

**立法會**  
**Legislative Council**

LC Paper No. CB(1)2453/03-04  
(These minutes have been seen  
by the Administration)

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**Panel on Economic Services**

**Minutes of special meeting held on  
Monday, 31 May 2004, at 9:00 am  
in the Chamber of the Legislative Council Building**

**Members present** : Hon James TIEN Pei-chun, GBS, JP (Chairman)  
Dr Hon LUI Ming-wah, JP (Deputy Chairman)  
Dr Hon David LI Kwok-po, GBS, JP  
Hon Fred LI Wah-ming, JP  
Hon Mrs Selina CHOW LIANG Shuk-yee, GBS, JP  
Hon CHEUNG Man-kwong  
Hon CHAN Kam-lam, JP  
Hon SIN Chung-kai  
Hon LAU Chin-shek, JP  
Hon Miriam LAU Kin-yee, JP  
Hon Abraham SHEK Lai-him, JP  
Hon LI Fung-ying, JP  
Hon Henry WU King-cheong, BBS, JP  
Hon LEUNG Fu-wah, MH, JP

**Members absent** : Hon Kenneth TING Woo-shou, JP  
Dr Hon Eric LI Ka-cheung, GBS, JP  
Hon HUI Cheung-ching, JP  
Dr Hon Philip WONG Yu-hong, GBS  
Hon Howard YOUNG, SBS, JP  
Hon CHOY So-yuk

**Public Officers  
attending** : **Agenda item I**

Ms Sandra LEE  
Permanent Secretary for Economic Development and  
Labour (Economic Development)

Ms Miranda CHIU  
Deputy Secretary for Economic Development and  
Labour (Economic Development)

Ms Brenda CHENG  
Principal Assistant Secretary for Economic  
Development and Labour (Economic Development)

Miss Elley MAO  
Acting Government Economist  
Financial Services and the Treasury Bureau

**Agenda item II**

Ms Sandra LEE  
Permanent Secretary for Economic Development and  
Labour (Economic Development)

Ms Miranda CHIU  
Deputy Secretary for Economic Development and  
Labour (Economic Development)

Mr Alex WONG  
Principal Assistant Secretary for Economic  
Development and Labour (Economic Development)

Ms Kinnie WONG  
Assistant Commissioner for Tourism

Mr Roger TUPPER  
Deputy Director of Marine

**Clerk in attendance :** Mr Andy LAU  
Chief Council Secretary (1)2

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

Miss Winnie CHENG  
Legislative Assistant 5

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**I Adjustments in oil prices**

(LC Paper No. CB(1)1890/03-04(01) - Information paper provided by the Administration)

At the invitation of the Chairman, the Deputy Secretary for Economic Development and Labour (Economic Development) (DS/EDL(ED)) briefed members on the recent trend movements in oil prices and, the impact of high oil prices on the economy and the general public at large. She pointed out that as the Hong Kong economy became more service-oriented, fuel cost for all sectors of the economy taken together now took up less than 5% of the overall business operating cost (excluding labour cost). As such, compared with industry-based economies, the direct curtailing effect of an oil price hike on overall demand of the economy through the cost push effect should be smaller. She then briefed members on measures taken to enhance competition in the fuel market.

2. The Acting Government Economist, the Financial Services and the Treasury Bureau (GE/FSTB) pointed out that the recent rise in international oil prices to a large extent reflected concern about the escalating geopolitical tension in the Middle East. Given that the current economic outlook for both the advanced and developing economies was promising, and their inflation generally at a lower level, the negative impact of the oil price hike on growth and on inflation was thus expected to be relatively contained. The overall impact of the oil price hike this time round should be relatively smaller than on the previous occasions.

Impact on different economic sectors

3. In reply to the Chairman's question on the impact of the current oil price hike on specific economic sectors, GE/FSTB remarked that the impact of an oil price hike on business operating cost would vary amongst different economic sectors according to their specific degree of oil dependency. The impact would be greater for the more energy-intensive sectors like transport and aviation. Nevertheless, the Administration would continue to monitor closely the trends and the impacts of international oil price movements on individual economic sectors.

