

政府總部
經濟發展及勞工局
香港下亞厘畢道
中區政府合署



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**ECONOMIC DEVELOPMENT AND
LABOUR BUREAU
GOVERNMENT SECRETARIAT**
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21 July 2006

Clerk to LegCo Panel on Economic Services
Legislative Council Secretariat
Council Business Division 1
3/F, Citibank Tower
3 Garden Road
Hong Kong

(Attn: Mr Andy Lau)

Dear

A handwritten signature in black ink, appearing to read "Andy", written over the word "Dear".

**Findings of a consultancy study
on the local auto-fuel retail market**

At the meeting of the Legislative Council Panel on Economic Services held on 24 April 2006 where the above subject was discussed, Members requested that the Administration -

- (a) provide information on the historic land values for all petrol filling station (PFS) sites as the background to the cost estimates in the consultant's net margin analysis;
- (b) convey Members' views on the need to reduce the excise duties on auto-fuel in order to maintain the competitive edge of Hong Kong and to relieve the burden of the affected economic sectors to the Financial Secretary, for consideration; and
- (c) take into consideration Member's suggestion of providing more sites in the urban area to increase the supply of fuel storage facilities to enhance competition in the market.

Also, at the request of the Hon Tam Heung-man, the consultants agreed to provide details on the references in the study to overseas practices for Member's information.

Historical Land Values of PFS Sites

I attach at **Annex A** a chart showing the average land premiums paid for PFS sites from 1986 to 2005, and a list of the sites involved. It should be noted that the chart only captures information on sites sold for the purpose since 1986. Sites sold before 1986, sites where the leases have been renewed and sites converted from other private lots are not included.

In the course of their study, the consultants also received information from some of the oil companies on historical land costs. However, under the confidentiality agreements signed with these companies, the consultants may not disclose this information.

As the consultants explained at the Panel meeting, the purpose of the margin analysis was to help assess the degree of competition in the local auto-fuel retail market. In this context, the consultants used *recent* land prices to help determine the likely profitability of a "marginal" PFS, i.e., a PFS operated by any new entrant to the market. Whilst historically low land costs may help raise profitability for incumbent PFS operators, they are not relevant when assessing the current level of competition in the auto-fuel retail market. Further, the incumbents will also face these costs as PFS sites come up for renewal. Recent land prices were also used in assessing the margins of PFS in other cities, in order to provide a common basis for comparison.

Members' Views on the Need to Reduce Fuel Duty

We have conveyed Members' views on the need to reduce fuel duty to the Financial Services and the Treasury Bureau (FSTB) for consideration.

Providing Sites in the Urban Area for More Fuel Storage Facilities

We will continue to work with the Planning Department and the Lands Department to identify suitable sites for PFS, with a view to increasing the supply of fuel storage facilities and enhancing competition in the auto-fuel market.

References of Overseas Practice

_____ A list of the overseas reports referred to by the consultants is at
Annex B. Copies of the reports could be made available should Members so require.

