

Annex 1

**Administration's response to the deputations' written submissions for the meeting on 10 March 2010
and the Motor Traders Association of Hong Kong's written submission on 13 April 2010**

Federation of Hong Kong Transport Worker Organization

Views	Responses
<ul style="list-style-type: none"> • Opposed the Environmental Protection Department's proposal to raise the licence fees of aged commercial vehicles as it will make the trade's operations more difficult. 	<ul style="list-style-type: none"> • We have reviewed the effectiveness of the Pre-Euro/Euro I one-off grant scheme. It showed that relying on subsidy scheme alone to speed up vehicle replacement is not as effective as expected. We need to introduce suitable disincentives, like higher licence fee for older commercial vehicle, to motivate owners to replace their aged vehicles. We thus proposed again at the Subcommittee on Improving Air Quality Air Quality meeting on 10 March 2010 to increase licence fee for aged commercial vehicles. We will follow up with the Subcommittee on this proposal and other disincentives to speed up phasing out these more polluting commercial vehicles to improve roadside air quality.
<ul style="list-style-type: none"> • Buy back licence from aged vehicles through refund of first registration tax so operators may use the refund to buy newer (but not brand new) vehicles for their business. 	<ul style="list-style-type: none"> • The Government has already provided one-off grant for the replacement of pre-Euro and Euro I vehicles, the effect of which is similar to the refund of first registration tax.

Federation of Hong Kong Industries

Views	Responses
<ul style="list-style-type: none"> • Provide better incentives for vehicle replacement by measures such as increasing grant amount and waiving licence fee. 	<ul style="list-style-type: none"> • We consider that the grant level for pre-Euro and Euro I diesel commercial vehicles were already attractive to vehicle owners. The highest amount a vehicle owner may receive is about \$170,000. The amount is higher than that of Japan and European Union countries such as France and Germany which operate similar schemes. To ensure prudent spending of public money, we have no reason to increase the grant level. • At the end of the replacement scheme, including special arrangement for retaining the eligibility of applying for the grant, we received about 17,500 applications which were about 30% of eligible vehicles.
<ul style="list-style-type: none"> • Should increase the supply of vehicle types. Some Mainland made vehicles are of good quality and cost less. The Administration should carry out emission test on more vehicle types. Those passed the test should be included in the plan. 	<ul style="list-style-type: none"> • Regardless of origin, all vehicles complying with prevailing emission standard, currently Euro IV or better, may be registered for use in Hong Kong. • We have all along encouraged vehicle suppliers to introduce different commercial vehicle models, including Mainland made ones, for the industry to choose. Whether and when to introduce a vehicle model is a matter of their business

Views	Responses
	decision.
<ul style="list-style-type: none"> Given the high maintenance fee charged by original manufacturers, the Government may consider encouraging manufacturers/agents to open up their hardware and software, components and maintenance technology to allow the market to provide similar services. Vehicle owners will have more choices with saving on time and maintenance fee. To ensure the services is up to the standard, the authority may suggest vehicle manufacturers by way of franchise to increase the provision of maintenance service. In addition, the Government may also consider provide training course for maintenance mechanics to cope with the increasing demand for maintenance service. 	<ul style="list-style-type: none"> We always requested suppliers to provide vehicle maintenance technology information to help the maintenance technicians to acquire the necessary techniques in vehicle maintenance. Some suppliers have already provided such information to maintenance technicians. We will continue to encourage vehicle suppliers to open up their vehicle maintenance technology information. On the other hand, the Vocational Training Council (VTC) offers regular and short-term training courses to train vehicle mechanics and help them keep up with the latest maintenance technology. VTC also has a vehicle maintenance technology database for the mechanics to acquire related maintenance techniques and information.

HK, Kln & NT Public & Maxicab Light Bus Merchants' United Association

Views	Responses
<ul style="list-style-type: none">Extend the deadline of the grant scheme for new commercial vehicles by one year to give sufficient time for old vehicle owners to participate in the scheme.	<ul style="list-style-type: none">We have already provided eligible vehicle owners 36 months to participate in the scheme. We consider it inappropriate to extend the application period of the scheme because any extension will go against the objective of encouraging early replacement of pre-Euro and Euro I diesel commercial vehicles with new ones, thus bringing early relief to roadside air pollution.To help vehicle owners who have ordered new replacement vehicles that cannot be delivered on time or cannot complete preparations (such as coach-building works) to apply for the grant, we have made a special arrangement to allow these vehicle owners to retain their eligibility to apply for the grant until 31 March 2011. By the special arrangement deadline on 7 April 2010, we received about 1,350 applications to retain eligibility.

Motor Traders Association of Hong Kong

Views	Responses
<ul style="list-style-type: none">• Provide same level of cash compensation to vehicle owners after they have scrapped and deregistered their Euro I and pre-Euro commercial vehicles without buying new ones. This will induce many owners of aged vehicle, especially those with oldest vehicles, to scrap their vehicles voluntarily. These owners may use the money to engage in other businesses or purchase newer second-hand vehicles that are within their budget.	<ul style="list-style-type: none">• The objective of the scheme is to help those commercial vehicle owners who have a continued need for the vehicles in their business operation and replace their old vehicles with more environment-friendly vehicles for better roadside air quality. Should vehicle owners decide to scrap their old vehicles without replacing them with new ones, the chances are they no longer have operational needs for the vehicles. In such circumstances, we do not consider it appropriate to provide subsidies under the scheme to vehicle owners for scrapping their vehicles.

Views	Responses
<ul style="list-style-type: none"> Consider a first registration tax voucher system. Offer a bearer voucher of equivalent value for first registration tax when an old vehicle is scrapped. Vouchers can be in small denominations. Original vehicle owners can use the vouchers to buy new vehicles or sell the vouchers to others to off-set their first registration taxes when purchasing new commercial vehicles within a certain period (e.g. one year). More than one voucher can be used at any one transaction of any vehicle type. 	<ul style="list-style-type: none"> The Government has already provided one-off grant for the replacement of pre-Euro and Euro I vehicles, the effect of which is similar to the refund of first registration tax.
<ul style="list-style-type: none"> The Government to consider setting a clear deadline to ban the use of dilapidated vehicles. 	<ul style="list-style-type: none"> The Government has already required commercial vehicles to pass safety and emission inspection when renewing their annual licences. The suggestion of imposing limit on serviceable life of vehicles will affect the operators. It may also give rise to legal consideration about property right and needs to be carefully handled. According to our information, imposing limit on serviceable life of vehicles is not a commonly adopted measure.

