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Legislative Council

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Panel on Environmental Affairs

**Minutes of special meeting
held on Friday, 5 January 2007, at 3:00 pm
in Conference Room A of the Legislative Council Building**

- Members present** : Hon Audrey EU Yuet-mee, SC, JP (Chairman)
Hon Martin LEE Chu-ming, SC, JP
Hon SIN Chung-kai, JP
Hon LAU Kong-wah, JP
Hon Miriam LAU Kin-ye, GBS, JP
Hon LEE Wing-tat
Hon TAM Heung-man
- Members attending** : Hon LI Fung-ying, BBS, JP
Hon Tommy CHEUNG Yu-yan, JP
- Members absent** : Hon Emily LAU Wai-hing, JP (Deputy Chairman)
Hon WONG Yung-kan, JP
Hon CHOY So-yuk, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
- Public officers attending** : **For item I**
Environmental Protection Department

Mr Roy TANG
Deputy Director of Environmental Protection (3)

Mr TSE Chin-wan
Assistant Director (Air Policy)

Mr MOK Wai-chuen
Principal Environmental Protection Officer (Mobile
Source Control)

For item II

Environment, Transport and Works Bureau

Dr Sarah LIAO
Secretary

Ms Anissa WONG
Permanent Secretary (Environment)

Environmental Protection Department

Mr Raymond FAN
Deputy Director of Environmental Protection (2)

Dr Malcolm James BROOM
Assistant Director (Water Policy)

Drainage Services Department

Mr CHUI Wing-wah
Acting Assistant Director of Drainage Services (Sewage
Services)

Attendance by Invitation : For Item I

Clear The Air

Ms Annelise CONNELL
Chairperson

Hong Kong Kowloon and New Territories Public and
Maxicab Light Bus Merchants' United Association

Mr LEUNG Hung
Chairman

Concrete Industry Workers Union

Mr CHAN Sam-choi
Secretary

Hong Kong Container Tractor Owner Association

Mr Ricky WONG
Chairman

Lam Tin Wai Hoi Public Light Bus Association

Mr NGAI Chor
Chairman

Hong Kong Public Light Bus Owner and Driver Association

Mr LAI Ming-hung
Secretary General

Fine Luck Ltd

Mr TSE Tak-ho
Director

Lok Ma Chau China - Hong Kong Freight Association

Mr Stanley CHAING
Chairman

Public Omnibus Operators Association Ltd

Mr YEUNG Wai-hung
Chairman

The Hong Kong Institution of Engineers

Ir WONG Kwok-lai
President

China Hong Kong and Macau Boundary Crossing Bus Association Ltd

Mr CHAN Chung-yee
Secretary General

The Conservancy Association

Mr HUNG Wing-tat
Director

Kowloon Truck Merchants Association Ltd

Mr LEUNG Kun-kuen
Chairman

Hong Kong Kowloon Taxi and Lorry Owners' Association Ltd

Mr TSE Ming-chue
Director

Hong Kong Guangdong Transportation Association

Mr SZETO Fai
Secretary General

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

Staff in attendance : Mrs Mary TANG
Senior Council Secretary (1)2

Miss Mandy POON
Legislative Assistant (1)4

Action

I. Encouraging owners of Pre-Euro and Euro I diesel commercial vehicles to replace their vehicles by offering one-off grant

Meeting with Clear The Air
(LC Paper No. CB(1)617/06-07(01))

Ms Annelise CONNELL, Chairperson of Clear The Air, said that she was speaking on behalf of taxpayers who would have to finance a scheme that would increase pollution. She pointed out that the money spent on the incentive scheme to encourage early replacement of diesel public light buses (PLBs) had in fact prolonged the time for replacement of PLBs by extending the scheme for a further year. The information on the average lifespan of PLBs provided by the Administration was also contradictory. Before spending \$3.2 billion on the present scheme, there was a need to ascertain the number of polluting vehicles on the roads and to conduct a proper evaluation on the environmental benefits of the scheme because the Government might have to pay far more than the actual market value of the old vehicle being replaced. She stressed that air quality could not be improved unless legislation was introduced to ban unclean vehicles on the roads.

