

立法會
Legislative Council

LC Paper No. CB(1) 223/08-09(09)

Ref. : CB1/PL/EA

Panel on Environmental Affairs

Meeting on 24 November 2008

**Background brief on early replacement of
pre-Euro and Euro I diesel commercial vehicles**

Purpose

This paper sets out the progress of early replacement of pre-Euro and Euro I commercial diesel commercial vehicles, and gives a brief account of the views and concerns expressed by the Panel on Environmental Affairs (the Panel).

Background

2. Road vehicles are the second largest source of air pollution in Hong Kong, contributing to 25% and 27% of the territory-wide emissions of respirable suspended particulate (RSP) and nitrogen oxides (NO_x) respectively. Of the vehicle fleet, diesel commercial vehicles are key contributors to roadside air pollution, accounting for 90% and 80% of the total vehicular emission of RSP and NO_x. Pre-Euro and Euro I diesel commercial vehicles, in particular, account for a disproportionately large share of emissions from the diesel commercial vehicle fleet^{Note}. If all pre-Euro and Euro I diesel are replaced with the cleaner Euro IV models, the vehicular emissions of RSP and NO_x will be reduced by 74% and 38% respectively. The territory-wide emissions of RSP and NO_x will be reduced by 18% and 10% respectively.

One-off grant to encourage the early replacement of pre-Euro and Euro I diesel commercial vehicles

3. To bring early relief to roadside pollution, the Government introduced in April 2007 a one-off grant scheme to encourage the early replacement of pre-Euro and Euro I diesel commercial vehicles as follows –

- (a) a one-off grant will be provided to vehicle owners for scrapping their pre-Euro and Euro I diesel commercial vehicles and replacing them

^{Note} The overall fleet size of the diesel commercial vehicles hovered at around 120 000 over the past few years, of which about 59 000 were of the pre-Euro and Euro I categories.

with new Euro IV commercial vehicles;

- (b) the grant will be made available, upon the launching of the scheme, for 18 months for pre-Euro diesel commercial vehicles (i.e. until 30 September 2008), except those pre-Euro vehicles over four tones long-idling operational mode that have been retrofitted with emission reduction devices under the Government's incentive scheme; and three years for Euro I diesel commercial vehicles and those pre-Euro vehicles over four tones of long-idling operational mode that have been retrofitted with emission reduction devices under the Government's incentive scheme (i.e. until 31 March 2010); and
- (c) the grant will be pegged to the category to which the original vehicle or the replacement vehicle belongs, whichever is the less.

The scheme is expected to cost the Government some \$3,176 million if all eligible vehicle owners take up the grant.

Deliberations of the Panel

4. The incentive scheme was discussed by the Panel at its meetings on 20 December 2006 and 5 January 2007. Deputations, including green groups and the transport trades, were invited to attend for discussion at the latter meeting.

5. While acknowledging that the original intent of the various incentive schemes was to improve air quality, some members pointed out that the provision of subsidy for owners, who were indeed the polluters, to replace their vehicles might run contrary to the polluter-pays principle. In the absence of any provision to make the retirement of pre-Euro and Euro I diesel commercial vehicles mandatory, owners could choose to continue the use of their polluting vehicles as long as they wished. The prolonged duration of the proposed incentive scheme until 2010 might also delay the replacement process as owners tended to replace their vehicles shortly before the expiry of the scheme. To encourage replacement of polluting vehicles, consideration might be given to offering higher grants to those who opted to replace their vehicles sooner. Other disincentives, such as higher annual licence fees or road restrictions, should be considered if owners chose not to take part in the proposed incentive scheme.

6. There was also concern that car dealers would increase the prices of replacement vehicles in line with the subsidies offered under the scheme for profiteering. Members agreed that administrative measures had to be taken to ensure that the one-off grant would be used to subsidize owners to replace their polluting vehicles, and not to be pocketed by car dealers.

7. The relevant funding proposal was endorsed by the Finance Committee on 9 February 2007.

Latest development

8. After the introduction of the one-off grant, the number of pre-Euro and Euro I diesel commercial vehicles had been reduced by about 8 700 vehicles and 3 600 vehicles respectively up to July 2008. Among these vehicles, 5 234 pre-Euro and 2 113 Euro I diesel commercial vehicles had been replaced under the one-off grant, making a one-off grant payment of about \$299 million. According to feedback from the transport trades, the slow replacement of aged diesel commercial vehicles is mainly attributed to poor business outlook and, in particular, high oil prices. Vehicle owners also need sufficient time to ascertain the suitability of Euro IV diesel commercial vehicles for local operation before committing themselves to replacing their present vehicles. Taking into account the concerns raised by the trades, and the benefits of replacing the remaining aged diesel commercial vehicles to roadside air quality, the Administration has decided to extend the application period of pre-Euro diesel commercial vehicles for 18 months from 30 September 2008 to 31 March 2010 to dovetail with the deadline for Euro I diesel commercial vehicles.

9. In addition to extending the application period for the one-off grant, the Administration will look into the option of raising the vehicle licence fees of old vehicles to provide an added impetus to vehicle owners to replace their old vehicles with cleaner ones.

10. The Administration intends to brief the Panel on the early replacement of pre-Euro and Euro I diesel commercial vehicles. The subject has been scheduled for discussion at the Panel meeting on 24 November 2008.

Relevant papers

Information papers provided by the Administration for the EA Panel meeting on 20 December 2006

<http://www.legco.gov.hk/yr06-07/english/panels/ea/papers/ea1220cb1-513-3-e.pdf>

Minutes of the EA Panel meeting on 20 December 2006

<http://www.legco.gov.hk/yr06-07/english/panels/ea/minutes/ea061220.pdf>

Minutes of the EA Panel meeting on 5 January 2007

<http://www.legco.gov.hk/yr06-07/english/panels/ea/minutes/ea070105.pdf>

LegCo Brief of extension of application period for the early Replacement of Pre-Euro Commercial Vehicles

<http://www.legco.gov.hk/yr08-09/english/panels/ea/papers/ea-epd080925-e.pdf>

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Legislative Council Secretariat
18 November 2008