Views	Responses
<p>Motor Traders Association of Hong Kong's written submission to LegCo member on 13 April 2010 has the following three suggestions:</p> <ul style="list-style-type: none"> In setting the grant level for replacing Euro II vehicles, consideration should be based on average market value of each vehicle class and work out a new, reasonable and attractive grant level. 	<ul style="list-style-type: none"> The oldest Euro I diesel commercial vehicles were about 13 years old when the Euro I replacement scheme began. The oldest Euro II vehicles are also of the same age now. Therefore, we suggest setting the grant level at 18%, of the 2009 average vehicle taxable values, which is the same percentage used in Euro I replacement scheme. The grant level is already attractive enough. The highest amount a vehicle owner may receive is about \$200,000. The amount is higher than that of Japan and European Union countries such as France and Germany which offered similar schemes. To ensure prudent spending of public money, we have no reason to increase the grant level.
<ul style="list-style-type: none"> The Association has repeatedly suggested using cash or first registration tax voucher to buy back old vehicle licences. Either way will be more flexible than the mandatory requirement of acquiring a new vehicle in order to receive the grant. 	<ul style="list-style-type: none"> The objective of the scheme is to help those commercial vehicle owners who have a continued need for the vehicles in their business operation and replace their old vehicles with more environment-friendly vehicles for better roadside air quality. Should vehicle owners decide to scrap their old vehicles without replacing them with new ones, the chances are they no longer have operational needs for the vehicles. In such circumstances, we do not consider it appropriate to provide grant or first registration tax voucher to owners who only scrapped their vehicles.

Views	Responses
<ul style="list-style-type: none"> Do not leave pre-Euro or Euro I vehicles to phase out naturally. 	<ul style="list-style-type: none"> We have reviewed the effectiveness of the Pre-Euro/Euro I one-off grant scheme. It showed that relying on subsidy scheme alone to speed up vehicle replacement is not as effective as expected. We need to introduce suitable disincentives, like higher licence fee for older commercial vehicle, to motivate owners to replace their aged vehicles. We thus proposed again at the Subcommittee on Improving Air Quality Air Quality meeting on 10 March 2010 to increase licence fee for aged commercial vehicles. We will follow up with the Subcommittee on this proposal and other disincentives to speed up phasing out these more polluting commercial vehicles to improve roadside air quality.

Tsuen Wan District Tourists and Passengers Omnibus Operators Association

Views	Responses
<ul style="list-style-type: none">• Make the grant scheme into a standing policy	<ul style="list-style-type: none">• We do not agree to make the incentive scheme a standing programme. It is vehicle owners' responsibility to replace their vehicles. The objective of the incentive scheme is to encourage early replacement of Pre-Euro and Euro I commercial vehicles by newer ones to provide early relief to the road side air pollution.
<ul style="list-style-type: none">• Lower the grant application threshold so that vehicles aged between 9 and 11 years are also eligible.	<ul style="list-style-type: none">• In the 2010-11 Budget Speech, the Financial Secretary set aside \$540 million to offer grants to encourage early replacement of Euro II diesel commercial vehicles which are now 10 to 13 years old. If LegCo's Financial Committee approves the funding, the grant scheme will start on 1 July 2010.

Views	Responses
<ul style="list-style-type: none"> • Increase the incentive for Euro II vehicle owners to replace their vehicles. 	<ul style="list-style-type: none"> • The oldest Euro I diesel commercial vehicles were about 13 years old when the Euro I replacement scheme began. The oldest Euro II vehicles are also of the same age now. Therefore, we suggest setting the grant level at 18%, of the 2009 average vehicle taxable values, which is the same percentage used in Euro I replacement scheme. The grant level is already attractive enough. The highest amount a vehicle owner may receive is about \$200,000. The amount is higher than that of Japan and European Union countries such as France and Germany which offered similar schemes. To ensure prudent spending of public money, we have no reason to increase the grant level.

Alliance for Rights of Taxi and Public Light Bus Trades

Views	Responses
<ul style="list-style-type: none"> The public light bus market is dominated by one supplier. The technical problems encountered during Euro IV replacement did not give the trade confidence to replace vehicle early. There must be suitable vehicle supply before a deadline is set for replacement. 	<ul style="list-style-type: none"> All vehicles complying with prevailing emission standard, currently Euro IV or better, may be registered for use in Hong Kong. Other manufacturers also have Euro IV models that are suitable for use as public light bus. However, as the trade is inclined to use the models provided by one or two vehicle manufacturers, other vehicle suppliers are not keen to introduce their models to local market. According to our understanding, one major vehicle manufacturer has improved its engine control device for light buses before April 2009 and installed the same device on newly ordered light buses to solve the problem. Its local agent has reported that since then no new complaint was received from the trade. Another vehicle manufacturer has also retrofitted its light buses with new engine control devices to deal with the diesel particulate traps problem that requires frequent manual regenerative operation. Its local agent will continue monitoring its effectiveness. Owners of pre-Euro and Euro I diesel commercial vehicles were already given 36 months to take part in the grant scheme. It would not be appropriate to extend the

Views	Responses
	<p>scheme's application period further because any extension will go against the objective of encouraging early replacement of these old vehicles thus bringing early improvement to roadside air quality.</p>
<ul style="list-style-type: none"> If the vehicle replacement deadline cannot be extended, the scheme should allow change of ownership or reselling of vehicle whilst waiting for replacement vehicle. The grant scheme should use "vehicle number of the replaced vehicle" as reference, so that vehicle owners will not lose their eligibility for the grant due to change of ownership. Such change will not increase any public spending of the grant scheme. 	<ul style="list-style-type: none"> Retaining the eligibility for the grant is a special arrangement for pre-Euro and Euro I diesel commercial vehicle owners who have ordered new commercial vehicles before the scheme's deadline on 31 March 2010. Anyone who only became an owner of a pre-Euro or Euro I diesel commercial vehicle after the grant scheme's deadline will not be eligible for the grant.

Public Omnibus Operators Association Ltd

Views	Responses
<ul style="list-style-type: none"> Increase the incentive for Euro II vehicle owners to replace their vehicles by raising the amount of grant. 	<ul style="list-style-type: none"> The oldest Euro I diesel commercial vehicles were about 13 years old when the Euro I replacement scheme began. The oldest Euro II vehicles are also of the same age now. Therefore, we suggest setting the grant level at 18%, of the 2009 average vehicle taxable values, which is the same percentage used in Euro I replacement scheme. The grant level is already attractive enough. The highest amount a vehicle owner may receive is about \$200,000. The amount is higher than that of Japan and European Union countries such as France and Germany which offered similar schemes. To ensure prudent spending of public money, we have no reason to increase the grant level.
<ul style="list-style-type: none"> Speed up phasing out aged and very polluting vehicles. Extend the scope of Euro II vehicles replacement grant to cover Euro III vehicles 	<ul style="list-style-type: none"> Euro III vehicles are younger and emit less pollutants than Euro II ones. Therefore, we should give priority to Euro II vehicles owners, providing them with subsidies to replace their vehicles with new ones thus relieving roadside air pollution level.
<ul style="list-style-type: none"> Consult vehicle users before finalizing the Euro II vehicles grant scheme. 	<ul style="list-style-type: none"> We have consulted the trade on details of the proposed Euro II diesel commercial vehicles replacement grant scheme. Their views are being considered before details were finalized.