Meeting with Hong Kong Kowloon and New Territories Public and Maxicab Light Bus Merchants' United Association
(LC Paper No. CB(1)617/06-07(02))

2. Mr LEUNG Hung, Chairman of the Hong Kong Kowloon and New Territories Public and Maxicab Light Bus Merchants' United Association, said that while welcoming the introduction of the proposed scheme, the Association questioned whether the scheme could be implemented on 1 April 2007 as scheduled since Euro IV vehicles had yet to be introduced in Hong Kong. Despite that the Government had announced the levels of the one-off grants, the prices of Euro IV vehicles had not been made known to the public. Given the present difficult business environment, the Association hoped the replacement period of the scheme could be extended. It was also pointed out that the incentive of \$80,000 for the replacement of diesel PLBs with electric models was of no use to the trades in view of the operational constraints of electric PLBs in Hong Kong.

Meeting with Concrete Industry Workers Union
(LC Paper No. CB(1)617/06-07(03))

3. Mr CHAN Sam-choi, Secretary of Concrete Industry Workers Union, said that the Union held the view that the one-off grants should also be provided to owners of pre-Euro and Euro I diesel commercial vehicles who scrapped their vehicles without replacing them. Consideration should be given to extending the replacement scheme to 36 months so that owners could have more time to consider replacing their vehicles with cleaner models, which should not be confined to new Euro IV models as the more environment friendly Euro V models were expected to be introduced in 2009. The Union also called for controls on the prices of Euro IV vehicles and the provision of information on the maintenance of Euro IV vehicles.

Meeting with Hong Kong Container Tractor Owner Association
(LC Paper No. CB(1)617/06-07(04))

4. Mr Ricky WONG, Chairman of the Hong Kong Container Tractor Owner Association, said that the container trades were facing a difficult operating environment. He pointed out that it would not be scientific to assess the performance of container vehicles by their age. As container vehicles had to undergo performance tests before being allowed on the roads, there was no reason why these vehicles had to be mandated to retire after a certain age. While supporting the early implementation of the proposed scheme, he was of the view that a mid-term review should be conducted on the effectiveness of the scheme to see if an extension would be required.

Meeting with Lam Tin Wai Hoi Public Light Bus Association

5. Mr NGAI Chor, Chairman of the Lam Tin Wai Hoi Public Light Bus Association, said that while the Association supported for early replacement of pre-Euro and Euro I vehicles, it held the view that diesel PLBs should be used instead

of liquefied petroleum gas (LPG) models on account of the high maintenance cost of the latter and the limited availability of LPG stations.

Meeting with Hong Kong Public Light Bus Owner and Driver Association
(LC Paper No. CB(1)617/06-07(05))

6. Mr LAI Ming-hung, Secretary General of the Hong Kong Public Light Bus Owner and Driver Association, said that while welcoming the provision of incentives to encourage the replacement of polluting vehicles, the Association was concerned about the lack of coordination in the implementation of the scheme. He said that before announcing the scheme, the Administration should have put in place a comprehensive plan on the timely supply of Euro IV vehicles for replacement together with details on the pricing of these vehicles. In the absence of such information, car dealers could take advantage of the opportunity to increase the vehicle price. In the end, it would be car dealers rather than vehicle owners who could benefit from the scheme. The Association urged the Government to take remedial measures to rectify the situation.

Meeting with Fine Luck Ltd

7. Mr TSE Tak-ho, Director of Fine Luck Ltd, said that the one-off grants should be offered to those vehicle owners who had earlier replaced their pre-Euro and Euro I vehicles with the cleaner Euro III models in response to the Government's request.

Meeting with Lok Ma Chau China - Hong Kong Freight Association
(LC Paper No. CB(1)617/06-07(06))

8. Mr Stanley CHAING, Chairman of Lok Ma Chau China - Hong Kong Freight Association, said that while welcoming the provision of incentives to encourage the replacement of pre-Euro and Euro I diesel vehicles, the Association was concerned that the one-off grants of 12% and 18% of the respective vehicle taxable value might not be attractive enough as vehicle owners would need to bear the remaining cost for replacement. Apart from the one-off grants for vehicle owners, consideration should be given to offering incentives to the vehicle industries in the manufacture of more environment friendly vehicles to facilitate the replacement. The provision of duty-free fuels for cross-boundary vehicles should also be considered with a view to encouraging vehicle owners to switch to cleaner fuels. He further pointed out that it was unfair to mandate the retirement of vehicles at a certain age given that all vehicles had to undergo performance and emission tests before being allowed on the roads.