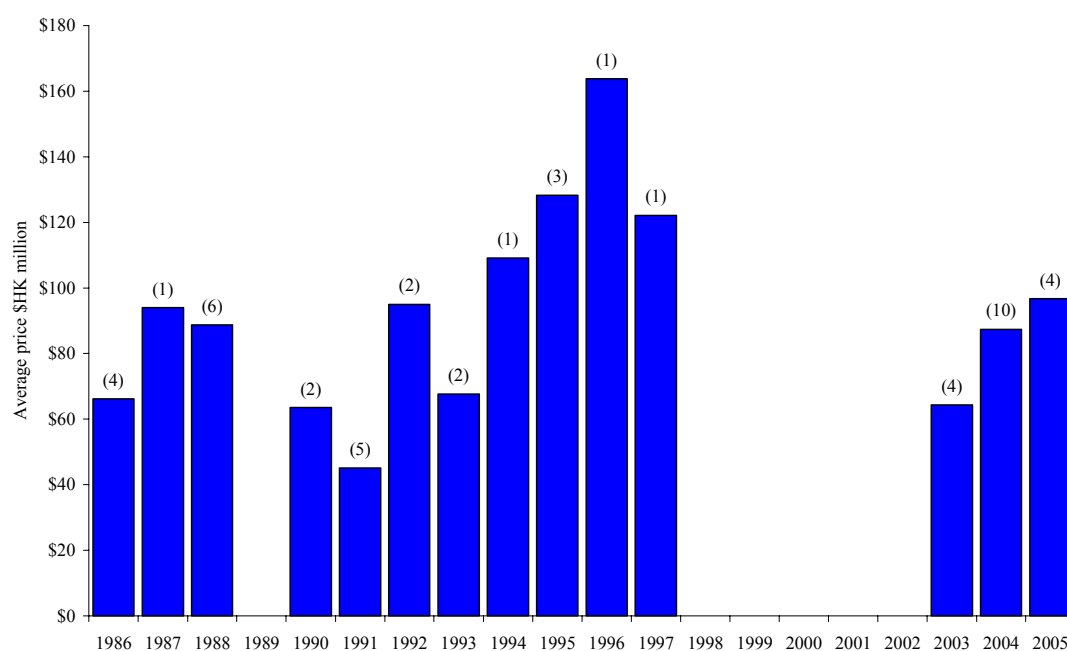
Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jonathan McKinley', with a small arrow pointing to the right below the signature.

(Jonathan McKinley)
for Secretary for Economic Development and Labour

c.c.	Arculli, Fong & Ng	(Attn: Mr Peter Waters)
	SFST	(Attn: Mr Steve Tse)
	D of Lands	(Attn: Mr Edward Au)
	D of Plan	(Attn: Mr Anthony Kwan)

Average Real Premiums Paid for PFS Sites, 1986-2005



Note: Numbers in brackets denote number of PFS sites tendered.

Note: There were no sites tendered in the period 1998-2002

Note: All prices are expressed in real terms based on values in Oct 1999 – Sept 2000

Note: 2005 includes PFS sites tendered up to and including October 2005.

Source: Information obtained from Lands Department.

Sale / Tender Award Date	Disposal Type	Lot No.	Location	User	Area (sq. m)	Premium (\$M)
12/2/1986	TENDER	YLTL 445	CASTLE PEAK RD	PFS	1,971	36.2
12/2/1986	TENDER	Lot 2011 in DD 121	FUI SHA WAI	PFS	2,242	35.4
12/2/1986	TENDER	TPTL 49	YIM TIN TSAI, AREA 27	PFS	670	2.5
21/3/1986	TENDER	Lot 2013 in DD121	TONG YAN SAN TSUEN	PFS	1,708	37.1
11/12/1987	TENDER	FSSTL 3	ON LOK TSUEN	PFS	938	43.8
11/3/1988	TENDER	TPTL 74	AREA 2, TAI PO	PFS	870	54.8
18/3/1988	TENDER	TMTL 321	AREA 37A	PFS	526	44
4/7/1988	TENDER	FSSTL 33 (LOT 2309 in DD 83)	ON LOK TSUEN	PFS	712	51
5/9/1988	TENDER	TPTL 85	AREA 22, TAI PO	PFS	737	62
30/9/1988	TENDER	LOT 811 in DD 110	KAM TIN RD, KAM TIN	PFS	1,100	23
2/12/1988	TENDER	LOT 812 in DD 110	KAM TIN RD, KAM TIN	PFS	1,300	23.88
30/10/1990	TENDER	TYTL 117	TSING YI RD WEST	PFS	1,480	35.4
30/10/1990	TENDER	TYTL 125	TSING YI RD WEST	PFS	2,110	42.1
10/1/1991	TENDER	IL 8799	SAI WAN HO RECLAMATION	PFS	112	15.5
10/1/1991	TENDER	IL 8800	SAI WAN HO RECLAMATION	PFS	112	11.5
8/2/1991	TENDER	STTL 380	SITE 17, YUEN SHUN CIRCUIT	PFS	1,200	39.3
22/3/1991	TENDER	KCTL 426	CASTLE PEAK RD	PFS	2,090	55.4
18/12/1991	TENDER	FSSTL 132	NEAR WO HOP SHEK	PFS	2,463	22.8
24/1/1992	TENDER	LOT 1980 in SD 2	CLEAR WATER BAY RD	PFS	998	63.63
20/10/1992	TENDER	STTL 413	MA ON SHAN RD	PFS	2,500	72
15/2/1993	TENDER	STTL 403	MAN LAI RD	PFS	1,070	16.3
18/3/1993	TENDER	TKOTL 31	AREA 10, TSEUNG KWAN O	PFS	1,930	86.69
21/2/1994	TENDER	STTL 409	TAI PO RD	PFS	920	90
17/2/1995	TENDER	TKOTL 44	AREA 16, TSEUNG KWAN O	PFS	2,640	110.22
17/3/1995	TENDER	STTL 432	J/O ON SUM ST/ON PING ST	PFS	1,530	110
14/8/1995	TENDER	TMTL 402	AREA 30A, TUEN MUN	PFS	810	132.34

