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**LegCo Panel on Environmental Affairs and
LegCo Panel on Transport**

**Minutes of joint meeting
held on Tuesday, 15 January 2002 at 10:45 am
in Conference Room A of the Legislative Council Building**

Members present : Members of the LegCo Panel on Environmental Affairs

Hon CHOY So-yuk (Chairman)
Hon Cyd HO Sau-lan (Deputy Chairman)
* Ir Dr Hon Raymond HO Chung-tai, JP
Hon CHAN Yuen-han, JP
Hon WONG Yung-kan
Hon LAW Chi-kwong, JP
* Hon Tommy CHEUNG Yu-yan, JP
Dr Hon LO Wing-lok
* Hon LAU Ping-cheung
Hon Audrey EU Yuet-mee, SC, JP

Members of the LegCo Panel on Transport

Hon Miriam LAU Kin-yee, JP (Chairman)
Hon LAU Chin-shek, JP
Hon TAM Yiu-chung, GBS, JP
Dr Hon TANG Siu-tong, JP
Hon LEUNG Fu-wah, MH, JP

Non-Panel Members

Hon James TO Kun-sun
Hon Timothy FOK Tsun-ting, SBS, JP

Members absent : Members of the LegCo Panel on Environmental Affairs

Hon Martin LEE Chu-ming, SC, JP

Hon SIN Chung-kai

* Hon LAU Kong-wah

Hon Emily LAU Wai-hing, JP

Hon Henry WU King-cheong, BBS

Hon Michael MAK Kwok-fung

Members of the LegCo Panel on Transport

Dr Hon David CHU Yu-lin, JP

Hon Albert HO Chun-yan

Hon Mrs Selina CHOW LIANG Shuk-ye, JP

Hon CHAN Kwok-keung

Hon Andrew WONG Wang-fat, JP

Hon Andrew CHENG Kar-foo

Hon Abraham SHEK Lai-him, JP (Deputy Chairman)

Hon Albert CHAN Wai-yip

Hon WONG Sing-chi

(*Also members of the LegCo Panel on Transport)

Public officers attending : Environment and Food Bureau

Mr Thomas CHOW

Deputy Secretary

Mr Howard CHAN

Principal Assistant Secretary

Environmental Protection Department

Mr W C MOK

Principal Environmental Protection Officer

Clerk in attendance : Miss Becky YU
Chief Assistant Secretary (1)1

Staff in attendance : Mr Andy LAU
Chief Assistant Secretary (1)2

Mrs Mary TANG
Senior Assistant Secretary (1)2

Ms Debbie YAU
Senior Assistant Secretary (1)1

I Election of Chairman

In the absence of a quorum for a joint meeting at the beginning, members agreed that the meeting be proceeded as a meeting of the Environmental Affairs Panel, and that Miss CHOY So-yuk should take the chair. A quorum for the joint meeting was subsequently reached at 10:50 am.

II Retrofitting of particulate reduction devices on pre-Euro diesel vehicles

- (LC Paper No. CB(1) 769/01-02(01) — Background brief prepared by the
Legislative Council Secretariat
LC Paper No. CB(1) 769/01-02(02) — Information paper provided by the
Administration)

2. The Deputy Secretary for the Environment and Food (DSEF) briefed members on the findings of the trial of retrofitting pre-Euro diesel heavy vehicles with catalysts by highlighting the salient points in the Administration's consultation paper. He said that the Administration intended to seek approval from the Finance Committee (FC) in the coming few months for funding to retrofit about 41 000 pre-Euro diesel heavy vehicles with catalysts or other installations. Subject to FC's approval, tenders would be invited shortly afterwards and contracts would be awarded around mid-2002. Sufficient time would be allowed for the successful bidders to identify suitable location for retrofitting and to train adequate technicians for the retrofitting work. The retrofitting programme was expected to start in September 2002 for completion by mid-2004.

