

## LCQ13: Fuel prices

Following is a question by the Hon Chan Hak-kan and a written reply by the Secretary for the Environment, Mr Wong Kam-sing, in the Legislative Council today (April 29):

Question:

Although international oil prices plummeted over the past two months, there has not been any significant drop in local retail prices of auto-fuels (local pump prices). In view of the business difficulties of the transport trades, the Government has earlier announced the provision of support to the transport trades under the Anti-epidemic Fund, including: offering a \$1 discount per litre of liquefied petroleum gas (LPG) (i.e. approximately a one-third discount) for 12 months for LPG taxis and public light buses (PLBs), and reimbursing one-third of the actual fuel cost for 12 months for petrol taxis and diesel PLBs. In this connection, will the Government inform this Council:

(1) as some members of the transport trades have pointed out that local pump prices are often "quick to rise and slow to drop", which has undermined the interests of motorists, of the Government's counter-measures;

(2) whether it knows if the Competition Commission will commence an investigation again on issues concerning local pump prices;

(3) as some professional drivers have relayed that since the reduction in local pump prices is much smaller than the drop in international oil prices over the same period, the subsidies on fuel expenses provided by the Government may ultimately be nibbled up by the oil companies, whether the Government had considered ways to prevent such a situation from occurring when it formulated the relevant measures; and

(4) given that international oil prices are currently on the low side, whether the Government will suggest that the oil companies increase their local oil reserves so as to hedge against part of the future rise in oil prices?

Reply:

President,

The consolidated replies of the Environment Bureau, the Commerce and Economic Development Bureau and the Transport and Housing Bureau to the above four questions are as follows:

(1) Hong Kong being a free market economy, the retail prices of auto-fuels are determined by oil companies having regard to commercial principles and their operating costs. As Hong Kong has no oil refinery, all auto-fuels sold locally are imported refined oil products instead of crude oil. Crude oil and refined oil (such as unleaded petrol and motor vehicle diesel) are different

products. Therefore, changes in international crude oil price are not necessarily the same as changes in the prices of unleaded petrol and motor vehicle diesel. In analysing the adjustments of local auto-fuel prices, it is more appropriate to make reference to the trend movements of Means of Platts Singapore (MOPS) and the import prices that oil companies pay. According to our observation, the trend movements of local retail prices of auto-fuels and those of MOPS are generally in line over the past year, although the timing and magnitude of the changes may not be exactly the same, due to the following factors:

- (i) MOPS prices fluctuate day by day, but oil companies do not adjust their auto-fuel prices daily;
- (ii) Local retail price of unleaded petrol includes tax and other operating costs of the oil companies, changes to the latter will also affect petrol prices; and
- (iii) Oil companies generally offer various kinds of discounts and concessions to their customers. According to our understanding, the walk-in discount and the membership card discount offered by some oil companies have increased from \$0.9 per litre in 2018 to a maximum of \$3 per litre at present, and the number of days on which the special discount is offered has also increased from one day a week to two to four days a week. Since customers can obtain various discounts and offers in different ways, the actual price after discount is lower than the retail price, and is also not a uniform price, suggesting that price competition exists in the market.

In view of the public's concerns about auto-fuel prices, the Competition Commission (Commission) had studied the local auto-fuel market. The study looked into petrol prices and costs from 2012 to 2015. The report was released in May 2017. The report pointed out that, the two features of which oil prices are higher in Hong Kong than anywhere else and that they are always the same across companies cannot be taken as hard evidence of anti-competitive conduct on their own. The study also indicates that there is no evidence that retailers are increasing their retail margins by passing-through increases in import costs more quickly than reductions, i.e. engaging in "rockets and feathers" pricing. Rather, the analysis undertaken by the Commission has shown that the timing of price changes in response to movements in input cost is broadly symmetric for both petrol and diesel.