Meeting with Public Omnibus Operators Association Ltd
(LC Paper No. CB(1)617/06-07(07))

9. Mr YEUNG Wai-hung, Chairman of Public Omnibus Operators Association Ltd, questioned why the incentive scheme had to be implemented on 1 April 2007 instead of 1 October 2006 in tandem with the introduction of Euro IV emission

standards. The present arrangement, which did not provide for retrospective grants for replacement, would be unfair to those vehicle owners who had replaced their vehicles between 1 October 2006 and 1 April 2007. It would also discourage the replacement of vehicles during the interim and delay the needed improvement to air quality. The one-off grants should be extended to owners of pre-Euro vehicles which were registered after 1 April 1997. While the transport trades were willing to cooperate with the Government in improving the environment, there was a need for more coordination in the implementation of the scheme. The Association found it absurd that the pricing of Euro IV vehicles and their maintenance details were still unavailable to the trades despite that the relevant emission standards were introduced on 1 October 2006.

Meeting with the Hong Kong Institution of Engineers
(LC Paper No. CB(1)617/06-07(08))

10. Ir WONG Kwok-lai, President of the Hong Kong Institution of Engineers, said that the Institution supported the Government's initiative to replace pre-Euro and Euro I diesel commercial vehicles as this would help alleviate the air pollution problem, particularly with regard to roadside air quality. However, the Institution considered that this approach had the shortcoming of discouraging development of innovative technologies, which might also be equally effective in tackling the problem. Comparing to the cost incurred from replacement of pre-Euro and Euro I diesel vehicles, a modest amount of investment to develop suitable technologies was worth pursuing. Consideration should also be given to allowing owners to enjoy the same financial incentives if their replacement vehicles could demonstrate equal or superior environmental performances of Euro IV vehicles. As proper maintenance was paramount to reducing polluting emissions, this had to be carried out by professionally trained vehicle mechanics.

Meeting with China Hong Kong and Macau Boundary Crossing Bus Association Ltd
(LC Paper No. CB(1)617/06-07(09))

11. Mr CHAN Chung-ye, Secretary General of China Hong Kong and Macau Boundary Crossing Bus Association Ltd, said that while the Association was in support of the incentive scheme to encourage the replacement of pre-Euro and Euro I diesel vehicles, it was concerned that the one-off grants were only applicable to vehicles which were first registered on or before 1 April 1997. This might not be fair to owners of cross-boundary vehicles because unlike most vehicles which were imported for use, cross-boundary vehicles had to undergo a retrofitting process which would take months to complete. Together with the time for registration with the relevant authorities in both sides, some of the cross-boundary vehicles might not be able to meet the prescribed cut-off date of 1 April 1997 and became ineligible for the grants. Therefore, the Association strongly urged the Administration to dispense with the cut-off date and extend the one-off grants to all owners of pre-Euro and Euro I vehicles who replaced their vehicles. Consideration should also be given to extending the replacement period of the scheme to allow more time for owners so that they would rush into buying a replacement vehicle at a much higher price.

Meeting with the Conservancy Association
(LC Paper No. CB(1)617/06-07(10))

12. Mr HUNG Wing-tat, Director of the Conservancy Association, stressed that the purpose of the incentive scheme was to improve the environment and not to benefit the trades. While appreciating the Administration's efforts to restore the environment and health through financial incentives, he emphasized the need to ensure that public money was well spent. Despite the investment of \$3.2 billion, the Association was concerned that the scheme might not be able to achieve the intended improvements to air quality unless this was complemented with a mandatory ban on all pre-Euro and Euro I vehicles from running on the roads after a certain date. It was further pointed out that the inclusion of those who did not participate in the earlier replacement programme for diesel PLBs in the current scheme would convey a wrong message to the trades that there would always be a better scheme even if they missed the previous one, thereby creating unfairness to those who had already accepted the Government's advice to replace their diesel PLBs with LPG models. Lastly, he emphasized the need to step up enforcement against emissions from polluting vehicles by requiring them to pass annual testing on respirable suspended particulates (RSP) and nitrogen oxides (NO_x).

