

**For discussion on  
17 January 2020**

**Legislative Council Panel on Transport  
Fuel Subsidy and One-off Subsidy to the Transport and Logistics Trades**

**PURPOSE**

On 22 October 2019, the Financial Secretary (“FS”) announced the introduction of a six-month fuel subsidy or a one-off subsidy to assist the transport and logistics trades in coping with the operating pressure in the current economic environment. This paper sets out, and seeks Members’ views on, the implementation details of the scheme.

**BACKGROUND**

2. The continuous public order events started in June last year discourage Hong Kong people’s desire to go out and reduced the number of inbound tourists and local commercial activities. Road public transport services had to be diverted or suspended from time to time due to unexpected situations. The daily operations of the transport and logistics trades were affected to varying degrees. To assist the transport and logistics trades in coping with the increasingly challenging economic environment, the FS announced on 15 August 2019 the waiver of various government fees, such as vehicle licence fees and examination fees for commercial vehicles, licence fees of local commercial vessels, and fees payable for the Passenger Service Licence and Passenger Service Licence Certificate for eligible types of vehicles. Further to the above, the FS announced on 22 October 2019 the introduction of a six-month fuel subsidy or a one-off subsidy to the trades. The proposed measures are as follows:

- (a) Taxis and public light buses (“PLBs”) – Offer a \$1.0 discount per litre of liquefied petroleum gas (“LPG”) (i.e. approximately a one-third discount) for six months for LPG taxis and PLBs, and reimburse one-third of the actual diesel cost for six months for diesel PLBs;
- (b) Franchised buses and ferries – Reimburse one-third of the actual fuel cost for six months for the five franchised bus companies and 22 franchised and licensed ferry services;
- (c) Tramways – Reimburse one-third of the actual electricity cost (limited to the electricity cost for operating tramcars) for six months for the Hong Kong Tramways Limited (“HK Tramways”); and
- (d) Non-franchised buses (“NFBs”), goods vehicles and local commercial mechanised vessels – Provide a one-off non-accountable subsidy of \$5,000 for each licensed NFB, goods vehicle and local commercial mechanised vessel.

## **DETAILS OF THE MEASURES**

3. Given the varied operational characteristics of different transport and logistics trades, we need to adopt different measures so as to provide effective support to the relevant trades. While ensuring the proper use of the subsidies, the implementation details will also facilitate the trades.

## *Taxis and PLBs*

4. There are currently 18 163 taxis in Hong Kong. Except for three petrol taxis, all others are fuelled mainly by LPG<sup>1</sup>. For PLBs, there are currently 3 541 LPG PLBs<sup>2</sup> and 809 diesel PLBs<sup>3</sup> in the territory.

### LPG taxis and PLBs

5. Taking into account that most taxi and RMB drivers are rentee-drivers and have to fill up their vehicles at LPG filling stations at their own expense, we propose that the oil companies to provide a subsidy of \$1.0 per litre of LPG (i.e. approximately a one-third discount)<sup>4</sup> directly to drivers at the LPG stations for a period of six months, with a view to directly alleviating the financial pressure of frontline drivers in a simple and convenient way. The Government will reimburse the oil companies for the actual amount of subsidy provided to the taxi and PLB drivers.

6. We are discussing with the oil companies on the technical details of the implementation arrangement. In short, during the six-month subsidy period, the oil companies will have to provide a government subsidy of \$1.0 per litre of LPG to the taxi and PLB drivers on top of existing discounts, if any. Taxi and PLB drivers will benefit instantly from the subsidised price when filling up their

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<sup>1</sup> Including 17 322 LPG taxis, 705 LPG/electric hybrid taxis and 133 LPG/petrol bi-fuel taxis.

<sup>2</sup> Including 2 615 green minibuses (“GMBs”) and 926 red minibuses (“RMBs”).

<sup>3</sup> Including 689 GMBs and 120 RMBs.

