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Legislative Council

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Finance Committee of the Legislative Council

Minutes of the 10th meeting
held at the Conference Room 1 of the Legislative Council Complex
on Friday, 13 April 2012, at 4:00 pm

Members present:

Hon Emily LAU Wai-hing, JP (Chairman)
Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon LEE Cheuk-yan
Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon Fred LI Wah-ming, SBS, JP
Dr Hon Margaret NG
Hon James TO Kun-sun
Hon CHAN Kam-lam, SBS, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Hon LEUNG Yiu-chung
Hon WONG Yung-kan, SBS, JP
Hon LAU Kong-wah, JP
Hon Miriam LAU Kin-yee, GBS, JP
Hon Andrew CHENG Kar-foo
Hon TAM Yiu-chung, GBS, JP
Hon LI Fung-ying, SBS, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Audrey EU Yuet-mee, SC, JP
Hon Vincent FANG Kang, SBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon Ronny TONG Ka-wah, SC

Hon CHIM Pui-chung
Hon KAM Nai-wai, MH
Hon Cyd HO Sau-lan
Hon Starry LEE Wai-king, JP
Dr Hon LAM Tai-fai, BBS, JP
Hon CHAN Hak-kan
Hon Paul CHAN Mo-po, MH, JP
Hon CHAN Kin-por, JP
Dr Hon Priscilla LEUNG Mei-fun, JP
Dr Hon LEUNG Ka-lau
Hon CHEUNG Kwok-che
Hon WONG Sing-chi
Hon WONG Kwok-kin, BBS
Hon IP Wai-ming, MH
Hon IP Kwok-him, GBS, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Dr Hon PAN Pey-chyou
Hon Paul TSE Wai-chun, JP
Dr Hon Samson TAM Wai-ho, JP
Hon Alan LEONG Kah-kit, SC
Hon Tanya CHAN
Hon Albert CHAN Wai-yip
Hon WONG Yuk-man

Members absent:

Prof Hon Patrick LAU Sau-shing, SBS, JP (Deputy Chairman)
Hon CHEUNG Man-kwong
Dr Hon Philip WONG Yu-hong, GBS
Hon LAU Wong-fat, GBM, GBS, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Dr Hon Joseph LEE Kok-long, SBS, JP
Hon CHEUNG Hok-ming, GBS, JP
Hon WONG Ting-kwong, BBS, JP
Hon LEUNG Kwok-hung

Public officers attending:

Professor K C CHAN, SBS, JP	Secretary for Financial Services and the Treasury
Mr Stanley YING, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Esther LEUNG, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Ms Elsie YUEN	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr Joe WONG Chi-cho, JP	Deputy Secretary for Commerce and Economic Development (Communications and Technology)
Ms Ida LEE Bik-sai	Principal Assistant Secretary for Commerce and Economic Development (Communications and Technology) B
Mr Jerry LIU Wing-leung	Head of Create Hong Kong, Commerce and Economic Development Bureau
Dr Edmund LEE Tak-yue	Executive Director, Hong Kong Design Centre
Miss Bella MUI Bun-ngar	Principal Assistant Secretary for Security (B)
Dr Shane LO Siu-hang, FSMSM	Assistant Director of Fire Services (Headquarters)
Mr MAK Kwok-sum	Senior Divisional Officer (Information Technology Management), Fire Services Department
Miss Amy CHAN Yuen-man	Principal Assistant Secretary for Transport and Housing (Transport) 6
Mr LEUNG Tak-fai	Assistant Commissioner for Transport (Technical Service)
Mr LI Chi-chiu	Chief Engineer (Traffic Control), Transport Department
Mr Eric CHENG Tak-ming	Acting Chief Superintendent of Police (Traffic)
Mr Shylock WONG Yiu-ming	Superintendent of Police (Law Revision and Projects) (Traffic Branch Headquarters)
Mrs Avia LAI WONG Shuk-han	Deputy Secretary for Home Affairs (3)

Miss WONG Yuet-wah	Principal Assistant Secretary for Home Affairs (Culture) 2
Dr Louis NG Chi-wa	Assistant Director of Leisure and Cultural Services (Heritage and Museums)
Ms Belinda WONG Sau-lan	Chief Curator (Heritage Museum), Leisure and Cultural Services Department
Ms Anissa WONG Sean-ye, JP	Permanent Secretary for the Environment/Director of Environmental Protection
Mr MOK Wai-chuen, JP	Acting Deputy Director of Environmental Protection (3)
Mr YAM Yat-shing	Senior Environmental Protection Officer (Mobile Source), Environmental Protection Department
Mr David TSANG Man-wai	Senior Engineer (Vehicle Safety), Transport Department

Clerk in attendance:

Mrs Constance LI	Assistant Secretary General 1
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Staff in attendance:

Ms Anita SIT	Chief Council Secretary (1)5
Mr Daniel SIN	Senior Council Secretary (1)7
Mr Frankie WOO	Senior Legislative Assistant (1)3
Ms Christy YAU	Legislative Assistant (1)8

Item No. 1 - FCR(2012-13)1

**RECOMMENDATIONS OF THE ESTABLISHMENT
SUBCOMMITTEE MADE ON 18 JANUARY 2012**

The Chairman advised that the Committee's approval was sought for the staffing proposals in FCR(2012-13)1 which were recommended by the Establishment Subcommittee on 18 January 2012.

