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**Bills Committee on
Revenue (Personalized Vehicle Registration Marks) Bill 2005**

Background brief

Purpose

This paper sets out the background of the Revenue (Personalized Vehicle Registration Marks) Bill 2005 which seeks to implement the Personalized Vehicle Registration Marks (PVRMs) Scheme. It also summarizes the major concerns expressed by Members on the proposal at the meeting of the Panel on Financial Affairs (FA Panel) and the Administration's response thereafter.

Background

2. At present, a vehicle owner is allocated an ordinary vehicle registration mark (OVRM) upon registration of a vehicle or he may get a special vehicle registration mark (SVRM) of his own preference through auction. OVRMs are in the format of a maximum of two letters of the alphabet followed by a maximum of four numerals while SVRMs consists of numbers alone, or a maximum of two letters together with any of the special numbers set out in Schedule 5 to the Road Traffic (Registration and Licensing of Vehicles) Regulations.

3. In the 2004-05 Budget, the Financial Secretary announced that in addition to the existing arrangement for allocating and auctioning vehicle registration marks (VRMs), a PVRMs Scheme should be introduced. Under the PVRMs Scheme, vehicle owners may choose their preferred VRMs, apply to the Transport Department (TD) and use it upon approval and following a bidding exercise.

4. To allow for more choice and add to the attraction of the PVRMs Scheme, TD will relax the restrictions on VRMs for participating owners and allow for combinations of up to eight letters, numerals and/or blank spaces. Legislative amendments are required for implementation of the PVRMs Scheme and some of the key features of the Scheme are summarized in **Annex A**.

Members' concerns

5. The FA Panel was first consulted on the proposal at its meeting on 10 November 2004 during which members raised a number of queries and concerns for the Administration's consideration:

- (a) the appropriateness of setting the level of deposit at \$20,000 as proposed by the Administration and whether the level should be set out in the subsidiary legislation;
- (b) whether allowing the person allocated a PVRM to assign the PVRM to his/her vehicle within 12 months was too long and would give rise to speculation activities;
- (c) the impact for PVRMs resembling trademarks, if any, on intellectual property rights;
- (d) the impact on law enforcement, in particular for frontline law enforcement officers who may find it difficult to remember PVRMs of different combinations in a short span of time;
- (e) the impact on income of Lotteries Fund if the auctions for SVRMs become less popular after the implementation of the Scheme ; and
- (f) the cost-effectiveness of the PVRMs Scheme, given its high estimated administrative cost (\$15 million non-recurrent cost and \$6 million recurrent cost) and uncertain level of revenue.

6. Several Members stated their objection to the PVRMs Scheme. Given that a majority of Panel members present did not support the proposed Scheme, the Chairman of the FA Panel urged the Administration to review its proposal, taking into account members' views and concerns. The minutes of the meeting: can be browsed at <http://www.legco.gov.hk/yr04-05/english/panels/fa/minutes/fa041110.pdf>

7. The Administration has subsequently issued a paper to the FA Panel on 2 May 2005 setting out its response and comments on some of the concerns raised by Panel members on 10 November 2004. It has also proposed to modify some features of the PVRMs Scheme such as lowering the level of deposit and the introduction of a ballot system. The information paper (CB(1)1423/04-05(01)) is attached at **Annex B**.

**Bills Committee on Revenue
(Personalized Vehicle Registration Marks) Bill 2005**

Some Key Features of the Personalized Vehicle Registration Marks

The PVRMs Scheme will have the following key features:

- (a) Applications for PVRMs should be made to the Commissioner for Transport. Applicants are required to pay a deposit.
- (b) PVRM combinations may have up to a maximum of eight letters of the alphabet (other than the exceptions set out below), numerals and /or blank spaces; a blank space will count as one of the permitted characters and there may only be one blank space between two letters/numerals or between a letter and a numeral;
- (c) those PVRM combinations likely to cause enforcement problems will not be approved, e.g. the letters "I", "O" and "Q" will not be allowed as they resemble the numerals "1" and "0" respectively, and there should be no more than four identical letters or numerals placed side by side in a PVRM;
- (d) PVRM combinations must not cause a reasonable person to believe that the vehicles bearing them belong to or the persons using the vehicles represent the Government of the Hong Kong Special Administrative Region (HKSAR), any country or the government of any country, an international organization in which the HKSAR Government participates, the offices of the Central People's Government in HKSAR, or any public body in HKSAR;
- (e) PVRM combinations must not be offensive to good taste or decency, offensive to a reasonable person, refer to a triad title or nomenclature or have a triad connotation, or be confusing for law enforcement, or detrimental to road safety; and
- (f) PVRM combinations must not duplicate existing VRMs or be of a similar pattern to existing forms of VRMs or permit/licence numbers and they must not duplicate the marks reserved for certain types of vehicles, e.g. marks with prefixes or suffixes "A" and "F" used by the Fire Services Department for the department's ambulances and other vehicles, "AM" for government vehicles and "LC" for the Legislative Council's vehicles.