Meeting with Kowloon Truck Merchants Association Ltd
(LC Paper No. CB(1)617/06-07(11))

13. Mr LEUNG Kun-ken, Chairman of the Kowloon Truck Merchants Association Ltd, said that the Association supported the proposed incentive scheme, but was concerned that the one-off grant might not provide sufficient incentive to encourage the replacement, particularly of heavy diesel vehicles given their comparatively higher cost. Given the limited availability of Euro IV heavy vehicles for replacement, car dealers had started to increase their prices after the announcement of the incentive scheme. He also expressed dissatisfaction that some members had requested for the mandatory retirement of aged vehicles after a certain date. He pointed out that with proper maintenance and repair, aged vehicles could still be able to perform well on the roads as they were required to undergo annual performance test. It was hoped that the Government would increase the level of the one-off grants to assist the transport trades in maintaining their vehicles.

Meeting with Hong Kong Kowloon Taxi and Lorry Owners' Association Ltd

14. Mr TSE Ming-chue, Director Hong Kong Kowloon Taxi and Lorry Owners' Association Ltd, said that while the Association was supportive of the Blue Skies Campaign and the proposed incentive scheme, it considered that the replacement period for pre-Euro vehicles should be extended from 18 months to three years to enable owners to switch to the more environment friendly Euro V diesel vehicles which would be introduced in 2009.

Meeting with Hong Kong Guangdong Transportation Association

15. Mr SZETO Fai, Secretary General of the Hong Kong Guangdong Transportation Association, said that the Association welcomed the proposed incentive scheme, but was concerned about the inadequacy of the one-off grants. By way of illustration, the one-off grant of about \$110,000 per heavy diesel vehicle would not provide sufficient incentive for the replacement with a Euro IV heavy diesel vehicle which would cost about \$700,000. There were also concerns whether the new Euro IV vehicles would be able to run on the lower grade diesel supplied in the Mainland. In this connection, the Association would request for the provision of duty-free diesel at stations near the border to facilitate the operation of cross-boundary vehicles.

General discussion

16. The Deputy Director of Environmental Protection (3) (DDEP(3)) said that most of the points raised by deputations had been discussed at length during the consultation exercise on the proposed incentive scheme. A summary of the Administration's response was set out in the information paper provided to the Panel for the meeting on 20 December 2006. He would however like to take the opportunity to clarify the allegation from Clear The Air that the Government had provided conflicting information on the service lifespan of PLBs. He said that the average age of PLBs on the roads was eight years, and that the average age of the vehicles in a vehicle fleet was different from the average service life span of these vehicles. With the provision of one-off grants under the Electric/LPG PLB Replacement Scheme, the average age of diesel PLBs at the time of replacement was 11.6 years which was much shorter than the normal service lifespan of PLB, which was 14 years. On the availability of Euro IV diesel vehicles, he said that as at late December 2005, there were 124 diesel models which had already been accepted by Environmental Protection Department (EPD) as Euro IV models. Meanwhile, the EPD and TD were working with vehicle suppliers to ensure adequate supply of replacement vehicles by 1 April 2007. He added as vehicle prices were market driven, Euro IV models would become more competitive when more of them were available on the market. As regards the Conservancy Association's concern that the provision of one-off grant under the present scheme for the replacement with Euro IV diesel PLBs ran contrary to the previous programme to encourage early replacement of diesel PLBs with LPG models, DDEP(3) said that the one-off grant of \$40,000 for the replacement with Euro IV diesel PLBs was lower than that of \$60,000 for the replacement with LPG models. The different levels of incentives were meant to reflect their relative difference in environmental benefits. The proposed arrangement would help to encourage PLB operators who did not join the previous replacement for reasons such as limited availability of LPG stations to replace their vehicles with Euro IV diesel models.

17. Miss TAM Heung-man opined that the provision of incentives to subsidize owners to replace their vehicles, who were indeed the polluters, might run contrary to the polluter-pays principle. Given that owners would tend to maximize the service lives of their vehicles and would not replace them until just before the expiry of the scheme, consideration might need to be given to offering higher grants to those who opted to replace their polluting vehicles sooner, thereby allowing earlier improvement to air quality. Apart from replacement of polluting vehicles, she also enquired whether other measures, such as increasing penalty for smoky emissions, tightening emission control on vehicles, retrofitting with emission reduction devices and stepping up vehicle maintenance, could be introduced to tackle the problem of air pollution.