2. The Chairman put the item to vote. The Committee approved the funding proposals.

Item No. 2 - FCR(2012-13)2

**RECOMMENDATIONS OF THE PUBLIC WORKS
SUBCOMMITTEE MADE ON 9 JANUARY AND
8 FEBRUARY 2012**

3. The Chairman advised that the Committee's approval was sought for the proposals in FCR(2012-13)2 which were recommended by the Public Works Subcommittee (PWSC) held on 9 January 2012 and 8 February 2012. She said that at the meeting of 8 February 2012, Ms Cyd HO had requested that the item PWSC(2011-12)50 on "798TH Improvement to Pok Oi Interchange" should be submitted to the Finance Committee for separate voting. Ms HO had subsequently withdrawn her request. No other PWSC members had requested to put any item of the proposals for separate voting.

4. The Chairman put the item to vote. The Committee approved the funding proposals.

Item No. 3 - FCR(2012-13)3

**HEAD 55 – GOVERNMENT SECRETARIAT : COMMERCE
AND ECONOMIC DEVELOPMENT BUREAU
(COMMUNICATIONS AND TECHNOLOGY
BRANCH)**

Subhead 700 General non-recurrent

Item 897 Hong Kong Design Centre

**New item "Business of Design Week and Hong Kong Design Centre
Awards"**

New item "Design Incubation Programme"

5. The Chairman advised that the item sought the Committee's approval to increase the commitment by \$70 million to support the operation of the Hong Kong Design Centre (HKDC) for three years from 1 July 2012 to 30 June 2015; to create a new commitment of \$37.5 million to provide dedicated funding to enable HKDC to organize the Business of Design Week and Hong Kong Design Centre Awards; and to create a new commitment of \$26.25 million to provide funding support for HKDC to operate the Design Incubation Programme (DIP) from 1 May 2012.

6. Mr WONG Yuk-man, Chairman of the Panel On Information Technology and Broadcasting (ITB Panel), reported that the ITB Panel discussed the proposal at its meeting on 14 November 2011. Panel members

supported the funding application in principle. He said that some Panel members considered that the grooming of talents was vital to the development of the design industry, while other members considered that the concept of design should not be limited to product design only, but should include innovative designs for business systems. Panel members also suggested that Design Mart events should be staged more frequently to enable budding designers to communicate directly with the public and to showcase their creative ideas. One member expressed concern about the corporate governance of HKDC, and suggested that HKDC should make public, through its website, the attendance rate of its directors at Board meetings. The Administration had been requested to provide information on examples of successful commercialization of design deliverables in Hong Kong.

7. Mr WONG Yuk-man further reported that at the Panel meeting held on 13 February 2012, members supported the Administration's proposal to extend DIP and the funding proposal to enable HKDC to administer the second phase DIP. Some Panel members considered that the Administration should step up support for incubatees to build up their brands and to explore collaboration opportunities with Mainland industries. In response to members' requests, the Administration had provided information on the respective amounts of funding to be used for meeting rental payments to the Hong Kong Science and Technology Parks Corporation and the operating expenses to be incurred by HKDC in the second phase DIP.

8. Ms Cyd HO said that some practitioners of the design sector had reflected to her that many Hong Kong-groomed designers operating overseas had hoped to maintain part of their business in Hong Kong. However, they eventually gave up the idea in view of the high rentals and operating costs in Hong Kong. She asked if the Administration and HKDC were aware of the problem.

9. Deputy Secretary for Commerce and Economic Development (Communications and Technology) (DS(CT)) said that the current funding proposal would enable support, such as office accommodation, to be provided under DIP to design start-ups during the two-year incubation period. It would be a business decision of these companies as to whether or not they would remain in Hong Kong in the long term. HKDC would help new start-ups through its incubation services and facilities provided at the InnoCentre in Kowloon Tong. The funding being sought would allow HKDC to provide these support services.

10. Ms Cyd HO said that the Administration should incentivize locally groomed designers to stay in Hong Kong, otherwise HKDC would be wasting

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incubation resources in developing talents for other countries. She asked if the Administration would relax the restrictions on the use of industrial buildings, so that new design start-ups not yet having a production line could operate a design base in those premises. DS(CT) replied that the Former Hollywood Road Police Married Quarters (PMQ) was being converted to operate as a creative industries landmark, which would provide studio-shop facility for design start-ups as well as well-established companies. Ms HO pointed out that PMQ was intended to be operated more as a studio cum showroom than an office building for design start-ups and the PMQ operator would only select relatively few well-established companies to be its tenants. The Chairman asked the Administration to take note of Ms HO's concern.