<sup>4</sup> At present, seven oil companies operate a total of 12 dedicated LPG filling stations and 56 non-dedicated LPG filling stations in Hong Kong. The LPG prices vary at different filling stations and may also change with the international LPG price movements. In January 2020, the average LPG price at dedicated LPG filling stations is about \$3.24 per litre. The proposed \$1.0 per litre government subsidy will help the trade to save about one-third of fuel cost.

vehicles at the LPG stations without the need to register or apply for reimbursement<sup>5</sup>.

7. Meanwhile, the oil companies may have to modify their computer systems to offer drivers of LPG taxis and PLBs instant discount on-site at the gas stations. They also have to provide appropriate training for their staff to ensure that the latter are familiar with the measures concerned as well as the implementation details, and capable of handling simple enquiries at the gas stations. Besides, the oil companies should submit monthly returns on relevant transactions as requested by the Transport Department (“TD”) for claiming reimbursement. To ensure that the oil companies have put in place proper internal control and will implement the measures accurately (such as offering accurate discount to taxi and PLB drivers, maintaining proper records relating to the subsidy, and applying for reimbursement of correct amount of subsidy), the oil companies should appoint independent auditors to carry out assurance procedures in accordance with the relevant standards issued by the Hong Kong Institute of Certified Public Accountants and submit assurance reports on their internal control systems to the TD before the implementation of the measures. By the end of the subsidy scheme, the oil companies should also submit audit reports to the TD in respect of the reimbursement amounts claimed. Moreover, TD staff will conduct on-site inspections from time to time during the subsidy period to ensure that the implementation arrangement is in order.

#### *Petrol taxis and diesel PLBs*

8. Regarding petrol taxis and diesel PLBs, given that the numbers of drivers and operators concerned are relatively small (involving only drivers of

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<sup>5</sup> GMB drivers are mostly employees of GMB operators. They generally do not have to fill up the vehicles at their own expense, and their income does not depend directly on the number of passengers. The operators will usually provide fuel cards for the vehicles to facilitate the drivers to refill at LPG stations. Under such scenario, the government subsidy will be reflected in the monthly statement of the fuel cards of the GMB operators.

three petrol taxis, 133 LPG/petrol bi-fuel taxis<sup>6</sup> and 120 diesel RMBs; as well as 61 GMBs operators that have diesel GMBs in their fleet), and that petrol and diesel are much more transferable than LPG, drivers and operators may be tempted to resell the subsidised petrol and diesel for profit if they are offered discounts directly at gas stations. We propose that petrol taxi and diesel PLB drivers/operators should claim reimbursement from the Government of one-third of their fuel costs for a period of six months upon presentation of refilling receipts or monthly statements of the “company fuel cards”.

9. As for implementation details, when petrol taxi and diesel PLB drivers refill their vehicles at gas stations during the six-month subsidy period, apart from a refilling receipt, the staff of gas stations will also issue to drivers a form printed by the TD with serial number. The staff will fill in basic information such as the registration mark and refilling amount on the form, as well as affixing a dedicated chop for the subsidy scheme on the form and receipt. Drivers may apply to the TD<sup>7</sup> for the reimbursement of one-third of the expenditure on petrol or diesel through autopay by producing the original copies of the relevant forms and receipts<sup>8</sup>. Upon receipt of the application, the TD will process promptly and complete the reimbursement procedure in about two months with all necessary information. The TD will issue a written notice to inform the applicant whether the reimbursement application is approved and the approved amount, etc.

10. The TD will maintain close liaison with the taxi and PLB trades, and arrange briefings to enhance their understanding of the details of the measures.

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<sup>6</sup> LPG/petrol bi-fuel taxis run on LPG primarily, with petrol being used only occasionally. Hence, drivers of these vehicles do not need to refill their vehicles with petrol frequently.

<sup>7</sup> Applicants may apply to the TD at any time within the six-month subsidy period but all reimbursement applications must be submitted within two months upon the termination of the subsidy scheme.

<sup>8</sup> If diesel GMB drivers refill their vehicles at gas stations by using the “company fuel card”, they will not be issued the “refilling form” and the operators concerned may apply to the TD for reimbursement of one-third of the expenditure on diesel by producing the monthly statement of the fuel card concerned.