Views	Responses
<ul style="list-style-type: none"> Establish an arbitration mechanism 	<ul style="list-style-type: none"> There is already mechanism to process grant application. Transport Department will vet all grant applications against the scheme's conditions. If an applicant is not satisfied with Transport Department's reply, the applicant can provide his or her reason to Environmental Protection Department to decide if the application is qualified.

Hong Kong Waste Disposal Industry Association

Views	Responses
<ul style="list-style-type: none"> There is a loop-hole in the grant scheme. Vehicle owners must replace their old vehicles with new one before they can receive the grant. Vehicle suppliers will use this loophole to pocket the grant offered by the Government to vehicle owners. The grant will be fully diverted to vehicle suppliers. 	<ul style="list-style-type: none"> We do not agree that there is a loop-hole in the scheme to enable vehicle suppliers to pocket the grant given to vehicle owners by the Government. In a free market economy, vehicle prices are competitively determined by supply and demand. Therefore we would continue our established policy of allowing all vehicles that can meet statutory requirements to be introduced to local market. To enhance competition, we will strive to ensure reliability of supply, maintain an open and fair market, as well as remove market entry barrier.

Views	Responses
<ul style="list-style-type: none"> Consider offering grant to purchase of second-hand commercial vehicles of Euro II or later standards. The Government may increase the grant amount according to the vehicle age to raise the trade's interest in the scheme. 	<ul style="list-style-type: none"> Euro II models could still emit seven times more pollutants than Euro IV models. To replace pre-Euro and Euro I vehicles by newer second-hand Euro II vehicles will not help achieve the objective of providing early relief to the road side air pollution. The Government therefore would not provide subsidies for purchase of second-hand Euro II or earlier commercial vehicles.

New Territories West Bus/Coach Association

Views	Responses
<ul style="list-style-type: none"> Raise the grant ceiling to \$250,000 to compensate the increase in replacement cost. 	<ul style="list-style-type: none"> We suggest setting the grant level at 18% of the 2009 average vehicle taxable values, which is the same percentage used in Euro I replacement scheme. The highest amount a vehicle owner may receive is about \$200,000. The amount is higher than that of Japan and European Union countries such as France and Germany which operate similar schemes. To ensure prudent spending of public money, we have no reason to increase the grant level.

<ul style="list-style-type: none"> • Euro II vehicles have been on the road for near 10 years. The average age of a coach is 13 years and they are about to be replaced. As such, the Association proposed that the grant scheme should cover these vehicles as well. In addition, the scheme deadline should be extended for two years to help owners of older vehicles to replace their vehicles. 	<ul style="list-style-type: none"> • In the 2010-11 Budget Speech, the Financial Secretary set aside \$540 million to offer grants to encourage early replacement of Euro II diesel commercial vehicles which are now 10 to 13 years old thus relieving roadside air pollution. If LegCo's Financial Committee approves the funding, the grant scheme will start on 1 July 2010.
<ul style="list-style-type: none"> • Euro V vehicles will be launched during the year. This model should be better in terms of meeting emission standard. The grant scheme's application period should be extended to include Euro V vehicles. 	<ul style="list-style-type: none"> • Since the Government offered concession in first registration tax of environment-friendly commercial vehicles from 1 April 2008, over 130 Euro V vehicle models are now available in Hong Kong and the number is increasing gradually. If eligible vehicle owners replace their pre-Euro or Euro I vehicles by a Euro V vehicle, they will receive the one-off grant as well as the first registration tax concession. • We have already provided eligible vehicle owners 36 months to participate in the scheme. We consider it inappropriate to extend the application period of the scheme because any extension will go against the objective of encouraging early replacement of pre-Euro and Euro I diesel commercial vehicles with new ones, thus bringing early relief to roadside air pollution.

Clear the Air

Views	Responses
<ul style="list-style-type: none">Substantially reduce first registration tax of Euro 5 trucks and buses. Use of Euro 5 Ultra Low Sulphur Diesel with less than 6 ppm sulphur should be made mandatory in Hong Kong.	<ul style="list-style-type: none">Since the Government offered concession in first registration tax of environment-friendly commercial vehicles from 1 April 2008, over 130 Euro V vehicle models are now available in Hong Kong and the number is increasing gradually. If eligible vehicle owners replace their pre-Euro or Euro I vehicles by a Euro V vehicle, they will receive the one-off grant as well as the first registration tax concession.At the same time, the Government offered \$0.56 per litre concession in duty for Euro V diesel which has a sulphur content of 0.001% from 1 December 2007. Since then, Euro V diesel has been available at all refilling stations in Hong Kong. The Government later waived the fuel tax entirely for Euro V diesel on 14 July 2008. If passed by LegCo, we will make the use of Euro V motor diesel mandatory in Hong Kong from 1 July 2010.

Views	Responses
<ul style="list-style-type: none"> • Waive first registration tax of hybrid electric buses to encourage bus companies to speed up adoption of such technology, similar to other cities worldwide. 	<ul style="list-style-type: none"> • To encourage commercial sector including the bus companies and the transport trades to use environment-friendly vehicles, the 2010/11 financial year budget proposed to allow the capital cost of acquiring such vehicles, including hybrid electric ones, to be 100% deductible from profit tax for the year in which the vehicles are purchased.
<ul style="list-style-type: none"> • Set a schedule to phase out pre-Euro IV diesel vehicles, banning their use in Hong Kong 	<ul style="list-style-type: none"> • We are starting to study the feasibility of setting up low emission zones. The objective is to explore the feasibility of setting up in stages one or more low emission zones for trial in busy traffic corridors such as Causeway Bay, Central and Mong Kok to restrict old model of franchised buses entering into these zones with a view to evaluating its effectiveness in improving roadside air quality.

Views	Responses
<ul style="list-style-type: none"> Owners wishing to keep their old vehicles should pay higher road tax. Impose an increase of 50% in the first year, 70% in the second year and 100% in the year thereafter. 	<ul style="list-style-type: none"> There is no road tax in Hong Kong but vehicle owners are required to pay licence fee annually. We have proposed to the Panel of Environmental Affairs of the LegCo in November 2008 to increase the licence fees of aged commercial vehicles but the proposal was not supported. We again proposed to the Subcommittee on Improving Air Quality on 10 March 2010 to introduce suitable disincentive, such as increasing vehicle licence fees for aged commercial vehicles, to encourage owners to stop using these vehicles. We will follow up with the Subcommittee on the above proposal to speed up phasing out these aged vehicles.
<ul style="list-style-type: none"> Require tour buses, non franchised buses and light buses to use LPG or Euro 5 diesel vehicles. 	<ul style="list-style-type: none"> Currently, the LPG refilling network is only capable of servicing taxis and light buses to use LPG models. To expand the network, the Government now requires new stations meeting safety requirements to provide LPG refilling. We would consider allowing other vehicle types to use LPG when the network is capable of handling them.
<ul style="list-style-type: none"> Allow LPG private cars and vans to register. 	

