

**Legislative Council Panels on Environmental Affairs and Transport
LPG Taxi Scheme**

Introduction

This paper updates Members on the provision of grants to assist taxi owners to switch to LPG vehicles and on the development of the network of LPG filling stations.

LPG Taxi Grants

2. Following the announcement in the Policy Address last year of the Administration's intention to provide a one-off grant to assist taxi owners to switch to LPG vehicles, we put forward the following proposal to the taxi trade:

- (a) subject to the Legislative Council Finance Committee's funding approval, a one-off grant of \$40,000 would be made available to all diesel taxi owners who choose to replace their diesel taxis with LPG taxis before or during 2001; and
- (b) in 2002 and 2003, the same grant would be offered to owners of diesel taxis of 6 years old or below at the time they choose to switch to LPG taxis.

3. We have since held meetings with the taxi trade to consult them on our proposal. The major feedback from them on the proposed grant is as follows:

- (a) some taxi organizations consider the one-off grant of \$40,000 too small and have requested that it be doubled;
- (b) those who consider the amount acceptable have requested that all diesel taxi owners should be eligible for the grant until end-2002 instead of end-2001 and that owners of diesel taxis of 6 years old or below should be eligible for the grant until end-2005 instead

of 2003; and

- (c) the Administration should provide loan guarantee to diesel taxi owners who have difficulty in securing a loan for a new LPG taxi because their diesel taxis are negative assets.

4. The Administration believes that the proposed grant of \$40,000 for each diesel taxi which switches to LPG taxi, together with duty-free LPG, will provide a sufficient incentive for the switch. Based on the awarded contract for the five dedicated LPG filling stations, the price of auto-LPG will be around \$2.0 per litre in the first year of operation. This will lead to savings in fuel cost of about \$45,000 a year for an LPG taxi compared to a diesel taxi.

5. As regards the request to provide loan guarantee to taxi owners who may have difficulty in getting a loan for a new LPG taxi because their diesel taxis are negative assets, we have discussed the issue with a number of banks and financial institutions. Their comment is that whether they will provide a loan to this category of taxi owners will depend on the financial situation of the individuals. It is not true that none of these taxi owners, which number the institutions estimate to be around 2000, will be able to obtain the necessary loans from them. The financial institutions have told us that they would also take into account the lower operating costs of an LPG taxi and the resultant improvement in its owner's loan repayment ability in considering new loan applications.

6. As regards the requests of the taxi trade in Paragraph 3(b) above, the Administration is considering them and their impact on the progress of the conversion scheme if we are to accept the suggestions.

7. We will seek funding approval from the Finance Committee next month for the one-off grant.

Development of LPG Filling Station Network

8. According to our present programme, facilities with a total refilling capacity for about 8,000 LPG taxis would come on stream by the end of this year. Their distribution is as follows:

	Hong Kong Island	Kowloon & Kwai Tsing	New Territories and Lantau	Total
No. of LPG stations:	4	4	4	12
Temporary sites	(1)	(2)	(1)	(4)
Dedicated sites	(2)	(2)	(1)	(5)
Converted sites	(1)	(0)	(2)	(3)
Vehicle refilling capacity	2520	3120	2280	7920

We are also discussing with a number of oil companies with a view to further increasing the capacity.

9. By end-2001, our target is to provide adequate LPG refilling capacity for the entire taxi fleet. The distribution of the refilling stations will be as follows:

	Hong Kong Island	Kowloon & Kwai Tsing	New Territories and Lantau	Total
No. of LPG stations:	7	16	17	40
Temporary sites	(1)	(2)	(2)	(5)
Dedicated sites	(2)	(5)	(6)	(13)
Converted sites	(4)	(9)	(9)	(22)
Vehicle filling capacity	3720	7560	8760	20040

10. By end-2002, our target is to further expand the capacity of the network to 24,000 LPG vehicles including the whole taxi fleet and the light bus fleet.

Environment and Food Bureau

May 2000