For information
on 14 June 2005

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

Administration's Comments on Submissions

(I) Dah Chong Hong (Motor Service Centre) Limited and Honest Motors Limited	
• There are possible technical problems of installing new personalized vehicle registration mark (PVRM) plates on vehicles. Likely that for some vehicle models, the front bumper and back panel has to be redesigned, or the character size of PVRM has to be sacrificed. • There would be conflict between automobile retailers and prospective customers if the marks have to be split strangely into 2 rows because the back panel can only accommodate a 2-row plate.	• As explained in the Administration's response to the Bills Committee for the meeting on 14 June 2005, we consider that allowing 8 characters will give vehicle owners more room for creativity and more choices. If their vehicles cannot accommodate an 8-character PVRM in a single row, vehicle owners are free to apply for or bid for a PVRM with fewer characters or one displayed in two rows. Transport Department (TD) will endeavour to inform PVRM applicants of the requirements on the display of PVRMs. These requirements will be set out clearly in the law. TD will also promulgate them in the application forms, and will remind PVRM applicants to bear in mind the plate size of their vehicles so that they can make an informed decision before application or auction. • For enforcement reasons we do not propose to relax the existing requirement on the size of the characters in a vehicle registration mark (VRM) plate for the purpose of PVRMs. • According to information obtained from car dealers by TD, the majority (82.5%) of vehicle models designed to accommodate one-row VRM plates can accommodate an 8-character PVRM. 96.5% could accommodate a 7-character PVRM. The remaining 3.5% (covering 4 car models) could not even accommodate an existing 6-character VRM in one row. According to TD's record, there are

	only around 40 vehicles of these 4 car models in Hong Kong.
	• All PVRMs must be displayed in one row or in both one and two rows as they are printed on the application form and approved by TD. The approved display format(s) will be printed on the Certificate of Allocation which is issued to the PVRM holder. If an automobile retailer is requested to install a PVRM plate on a vehicle, he may refer to the formats in the Certificate of Allocation.
• The automobile industry has to amend a lot of computer programmes, redefine a lot of pre-printed forms and document to allow 8 alphanumeric PVRM.	• The proposed PVRMs Scheme will provide increased flexibility and more choices for vehicle owners • We hope that the business opportunities for the industry would increase.
• Would obstruct the business flow in completing car sales procedures. Prospective buyers who opt for PVRM have to wait until successful bidding before the newly sold vehicles can be licensed. It implies a longer cash flow and higher inventory cost.	• We have proposed that as for the existing scheme for auctioned Ordinary VRMs (OVRMs) / Special VRMs (SVRMs), an allocatee of PVRM is allowed to assign his PVRM to his vehicle within 12 months from the date of allocation. A potential vehicle buyer may bid a PVRM before purchasing a vehicle. • Alternatively, a vehicle owner may choose to register his vehicle with an ordinary VRM assigned by TD first. After he has successfully bid his PVRM, he can assign the PVRM to his vehicle following the established procedures for change of VRM. This is the same as the current arrangement where vehicle owners wait for successful bidding of his favourite auctioned OVRM or SVRM.
• The Government will have to bear the cost for implementing the PVRMs Scheme due to system	• We expect a capital cost of $16 million (mainly for computer system development) and an annual recurrent cost of $6 million. • The ballpark estimate of the revenue is $70

enhancement, reprinting of documents and forms and reduced civil servants' productivity, etc.	million a year. ● We do not expect the proposed Scheme to reduce the Government's productivity.
● The use of "blank space" in PVRM could create confusion and thus prone to human errors during processing. Work efficiency and productivity would be adversely affected. ● Law enforcement may be affected because in reporting a PVRM with a blank space like "AB 1234", members of the public may misinterpret it as an ordinary mark "AB1234"	● As proposed in the proposed regulation 12C(2)(k), as read with the proposed regulation 12E(4), in Clause 10 of the Bill, a proposed PVRM combination that is the same as an existing VRM irrespective of the blank spaces will not be approved. Thus, a proposed PVRM "AB 1234" will be rejected as it is the same as an existing VRM. Similarly, a proposed PVRM "AB1 234" will not be approved. ● There will not be any two approved VRMs having the same combination of letters and numerals, irrespective of the blank spaces, at the same time.
● The PVRMs Scheme will cannibalize the existing SVRM operations and erode the source of funding to Lotteries Fund. ● The interest of the existing holders of SVRMs will be affected because the value of their marks would become depreciated tremendously.	● The current arrangements for the auctioned VRMs, namely the SVRMs and OVRMs will not be affected by the new PVRMs Scheme. The revenue generated from the auctions of SVRMs and OVRMs will continue to be credited to the Lotteries Fund. As PVRMs are different from the existing SVRMs and OVRMs in terms of features, we expect that PVRMs and SVRMs and OVRMs would appeal to different vehicle owners and have different markets. ● As explained in the Administration's response to the Bills Committee for the meeting on 14 June 2005, we consider that the figures on the prices of auctioned OVRMs and SVRMs have demonstrated that notwithstanding the announcement of the PVRMs Scheme, SVRMs and OVRMs continue to attract considerable

	interest from vehicle owners. So any effects will tend to be insignificant.
	• There are various sources of revenue for the Lotteries Fund, including loan repayment, Mark Six Lottery, auction proceeds from VRMs, investment income and interest, and refund of grants and donations. The proceeds from the sale of OVRMs and SVRMs account for around 6% to 7% of the sources of revenue of the Lotteries Fund during the past few years. The major source of revenue is rather the Mark Six Lottery, and the money therefrom has been increasing. We estimate that any effect of the proposed PVRMs Scheme on the auction proceeds of OVRMs and SVRMs will tend to be insignificant. The effect in turn on the overall income of the Lotteries Fund will be minimal, if any.

(II) Mr WONG Wang-tai, Wan Chai District Council Member	
• The PVRMs Scheme will lead to a significant drop in the demand for "lucky numbers" and consequently the value of these marks in the market.	• The current arrangements for the auctioned VRMs, namely the SVRMs and OVRMs will not be affected by the new PVRMs Scheme. As PVRMs are different from the existing SVRMs and OVRMs in terms of features, we expect that PVRMs and SVRMs and OVRMs would appeal to different vehicle owners and have different markets.
	• As explained in the Administration's response to the Bills Committee for the meeting on 14 June 2005, after the announcement of the proposed PVRMs Scheme in the 2004-05 Budget in March 2004, the average price of all auctioned VRMs remained stable in 2004-05 ($16,532) compared to 2003-04 ($16,071). If we look at the average price of SVRMs and OVRMs separately, their average prices also remained at similar levels in 2004-05 compared to 2003-04.

(III) **Right Hand Drive Motors Association (Hong Kong) Limited**	
• Cities around the world commonly have in place a PVRM-type scheme. There is general support for such scheme. The advantages will outweigh the disadvantages if such scheme is implemented in Hong Kong. • The PVRMs Scheme is different in nature from the existing VRM schemes. The Scheme will provide another channel for vehicle owners to obtain their favourite VRMs, while generating more revenue for the Government. • PVRMs will have positive effects on vehicle sales.	• Comments noted.