Views	Responses
<ul style="list-style-type: none"> • Second hand diesel goods vans must meet the new standards. • Consider imposing substantial tariff on import of pre-Euro and Euro I vehicle parts to discourage its use and encourage owners to replace their vehicles sooner. 	<ul style="list-style-type: none"> • In order to register a new vehicle in Hong Kong, including second hand vehicles, it must meet the prevailing emission standard. • Currently, there is no tariff on vehicle parts. While imposing tariff on pre-Euro and Euro I parts would increase their maintenance cost and hence making owners of these vehicles less willing to keep them, it may also cause their owner to neglect their maintenance leading to worsened emission or safety problem. Higher licence fee is more feasible comparatively. We have proposed to the Subcommittee on Improving Air Quality on 10 March 2010 to introduce suitable disincentive, such as increasing vehicle licence fees for aged commercial vehicles, to encourage owners to stop using these vehicles. We will follow up with the Subcommittee on the above proposal to speed up phasing out these aged vehicles.

Views	Responses
<ul style="list-style-type: none"> Provide incentive for installing charging stations for goods vehicles at outdoor areas and buildings. 	<ul style="list-style-type: none"> It is the Government's policy to promote the use of electric vehicles. We are encouraging property management companies and car park operators to install electrical vehicle charging facilities at their car parks. Both CLP power and HK Electric have launched standard charging facilities since late 2009. They expect that about 30 charging stations would be in operation by mid 2010.
<ul style="list-style-type: none"> Adopted mandatory and forceful measures to protect the health of citizens since the two year replacement incentive scheme has only cause a small reduction in the number of old diesel trucks, vans and buses. These vehicles are the main reason for the poor air quality in our streets. Many owners of dilapidated tour buses nearly the end of their working life used the scheme to replace their vehicles which they would have scrapped anyway. There are now 39,500 such old diesel vehicles on the road, 23 % fewer than before the scheme but the number reduced is neither enough to protect the health of the citizens nor sufficient to make Hong Kong a cleaner city. 	<ul style="list-style-type: none"> We have reviewed the effectiveness of the Pre-Euro/Euro I one-off grant scheme. It showed that relying on grant alone to speed up vehicle replacement is not as effective as expected. We need to introduce suitable disincentives, like higher licence fee for older commercial vehicle, to motivate owners to replace their aged vehicles. We thus proposed again at the Subcommittee on Improving Air Quality Air Quality meeting on 10 March 2010 to increase licence fee for aged commercial vehicles. We will follow up with the Subcommittee on this proposal and other disincentives to speed up phasing out these more polluting commercial vehicles to improve roadside air quality.

Views	Responses
<ul style="list-style-type: none"> • Governments in other developed countries have the correct policy of banning older vehicles from busy commercial districts. Violation is met with hefty fines. Hong Kong must set up exclusion areas in which older vehicles cannot enter. 	<ul style="list-style-type: none"> • We are starting to study the feasibility of setting up low emission zones. The objective is to explore the feasibility of setting up in stages one or more low emission zones for trial in busy traffic corridors such as Causeway Bay, Central and Mong Kok to restrict old model of franchised buses entering into these zones with a view to evaluating its effectiveness in improving roadside air quality. • In the feasibility study, we would consider related factors including the fleet of franchised bus, distribution of model, old bus replacement schedules and other operation needs to ensure efficient services to passengers in different areas while not affecting traffic in other areas. It would also consider how to reduce or avoid deterioration of air quality in other areas. We would consider local situations as well as making reference from overseas experience.
<ul style="list-style-type: none"> • Greater incentives, higher fees, no-go zones and fines have to be implemented to get these vehicles off our streets to protect our health. Also suggest punitive measures to facilitate early replacement scheme. 	
<ul style="list-style-type: none"> • Euro 4 standards are more than 5 times less polluting than the pre Euro vehicles. It is time to replace or scrap all these pre Euro and Euro I vehicles. The Government should set up areas to receive free-of-charge these vehicles from their owners. 	

Mini Spotters

Views	Responses
<ul style="list-style-type: none"> Neither extend this failed one-off scheme nor create a new one. They will not work but driving up the price of second hand polluting vehicles, keeping the vehicle on the road longer instead of getting it off the road early. The scheme is such a failure but EPD has within a decade kept repeating and extending the scheme. “The definition of insanity is doing the same thing over and over again and expecting different results” 	<ul style="list-style-type: none"> We do not agree that the grant scheme was a failure. At the end of the replacement scheme, including special arrangement for retaining the eligibility of applying for the grant, we received about 17,500 applications which were about 30% of eligible vehicles. We agree that it is inappropriate to extend the application period of the scheme further because any extension will go against the objective of encouraging early replacement of these old vehicles to bring early improvement to roadside air quality.
<ul style="list-style-type: none"> Also, why does this grant involve four intermediaries: the manufacturer, the local agent, current and previous owners? Each takes a cut along the way, openly or not. That is the way capitalism works. Why is public money spent so often in these programs? 	<ul style="list-style-type: none"> The Government provided grants through the pre-Euro and Euro I replacement scheme to encourage owners to replace their vehicle early thus improving air quality. Owners replace their vehicles according to the market mechanism. The scheme did not interfere with the operation of the market.

Views	Responses
<ul style="list-style-type: none"> As to Euro-II vehicles, it can be sure that Euro II vehicles will not be replaced earlier if the replacement scheme goes ahead. The owners will keep their vehicles until the end of the scheme before applying for the grant to replace the vehicles. EPD and LegCo will then be shocked that participation is so low and extend the scheme again. The result will be an exact opposite of the intention. The most effective and cost-effective scheme is to require pre-Euro and Euro-I vehicles to be tested three times a year for emissions by the EPD. 	<ul style="list-style-type: none"> Apart from replacing Euro II vehicles, we maintain we should introduce disincentive to provide an extra drive to phase out the aged fleet. We will continue to consider increasing licence fee of aged vehicles at suitable time. We will consider all measures that would effectively discourage use of aged commercial vehicles but implementation any such measure will depend on its technical feasibility as well as the support of the general public.