Nonetheless, the Government appreciates the impact of auto-fuel prices on the public, and hence has been monitoring the changes in local retail prices of auto-fuels and comparing them with the trend movements of international oil prices (benchmarked against the Singapore free-on-board prices, i.e. MOPS, for unleaded petrol and motor vehicle diesel). The Government has also been in close contact with the oil companies, urging them to reduce prices promptly when international oil prices drop, in order to lessen the burden on the public. In fact, since January 2020, the oil companies have already lowered their prices 11 times, by a cumulative \$1.5 per litre. The Government also observed that, with the significant fluctuations in international oil prices, they have made adjustments eight times since March 2020, which are more frequent than before.

(2) The Commission would investigate a case if it has reasonable cause to suspect that a contravention of a competition rule under the Competition Ordinance (Ordinance) has taken place, is taking place or is about to take place. However, for effective investigation and to protect the interests of all parties involved, the Commission would generally not comment on whether or not to investigate a particular matter. It is also worth noting that, while the First Conduct Rule of the Ordinance prohibits cartel conducts (including price-fixing) that harm competition in Hong Kong, the Ordinance does not regulate the price levels set by businesses in the market.

(3) Most of the public light buses and taxis that can benefit from the fuel subsidy under the Anti-epidemic Fund (i.e. more than 3 500 public light buses and more than 18 000 taxis) use liquefied petroleum gas (LPG) as fuel. Currently, the market share of the 12 dedicated LPG filling stations in Hong Kong is about 65 per cent. The price of LPG at all these dedicated stations is regulated by the operation contracts, and the price ceiling is adjusted monthly according to a specified pricing formula. As the pricing formula factors include the international LPG price of the previous month, it is not possible for the dedicated stations to raise their gas price inappropriately to take advantage of the support measure. As regards the non-dedicated stations, the Government will keep a close watch over their adjustment of gas prices, to ensure that the relevant support measure can effectively assist the drivers and operators of taxis and minibuses.

As for diesel light buses and petrol taxis, there are only some 800 and some 100 of them respectively (the latter are mostly LPG/petrol bi-fuel taxis). These numbers are negligible out of the total number of diesel and petrol vehicles in Hong Kong. We consider that oil companies would have no incentive to inappropriately adjust the retail prices of diesel and petrol, even with the support measure in place.

(4) Since 1982, the various oil companies in Hong Kong and the Hong Kong and China Gas Company Limited have been maintaining strategic reserves of gas oil and naphtha in Hong Kong in accordance with a voluntary code of practice, at a level equivalent to 30 days' retained imports of gas oil and naphtha in the previous year. This arrangement serves to safeguard the sufficient supply of oil products in Hong Kong. As to how or when to procure oil products, that is the commercial decision of the oil companies, and the Government should not intervene.

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## **LCQ18: Relief measures implemented by the Government**

Following is a question by the Hon Holden Chow and a written reply by the Secretary for Labour and Welfare, Dr Law Chi-kwong, in the Legislative

Council today (April 29):

Question:

As Hong Kong's economy has been hard hit by the Coronavirus Disease 2019 epidemic, the business of quite a number of enterprises has plummeted, and many employees have been asked to take no pay leave or a pay cut, or have even been dismissed. Although the Government has implemented two rounds of relief measures through the Anti-epidemic Fund, quite a number of trades and employees still have not benefited from them, and are left feeling anxious and helpless. In this connection, will the Government inform this Council:

(1) Given that the business of thousands of education centres (including playgroups, music schools and dance schools) has plummeted or even dropped to zero amid the epidemic, and the income of their instructors has reduced substantially, but since these education centres have not been (as they are not required to be) registered under the Education Ordinance (Cap. 279), they are not eligible for the one-off grant of \$40,000 offered to each tutorial school in the second round of relief measures, whether the Government will relax the eligibility criteria for the grant to cover such education centres, in order to help them and the instructors concerned ride out the hard times;

(2) As the 50 per cent wage subsidy to be provided under the Employment Support Scheme in the second round of relief measures by the Government for an employer will be calculated on the basis of the actual wages paid to his employees for any one month from January to March this year to be nominated by the employer, but some employees have relayed that their wages during the said period were reduced substantially due to the epidemic, whether the Government will consider using the employees' average monthly wages for the past 12 months instead as the basis for calculation;

(3) As some people currently receiving the Working Family Allowance (WFA) have relayed that they were forced to take no pay leave in the past few months due to the epidemic and, as a result, their monthly working hours have failed to meet the requirements for receiving WFA, whether the Government will consider relaxing the working hour requirements for WFA in the coming 12 months; and

(4) Given that the second round of relief measures include the provision of a monthly subsidy of \$6,000 per person for red minibus drivers for a period of six months, but green minibus (GMB) drivers are not provided with this subsidy, whether the Government will consider treating them equally by providing GMB drivers with a subsidy of the same amount?