18. On polluter-pays principle, DDEP(3) explained that the levels of grants being offered for the replacement of pre-Euro and Euro I diesel vehicles would only amount to 12% and 18% respectively of the average vehicle taxable value of newly registered vehicles in the same class. Hence, owners would still have to bear about 80% of the replacement cost. As regards the proposal of offering higher grants to those who opted to replace their polluting vehicles sooner to encourage earlier replacement, DDEP(3) said that this might create uncertainty to vehicle owners because they needed time to decide on whether to undertake a substantial financial commitment to replace their old diesel commercial vehicles, particularly under the relatively bleak economic outlook for the transport trades, and the incentive period was already short, thereby affecting the effectiveness of the scheme. Apart from replacing polluting vehicles, efforts had also been made to reduce vehicle emissions. These included the increase of fixed penalty for smoky emissions from \$450 to \$1,000 and the mandatory requirement for all pre-Euro diesel heavy vehicles to be retrofitted with emission reduction devices. Stringent emission standards were also applied to respective classes of vehicles. In response to Miss TAM's further question, DDEP(3) said that the Administration would be pleased to conduct a mid-term review of the progress of application for the one-off grants under the scheme.

19. Ms Miriam LAU said that the success of vehicle replacement schemes would depend on the level of incentives offered. By way of illustration, the LPG Taxi Scheme was implemented with great success and within the specified time frame because the level of incentives was sufficient to encourage the switch and LPG taxis were widely available at reasonable prices. However, this might not be the case in view of the limited availability and high pricing of Euro IV diesel vehicles. The situation would be further aggravated if car dealers increased the prices of vehicles to take advantage of the subsidies, thereby defeating the purpose of encouraging early replacement of polluting vehicles. She enquired about the availability of replacement models and the measures to be taken to prevent car dealers from profiteering under the scheme.

20. Mr LAI Ming-hung/Hong Kong Public Light Bus Owner and Driver Association said that while Euro IV diesel PLBs were available, there were at present no Euro IV LPG PLBs on the market. Mr YEUNG Wai-hung/Public Omnibus Operators Association Ltd said that at present almost all of the 24-seater Public

Omnibuses were supplied by Crown Motors Limited. While orders for Euro IV models had recently been placed with distributors, he had been advised these would only be made available in six months' time. Mr LEUNG Kun-kuen/Kowloon Truck Merchants Association Ltd said that there was limited availability of Euro IV vehicles and their costs had yet to be made known to the trades. As far as he knew, the cheapest Euro III heavy diesel vehicle would cost over \$500,000.

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21. Through the Chair, the Principal Environmental Protection Officer (Mobile Source Control) said that as the Euro IV emission standards had just been introduced in October 2006, vehicle suppliers were in the process of making available on the local market their Euro IV models, including the setting of prices for these vehicles. At members' request, the Administration undertook to provide a list of the 124 Euro IV diesel models which had been approved by EPD. On measures to prevent car dealers from profiteering under the scheme, DDEP(3) said that the Administration would not interfere with the pricing of vehicles, which was a commercial decision. He was confident that by 1 April 2007, there would be sufficient supply of Euro IV diesel models for owners to choose from. If car dealers had set their vehicle prices beyond the market, they would not be able to sell their vehicles nor benefit from the scheme.

22. Mr Martin LEE said that car dealers would tend to maximize their profits by increasing the vehicle prices in line with the subsidies offered under the scheme. He agreed with Clear The Air on the need to ascertain the environmental benefits of the scheme to ensure that public money was well spent to bring about actual improvement to air quality. He also supported Conservancy Association's suggestion of stepping up enforcement against emissions from polluting vehicles and requiring them to pass annual performance test. DDEP(3) said that the vehicular emissions of RSP and NO_x would be reduced by 74% and 38% respectively if all pre-Euro and Euro I diesel commercial vehicles were replaced by Euro IV models. The territory-wide emissions of RSP and NO_x would be reduced by 18% and 10% respectively. The effectiveness of the scheme in improving air quality would depend on the number of vehicles replaced under the scheme. Mr HUNG Wing-tat/Conservancy Association said that roadside air quality had not been significantly improved despite the successful implementation of the LPG Taxi Scheme. This might be attributed to the increase in pollution arising from the aging of heavy diesel vehicles on the roads. To resolve the problem of roadside air pollution, consideration should be given to mandating the retirement of polluting heavy diesel vehicles of a certain age. However, as the trades were strongly opposed to mandatory retirement, a more practicable solution would be to require these vehicles to pass more stringent performance test, particularly in respect of RSP and NO_x emissions, and to conduct more roadside emission tests.

