

Subcommittee on Improving Air Quality
Responses to the Follow-up Actions
Arising from the Discussion at the Meeting on 10 March 2010

- (1) **To advise the basis upon which the funding of \$540 million and the take-up rate of 26% under the proposed one-off grant to encourage early replacement of Euro II diesel commercial vehicles is arrived at.**

In estimating the funding requirement for the proposed one-off grant scheme for expediting the replacement of Euro II diesel commercial vehicles, we have made reference to the participation rate of the one-off grant scheme for pre-Euro and Euro I diesel commercial vehicles, the number of registered Euro II diesel commercial vehicles as at end 2009 and the proposed grant levels (**Annex A**).

Participation Rate

Up to end February 2010, about 24% of the eligible pre-Euro and Euro I diesel commercial vehicles participated in the grant scheme. We expect that the participation rate would eventually reach about 26% at the end of the scheme. We have assumed the same level of participation in the proposed scheme for early replacement of Euro II commercial vehicles.

Funding Estimates

At present, there are about 28,000 registered Euro II diesel commercial vehicles. Based on the make-up of the current Euro II diesel commercial vehicle fleet, the average grant per vehicle is estimated at about \$72,000. Applying the estimated rate of participation at 26% of the eligible vehicles, we estimate about 7,500 vehicles will be replaced under the grant scheme. We have therefore put down a funding requirement of \$540 million for the proposed scheme.

- (2) **To provide more details on the proposal to raise vehicle licence fees of aged commercial vehicles, including implementation time-table, extent of increase etc. To also advise whether consideration would be given to buying back these aged commercial vehicles before raising their licence fees with a view to reducing the numbers of such vehicles on the roads.**

Raising the Vehicle Licence Fee of Aged Commercial Vehicles

To provide extra impetus for the early replacement of these more polluting vehicles, we propose appropriate measures should be introduced to deter continuing use of aged and polluting commercial vehicles. One of the measures could be increasing the vehicle licence fees of these vehicles to reflect the “polluter pays” principle. The following parameters may be considered in developing the increase in fees:

- (a) older commercial vehicles, which tend to be more polluting, should face a higher degree of increase in their vehicle licence fees;
- (b) the extent of the proposed increase in vehicle licence fees should be of sufficient deterrence against the continuing use of aged commercial vehicles. **Annex B** sets out the schedule of the current vehicle licence fees, which range from \$1,289 to \$8,429 a year;
- (c) the threshold for differentiating aged commercial vehicle should be reasonable. Pre-Euro and Euro I emission standards were adopted before April 1995 and between April 1995 and September 1998 respectively. By January 2011, most of these vehicles would have been at least 15 years by age or more. As compared with the prevailing Euro IV emission standards, pre-Euro and Euro I vehicles emit 2 times and 1.5 times more in NO_x, and 30 times and 15 times more in RSP, respectively. Having regard to their heavy emission as compared with prevailing statutory standards for new vehicles and for administrative clarity, we suggest to

adopt vehicle age of 15 years as threshold for increasing the licence fee to deter usage of aged and polluting vehicles; and

- (d) higher vehicle licence fees should apply to all aged commercial vehicles irrespective of their fuel types. Same as diesel vehicles, petrol or liquefied petroleum gas vehicles will emit more pollutants in the course of ageing because of engine wear and tear. The continuing operation of these aged vehicles should also be deterred.

The above guiding principles were proposed to the Panel on Environmental Affairs for discussion at its meeting on 24 November 2008 via LC paper No: CB(1)223/08-09(08). However, the Panel did not support the proposal.

Subject to the support of the Subcommittee of the above guiding principles, we will work out the implementation details (including implementation time-table, extent of increase etc.,) for consulting the transport trades and the Subcommittee

Buying Back Aged Commercial Vehicles

We do not consider buying back aged commercial vehicles a cost-effective means to reduce their numbers on the road. According to Transport Department's registration record, in the period between February 2007 and end 2009, about 8,300 vehicles eligible for the grant were retired without replacement. If the vehicle owners decide to scrap their old vehicles without replacing them, the chances are they no longer have operational needs for the vehicles. There is thus no additional environmental benefit to be gained which could justify providing public subsidies to owners of those vehicles already destined to be scrapped.

**The Proposed One-off Grant Scheme
for Euro II Diesel Commercial Vehicles**

The Level of the Proposed One-off Grant

The grant level is set at 18% of the annual average vehicle taxable values of newly registered vehicles in 2009. Details of the grant level are tabulated in the following tables (the figures of existing grant levels for Euro I vehicles are shown for comparison purpose only)–

Goods vehicles

Vehicle Category	Permitted Gross Vehicle Weight (W) Tonnes	Proposed Grant Levels for Euro II (\$)	Existing Grant Levels for Euro I (\$)
Light Goods Vehicle (Van Type)	$W \leq 1.9$	17,000	14,000
	$1.9 < W \leq 5.5$	36,000	30,000
Light Goods Vehicle (Non-van Type)	$W \leq 1.9$	27,000	25,000
	$1.9 < W \leq 5.5$	47,000	43,000
Medium Goods Vehicle	$5.5 < W \leq 10$	59,000	51,000
	$10 < W \leq 13$	70,000	61,000
	$13 < W \leq 16$	88,000	77,000
	$16 < W \leq 24$	121,000	97,000
Heavy Goods Vehicle	$24 < W$	139,000	113,000

Non-franchised public and private buses

Non-franchised public and private buses	Proposed Grant Levels for Euro II (\$)	Existing Grant Levels for Euro I (\$)
17 to 30 seats	84,000	73,000
31 seats and above	203,000	173,000

Public and private light buses*

Euro IV Diesel Light Bus	Euro IV LPG Light Bus	Electric Light Bus
\$77,000	\$88,000	\$92,000

*The grant levels for LPG and electric light bus have been adjusted in the light of an increase of vehicle taxable value of LPG light buses of about 15% between 2006 and 2009.

Current Vehicle Licence Fee Levels

Vehicle Class	Current Annual Licence Fee (HK\$) (2009) (Traffic Accident Victims Assistant Fund Levy included)
(1) Goods Vehicle and Special Purpose Vehicle (excluding Van-type Light Goods Vehicle)	
Permitted gross vehicle weight:	
(a) not exceeding 1.9 tonnes	1,289
(b) exceeding 1.9 tonnes but not exceeding 5.5 tonnes	2,404
(c) exceeding 5.5 tonnes	4,694
(2) Van-type Light Goods Vehicle	
Permitted gross vehicle weight:	
(a) not exceeding 1.9 tonnes	2,229
(b) exceeding 1.9 tonnes but not exceeding 5.5 tonnes	4,254
(3) Public Bus*	
(a) for the driver; and	25
(b) addition fee for each seat for a passenger	50
(4) Private Bus*	
(a) for the driver; and	25
(b) additional fee for each seat for a passenger	45
(5) Public Light Bus	8,429
(6) Private Light Bus	2,749
(7) Taxi	3,159

* Annual and 4-month TAVA Fund levies per Bus are \$114 and \$38 respectively.