LC Paper No. CB(1)1423/04-05(01)**For information****Legislative Council Panel on Financial Affairs****Personalized Vehicle Registration Marks Scheme****PURPOSE**

This paper sets out the Administration's response to the views and concerns on the proposed Personalized Vehicle Registration Marks (PVRMs) Scheme expressed by Members at the Panel meeting on 10 November 2004, and our plan on the way forward.

BACKGROUND

2. At the Panel meeting on 10 November 2004, the Administration briefed the Panel on the proposed PVRMs Scheme and invited Members to provide comments on the proposed features of the Scheme.

3. The Administration has studied carefully the valuable comments of Members and as far as possible and appropriate, reflected them in the Revenue (Personalized Vehicle Registration Marks) Bill 2005 (the Bill).

ADMINISTRATION'S RESPONSE**Level of deposit**

4. Our original proposal as presented to the Panel was to request the applicants to pay a deposit of \$20,000. Views expressed by Panel Members were diverse, with some commenting that \$20,000 was too low while others thought that it was too high. We have reviewed the level of deposit. Overall speaking, there appeared to be greater support among the community for a lower deposit level. We therefore propose to revise the level of deposit from \$20,000 to \$5,000 to make the PVRMs more affordable. Our aim is to strike

a balance between the objectives of revenue generation and non-diversion of interest from the existing schemes on one hand, and providing the general public with an affordable scheme on the other.

5. A Panel Member suggested that the level of deposit should be set out in the relevant subsidiary legislation. We have taken this suggestion on board, and proposed in the Bill to set out the deposit in the Road Traffic (Registration and Licensing of Vehicles) Regulations (the Regulations).

6. We are mindful that the workload pressure on the Transport Department (TD) to process the PVRM applications and thus the administrative costs incurred will increase tremendously if the deposit level is to be lowered from the original suggestion of \$20,000 to \$5,000. TD expects the number of applications to increase by two to three fold, which would result in considerable increase in costs due to staff resources in processing applications and the costs in auctioning. An almost unlimited supply of PVRMs at a relatively more affordable deposit level might also add pressure to the existing bidding for vehicle registration marks (VRMs).

7. To keep the cost of administering the Scheme at a reasonable level and avoid the disadvantages associated with an almost unlimited supply of PVRMs at a relatively affordable deposit level, we propose to introduce a ballot system. TD will invite applications for PVRMs from time to time and set a limit on the number of applications to be processed. All applications will be placed into a pool and the applications will be balloted after closure of the application period if the number of applications exceeds the set limit. We estimate that the total recurrent costs will, as a result of the ballot system, be kept at around \$6 million a year, 8.6% of our estimated ballpark annual revenue.

8. TD has considered various means to bring down the administrative costs as much as possible by, for instance, selecting lower-priced venues for holding auctions, maximizing the number of PVRMs that would be offered for sale at each auction, streamlining procedures such as requiring payment of deposits after balloting to minimize the cost of refunds, making the administration cost of the PVRMs Scheme comparable to the auctioning of existing VRMs (6.6%). The cost of administering the PVRMs Scheme is estimated to be slightly higher because it involves more procedural steps such

as balloting, vetting of applications, publication of approved PVRMs, etc.. But if the revenue from the PVRMs Scheme turns out to be higher than our ballpark estimate, the administrative cost in terms of percentage of income will be lower correspondingly. TD will continue to consider measures to keep it at a reasonably low level or even bring down the administrative cost.

List of reserved PVRM combinations

9. A Member suggested that the PVRM combinations reserved by the Administration should be set out in a list and made known to the public. The Administration has taken on board this suggestion, and proposed in the Bill to set out in a Schedule to the Regulations the reserved PVRMs to be made available for allocation by auction at the Commissioner for Transport's (C for T's) discretion.