Sale / Tender Award Date	Disposal Type	Lot No.	Location	User	Area (sq. m)	Premium (\$M)
18/10/1996	TENDER	KCTL 470	CONTAINER PORT RD	PFS	1,575	165
18/3/1997	TENDER	RBL 1135	POK FU LAM RD	PFS	811	125.3
4/9/2003	TENDER	NKIL 6409	CORNWALL STREET, KOWLOON TONG, KOWLOON	PFS	1025.4	45.5
4/9/2003	TENDER	STTL 484	AREA 86B, MA ON SHAN, SHA TIN, NEW TERRITORIES	PFS	1067.9	84.318
4/9/2003	TENDER	TYTL 170	TSING YI ROAD WEST, TSING YI, NEW TERRITORIES	PFS	1991.4	40.638
4/9/2003	TENDER	CWIL 171	JUNCTION OF SHEUNG MAU STREET, SHEUNG ON STREET AND SHING TAI ROAD, CHAI WAN, HONG KONG	PFS	3960	64.038
29/1/2004	TENDER	IL 8984	MACDONNELL ROAD, HONG KONG	PFS	236.8	303.86
29/1/2004	TENDER	IL 8988	KENNEDY ROAD, WAN CHAI, HONG KONG	PFS	837.2	
29/1/2004	TENDER	NKIL 6417	WANG CHIN STREET, KOWLOON BAY, KOWLOON	PFS	1423.3	
29/1/2004	TENDER	TPTL 151	TAI PO KAU, TAI PO, NEW TERRITORIES	PFS	3167	
29/1/2004	TENDER	TCTL 9	TUNG CHUNG NEW TOWN AREA 58, LANTAU ISLAND	PFS	1237.9	
8/5/2004	TENDER	IL 8985	137 TAI HANG ROAD, JARDINE'S LOOKOUT, HONG KONG	PFS	917	501
8/5/2004	TENDER	IL 8986	80 POK FU LAM ROAD, HONG KONG	PFS	742	
8/5/2004	TENDER	TCTL 24	TUNG CHUNG NEW TOWN AREA 26, LANTAU ISLAND	PFS	1125	
8/5/2004	TENDER	TKOTL 89	PO HONG ROAD, TSEUNG KWAN O, SAI KUNG, NEW TERRITORIES	PFS	3349	
8/5/2004	TENDER	TWTL 408	YEUNG UK ROAD, TSUEN WAN, NEW TERRITORIES	PFS	832.5	
3/6/2005	TENDER	IL 9008	POK FU LAM ROAD, HONG KONG	PFS	933.4	358.66
3/6/2005	TENDER	IL 8994	NO. 892 KING'S ROAD, QUARRY BAY, HONG KONG	PFS	570.5	
3/6/2005	TENDER	KIL 11177	PRINCE EDWARD ROAD WEST, KOWLOON	PFS	565.8	
3/6/2005	TENDER	TCTL 29	TUNG CHUNG NEW TOWN, AREA 58, TUNG CHUNG	PFS	1352.4	
28/12/2005	TENDER	KIL 11180	WATERLOO ROAD, KOWLOON	PFS	510.9	164.6
28/12/2005	TENDER	IL 8989	CANAL ROAD WEST, CAUSEWAY BAY, HONG KONG	PFS	984.2	

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