The Goods Vehicle Fleet Owners Association Limited

Views	Response
<ul style="list-style-type: none"> ● Waive entirely the vehicle first registration tax. ● The trade is facing with the most serious global recession and the Mainland's keen competition. To help them to maintaining their livelihood and to response positively to environment protection policy, we suggested a comprehensive one off budget to directly subsidize vehicles over 6 years old on their repair and maintenance cost under strict supervision of the concerned departments. This will ensure the emissions from these vehicles in the period to comply with the environmental standard between the two annual inspections and to overcome this difficult economic situation. 	<ul style="list-style-type: none"> ● Waiving entirely the first registration tax of all commercial vehicles cannot provide targeted incentive to encourage owners of old commercial vehicles to replace their vehicles with new ones, and runs against the principle of prudent use of public money. However, to encourage the purchase of environment-friendly commercial vehicles, the Government has been offering concession in first registration tax to vehicle owners who have purchased environment-friendly commercial vehicles (currently set at Euro V standard) since April 2008. ● It is vehicle owners' responsibility to properly repair and service their vehicles. We do not agree to use public money to subsidize vehicle owners to repair and service their vehicles.

Administration's response to the views expressed by the deputations at the meeting on 10 March 2010

Hong Kong Container Tractor Owner Association

Views	Responses
<ul style="list-style-type: none">• Support the special arrangement as owners were more willing to replace their ageing vehicles as the economy recovered.	<ul style="list-style-type: none">• We have made special arrangement to allow vehicle owners who have ordered new commercial vehicles before the grant scheme's deadline on 31 March 2010 to retain their eligibility to apply for the grant until 31 March 2010. By the end of special arrangement, about 1,350 applications to retain eligibility were received.
<ul style="list-style-type: none">• Do not support the proposed increase in licence fees for aged commercial vehicles as this could not achieve the intended purpose of encouraging early replacement.	<ul style="list-style-type: none">• We have reviewed the effectiveness of the Pre-Euro/Euro I one-off grant scheme. It showed that relying on subsidy scheme alone to speed up vehicle replacement is not as effective as expected. We need to introduce suitable disincentives, like higher licence fee for older commercial vehicle, to motivate owners to replace their aged vehicles. We thus proposed again at the Subcommittee on Improving Air Quality meeting on 10 March 2010 to increase licence fee for aged commercial vehicles. We will follow up with the Subcommittee on this proposal and other disincentives to speed up phasing out these more polluting commercial vehicles to improve roadside air quality.

Mini Spotters

Views	Responses
<ul style="list-style-type: none"> • Test all polluting vehicles on the dynamometer and remove those failed from the road. 	<ul style="list-style-type: none"> • The Government will consider all measures that would effectively discourage vehicle owner to own and use of aged commercial vehicles. Whether we can introduce such measures will depend on their technical feasibility as well as the support of LegCo and the general public.
<ul style="list-style-type: none"> • Various subsidy schemes were failures and had driven up the price of second-hand polluting vehicles. 	<ul style="list-style-type: none"> • We did not observe any increase in price of second-hand polluting vehicles caused by the incentive scheme. In fact, more than 7,500 Pre-Euro and Euro I vehicles were scrapped during the scheme without participating in the scheme.
<ul style="list-style-type: none"> • Extending the one-off grant scheme would only extend the use of aged vehicles. 	<ul style="list-style-type: none"> • Agreed.
<ul style="list-style-type: none"> • Support the proposed higher licence fees of aged commercial vehicles. 	<ul style="list-style-type: none"> • We have reviewed the effectiveness of the Pre-Euro/Euro I one-off grant scheme. It showed that relying on subsidy scheme alone to speed up vehicle replacement is not as effective as expected. We need to introduce suitable disincentives, like higher licence fee for older commercial vehicle, to motivate owners to replace their aged vehicles. We thus proposed again at the Subcommittee on Improving Air Quality meeting on 10 March 2010 to increase licence fee for aged commercial vehicles. We will follow up with the Subcommittee on this proposal and other disincentives to speed up phasing out these more polluting commercial vehicles to improve roadside air quality.

Hong Kong Scheduled (GMB) Licensee Association

Views	Responses
<ul style="list-style-type: none"> • Euro IV vehicles were very problematic due to frequent breakdown. 	<ul style="list-style-type: none"> • According to our understanding, one major light bus manufacturer has improved its engine control device for light buses before April 2009 and installed the same device on newly ordered light buses to solve the problem. Its local agent has reported that since then no new complaint was received from the trade since. Another light bus manufacturer has also retrofitted its light buses with new engine control devices to deal with the diesel particulate traps problem that requires frequent manual regeneration. Its local agent will continue monitoring its effectiveness.
<ul style="list-style-type: none"> • Measures such as increasing seating capacity of public light buses would encourage their early replacement. Besides, operators would be more willing to offer concessionary fares to children and the elderly as a result of increase in income. 	<ul style="list-style-type: none"> • We have conveyed the suggestion to the Transport Department to consider.

China Hong Kong and Macau Boundary Crossing Bus Association

Views	Responses
<ul style="list-style-type: none">• The low take-up rate of the one-off grant scheme was because of rising operating cost due to increased fuel and vehicle costs•	<ul style="list-style-type: none">• We consider that the grant level for pre-Euro and Euro I diesel commercial vehicles were already attractive to vehicle owners. The highest amount a vehicle owner may receive is about \$170,000. The amount is higher than that of Japan and European Union countries such as France and Germany which operate similar schemes. To ensure prudent spending of public money, we have no reason to increase the grant level.• At the end of the replacement scheme, including special arrangement for retaining the eligibility of applying for the grant, we received about 17,500 applications which were about 30% of eligible vehicles.
<ul style="list-style-type: none">• Given the high replacement cost, the subsidy of 12% and 18% of the cost of pre-Euro and Euro I vehicles respectively was unattractive to owners. Need to increase the subsidy level.	

Hong Kong Bus Suppliers Association

Views	Responses
<ul style="list-style-type: none"> • Introduce measures such as exemption of first registration tax and provision of 20% subsidy to encourage replacing aged vehicles with Euro V models. Provide higher subsidy, say 30%, for replacing aged vehicles with models having better than Euro V emission performance. 	<ul style="list-style-type: none"> • Since the Government offered concession in first registration tax of environment-friendly commercial vehicles from 1 April 2008, now over 130 Euro V vehicle models are now available in Hong Kong and the number is increasing gradually. If eligible vehicle owners replace their pre-Euro or Euro I vehicles by a Euro V vehicle, they will receive the one-off vehicle replacement grant as well as the first registration tax concession.
<ul style="list-style-type: none"> • Make the grant a standing scheme to help owners to replace their aged vehicles. 	<ul style="list-style-type: none"> • We do not agree to make the incentive scheme a standing programme. It is vehicle owners' responsibility to replace their vehicles. The objective of the incentive scheme is to encourage early replacement of Pre-Euro and Euro I commercial vehicles by newer ones to bring early relief to the roadside air pollution.
<ul style="list-style-type: none"> • Set up a fund for testing new models of environment-friendly vehicles to ensure their compatibility with Hong Kong's unique conditions. 	<ul style="list-style-type: none"> • Financial Secretary suggested a 300 million dollar "Pilot Green Transport Fund" in his 2010-11 budget to encourage transport industry to try using less-polluting and low-carbon green transportation. The transport trades – especially operators of public transport such as bus, light bus, taxi and ferry – may make use the fund to introduce new, green transport technologies, paving way for eventually wide adoption of such technologies locally.

