

# LCQ1: Auto-liquefied petroleum gas prices and filling stations

Following is a question by the Hon Frankie Yick and a reply by the Secretary for the Environment, Mr Wong Kam-sing, in the Legislative Council today (June 5):

Question:

In early years, the Government granted sites at nil land premium for the setting up of 12 dedicated auto-liquefied petroleum gas (LPG) filling stations (dedicated stations). A cap on LPG pump prices (pump prices) at dedicated stations is required to be set in accordance with a prescribed pricing formula. As the pump prices at dedicated stations are lower than those at non-dedicated stations, there are always long queues at dedicated stations. At present, the vast majority of taxis and about 60 per cent of light buses are LPG-fuelled. In this connection, will the Government inform this Council:

(1) as some drivers have pointed out that the pump prices at non-dedicated stations are relatively higher, and the method for setting such prices lacks transparency, whether the Government will set a cap on the pump prices at non-dedicated stations by adopting a prescribed pricing formula, so as to reduce the pressure for the fares of taxis and light buses to rise; if so, of the details; if not, the reasons for that;

(2) given that the existing Design, Build and Operate contracts of the various dedicated stations will expire one after another in 2021 or 2022, whether the Government will grant leases for the sites of those stations at nil land premium again; if not, of its plans to keep pump prices at a low level, so as to avoid the fares of taxis and light buses rising substantially; and

(3) as some Lantau taxi drivers have pointed out that while there is no dedicated station on Lantau Island and they therefore have to patronise non-dedicated stations at which pump prices are higher, the fare scale of Lantau taxis is the lowest among the various types of taxis, whether the Government will set up dedicated stations on Lantau Island; if so, of the details; if not, its measures to alleviate those drivers' financial burden?

Reply:

President,

To improve roadside air quality and protect public health, the Government started planning to introduce liquefied petroleum gas (LPG) diesel taxis and public light buses in late 1990s. As LPG refilling network was non-existent at the time in support of vehicles using LPG, the Government had to quickly set up an LPG filling network with a reasonable coverage for

launching the LPG Vehicle Scheme. To achieve this target, the Government set up dedicated LPG filling stations (dedicated stations) at 12 locations in the urban areas and offered land at zero land premium to operators. In return, the LPG retail prices of the dedicated stations are governed by a pricing formula under the operation contract signed between the respective operators and the Government for ensuring the price of auto-LPG at a competitive level among auto fuel prices. On the other hand, the Government encouraged oil companies to provide LPG filling facilities at their existing/new petrol filling stations (i.e. non-dedicated LPG stations) to expand the LPG filling network progressively. In this regard, the Government has adopted since 2000 a policy to require new petrol filling stations under the land sales programme to provide LPG filling facilities, subject to safety requirements being met. Since 2011, the policy has been further strengthened, requiring new petrol filling stations to provide LPG filling nozzles at a number of not less than 25 per cent of the total number of petrol, diesel and LPG nozzles at the station, subject to safety requirements being met.

There are now 490 LPG filling nozzles (including 190 at the 12 dedicated stations and 300 at the 56 non-dedicated stations) throughout Hong Kong, with 90 nozzles installed on Hong Kong Island and 400 in Kowloon and the New Territories, of which 20 are installed in the non-dedicated stations in Lantau.

My specific responses to the question raised by Hon Frankie Yick are as follows:

(1) The LPG ceiling prices of the dedicated stations are set in accordance with the established formula stipulated in the operation contracts signed between the Government and the operators, which are regulated by the Electrical and Mechanical Services Department (EMSD). The pricing formula makes reference to two key elements, namely the LPG international price and operating cost. The LPG international price refers to the LPG international price of the preceding month while the operating cost is adjusted on the first day of February every year based on the change in the Composite Consumer Price Index of the previous year. The dedicated stations follow this mechanism to set the LPG ceiling prices on a monthly basis. The EMSD has been announcing the LPG international prices and the LPG ceiling prices of the dedicated stations by issuing press releases and posting the relevant information on its website for the reference of the public and the trades.

For non-dedicated stations, their operators are awarded land grants through open tender and oil companies will set their own retail price of auto-fuels, including LPG, on a commercial basis. Unlike the dedicated stations which were offered at zero land premium, it is difficult for us to require the non-dedicated stations to follow the LPG price adjustment mechanism of the dedicated stations. Nonetheless, operators of the non-dedicated stations would consider the LPG prices of the dedicated stations when setting their own LPG prices in order to maintain their competitiveness.

(2) The LPG filling network comprising both dedicated and non-dedicated stations is extremely important as it is an essential infrastructure for supporting the operation of about 18 000 LPG taxis and 4 500 LPG light buses

at present. Since the contracts of the 12 dedicated stations will expire from February 2021 to December 2022 in phases, the Government will review the operation of the LPG filling network and its demand, and consider the future arrangement for the dedicated stations before the expiry of those contracts.

(3) The LPG filling network has a comprehensive coverage throughout Hong Kong. The Government has no plan to establish additional dedicated stations but will continue, at this stage, to further expand the coverage of LPG filling network by stipulating conditions through tendering of petrol filling stations, requiring the installation of the LPG filling nozzles, subject to safety requirements being met.

There are now four non-dedicated stations in Lantau, of which three are in Tung Chung and one at Chek Lap Kok, providing a total of 20 LPG filling nozzles. They are sufficient to meet the demand of refilling service of 75 Lantau LPG taxis and 6 LPG green minibuses operating in that area. According to the Lantau LPG filling station operators, as Lantau is far away from the LPG depots, the transportation cost is higher and there are also fewer LPG vehicles refilling in the area. Thus, the stations' operating costs are apparently different from those in other areas and it is difficult to make a direct comparison in gas prices. However, when processing the fare adjustment applications for taxi and green minibus, the Government has been considering and assessing various relevant factors such as operating costs (including fuel cost) and revenue.

Thank you, President.