

LCQ4: Land for petrol filling stations

Following is a question by the Hon Chan Han-pan and a reply by the Secretary for the Environment, Mr Wong Kam Sing, in the Legislative Council today (May 27):

Question:

A report in 2010 pointed out that the land costs of petrol filling station (PFS) sites in Hong Kong were double of those in Tokyo and nearly six times of those in London. Last year, a PFS site was granted at a land premium of \$620 million which, when amortised over a 21-year lease term, amounted to as high as \$80,000 per day or \$316 per square foot per month. There are comments that high land cost is the main cause for the persistently high retail prices of auto-fuels (pump prices), and with Hong Kong's economy having been hard hit by the epidemic in recent months, reduction in pump prices can reduce the operating costs for commercial vehicles and the commuting costs of members of the public. In this connection, will the Government inform this Council

(1) of the criteria adopted by the authorities for determining the locations and the lease terms of PFSs; whether they have considered making available more PFS sites and shortening the lease terms so as to maintain flexibility in land uses and enhance competition in the fuel market; if so, of the details; if not, the reasons for that;

(2) given that since April 2018, the Government has published the tender amounts of unsuccessful tender submissions on an anonymous basis after the completion of the transaction procedures in relation to the successful bid under the Land Sale Programme, whether such arrangement is applicable to PFS sites put up for sale by tender; if not, of the reasons for that; and

(3) given that in early years, the Government granted sites at nil land premium for setting up 12 dedicated auto-liquefied petroleum gas (LPG) filling stations, with a cap placed on LPG retail prices at such filling stations which is set according to a prescribed pricing formula, whether the authorities will consider adopting such approach in granting PFS sites, with a view to reducing pump prices; if so, of the details and timetable; if not, the reasons for that?

Reply:

President, the Environment Bureau (ENB)'s consolidated reply to the three parts of the question is as follows:

In considering whether it is necessary to reserve land for petrol filling station (PFS) in area development, the Government will make reference to the relevant pointers in the Hong Kong Planning Standards and Guidelines, as well as the development plan and traffic volume of that area. In selecting specific locations as PFS sites, factors such as land use compatibility,

traffic, environmental and fire safety, etc. have to be taken into account.

As for the lease term of PFS sites, according to the decision of the Executive Council on July 15, 1997 on land leases and related matters, currently the lease term of land approved for sale by the Government for PFS use is 21 years.

The Competition Commission (the Commission) published a Report on Study into Hong Kong's Auto-fuel Market in May 2017, which sets out recommendations to enhance competition in Hong Kong's auto-fuel market, including putting up more PFS sites. Given that the existing PFSs can meet the current market demand for auto-fuel, and also in view of the land shortage in Hong Kong and the Government's policy to encourage the public to use public transport more and reduce reliance on private cars, we do not see a strong case for providing more land for PFS use at this stage.

Notwithstanding the above, in the light of the Commission's view that there are at present difficulties in converting privately-held land to PFS use, we have introduced facilitative measures to help the private sector convert privately-held land to PFS use, with a view to enhancing competition. In this connection, if the ENB receives a proposal to convert privately-held land to PFS use, we will provide one-stop service, which includes co-ordinating communications between the applicant and the relevant government departments, as well as the provision of technical advice by government departments to the applicant, during the process of planning permission/amendment of plan application (if applicable) and related land procedures. We believe that such an arrangement can save applicants' time in liaising with individual government departments, and help them respond to the views of the relevant departments more effectively.

In addition, where appropriate, the ENB plans to split some of the larger PFS sites into smaller ones, so as to increase the number of PFSs and promote competition. We are studying with relevant departments the feasibility of several PFS sites with potential for splitting, from the perspectives of traffic, fire safety, gas safety and the number of PFS in the vicinity, etc.

In terms of tendering arrangements, PFS sites are largely the same as government land in general. Liquefied petroleum gas (LPG) filling stations adopt a different approach because it is necessary to achieve the policy objective of converting diesel taxis and public light buses to auto-LPG ones as soon as possible in order to improve air quality. Therefore, a pricing formula and "zero-land-premium" are adopted to quickly set up an LPG filling network with a reasonable coverage, and to keep the price of auto-LPG at a competitive level. This special policy background and consideration does not apply to PFSs.

Hong Kong is small and densely populated. In urban areas where development is concentrated, roads are narrow and traffic is particularly heavy. The Government's policy is to encourage the public to use public transport more and reduce reliance on private cars. Although the Government does not use land premium for PFSs as a measure to control the growth of

vehicles, if the price of auto-fuel products is substantially reduced owing to lower than market value or even zero land premium for PFSs at the expense of government revenue, this is in fact using taxpayers' money to subsidise private vehicle owners, and may also indirectly encourage more people to own vehicles and motorists to make more unnecessary trips. This may worsen the traffic congestion problem and undermine the effectiveness of measures to improve roadside air quality. Hence, any proposal to change the existing tendering arrangements must be carefully considered from various policy perspectives such as environment, traffic, tax, land use, etc.

As for publishing the tender amounts of unsuccessful bidders on an anonymous basis after completion of the transaction procedures in relation to successful bid for land sale sites, it is currently applicable only to public tenders for residential, commercial and industrial sites.

President, Hong Kong being a free market economy, the retail prices of auto-fuels have all along been determined by the market itself. The role of the Government is to make its best effort to ensure a stable fuel supply, enhance the transparency of the prices of fuel products, and remove barriers to market entry, thereby promoting competition. We appreciate that the public is concerned about the auto-fuel market, and thank Hon Chan Han-pan for his suggestions. The ENB will study with relevant policy bureaux and departments to see if there is a need to further adjust existing policy measures.

Thank you, President.