4. Mr Fred LI pointed out that apart from the aviation and transport sectors, the impact of high oil price on laundry services and catering business was also significant. He urged the Government to consider lowering the fuel tax to relieve the burden of the affected economic sectors.

5. In response, GE/FSTB pointed out that the impact of the present oil price hike on the global economy should be smaller than on the previous occasions for several reasons. Firstly, discounting for inflation, the current level of crude oil prices was still much lower than the level during the oil shock in the early 1980s. Secondly, over the past three decades, oil dependency of the industrial economies had declined with technology improvement and shift to knowledge-based activities. Thirdly, the global economy was recovering, and inflation was subdued. In fact,

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with the structural change over the years, Hong Kong had now engaged in less oil intensive economic activities. This, coupled with the implementation of cost-effective energy efficient technology, should render the current oil price surge less damaging on individual economic sectors.

6. Unconvinced of the Administration's explanation and citing the transport sector as an example, Mr Fred LI said that the rise in oil prices would lead to increase in operating costs, and the fare adjustments would eventually be borne by the general public. To relieve the burden of the general public, he reiterated his request for a short-term reduction of fuel tax by the Government.

7. The Permanent Secretary for Economic Development and Labour (Economic Development) (PS/EDL(ED)) remarked that according to the information provided by the Environment, Transport and Works Bureau (ETWB), fuel cost for individual transport trades took up about 7% to 30% of the overall business operating cost. The Administration was not aware that any franchised bus companies had indicated their intention to adjust their fares at this stage. Regarding taxis and public light buses, she said that as almost all taxis and 20% of public light buses had converted to use liquid petroleum gas, the impact of increase in diesel fuel price on taxi and public light bus trades was relatively smaller. As for other diesel vehicles, the increase in pump prices of ultra low sulphur diesel (ULSD) was moderate, which was about 5% during the first five months in 2004.

8. Ms Miriam LAU was gravely concerned that the Administration had played down the adverse impact of high oil prices on the transport trades. She remarked that due to keen competition in the market, transport operators could not adjust their fares at will to cover the increase in operating costs. Apart from monitoring closely the trends in international oil prices, she enquired what concrete measures would be taken by the Administration to assist the transport trades. Ms LAU also relayed the strong request of the transport trades for a reduction in fuel tax, which was particularly high when compared with the Mainland.

9. Referring to the Government's assessment that fuel cost for all sectors of the economy taken together took up only less than 5% of the overall business cost, Dr LUI Ming-wah enquired about the basis for arriving at this conclusion, bearing in mind fuel costs constituted a great proportion of the business costs for the transport sector.

10. In response, GE/FSTB said that while the fuel cost ratios for different sectors might vary from the average, taken all sectors together the overall fuel cost ratio was less than 5% of the overall business operating cost (excluding labour cost). She undertook to provide an analysis by economic sector for members' information after the meeting.

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11. Ms Miriam LAU opined that the Administration should take the initiative to explore measures to help motorists or the general public to reduce oil consumption, for example, during driving.

12. PS/EDL(ED) took note of the member's view and undertook to relay the member's suggestion to ETWB for further study.

Trend movements in international oil prices and local pump prices

13. Noting that there was a time lag of at least four weeks before the data on CIF import prices of unleaded petrol and ULSD were available, Mr Fred LI was gravely concerned that the oil companies might have taken advantage of the time gap to promptly increase the pump prices in response to an upsurge in oil prices but delay in lowering it at the same pace when there was a drop in oil prices. He questioned if the Administration was able to monitor the trends in pump prices in the absence of such data.

14. PS/EDL(ED) highlighted that the Administration had kept a close eye on the trends of local pump prices and movement of Brent Crude oil price and Singapore FOB prices for unleaded petrol and ULSD, and maintained a constant dialogue with the oil companies. She referred to Annex A of the Administration's paper (LC Paper No CB(1)1890/03-04(01)) and pointed out that the pump prices of unleaded petrol in March and April 2003 were adjusted in accordance with the movement of Singapore FOB unleaded petrol price. On the extent of movement, DS/EDL(ED) referred to Annex B of the same paper that the Singapore FOB diesel price had increased more than 15% over the period between March 2003 and May 2004 while the pump price of ULSD had risen less than 10% for the same period.