The TD will also work with the oil companies to distribute leaflets at gas stations, and set up enquiry hotline to widely publicise the subsidy measures concerned. It is expected that 59 000 taxi drivers, 2 000 RMB drivers and 161 GMB operators will benefit from the above measures.

### ***Franchised buses, ferries and tramways***

11. Given the impact of the social and economic situations in the past six months on the five franchised bus companies<sup>9</sup>, the 12 operators of the 22 franchised and licensed ferry services<sup>10</sup> and HK Tramways, the Government proposes to reimburse one-third of the actual fuel/electricity cost incurred by these operators during the six-month period between 1 July and 31 December 2019. As the Government has been closely monitoring the financial position (including fuel/electricity cost) of these service operators, the administrative procedure for reimbursing the fuel/electricity cost is relatively simple. The operators would only need to submit the relevant bills on the fuel/electricity expenses to the TD for verification before the subsidy can be disbursed.

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<sup>9</sup> Including Citybus Limited, the Kowloon Motor Bus Company (1933) Limited, Long Win Bus Company Limited, New Lantao Bus Company (1973) Limited and New World First Bus Services Limited.

<sup>10</sup> Including two franchised ferry routes operated by the Star Ferry (i.e. “Central - Tsim Sha Tsui” and “Wan Chai - Tsim Sha Tsui”), five inner harbour routes (i.e. “North Point - Hung Hom”, “North Point - Kowloon City”, “North Point - Kwun Tong - Kai Tak”, “Sai Wan Ho - Kwun Tong” and “Sai Wan Ho - Sam Ka Tsuen”), 14 outlying islands routes (i.e. “Central - Cheung Chau”, “Inter-islands” between Peng Chau, Mui Wo, Chi Ma Wan and Cheung Chau, “Central - Mui Wo”, “Central - Peng Chau”, “Central - Yung Shue Wan”, “Central - Sok Kwu Wan”, “Aberdeen - Cheung Chau”, “Aberdeen - Yung Shue Wan (via Pak Kok Tsuen)”, “Aberdeen - Sok Kwu Wan (via Mo Tat)”, “Tuen Mun - Tung Chung - Sha Lo Wan - Tai O”, “Discovery Bay - Mui Wo”, “Discovery Bay - Central”, “Ma Wan - Central” and “Ma Wan - Tsuen Wan”), and a dangerous goods vehicular ferry route (i.e. “North Point - Kwun Tong”).

***Non-franchised buses, goods vehicles and local commercial mechanised vessels***

12. For NFBs, goods vehicles<sup>11</sup> and local commercial mechanised vessels<sup>12</sup>, they have been affected to varying degrees by the continuous public order events in recent months as well as the external economic environment such as the China-US trade war. The business of individual vehicles and vessels has also been subject to seasonal or cyclical effect. Of note also is the vast number of vehicles and vessels concerned (a total of some 7 400 NFBs, 120 000 goods vehicles and 7 900 local commercial mechanised vessels). As such, we propose to adopt the most direct and simple approach by providing a one-off non-accountable subsidy of \$5,000 to the owners of every licensed NFBs, goods vehicle and local commercial mechanised vessel to assist the trades to cope with the challenges owing to the prevailing environment.

13. Vehicle owners holding a valid licence for NFB or goods vehicle, and vessel owners holding a valid vessel operating licence (in case of a Class IV vessel let for hire or reward, also a valid Certificate of Survey or Certificate of Inspection in respect of the vessel) on the date of the announcement of the subsidy scheme, i.e. 22 October 2019, are eligible for a one-off non-accountable subsidy of \$5,000. Taking into account the impact of the social and economic situations in the past six months on relevant vehicle and vessel owners, and that the licences of some NFBs, goods vehicles and local commercial mechanised vessels might have expired and were yet to be renewed as at the date of the announcement of the scheme, i.e. 22 October 2019, we propose that the registered vehicle/vessel owners concerned should also be eligible for the one-off subsidy, provided that they once held valid vehicle licences for their NFBs or goods vehicles, or vessel operating licences for their local commercial mechanised vessels (in case of a

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<sup>11</sup> Covering light goods vehicles (including van-type light goods vehicle), medium and heavy goods vehicles.

