

立法會
Legislative Council

LC Paper No. CB(1)2004/99-00
(These minutes have been seen
by the Administration and
cleared with the Chairman)

Ref : CB1/SS/6/99

**Subcommittee on
Resolution under section 4(2) of the
Dutiable Commodities Ordinance (Cap. 109)**

**Minutes of meeting
held on Monday, 19 June 2000, at 4:30 pm
in Conference Room B of the Legislative Council Building**

Members present : Hon SIN Chung-kai (Chairman)
Hon Andrew WONG Wang-fat, JP
Hon Mrs Miriam LAU Kin-ye, JP
Hon LAW Chi-kwong, JP

Member absent : Hon Emily LAU Wai-hing, JP

**Public officers
attending** : **Environment and Food Bureau**

Mr Thomas CHOW
Deputy Secretary for the Environment and Food (C)

Mr Dave HO
Assistant Secretary for the Environment and Food

Environmental Protection Department

Mr TSE Chin-wan
Assistant Director (Air)

Clerk in attendance : Miss Salumi CHAN
Chief Assistant Secretary (1)5

Staff in attendance : Miss Anita HO
Assistant Legal Adviser 2

Mr Matthew LOO
Senior Assistant Secretary (1)7

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I. Election of Chairman

Mr SIN Chung-kai was elected Chairman of the Subcommittee.

II. Meeting with the Administration

Concessionary duty rate for ultra low sulphur diesel (ULSD)

2. The Subcommittee welcomed the introduction of ULSD into Hong Kong and supported the Administration's proposal to provide a concessionary duty rate for ULSD to encourage the use of this environmentally cleaner fuel. To offset the higher price of ULSD, the Subcommittee supported the Administration's proposal to provide a duty differential of \$0.89 per litre between ULSD and regular motor diesel.

Effective date

3. As regards the effective date for introducing the concessionary duty rate for ULSD, the Subcommittee noted the Administration's proposal that the rate would be effective for a 12-month period from 1 January 2001. In this connection, Mrs Miriam LAU tabled a letter dated 19 June 2000 from Shell Hong Kong Limited and pointed out that according to the recent estimate made by the oil company, ULSD would be imported into Hong Kong by August and be made available at the retail level by the end of September 2000. She therefore urged the Administration to advance the effective date.

(Post-meeting note: The letter was circulated to members vide LC Paper No. CB(1)1898/99-00(03) on 20 June 2000.)

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4. Deputy Secretary for the Environment and Food (C) (DSEF(C)) advised that the effective date had been set with regard to the original estimate made by oil companies and a leading supplier of ULSD based in Europe that a lead time of about six months would be required to import ULSD from Europe to Hong Kong. However, in the light of the latest estimate made by some major oil companies, the Administration was prepared to advance the effective date from 1 January 2001 to 7 July 2000. To achieve a duty differential of \$0.89 per litre, the Administration would add a new provision in the resolution to the effect that the concessionary duty rate for ULSD would be \$1.11 per litre from 7 July 2000 to 31 December 2000.

5. In response to Mrs Miriam LAU's enquiry on the rationale for advancing the effective date to 7 July 2000, DSEF(C) advised that, assuming the Legislative Council would consider the resolution at its last meeting of the current legislative session, 7 July 2000 would be the earliest date on which the resolution, if passed by the Legislative Council, could be brought into effect after publication in the Gazette. It was expected that the advanced effective date would encourage oil companies to import ULSD to Hong Kong as soon as possible.

6. The Subcommittee supported the Administration's revised proposal.

Duty rate for ULSD from 1 January 2002

7. The Subcommittee noted that by the same resolution, the duty rate for ULSD would be put on a par with that of regular motor diesel from 1 January 2002, i.e. \$2.89 per litre. Members had reservation on the need for setting the duty rate for ULSD for 2002 at the present stage, when the actual import and retail prices of ULSD were still unknown. In response, DSEF(C) advised that according to a leading supplier of ULSD based in Europe, the import price of ULSD would drop if oil refineries in Asia started producing ULSD and freight costs became lower. However, this might not happen until about a year later when the demand from Hong Kong for ULSD was more established. Under the circumstances, the Administration proposed to maintain the concessionary duty rate of \$2.00 per litre for ULSD for a 12-month period from 1 January 2001 and to conduct a review in mid-2001 to decide whether the rate should be maintained or revised from 1 January 2002. If necessary, another resolution would be moved in due course to revise the duty rate. DSEF(C) assured members that the Secretary for the Environment and Food would, when moving the current resolution at the Council meeting of 26 June 2000, undertake to conduct such a review. The Subcommittee accepted the Administration's proposal in the light of the assurance.

Way forward

8. With the support of the Subcommittee, the Administration would withdraw its notice for the original resolution and give a fresh notice to move a new resolution incorporating the proposed changes mentioned in paragraph 4 above. The Administration would also seek the President's agreement to dispense with the notice

Action

requirement.

(Post-meeting note: The new resolution was circulated to members vide LC Paper No. CB(1)1905/99-00 on 20 June 2000. The Chairman then reported the Subcommittee's deliberations to the House Committee on 23 June 2000 (LC Paper No. CB(1)1907/99-00). The resolution was passed by the Legislative Council on 27 June 2000.)

III. Any other business

9. There being no other business, the meeting ended at 5:15 pm.

Legislative Council Secretariat
10 August 2000