23. Noting that the Administration intended to submit the proposal to the Finance Committee (FC) for consideration at its meeting on 2 February 2007, the Chairman sought members' stance on the proposal. As it appeared that some of the trades' concerns had not been adequately addressed, particularly the possible profiteering by car dealers, Mr Martin LEE said that he would need to consult his political party before deciding on whether the proposal should be supported. Ms Miriam LAU said

that the principle of providing subsidies for the replacement of polluting vehicles had been well supported by the transport trades. However, administrative measures had to be taken to ensure that the one-off grants would be used to subsidize the transport to replace their polluting vehicles, and not to be pocketed by car dealers.

24. In concluding, the Chairman said that based on the views expressed at the current meeting and the last meeting on 20 December 2006, it seemed that the Panel had no objection to the funding proposal being submitted to FC but it would be up to individual members to decide whether the proposal should be supported. In the event that the Administration would like to further discuss the proposal with the Panel before this was submitted to FC, consideration could be given to including the subject in the agenda of the next regular meeting on 22 January 2007.

II. Application of polluter-pays principle in the provision of sewage services
(LC Paper No. CB(1) 600/06-07(01) — Paper provided by the Administration)

25. The Secretary for the Environment, Transport and Works (SETW) briefed members on the proposals of strengthening the application of the polluter-pays principle in the provision of sewage services. The Administration intended to increase the Sewage Charge (SC) gradually so as to raise the cost recovery rate from the present 54% to 80% in 10 years' time and to set out the fee levels in the coming 10-year period in a single item of legislation.

26. Mr Tommy CHEUNG questioned the need to strengthen the application of the polluter-pays principle in the provision of sewage services when efforts were made by the trades to conserve water and reduce pollution loads. SETW said that the Administration was well aware of the trades' concerns about SC and the Trade Effluent Surcharge (TES). Given the efforts of the trades in reducing their pollution loads, the Administration was prepared to conduct a review of the generic Chemical Oxygen Demand (COD) through trade-specific surveys which would take about 12 months to complete. Subject to the results of the review, consideration would be given to adjusting the generic COD values. Mr CHEUNG considered that the review should be conducted as early as possible. SETW confirmed that the Administration would endeavour to expedite the review. Meanwhile, efforts had been made to extend the validity period of reassessment from one year to two years and to reduce the sampling requirement for small TES accounts from three days to two days in light of the trades' concerns.

Admin 27. Mr Tommy CHEUNG requested the Administration to provide a breakdown on the fixed and variable costs incurred from the provision of sewage treatment facilities, and the part which had been recovered from SC collected over the past 10 years. SETW explained that there was a need for early implementation of sewage treatment plans since the untreated effluent was at the moment having a severe impact on the receiving waters. To this end, the environmental impact assessment

(EIA) for Harbour Area Treatment Scheme (HATS) Stage 2A and the site investigations and design work for the tunnels had already commenced with a view to completing the project in 2014. At the same time the disinfection process would be implemented in 2009 to allow early improvement to the water quality, particularly the beaches in Tsuen Wan. In line with the polluter-pays principle, the Government would bear the capital investment in sewerage infrastructure, including the HATS Stage 2A, while users would shoulder the recurrent cost for the provision of sewage services through payment of SC. However, it was worth to note that the level of SC in Hong Kong was very low as compared to other cities in the world, even by the year 2016. The Permanent Secretary for the Environment, Transport and Works (Environment) (PSETW(E)) said that with the Panel's support, the Administration intended to introduce the relevant subsidiary legislation on SC in March 2007 for implementation within the current legislative session. Given the short lead time, and the fact that the application of the polluter-pays principle in the provision of sewage services was related to HATS Stage 2A to be discussed at the next regular meeting on 22 January 2007, the Chairman considered that the affected trades and interested parties should be invited to the next meeting to express their views.

28. Mr LEE Wing-tat said that while Members of the Democratic Party were supportive of the polluter-pays principle, they supported Mr Tommy CHEUNG's request that a review of the generic COD of TES trades should be conducted as soon as possible. He further questioned if the investment in sewerage infrastructure was worthwhile given that seven beaches at Tsuen Wan had to be closed due to poor water quality following the commissioning of HATS Stage 1. He said that the Administration owed the public an explanation on the closure of these beaches, which could only be re-opened in 2011 upon the completion of HATS Stage 2A.