Reply:

President,

Having consulted the relevant policy bureaux and departments, my consolidated response to the Member's question is set out below:

(1) In view of the development of COVID-19 pandemic, the Education Bureau (EDB) has announced class suspension of all schools in Hong Kong to ensure

students' health and well-being based on public health considerations. It is hoped that reducing social contacts could lower the risk of infection as far as possible. Due to class suspension, private schools offering non-formal curriculum registered under the Education Ordinance (generally referred as "tutorial schools") could not provide or could only provide limited services, thus had no or drastic drop in income. The Government will provide a one-off relief grant of \$40,000 to these registered tutorial schools under the Anti-epidemic Fund. If these tutorial schools have met the criteria under the Employment Support Scheme (ESS) of the Anti-epidemic Fund, they may apply for the financial assistance to retain their staff. Centres or establishments which are not registered under the Education Ordinance may also receive the financial assistance through the ESS if eligible. In addition, if instructors of these centres are concurrently engaged by primary/secondary schools or non-governmental organisations' welfare service units subvented by the Social Welfare Department (SWD) as interest class instructors, or registered coaches under National Sports Associations/Sports Organisations (Note) and have performed sports instructor duties in the last year, they may choose to apply for the subsidy provided to instructors by either the EDB, SWD or Leisure and Cultural Services Department (LCSD).

(2) The wage subsidies provided by the Government are calculated on the basis of 50 per cent of wages in the "specified month". Employers may choose any one month from January to March 2020 as the "specified month" depending on the circumstances of their businesses. The number of staff (including those who were on duty, on no-pay leave or half-pay leave at that time) and the relevant wages during that month will be taken as the basis for the calculation of the subsidies.

Considering that the first case of novel coronavirus in Hong Kong was confirmed on January 23 and some companies issued year-end double payments in that month (i.e. Chinese Lunar New Year), with the current proposal (i.e. employers may choose January during which, the numbers and wages of employees were higher than those in subsequent months as the basis for calculating the amount of subsidies), the total amount of wage subsidies will enable employers to retain existing employees, and enable employers to provide at least half of the wages to employees who have been put on no-pay leave. Employers may even deploy the wage subsidies to rehire new staff to meet their operational needs. Nonetheless, we will continue to consult relevant stakeholders regarding the details of the scheme, with a view to best achieving the objective of assisting employers to retain employees who will otherwise be made redundant.

(3) The Working Family Allowance (WFA) Scheme mainly supports lower-income working households, and is designed to reward hard work. Therefore, apart from using household income as the eligibility criteria for the amount of allowance, we have put in place two higher working hour levels (i.e. 168 and 192 hours per month) on top of the basic working hour requirement of 144 hours per month to provide higher allowances to the households concerned. Besides, the Government has implemented a host of improvement measures, which include relaxing the eligibility criteria of the WFA Scheme, allowing household members to aggregate their working hours, increasing all rates of

subsidies, etc.

The Chief Executive announced on February 14, 2020 that the Anti-epidemic Fund would provide a special allowance to eligible WFA and Student Financial Assistance (SFA) households, regardless of whether they are unemployed or under-employed, so as to support low-income households to weather the deteriorating economic and employment conditions due to the COVID-19 epidemic. Broadly speaking, each WFA household will receive a special allowance equivalent to a two-month allowance, whereas SFA households will also receive a similar amount of allowance. The disbursement of the special allowance will commence by end-June 2020 in batches, and is expected to benefit about 200 000 households.