15. Noting that since March 2003, the net movement of the monthly average closing mid price of Brent Crude was +\$0.36 per litre while the monthly average Singapore FOB unleaded petrol price for the same period was +\$0.6 per litre, Ms Miriam LAU sought explanation on the difference.

16. Principal Assistant Secretary for Economic Development and Labour (Economic Development) (PAS/EDL(ED)) explained that the price of Brent Crude oil had all along been lower than that of Singapore FOB unleaded petrol and the movement might not necessarily be the same. The higher price might reflect the refinery cost. DS/EDL(ED) indicated that the Brent Crude oil price, an internationally recognized benchmark, served as a reference for movement in international oil prices globally. Crude oil was available from different regions from which Singapore refineries might source their supply.

Transparency in determining local pump prices and competition in fuel market

17. Dr LUI Ming-wah considered a need to enhance the transparency for the mechanism for setting pump prices for oil products. To this end and to facilitate

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monitoring work carried out by the Government, the Administration should engage academics to conduct a longitudinal study on local pump prices and international trend prices, taken all relevant factors into consideration.

18. Mr LAU Chin-shek was concerned that oil companies might sell their stock items which were imported at lower costs at higher retail prices to maximize their profit. He enquired whether the Administration was prepared to request oil companies to furnish their cost and profit data so that the Administration could assess the price differential between the import price and retail price of oil products.

19. DS/EDL(ED) said that the Administration considered it not appropriate to collate information pertaining to the cost structure of individual oil companies for the retail of oil products as they were proprietary information. She cautioned that this might amount to Government intervention in commercial operation. Notwithstanding this, the Administration would continue to monitor local pump prices with reference to the Brent Crude oil prices and Singapore FOB prices.

20. Mr LAU Chin-shek did not agree that collection of data from oil companies to enable the Government to make trend observations on the import prices of oil products and stock levels should be construed as a kind of Government intervention in commercial operation. DS/EDL(ED) explained that the components making up the retail price of oil products were not confined to import prices but also included other variable and fixed costs and profits of the oil companies. These were commercially sensitive data. Nevertheless, PS/EDL(ED) agreed to explore with the oil companies to see whether they could supply on a voluntary basis a breakdown at the broad level of the components of the retail price of oil products.

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21. In order to address the concern of the Panel, Mr CHAN kam-lam urged the Administration to consider, in consultation with the oil companies, increasing the transparency in the determination of local pump prices. Under a more transparent system, the oil companies were required to give advanced notice in raising or reducing pump prices. They should also inform the Administration when placing order for new consignment of oil.

22. DS/EDL(ED) cautioned that individual oil companies operated differently, and that oil companies had no obligation to disclose to the public commercially sensitive information such as the timing for ordering, the quantity and the cost of their oil imports, or their sales volume. To maintain Hong Kong's free market economy, the Administration should not be involved in the business operations of the oil companies and compelled them to make public such information. Nevertheless, DS/EDL(ED) assured members that the Administration was mindful of the concerns of members and the general public and would urge the oil companies to provide as much information as they could to enhance transparency in determining local pump prices.

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23. Unlike the cases in Canada and United States of America, Mr Henry WU pointed out that the retail pump prices among different oil companies were essentially the same, leading to a lack of competition in the fuel market. He enquired about the measures taken by the Administration to promote competition in the fuel market and enhance transparency in the determination of local pump prices by the oil companies.

24. PS/EDL(ED) highlighted that to enhance competition in the fuel market, the Administration had put up existing petrol filling station sites for tender upon lease expiry instead of automatically renewing the tenancy and introduced new tender arrangements as from June 2003. Two new players had won the tenders under the new tender arrangements and entered the market by each securing all five PFS sites included in the tenders held in October 2003 and February 2004 respectively. The new players would commence operation and provide service within the next two years.