29. In response, SETW explained that the water quality of Tsuen Wan beaches was affected by a number of factors, including the sewage discharged from the surrounding unsewered villages as well as the effluent discharged from the Stonecutters Island Sewage Treatment Works (SCISTW). The cumulative effect of these discharges had adversely affected the beach water quality. To this end, funds had been earmarked for the connection of unsewered villages to the public sewerage system, thereby preventing sewage from polluting the nearby beaches and rivers. If HATS Stages 1 and 2 had been commissioned in tandem, the problem of deteriorating beach water quality leading to the closure of Tsuen Wan beaches might not have occurred.

30. Mr LEE Wing-tat was not convinced that discharges from unsewered villages had resulted in the closure of Tsuen Wan beaches, which was only necessitated after the commissioning of SCISTW. He also queried the efficacy of HATS Stage 1 given that the Tsuen Wan beaches could only be re-opened in 2011. He pointed out that it would be difficult for members to support future funding unless they were convinced of the effectiveness of HATS Stage 1. SETW affirmed that both the effluent from unsewered villages and SCISTW had contributed to the closure of Tsuen Wan beaches. The Administration intended to advance the commissioning of disinfection facilities to provide for early improvements to water quality.

31. Given that sewage had only undergone primary treatment, the Chairman considered that efforts should be made to expedite the implementation of secondary treatment. She enquired whether EIAs of major sewage projects had been completed. SETW explained that the chemically enhanced primary treatment currently adopted in Hong Kong was more advanced than primary treatment and had been very effective in reducing biological oxygen demand and removing pollutants, such as suspended solids, from sewage. It was found to work best with sewage with high salinity content. While the implementation of biological treatment would reduce nitrates and phosphates, the Administration had the responsibility to optimize the introduction of the costly and complicated biological treatment systems to tie in with the actual need. Studies had to be conducted on the cost-effectiveness of the treatment methods under HATS Stage 2B which was a very expensive project with significant demand for land resources. She also assured members that EIA studies would be conducted on all major sewage projects.

Increment of SC over a 10-year period

32. Noting that the fee levels of SC in the coming 10 years would be set out in a single item of legislation with no review during the interim, Miss TAM Heung-man expressed concern that the proposed arrangement would lack flexibility. She enquired if the proposed 10-year period could be shortened so that a review of SC could be conducted every two to three years taking into account the prevailing economic situation. She also emphasized the need for public consultation and strenuous efforts to control the cost of sewage treatment schemes. SETW explained that environmental policies would require long-term commitment and continued support. The spanning of the SC increases over a period of 10 years was meant to limit the impact on an average household to a modest and gradual increase of about \$1 per month annually, which should be generally acceptable to the public. The average increases in SC had been worked out based on accurate but conservative estimates and hence there was no need to review the increases over a period of two to three years. The fee levels would remain unchanged over the next 10 years, even in times of inflation. This was meant to provide certainty to consumers on the one hand and to ensure that the Administration had sufficient funding for the operation of sewage infrastructure on the other. Meanwhile, the Drainage Services Department had been keeping a close watch on the costs for the provision of sewage services and would endeavour to reduce the operating costs as far as possible.

33. Mr LEE Wing-tat also found it hard to accept the proposed fee increments over a period of 10 years. This would set a precedent for other policy bureaux which might submit similar proposals under the pretext of ensuring financial stability in taking forward policy initiatives. Instead of approving fee increments over a 10-year period, he suggested that a mid-term review should be conducted so that the progress of implementation could be effectively monitored. SETW said that in order to implement large-scale sewage infrastructure projects, there was a need to ensure the availability of adequate recurrent resources to sustain their operation. It would not serve the purpose if the SC levels were to be reviewed every few years. This was

evidenced by the non-viability of the Sewage Services Trading Fund as a result of unstable funding.

34. Mr Martin LEE said that members would need to see results and be assured of the sustainability of development before they could support the proposed SC increases. It was also questionable, from a constitutional point of view, whether members could approve SC increases for a period of 10 years which straddled over the next Legislative Council term. The proposal might set a precedent for pre-approval of fee increments over an extended period of time, albeit this would have the advantage of providing certainty on the fee levels to the trades. SETW explained that improvements to the environment could be made in the long term through the implementation of sewage projects, the operational funding of which was recovered from the levy of SC. The proposed increases in SC would be set out in subsidiary legislation. Legal advice had been sought on the propriety of the proposal which would provide stability of funding as well as certainty to the trades on the fee levels. At members' request, the Administration undertook to provide the legal advice on the legality of setting SC increases for the next 10 years.