Measures to encourage replacement of pre-Euro diesel vehicles

3. Mr LAU Chin-shek indicated that the transport associations under the Confederation of Trade Unions were in support of the proposed retrofitting programme to be funded by the Administration. The Confederation was however of the view that the most effective way to reduce roadside air pollution was to encourage the replacement of older and more polluting diesel vehicles by new Euro models. In this connection, he enquired if the Administration was prepared to exempt the First Registration Tax (FRT) for replacement of heavy diesel vehicles in an attempt to encourage early replacement.

4. DSEF said that the retrofitting programme was targeted at those diesel heavy vehicles which were due for replacement in five to six years' time. Retrofitting vehicles

with catalysts would serve as an interim measure to reduce exhaust emissions pending the natural replacement of the vehicles. The Administration had been considering various means to encourage the early replacement of existing older diesel vehicles, both light and heavy vehicles, by new Euro models and was of the view that the most effective way to encourage early replacement would be a combination of an incentive and a disincentive. The incentive could be in the form of FRT concession for replacement vehicles while the disincentive could be higher Annual Licence Fees for older vehicles. If full FRT exemption were to be granted to all pre-Euro vehicles, there would be a revenue loss of about \$2.8 to \$3 billion. He had consulted the transport trade on the two-pronged approach but the trade objected to the disincentive element. He drew Members' reference to the arrangement in Sweden where vehicles aged 15 years or more were disallowed to enter certain urban districts while Germany levied a higher road tax on more polluting vehicles.

5. Mr LAU emphasized the need for the Administration to take a more proactive role in resolving the pollution problem. DSEF said that the Administration had been actively consulting the transport trade on the abatement measures. While incentives were well received by the transport trade, disincentives were apparently not welcome. Nevertheless, the Administration would continue its dialogue with the trade with a view to working out acceptable measures to address the pollution problem.

6. Ms Miriam LAU affirmed that the DSEF had consulted the trade on the two-pronged approach. She however held the view that the use of incentives alone would suffice as in the case of the switch to lead-free petrol in the 1990s where only incentives were offered to encourage the switch. She also questioned the propriety of introducing disincentives to discourage the use of pre-Euro diesel heavy vehicles which were imported before 1995 with Government's approval. She stressed that the retrofitting programme was only an interim measure, and that the ultimate solution to the pollution problem was to replace the existing fleet of pre-Euro heavy diesel vehicles with new Euro models. As such, the proposed exemption of FRT was worth pursuing despite that it would incur \$2.8 billion which was a relatively small sum as compared to the replacement cost of heavy diesel vehicles which could amount to \$1 million per vehicle.

7. While acknowledging that the provision of tax incentives might encourage the early replacement of some vehicles, DSEF said this would not help achieve much improvement in reducing the total emissions from vehicles as it was a matter of time that they would eventually retire naturally and would be replaced by vehicles which complied with the latest Euro emission standards. Besides, as the proposed exemption of FRT was minimal as compared to the replacement cost of heavy diesel vehicles, this would not provide much incentive to the replacement. Apart from environmental considerations, the Administration also had to take into account other factors such as financial considerations in deciding the way forward. Therefore, the two pronged approach comprising incentives and disincentives was considered a more feasible option. Ms LAU urged the Administration to continue its dialogue with the trade, adding that

members of the trade might not be able to afford to replace their vehicles with new Euro models amid the present economic situation.

8. Mr LAW Chi-kwong said that instead of exempting FRT for replacement of all pre-Euro diesel vehicles, consideration could be given to granting more favourable tax discounts for replacement of pre-Euro diesel vehicles under say 10 years of age. Another alternative was to work out a graded charging system of vehicle licence fees based on emission rather than capacity so that more polluting pre-Euro diesel vehicles would be subject to higher licence fees. DSEF agreed that as different types of diesel vehicles such as pre-Euro, Euro I, II and III had different levels of exhaust emission, it might be feasible to impose different requirements on these vehicles based on their emission performance. The Administration would continue its dialogue with the transport trade in this regard.