**II Transfer of certain statutory powers and functions of the Chief Secretary for Administration and the Financial Secretary to the Secretary for Economic Development and Labour**

(LC Paper No. CB(1)1302/03-04(04) - Information paper provided by the Administration)

LC Paper No. CB(1)1981/03-04(01) - Information paper provided by the Administration)

25. At the invitation of the Chairman, PS/EDL(ED) took members through the Administration's paper (LC Paper No CB(1)1981/03-04(01)). On handling of appeals, PS/EDL(ED) pointed out that under the Accountability System, Directors of Bureau assumed full responsibility of their policy portfolio. They should hence have the authority to manage the statutory functions of their policy portfolio such as the power proposed to be transferred from the Chief Secretary for Administration (CS) to Secretary for Economic Development and Labour (SEDL) under Regulation 18(2) of the Merchant Shipping (Pleasure Vessels) Regulations (Cap. 313G). As regards the implementation timetable of other Bureaux, PS/EDL(ED) explained that the Directors of Bureaux had been working with the Department of Justice to identify the appropriate legislative vehicle and would draw up the necessary legislative programme to effect the transfer of the related statutory powers or functions. On ways in re-transferring the relevant powers and functions to the CS and the Financial Secretary (FS), if necessary, PS/EDL(ED) said that if the future Special Administrative Region Government considered that there was a need, for one reason or another, to re-distribute the statutory powers and functions among public officers, such changes would have to be effected by way of a LegCo resolution pursuant to section 54A(1) of the Interpretation and General Clauses Ordinance (Cap. 1).

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26. Mr CHAN Kam-lam reiterated his concern about the credibility and fairness of the appeal system if an appeal made against the decision of a department head had to be lodged to the Director within the same Bureau instead of with an independent committee or with more senior officials such as the CS, the FS or the Chief Executive (CE). As such, Mr CHAN considered that the power of handling appeals under Regulation 18(1) and (2) of Cap. 313G and section 66(1) of the Shipping and Port Control Ordinance (Cap. 313) should continue be vested with the CS unless such work had taken up too much of his time.

27. The Chairman shared Mr CHAN's view. Citing the example of the inquiry into the Harbour Fest incident, he said that the public in general queried the credibility and transparency of the inquiry committee since both the FS and the Director-General of Investment Promotion were in fact investigating the work of those offices under their purview.

28. In response, PS/EDL(ED) recapped that it was agreeable to the Panel on Constitutional Affairs when the Administration briefed it in November 2003 that as a general rule, save for cases where a conflict of interest by the Director of Bureau might arise, statutory power to determine appeals against the decisions of a Head of Department should be considered for transfer from the CS to the Director of Bureau. However, if necessary, she would be pleased to relay members' further concern to the Constitutional Affairs Bureau and the Director of Administration.

29. Ms Miriam LAU expressed her reservation about the proposed transfer of power under Regulation 18(2) of Cap. 313G as this might affect the operation of the industry. Nevertheless, she was prepared to accept the proposed transfer of power under section 66(1) of Cap. 313 provided that the transfer was only related to administrative matters pertaining to the duty to receive appeal against decisions made by the D of M but not the actual power to make a decision on the appeal. However, Mr CHAN Kam-lam believed that the officer receiving the appeal could actually serve as a gate-keeper who, having noted the grounds of appeal, might decide whether to forward the appeal case to the CE. He considered that such matters should be handled by the CS to reflect the appropriate level of representation. Dr LUI Ming-wah urged that the arrangement of handling appeals made to the CE should be consistent across all bureaux.

30. The Deputy Director of Marine responded that as far as he understood, the officer receiving the appeal under section 66(1) of Cap 313 did not have discretionary power to reject it. It was duty bound for him to forward the case to the office of the CE. PS/EDL(ED) supplemented that together with the appeal, the officer would include an analysis of the case taking into consideration the explanation from the D of M and the legal position. She said that the statutory power to handle such appeals vested with the CE even though he might delegate such power to one of his subordinates.



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Conclusion

31. In view of members' concern about the proposed transfer relating to section 66(1) of Cap. 313 and Regulation 18(1) and (2) of Cap. 313G, PS/EDL(ED) agreed to take out the relevant sections from the present exercise. With these amendments, members raised no objection for the Administration to introduce the related legislation into the Legislative Council to effect the transfer.

Council Business Division 1  
Legislative Council Secretariat  
28 July 2004