(4) Green minibus (GMB) drivers are employees of the GMB operators. Similar to drivers of franchised buses or employees of local ferries, they have an employment relationship with the relevant operators. GMB drivers are therefore covered under the ESS. However, red minibus (RMB) drivers are normally rentee-drivers, and have no employment relationship with the vehicle owners. They are thus not covered by the ESS. As such, the Government proposed a sector-specific scheme to provide each eligible active RMB driver with a monthly subsidy of \$6,000 for a period of six months from April 1, 2020 to September 30, 2020. We will continue to closely monitor the financial situation and operation of the GMB trade, with a view to providing appropriate support for the trade to tide over this difficult period.

Note: Refers to sports organisations that are receiving subvention (project base) from LCSD's Sports Subvention Scheme

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## [Community Care Fund further extends subsidy for CSSA recipients living in rented private housing](#)

The following is issued on behalf of the Community Care Fund Secretariat:

The Community Care Fund (CCF) will further extend the assistance programme Subsidy for Comprehensive Social Security Assistance Recipients Living in Rented Private Housing on May 1. The six-month programme is administered by the Social Welfare Department (SWD).

The programme, rolled out in October 2011, was launched annually in September 2013 to 2016. It was relaunched for two years in November 2017 and extended for six months in November 2019. It aims at providing a one-off subsidy to Comprehensive Social Security Assistance (CSSA) households living in rented private housing and paying rent which exceeds the maximum rent allowance (MRA) under the CSSA Scheme, so as to relieve their financial

burden arising from the periodic increase of rent. The SWD will now further extend the programme for six months to the end of October 2020.

Beneficiaries should be, as at July 31, 2019, tenants of private housing receiving CSSA with monthly rental payment exceeding the MRA under the CSSA Scheme. The CSSA recipients concerned are not required to submit applications as the SWD will identify eligible CSSA households based on information on reported rental records as at July 31, 2019, under the further extended period of six months (from May 2020 to October 2020). In accordance with the current model of operation, the monthly subsidy will be calculated based on the reported rental records as at July 31, 2019. The monthly subsidy will be either 50 per cent of the portion of the rental amount exceeding the applicable MRA or 15 per cent of the applicable MRA at the aforementioned date, whichever is the less. The subsidy will be disbursed during the further extended period of the programme in one go. It is expected to be deposited directly into the eligible CSSA households' bank accounts for CSSA payment from late May 2020.

For details of the programme, please visit the CCF website ([www.communitycarefund.hk](http://www.communitycarefund.hk)) or the SWD website ([www.swd.gov.hk](http://www.swd.gov.hk)). For enquiries, please call the CCF Team of the SWD at 3422 3090 during office hours.

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## [Latest arrangement of Drainage Services Department's public services](#)

The Drainage Services Department (DSD) announced today (April 29) that starting from May 4, its public services will largely resume as normal.

â€‹ In the interest of public health, measures will continue to be implemented to reduce social contact and prevent the risk of the spread of COVID-19. Such measures include:

- \* All DSD staff and members of the public will have their body temperatures checked when entering DSD premises. Only those with normal temperatures will be allowed access; and
- \* DSD staff who need to perform duties involving contact with the public will wear a mask. Members of the public entering DSD premises will also be required to wear a mask.

DSD facilities will continue to be temporarily closed for public visits or other educational purposes until further notice.

â€‹ The DSD will continue to review the situation and adjust relevant preventive measures as and when necessary.

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## Office hours for CEDD public services to return to normal on May 4

The Civil Engineering and Development Department announced today (April 29) that the office hours for the Civil Engineering Library, applications for dumping licences and sand removal permits, and the Permit and Licensing Office of the Mines Division will return to normal next Monday (May 4), with details as follows:

- (1) The Civil Engineering Library will open from 9am to 12.30pm and from 2pm to 5pm, Monday to Friday;
- (2) Applications for dumping licences and sand removal permits can be made from 9am to 12.30pm and from 1.30pm to 5.15pm, Monday to Friday; and
- (3) The Permit and Licensing Office of the Mines Division will open from 9am to noon and from 2pm to 4pm, Monday to Friday, and from 9am to 11am on Saturday.