Motor Traders Association of Hong Kong

Views	Responses
<ul style="list-style-type: none"> • Need continued efforts to phase out pre-Euro and Euro I vehicles. 	<ul style="list-style-type: none"> • Agreed. Accelerating the phasing out of pre-Euro and Euro I vehicles can improve roadside air quality. • We have reviewed the effectiveness of the Pre-Euro/Euro I one-off grant scheme. It showed that relying on subsidy scheme alone to speed up vehicle replacement is not as effective as expected. We need to introduce suitable disincentives, like higher licence fee for older commercial vehicle, to motivate owners to replace their aged vehicles. We thus proposed again at the Subcommittee on Improving Air Quality meeting on 10 March 2010 to increase licence fee for aged commercial vehicles. We will follow up with the Subcommittee on this proposal and other disincentives to speed up phasing out these more polluting commercial vehicles to improve roadside air quality.
<ul style="list-style-type: none"> • Abolish the requirement that owners must replace their vehicles with new ones in order to qualify for the grant. Owners who scrapped their vehicles should also be eligible so that they could use the grant to set up other businesses or buy second-hand vehicles to continue their trade. • Provide the grant in the form of voucher so that owners can redeem their vouchers at a later stage when buying new vehicles. 	<ul style="list-style-type: none"> • The objective of the scheme is to help those commercial vehicle owners who have a continued need for the vehicles in their business operation and replace their old vehicles with more environment-friendly vehicles for better roadside air quality. Should vehicle owners decide to scrap their old vehicles without replacing them with new ones, the chances are they no longer have operational needs for the vehicles. In such circumstances, we do not consider it appropriate to provide subsidies under the scheme to vehicle owners for scrapping their vehicles.

Right Hand Drive Motors Association (HK) Ltd

Views	Responses
<ul style="list-style-type: none">• Relax the existing requirement to allow use of darker glass to more effectively screen off sunlight hence lowering the temperature of vehicle cabin.	<ul style="list-style-type: none">• We have conveyed the suggestion to the Transport Department to consider.

Tsuen Wan District Tourists and Passengers Omnibus Operators Association

Views	Responses
<ul style="list-style-type: none">• The Administration had failed to take into account the special nature, needs and affordability of the transport trades when formulating the one-off grant scheme. Instead of setting a deadline for the scheme, the Administration should take into consideration the state of economy.	<ul style="list-style-type: none">• The incentive scheme was to encourage early replacement of Pre-Euro and Euro I commercial vehicles by newer ones to bring early relief to the roadside air pollution. Therefore the scheme must have a deadline.
<ul style="list-style-type: none">• Euro I vehicles with first registration after 31 March 1997 were not eligible for the one-off grant.	<ul style="list-style-type: none">• A vehicle's first registration date is an appropriate demarcation to decide whether a vehicle is qualified for the incentive scheme. Also, the first registration date is shown in a vehicle's registration document, compared with the alternatives of vehicle manufacture date or engine emission design standard, it is more easily understood by vehicle owners to determine their eligibility for the one-off grant. We have adopted the same approach in mandating the installation of emission reduction devices in pre-Euro diesel vehicles, which works well and we

Views	Responses
	have received no complaints of confusion by vehicle owners;
<ul style="list-style-type: none"> • To encourage early replacement of polluting vehicles to improve air quality: <ol style="list-style-type: none"> 1. make the one-off grant a standing scheme to help owners to replace their polluting vehicles; 2. extend the coverage of the scheme to vehicles aged nine to 11 years; and 3. increase the subsidy to provide a greater incentive for replacement. 	<ul style="list-style-type: none"> • It is vehicle owners' responsibility to replace their vehicles. We have no plan to make the grant a standing programme. • Financial Secretary has set aside 540 million dollar in his 2010-11 budget to encourage early replacement of Euro II diesel commercial vehicles. These vehicles are about 10 to 13 years old. If funding is approved by Finance Committee, the grant scheme will start on 1 July 2010. • The oldest Euro I diesel commercial vehicles were about 13 years old when the Euro I replacement scheme began. The oldest Euro II vehicles are also of the same age now. Therefore, we suggest setting the grant level at 18%, of the 2009 average vehicle taxable values, which is the same percentage used in Euro I replacement scheme. To grant level is already attractive. The highest amount a vehicle owner may receive is about \$200,000. The amount is higher than that of Japan and European Union countries such as France and Germany which offered similar schemes. To ensure prudent spending of public money, we have no reason to increase the grant level.

Public Omnibus Operators Association Ltd

Views	Responses
<ul style="list-style-type: none"> • Increase the subsidy to say 20% of the price of a new vehicle in order to provide a better incentive for replacement. 	<ul style="list-style-type: none"> • The oldest Euro I diesel commercial vehicles were about 13 years old when the Euro I replacement scheme began. The oldest Euro II vehicles are also of the same age now. Therefore, we suggest setting the grant level at 18%, of the 2009 average vehicle taxable values, which is the same percentage used in Euro I replacement scheme. The grant level is already attractive enough. The highest amount a vehicle owner may receive is about \$200,000. The amount is higher than that of Japan and European Union countries such as France and Germany which offered similar schemes. To ensure prudent spending of public money, we have no reason to increase the grant level.
<ul style="list-style-type: none"> • Extend the scheme to cover Euro II and Euro III vehicles, as well as franchised buses. 	<ul style="list-style-type: none"> • Financial Secretary has set aside 540 million dollar in his 2010-11 budget to encourage early replacement of Euro II diesel commercial vehicles. If funding is approved by Finance Committee, the grant scheme will start on 1 July 2010. Euro III vehicles are not as polluting as Euro II ones, to bring early relief to roadside air quality, we will give priority to subsidizing Euro II vehicle replacement. • Franchised bus companies are required to operate bus services according to the responsibilities and financial arrangement in their franchise terms. The Government has no plan to extend the incentive scheme to include franchised buses but will continue to require the companies to renew their buses according to their franchise terms. Also, the companies are asked to deploy, after taking all requests into consideration, more environment-friendly models plying through the busy corridors.