Requirement to assign the PVRM to a vehicle within 12 months

10. A Member suggested that the Administration should consider shortening the time period within which a PVRM must be assigned to a vehicle from 12 months to six months as a means to curb speculation. TD has reviewed the matter carefully. According to the department's experience, it is not uncommon for an ordered vehicle to be delivered over six months later. As such, shortening the time period for assignment of PVRMs would cause difficulty for vehicle owners who are not able to get their vehicles within six months. We have therefore maintained our original proposal in the Bill to require an allocatee of a PVRM to assign his PVRM to his vehicle within 12 months from the date of allocation, and that a PVRM may only be transferred together with the vehicle to which it is assigned. This is in fact in line with the requirement applicable to the existing Ordinary VRMs (OVRMs).

Concerns on PVRMs resembling trademarks

11. A Member suggested that PVRM combinations must not cause any person to believe that the vehicles bearing them belonged to or the persons using the vehicles represented any trademark or international brand name. We have looked at the issue of trademark protection again together with the Intellectual Property Department. As the Administration advised Members at the meeting, related issues have been considered in the context of the PVRMs

Scheme. Since PVRMs do not include symbols, no question of copyright should arise. There is generally no copyright in single words and short phrases. As trademark infringement is the unauthorized use of a trademark in the course of trade or business in relation to goods and services, and PVRMs are not used as trademarks for goods and services, legal advice is that it is unlikely that the use of a PVRM could constitute an infringement of a trademark. As such, there is no ground for C for T to reject PVRM applications on the basis of copyright existence or trademark infringement.

Implications for law enforcement

12. Some Members expressed concerns about the implications of PVRM combinations for law enforcement. We are mindful of the importance of ensuring that the introduction of the PVRMs Scheme will not bring about difficulties in law enforcement. We have, since the conception of the PVRMs Scheme, closely involved the Hong Kong Police Force and TD in the process to ensure that the law enforcement angle is satisfactorily addressed in designing the features of the Scheme. We have noted Members' concerns, and made the following related proposals in the Bill. The Hong Kong Police Force's position is that the PVRMs Scheme does not give rise to concerns about law enforcement.

13. We have proposed in the Bill that any proposed PVRMs which are confusing for the purposes of law enforcement will be disapproved by C for T. When vetting proposed PVRMs, C for T will be assisted by, inter alia, the Hong Kong Police Force and non-officials. We do not propose to allow symbols to be used in PVRM combinations, and only those letters and numerals currently allowed for use in the existing VRMs may be used. We have also proposed in the Bill that the letters "I", "O" and "Q" will not be allowed as they resemble the numerals "1" and "0" respectively, and there should be no more than four identical letters or numerals placed side by side in a PVRM. These requirements aim to minimize possible confusion in reading PVRMs.

14. A Member suggested that it should be set out in the legislation that for the purpose of the PVRM combinations, the letters "I" and "O" were considered equivalent to the numerals "1" and "0" respectively. The spirit of this suggestion has already been reflected in the existing Regulations, where

the required forms of display of the letters “I” and “O” are the same as those of the numerals “1” and “0” respectively. The existing form of display of letters and numerals is proposed to be applicable to PVRMs as well, so the numerals “1” and “0” may be used to represent the letters “I” and “O” though these two letters are not allowed in PVRMs.

Implications for the Lotteries Fund

15. Some Members expressed concerns on the possible diversion of interest from the existing auction of VRMs, hence the sale proceeds to be credited to the Lotteries Fund. As we have advised the Panel, the existing arrangements for OVRMs and Special VRMs (SVRMs) will not be affected by the new PVRMs Scheme. The revenue generated from the auctions of OVRMs and SVRMs will continue to be credited to the Lotteries Fund. As PVRMs are different from the existing OVRMs and SVRMs in terms of features, we expect that PVRMs and SVRMs and OVRMs would appeal to different vehicle owners and have different markets. Members may wish to note that the average selling price of auctioned SVRMs was about \$58,600 and that of all auctioned VRMs was about \$16,500 in 2004-05, which are at similar levels compared with 2003-04. The proceeds from the sale of OVRMs and SVRMs account for around 6 to 7% of the sources of revenue of the Lotteries Fund, the closing balance of which was more than \$4 billion as at end March 2004.

CONCLUSION

16. The Administration has reviewed the features of the proposed PVRMs Scheme in the light of Members’ views which we have appropriately reflected in formulating the revised proposals. We will introduce the Revenue (Personalized Vehicle Registration Marks) Bill 2005 into LegCo on 4 May 2005 for further consideration.

Financial Services and the Treasury Bureau
May 2005