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35. While acknowledging that the setting of fee increments for the next 10 years in a subsidiary legislation would provide certainty on the fee levels, Mr LAU Kong-wah opined that it failed to allow for the needed flexibility to cope with changes, particularly when no review would be conducted during the interim. Referring to paragraph 16 of the information paper which stated that the Administration would monitor the recovery rate annually and unless deviations were very substantial and persistent, it would not propose to review and adjust the SC fees in the coming 10 years once the finalized proposals for the increases had been endorsed by the Legislative Council, he enquired about the actions to be taken in the event of substantial and persistent deviations during the prolonged projection period. Since the cost of sewage infrastructure could not be recovered within a 10-year period, he asked if the fee increments would continue to apply after the projection period and if so, whether the increments could be more modestly spread over a longer time.

36. In response, SETW said that the Administration was not able to estimate the deviations at this stage. As an interim target, SC would be increased gradually so as to raise the cost recovery rate from about 54% at present to about 80% in 10 years' time. Since the SC increases, estimated at only \$1 per month annually, had been very modest, it might not be appropriate to further spread the increase over an extended period. In fact, some green groups had requested that the SC increases should be implemented at one go instead of over a 10-year period to encourage water conservation and pollution reduction, as in the case of South Korea.. In Hong Kong, the amount of sewage discharged was found to have been reduced by 4% to 5% following the introduction of SC. Mr LAU Kong-wah considered that the effectiveness of sewage infrastructure projects in improving water quality, which should be measurable by objective indicators, should be set out along with the fee increments to facilitate monitoring by the public.

III. Any other business

37. The Chairman informed members that the Administration had agreed to repeal the Air Pollution Control (Volatile Organic Compounds) Regulation to allow more time for the relevant Subcommittee to resolve some technical issues with the Administration. In order for the Regulation to be re-introduced as soon as practicable for implementation on 1 April 2007, there was suggestion that a subcommittee should be formed under the Panel to continue discussion of the Regulation. However, this would not be necessary as a new subcommittee would be formed under the House Committee to study issues relating to the Regulation.

(Post-meeting note: At the meeting of the House Committee on 12 January 2007, members agreed to set up a new Subcommittee to study issues relating to the Regulation so that it could be re-introduced as soon as possible for implementing on 1 April 2007. The first meeting of the Subcommittee was scheduled for Thursday, 18 January 2007, at 8:30 am.)

38. Referring to a press report of the South China Morning Post on 5 January 2007 which stated that a senior Government officer, who had requested anonymity, had criticized members of the Pro-Democratic Camp for delaying the implementation of the Air Pollution Control (Volatile Organic Compounds) Regulation which aimed to improve the air quality in Hong Kong, Mr Martin LEE said that he was very upset by the allegation. He pointed out that as a member of the Subcommittee, he had the duty to ensure that the Regulation was in order. Given that the Administration had yet to consider technical issues relating to the consequences resulting from the discrepancies between the definitions of “manufacture” and “manufacturer” and the need to impose liability on retailers on the sale of VOC-containing products, it had agreed to repeal the Regulation. Hence, it was not appropriate for the Government officer to comment anonymously on members, who had all along been supporting environmental protection measures. He considered that the officer concerned owed members an apology.

39. The Chairman said that the press report would give the public a wrong impression that members were trying to procrastinate the control on VOCs which was indeed not the case. The proposed imposition of liability on retailers was meant to provide more comprehensive control on VOC-containing products.

40. SETW said that the Regulation as drafted had gone through extensive consultation. It was agreed that liability of control on VOC-containing products was imposed on manufacturers and importers rather than retailers. If liability were to be imposed on retailers for the sale of VOC-containing products, the Regulation would have to be substantially amended and there might not be sufficient time to do so. As the Administration would review the effectiveness of the control regime after implementation of the Regulation, consideration could be given to introducing further control if warranted. She was fully aware that both members and the Administration were committed to protect the environment and the misunderstanding might have

occurred in the reporting of comments made. It was hoped that the Regulation could be successfully implemented on 1 April 2007 to enable early control on VOCs which were a contributory factor in the formation of photochemical smog. The affected trades were well prepared for the implementation on the control of VOC-containing products.

41. There being no other business, the meeting ended at 5:20 pm.

Council Business Division 1
Legislative Council Secretariat
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