The Federation of Hong Kong & Kowloon Labour Unions (Transport Industry Committee)

Views	Responses
<ul style="list-style-type: none"> • Need to review the one-off grant scheme given the low take-up rate. • Support increase in subsidy. • Extend coverage of the scheme to include other vehicles • Provide loan for buying new vehicles. 	<ul style="list-style-type: none"> • We consider that the grant level for pre-Euro and Euro I diesel commercial vehicles were already attractive to vehicle owners. The highest amount a vehicle owner may receive is about \$170,000. The amount is higher than that of Japan and European Union countries such as France and Germany which operate similar schemes. To ensure prudent spending of public money, we have no reason to increase the grant level. • At the end of the replacement scheme, including special arrangement for retaining the eligibility of applying for the grant, we received about 17,500 applications which were about 30% of eligible vehicles. • The oldest Euro I diesel commercial vehicles were about 13 years old when the Euro I replacement scheme began. The oldest Euro II vehicles are also of the same age now. Therefore, we suggest setting the grant level at 18%, of the 2009 average vehicle taxable values, which is the same percentage used in Euro I replacement scheme. • Younger commercial vehicles are still within their normal working life. Their premature replacement would neither be environment-friendly nor economical. Aged commercial vehicles, because of wear and tear, are more prone to breakdown and have higher emissions. Replacing them with new vehicles equipped with advanced emission control equipment will be more effective in reducing emission thus a greater help in improving road side air quality.

Views	Responses
	<ul style="list-style-type: none"> • Transport trades may seek assistance from the two existing loan schemes, i.e., the "Small and Medium Enterprises Loan Guarantee Scheme" and / or the "Special Loan Guarantee Scheme" for acquiring operational equipment including vehicles.

Taxi & P.L.B. Concern Group

Views	Responses
<ul style="list-style-type: none"> • Need to ensure compatibility and supply of replacement vehicles before implementing any replacement schemes. 	<ul style="list-style-type: none"> • Euro IV emission standard is already fully implemented in Hong Kong before the scheme is launched. All newly registered vehicles must comply with Euro IV standard. The market has various vehicle models for prospective buyers to choose from. There should not be any problem in vehicle supply.
<ul style="list-style-type: none"> • Allow owners who registered their pre-Euro or Euro I vehicles before the deadline on 31 March 2010 to retain their eligibility for the one-off grant scheme. 	<ul style="list-style-type: none"> • We have made a special arrangement to allow owners who have ordered new vehicles before 31 March 2010 to retain their eligibility to apply for the grant until 31 March 2011.

Civic Exchange

Views	Responses
<ul style="list-style-type: none"> • The Administration should provide more information on: <ol style="list-style-type: none"> 1. why the one-off grant scheme for pre-Euro and Euro I vehicles did not work; 2. what lesson are learnt to enhance the Euro II vehicles early replacement programme, and; 3. what would be done about emissions from pre-Euro and Euro I vehicles. • Legislators should support the Administration's proposal to increase licence fees for aged polluting vehicles on the basis of polluter-pays principle. The fees should be set using a sliding scale so that more polluting vehicles would pay more. 	<ul style="list-style-type: none"> • We have reviewed the effectiveness of the Pre-Euro/Euro I one-off grant scheme. It showed that relying on subsidy scheme alone to speed up vehicle replacement is not as effective as expected. We need to introduce suitable economic disincentives, like higher licence fee for older commercial vehicle, to motivate owners to replace their aged vehicles. We thus proposed again at the Subcommittee on Improving Air Quality meeting on 10 March 2010 to increase licence fee for aged commercial vehicles. We will follow up with the Subcommittee on this proposal to speed up phasing out these more polluting commercial vehicles. • At the end of the replacement scheme, including special arrangement for retaining the eligibility of applying for the grant, we received about 17,500 applications which were about 30% of eligible vehicles. • We have consulted the transport trades on the details of the proposed Euro II diesel commercial vehicles replacement grant scheme. Their views are being considered before details were finalized. • The oldest Euro I diesel commercial vehicles were about 13 years old when the Euro I replacement scheme began. The oldest Euro II vehicles are also of the same age now. Therefore, we suggest setting the grant level at 18%, of the 2009 average vehicle taxable values, which is the same percentage used in Euro I replacement scheme. The grant level is already attractive enough. The highest amount a vehicle owner may receive is about \$200,000. The amount is higher than that

Views	Responses
	of Japan and European Union countries such as France and Germany which offered similar schemes. To ensure prudent spending of public money, we have no reason to increase the grant level.

Clean Air Network

Views	Responses
<ul style="list-style-type: none"> Green groups might not be adequately represented in the deliberation process if only transport companies and parties who participated previously in the discussion were invited to give views. 	<ul style="list-style-type: none"> The LegCo in its discussion on our proposal, if consider necessary, would invite related organization to attend and give views about the proposal.
<ul style="list-style-type: none"> Enhance the proposed \$540 million subsidy scheme for early replacement of Euro II diesel vehicles by: <ol style="list-style-type: none"> increasing subsidy from 18% to 25% of the new car value; shortening the scheme to 24 or even 18 months to really speed up replacement; and assuming a slightly higher take-up rate of 35% rather than 26%. 	<ul style="list-style-type: none"> The oldest Euro I diesel commercial vehicles were about 13 years old when the Euro I replacement scheme began. The oldest Euro II vehicles are also of the same age now. Therefore, we suggest setting the grant level at 18%,of the 2009 average vehicle taxable values, which is the same percentage used in Euro I replacement scheme. The grant level is already attractive enough and adequately compensates their losses. The highest amount a vehicle owner may receive is about \$200,000. The amount is higher than that of Japan and European Union countries such as France and Germany which offered similar schemes. To ensure prudent spending of public money, we have no reason to increase the grant level. It takes some time from ordering a vehicle to arrival and completing

Views	Responses
	<p>preparation such as body-building works. We consider a period of 36 months is a suitable length for the scheme.</p> <ul style="list-style-type: none"> • The Euro II replacement scheme participation rate is expected to be similar to the pre-Euro and Euro I scheme. It is a reasonable assumption.
<ul style="list-style-type: none"> • Increase licence fees of oldest vehicles by 20% so that vehicle owners would seriously reconsider the need to keep these vehicles. 	<ul style="list-style-type: none"> • We have proposed to the Panel of Environmental Affairs of the LegCo in November 2008 to increase the licence fees of aged commercial vehicles but not supported. We still maintain that disincentives are needed to provide extra impetus to phase out these vehicles to improve roadside air quality. We thus proposed again to the Subcommittee on Improving Air Quality meeting on 10 March 2010 to increase licence fees of aged commercial vehicles. We will follow up with the EA Panel re the above proposal to speed up phasing out these aged vehicles.
<ul style="list-style-type: none"> • Use part of the funds for the Pilot Green Transport Fund to enhance the proposed scheme to encourage early replacement of Euro II vehicles. 	<ul style="list-style-type: none"> • The Pilot Green Transport Fund is specifically for encouraging transport trades to try using less-polluting, low-carbon transportation to pave way for eventually wide adoption of such technologies locally. Its objective is different from Euro II replacement scheme which encourages owners to replace their vehicles earlier.

