehicle registration mark shall not be a registration mark which has been assigned or allocated under the Road Traffic (Registration and Licensing of Vehicles) Regulations.
- (10) A personalized vehicle registration mark shall not be the same as another proposed personalized vehicle registration mark for which an application has already been made in response to an earlier invitation, and that application is being determined or has been approved as personalized vehicle registration mark to be offered for sale by auction.
- (11) A personalized vehicle registration mark shall not be the same as a cancelled personalized vehicle registration mark which is being offered for allocation to the previous owner at a special fee under regulation 12Q(2).

Regulations 12F(1) and (2) of Road Traffic (Registration and Licensing of Vehicles) Regulations (Cap. 374E)

Reg. 12F

- (1) On receipt of a deposit under regulation 12D(1), the Commissioner shall, in his discretion, determine whether to accept or refuse the application concerned.
- (2) Without prejudice to the generality of the Commissioner's discretion under subregulation (1), the Commissioner shall refuse an application if, in his opinion, the proposed registration mark –
 - (a) is likely to be offensive to a reasonable person, or has a connotation offensive to good taste or decency;
 - (b) refers to any triad title or nomenclature or otherwise has a triad connotation;
 - (c) is likely to cause a reasonable person to believe that the motor vehicle on which the registration mark is displayed belongs to or the person using the vehicle represents any of the following –
 - (i) the Hong Kong Garrison or any office set up by the Central People's Government in Hong Kong;
 - (ii) the Government;
 - (iii) any public body;
 - (iv) any country or the government of any country; or
 - (v) an international organization in which the Government participates in any capacity;
 - (d) may cause danger to the safety of any user of the road; or
 - (e) is confusing for the purposes of law enforcement.

‘Public bodies’ is defined under reg. 2 as the Executive Council, the Legislative Council, any District Council, the Judiciary, the Independent Commission Against Corruption or any department of the Government.