<sup>12</sup> Including Class I, Class II and Class III vessels as well as Class IV vessels let for hire or reward, excluding the vessels for providing the 22 franchised and licensed ferry services mentioned in paragraph 11. “Mechanised vessels” refers to vessels installed with propulsion engine as indicated on the operating licence.

Class IV vessel let for hire or reward, also a valid Certificate of Survey or Certificate of Inspection in respect of the vessel) during the period from 1 June to 21 October 2019, and have their vehicle licences or vessel operating licences successfully renewed (in case of a Class IV vessel, also a valid or successfully renewed Certificate of Survey or Certificate of Inspection in respect of the vessel) on or before 21 April 2020.

14. The TD (in respect of providing subsidy to NFBs and goods vehicles) and the Marine Department (“MD”) (in respect of providing subsidy to local commercial mechanised vessels) will issue letters to inform all eligible vehicle and vessel owners of the detailed arrangements for the subsidy, and collect and verify their relevant information (e.g. names, addresses and bank account information) to facilitate disbursement of the subsidy.

#### ***School private light buses***

15. As a result of the continuous public order events over the past months, there has been a significant drop of extra-curricular activities after school or on weekends arranged by schools. Quite a number of extra-curricular activities have also been cancelled due to road conditions and social events. As such, the business of school private buses is greatly affected. Having regard to the hardship experienced by the trade, the Government proposes to extend the coverage of the subsidy scheme announced on 22 October 2019 and provide a one-off non-accountable subsidy of \$5,000 to owners of school private light buses with a view to providing appropriate support to the trade. The measure will benefit the owners of some 2 200 school private light buses. The disbursement arrangement will be the same as that for NFBs mentioned in paragraphs 13 to 14 above.

## FINANCIAL IMPLICATIONS

16. The estimated total expenditure for implementing the above fuel subsidy and one-off subsidy scheme is about \$1.522 billion. The breakdown is as follows:

- (a) Taxis and PLBs – The amount involved is about \$535 million, of which about \$405 million is used as fuel subsidy for drivers of 18 163 taxis as well as related expenses, and about \$130 million as fuel subsidy for drivers and operators of 4 350 PLBs as well as related expenses;
- (b) Franchised buses, ferries and tramways – The amount involved is about \$286 million, of which about \$250 million is used to reimburse the fuel cost of five franchised bus companies, about \$35 million to reimburse the fuel cost of 22 franchised and licensed ferry services, and about \$1 million to reimburse the electricity cost of HK Tramways;
- (c) NFBs, goods vehicles and local commercial mechanised vessels – The amount of subsidy involved is about \$680 million, of which about \$37 million is used as subsidy for the owners of NFBs, about \$603 million for the owners of goods vehicles, and about \$40 million for the owners of local commercial mechanised vessels;
- (d) School private light buses – The amount of subsidy involved is about \$11 million; and
- (e) Staff and administrative costs – For implementation of the subsidy scheme, the TD and the MD will incur an additional staff cost of around \$6 million (including the creation of time-limited non-directorate civil service and non-civil service posts, etc.) and administrative cost of about \$4 million (such as publicity and printing expenses, the cost for providing an electronic platform for collecting

bank account information from owners of NFBs, goods vehicles and school private light buses, and audit expenses, etc.) in 2020-21 and 2021-22.

17. In summary, the proposed subsidy measures can benefit around 61 000 taxi and RMB drivers, about 180 public transport operators, and owners of some 140 000 commercial vehicles/vessels.

### **IMPLEMENTATION TIMETABLE**

18. The Government is discussing with the related parties on the technical details of implementation (including the system arrangement of the oil companies and the claiming process of subsidy by the trades). The estimated expenditure of the proposal will be included and reflected in the draft Estimates of the relevant financial years and submitted to the Legislative Council for approval together with the Appropriation Bill 2020. Subject to the funding approval, we will take forward the preparatory work expeditiously with a view to rolling out the scheme in the second half of 2020.

### **ADVICE SOUGHT**

19. Members are invited to note the above information and comment on the scheme.

**Transport and Housing Bureau**  
**Transport Department**  
**Marine Department**  
**January 2020**