Hong Kong Waste Disposal Industry Association

Views	Responses
<ul style="list-style-type: none"> The low take-up rate of the one-off grant was due to the financial crisis and the downturn in economy. 	<ul style="list-style-type: none"> We consider that the grant level for pre-Euro and Euro I diesel commercial vehicles were already attractive to vehicle owners. The highest amount a vehicle owner may receive is about \$170,000. The amount is higher than that of Japan and European Union countries such as France and Germany which operate similar schemes. To ensure prudent spending of public money, we have no reason to increase the grant level. At the end of the replacement scheme, including special arrangement for retaining the eligibility of applying for the grant, we received about 17,500 applications which were about 30% of eligible vehicles.
<ul style="list-style-type: none"> Vehicles suppliers increased the prices of new Euro VI vehicles by 20% and undermined the grant scheme. 	<ul style="list-style-type: none"> We do not agree that the grants offered to vehicle owners were skimmed off by vehicle suppliers. In a free market economy, vehicle prices are determined by supply and demand. Therefore we would continue our established policy of allowing all vehicles that can meet statutory requirements to be introduced to local market. To enhance competition, we will work hard to ensure reliability of supply, maintain an open and fair market, as well as removing market entry barrier.
<ul style="list-style-type: none"> Owners who replaced their pre-Euro and Euro I vehicles with second-hand vehicles of Euro II and above standards should also qualify for the one-off grant scheme. 	<ul style="list-style-type: none"> Although newer used vehicles emit less pollutant than Euro I models, they could still emit seven times more pollutants than Euro IV models. To replace pre-Euro and Euro I vehicles by newer second-hand Euro II vehicles will not help achieve the objective of bringing early relief to the road side air pollution. The Government therefore would not provide subsidies for purchase of second-hand Euro II or earlier

Views	Responses
	commercial vehicles.

Yuen Long District Tourists and Passengers Omnibus Operators Association

Views	Responses
<ul style="list-style-type: none"> • Need to review the \$3.2 billion one-off grant scheme given the low take-up rate. 	<ul style="list-style-type: none"> • We consider that the grant level for pre-Euro and Euro I diesel commercial vehicles were already attractive to vehicle owners. The highest amount a vehicle owner may receive is about \$170,000. The amount is higher than that of Japan and European Union countries such as France and Germany which operate similar schemes. To ensure prudent spending of public money, we have no reason to increase the grant level. • At the end of the replacement scheme, including special arrangement for retaining the eligibility of applying for the grant, we received about 17,500 applications which were about 30% of eligible vehicles.
<ul style="list-style-type: none"> • Provide low interest loans to assist owners to replace polluting vehicles. 	<ul style="list-style-type: none"> • Transport trades may seek assistance from the two existing loan schemes, i.e., the "Small and Medium Enterprises Loan Guarantee Scheme" and / or the "Special Loan Guarantee Scheme" for acquiring operational equipment including vehicles.

Lok Ma Chau China – Hong Kong Freight Association

Views	Responses
<ul style="list-style-type: none"> Extend the one-off grant scheme to allow more time for owners to secure loans from lending institutions to replace their vehicles, since the latter were not willing to approve loans to vehicle owners as a result of the financial crisis. 	<ul style="list-style-type: none"> We consider it inappropriate to extend the application period of the scheme because any extension will go against the objective of encouraging early replacement of pre-Euro and Euro I diesel commercial vehicles with new ones, thus bringing early relief to roadside air pollution.
<ul style="list-style-type: none"> Offering the grant in the form of voucher such that owners who scrapped their vehicles could redeem the vouchers when buying new vehicles or second-hand vehicles at a later stage. 	<ul style="list-style-type: none"> The incentive scheme was to assist owners of related vehicles needed to continue their business to replace the aged vehicles by more environment-friendly models thus improving air quality. If owners decided to scrap the vehicles instead of replacing them, they might not need to continue operating these vehicles. Under such circumstances, it would not be appropriate to give vouchers to owners who only scrapped their vehicles.
<ul style="list-style-type: none"> Opposed to the proposed increase in licence fees for aged vehicles. 	<ul style="list-style-type: none"> We have reviewed the effectiveness of the Pre-Euro/Euro I one-off grant scheme. It showed that relying on subsidy scheme alone to speed up vehicle replacement is not as effective as expected. We need to introduce suitable disincentives, like higher licence fee for older commercial vehicle, to motivate owners to replace their aged vehicles. We thus proposed again at the Subcommittee on Improving Air Quality meeting on 10 March 2010 to increase licence fee for aged commercial vehicles. We will follow up with the Subcommittee on this proposal and other disincentives to speed up phasing out these more polluting commercial vehicles to improve roadside air quality.

New Territories West Bus Coaches Association

Views	Responses
<ul style="list-style-type: none"> The low take-up rate of the one-off grant scheme was mainly due to the high price, high maintenance cost and operational problems of Euro IV vehicles. 	<ul style="list-style-type: none"> We consider that the grant level for pre-Euro and Euro I diesel commercial vehicles were already attractive to vehicle owners. The highest amount a vehicle owner may receive is about \$170,000. The amount is higher than that of Japan and European Union countries such as France and Germany which operate similar schemes. To ensure prudent spending of public money, we have no reason to increase the grant level. At the end of the replacement scheme, including special arrangement for retaining the eligibility of applying for the grant, we received about 17,500 applications which were about 30% of eligible vehicles.
<ul style="list-style-type: none"> Calculate subsidies for replacement of Euro II vehicles according to the age of vehicles. For example, the subsidy for Euro II vehicles aged 11, 10 and 9 years should be \$200,000, \$270,000 and \$340,000 respectively. 	<ul style="list-style-type: none"> We suggest setting the grant level at 18%, of the 2009 average vehicle taxable values, which is the same percentage used in Euro I replacement scheme. The grant level is already attractive enough. The formula for calculating grant amount is the same for all eligible vehicle owners. We see reason to set higher grant level for younger Euro II vehicles.
<ul style="list-style-type: none"> Extend the proposed replacement scheme for Euro II vehicles by two years to allow sufficient time for replacement. 	<ul style="list-style-type: none"> The Euro II replacement scheme aims to encourage relevant commercial vehicle owners to replace their vehicles earlier to bring early relief to roadside air pollution. A 36-month application period already gives sufficient time for these owners to consider whether to take part.