Trial to retrofit pre-Euro diesel heavy vehicles

9. Noting that diesel heavy vehicles which required to keep their engines running while stationary to support their on-board ancillary equipment would emit white smoke after retrofitting with catalysts, Mr LAU Chin-shek asked if tax incentives could be provided to encourage the replacement of these vehicles by new Euro models. Mr LAW Chi-kwong also questioned the propriety for the Administration to consider introducing legislation at this stage to make the installation mandatory before the problem of white smoke could be resolved. DSEF clarified that the Administration would only introduce the legislation upon successful completion of the retrofitting programme in mid-2004. If the problem of white smoke could not be resolved by that time, consideration would be given to exempting this category of long-idling vehicles from the mandatory installation scheme. Meanwhile, the Administration would continue to explore the means to resolve the problem.

10. Ms Miriam LAU said that while the trade was generally supportive of the retrofitting programme, concerns had been raised on the availability of sufficient choices of catalysts and possible monopolization of maintenance and repair services. DSEF advised that upon the successful completion of the retrofitting programme and the introduction of legislation on mandatory installation, the Administration would draw up an approved list of catalysts for reference by the trade. Manufacturers of catalysts who could meet the prescribed functional requirements of the installation laid down in the technical specification could apply to the Environmental Protection Department (EPD) for inclusion in the approved list of catalysts. As such, there should not be any concern about the lack of choices of approved catalysts. So far, seven different catalysts had been identified for use in the retrofitting programme. As regards maintenance of catalysts, DSEF said that these normally did not require regular maintenance. Besides, service providers would be required to provide a five-year warranty for the approved catalysts.

11. Given the wide variety of pre-Euro diesel heavy vehicles in Hong Kong, Ms LAU expressed concern that it might be difficult to identify suitable catalysts for

different vehicles. By way of illustration, the Kowloon Motor Bus Company had tried six different catalysts before a suitable catalyst could be identified for its fleet of buses. She asked if the Administration would provide technical support to the trade in this respect. The Principal Environmental Protection Officer advised that tenderers would be required to provide evidence to show that their catalysts were effective in reducing exhaust emissions. The contractors would be required to conduct random checks on the performance of their catalysts and would take follow-up actions as necessary.

Retrofitting programme for pre-Euro diesel light vehicles

12. The Chairman enquired about the outcome of the retrofitting programme for the 24 000 pre-Euro diesel light vehicles and its effectiveness in reducing exhaust emissions. DSEF said that the retrofitting programme had achieved the desired objectives of reducing particulate and smoke emissions of a vehicle by an average of 30%. The Administration planned to introduce legislation shortly to make it mandatory for pre-Euro diesel light vehicles to be installed with approved particulate traps or catalysts with effect from 1 April 2002. As members would need sufficient time to scrutinize the legislation with a view to addressing the trade's concerns about mandatory installation and cleansing requirements for particulate traps, Ms Miriam LAU urged the Administration to introduce the legislation as soon as practicable if it intended to adhere to the proposed timeframe. DSEF said that there should not be any problem in the cleansing of particulate traps, particularly when the effluent concerned could be directly discharged into the sewerage system. As regards the proposed effective date for the mandatory installation of approved particulate traps or catalysts for pre-Euro diesel light vehicles, DSEF advised that there was a need for early introduction of the mandatory installation requirement having regard to the environmental and health benefits it would bring to the community. However, the commencement date could be changed if members considered that more time should be allowed for those who had not participated in the retrofitting programme to comply with the installation requirements. There were about 6 000 pre-Euro diesel light vehicles which did not participate in the Government retrofit programme. Before the programme ended, the Administration had thrice reminded owners of pre-Euro diesel light buses of the need to install approved particulate traps or catalysts. That resulted in a surge in the number of applications for installation towards the end of the programme. In the written reminders, the Administration had also told the vehicle owners its plan to mandate the installation. As the installation of a particulate trap was a simple process which would only take 15 minutes, only a short time would be required for those who had not yet retrofitted their vehicles to have the installations.

III Any other business

13. There being no other business, the meeting ended at 11:15 am.

Legislative Council Secretariat
22 February 2002