11. Mr WONG Yuk-man said that Members belonging to the People's Power supported the funding proposal in principle. He had reservations on the Hong Kong Design Centre Awards, as the event appeared more of a gimmick than having practical impact on the design industry. It was questionable whether a large amount of resources should be spent on it. He had examined HKDC's initiatives in detail and had visited some of the activities conducted. Initiatives such as promoting the Hong Kong Design Directory and the organization of master classes were conducive to the development of the design industry in Hong Kong and should be further enhanced. Some other programmes, such as the Knowledge of Design Week (KODW), experience sharing sessions, and executive programmes appeared ineffectual. He considered that as the design sector was quite small and practitioners were in frequent contacts with one another, promoting experience sharing should not be HKDC's main focus. Mr WONG further commented that HKDC should not be responsible for running the Institute of Design Knowledge (IDK), as similar courses or programmes were being offered by the Hong Kong Polytechnic University and the Hong Kong Institute of Vocational Education. However, Design Mart events merited further resource support, as they were helpful in broadening design practitioners' networks.

12. Mr WONG Yuk-man also referred to the findings of the Director of Audit in 2008 about the HKDC's management problems, such as having adjusted the salary of Design Support Programme project staff without prior approval from the Innovation and Technology Commission; having credited staff salary expenditure to programme accounts, and having used, without authorization, the proceeds of \$600,000 from auctioning of creative products in December 2007. The Administration had reported to the ITB Panel at its meeting on 14 November 2011 that improvement to HKDC's governance and internal control had been instituted by appointing Government representatives in HKDC's Board; HKDC had also completed an internal audit exercise conducted by an outside audit firm, and had since put in place internal control

measures. Mr WONG commented that the impartiality of the audit process was questionable as HKDC appointed the audit firm with its own funds. The internal control mechanism was not meaningful if HKDC's management would not be accountable to the Government's representatives in the HKDC Board. He stressed that the internal control and audit mechanisms should at least be seen impartial.

13. DS(CT) said that the Administration had been working with HKDC to improve the latter's corporate governance and to implement measures in response to the recommendations of the Director of Audit. The Administration would enter into a new funding agreement with HKDC which would set out detailed control requirements. The Administration would monitor the performance of HKDC through its three-year business plans, annual reports and half-year operational reports and audited reports, and through its representative in the HKDC Board.

14. ED, HKDC supplemented that HKDC would consider introducing more practical and effectual activities to help the design industry. The Design Mart events would continue to be organized, and HKDC had been exploring with different shopping malls the possibilities of launching Design Mart events outside the InnoCentre. ED, HKDC explained that the setting up of IDK (also KODW) was unique and not intended to compete with the other training institutions, but to focus on raising the professional level and horizon of design professionals and business executives. As distinct from conventional institutional-based training programmes, IDK would adopt a more dynamic and flexible approach in developing programmes that would take note of the market trend and promote better knowledge exchange among practitioners. At the same time, IDK could also provide a useful platform for executives to better appreciate the power of design across disciplines for value creation. IDK was a pioneer attempt and HKDC would make improvements in the light of experience gained.

15. There being no further questions, the Chairman put the item to vote. The Committee approved the proposal.

Item No. 4 - FCR(2012-13)4

CAPITAL WORKS RESERVE FUND

HEAD 710 – COMPUTERISATION

Fire Services Department

New Subhead "Development of Asset Management and Maintenance System"

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16. The Chairman advised that the item sought the Committee's approval of a new commitment of \$49,830,000 for the development of an Asset Management and Maintenance System in the Fire Services Department.

17. The Chairman put the item to vote. The Committee approved the funding proposal.

Item No. 5 - FCR(2012-13)5

CAPITAL WORKS RESERVE FUND

**HEAD 708 – CAPITAL SUBVENTIONS AND MAJOR
SYSTEMS AND EQUIPMENT**

Transport Department

New Subhead "Expansion of Red Light Camera System, Phase 4"

18. The Chairman advised that the item sought the Committee's approval for a new commitment of \$48,135,000 for expanding the red light camera system to cover more signalized road junctions.

19. The Chairman said that the Administration had provided supplementary information, which was tabled at the meeting, on the reasons for including the amount of charges by the Electrical and Mechanical Services Trading Fund for its management services in working out the contingency sum of the project.

20. Ms Cyd HO referred to the recent traffic accident where a heavy vehicle rolled back down Eastern Street after its engine stalled, causing heavy casualties. She said that there were quite a number of steep roads on the Hong Kong Island. Red light jumping at those road junctions was particularly dangerous. Apart from installing red light camera systems to deter traffic violation, Ms HO asked if the Administration would install other facilities, such as speed bumps, or put up suitable signage at conspicuous locations to remind drivers to slow down or pause their vehicles at those junctions.

21. Assistant Commissioner for Transport/Technical Service (AC for T/TS) said that the precise locations of the red light cameras would be further adjusted taking into account the latest accident statistics and the prevalence of red light jumping activities. To enhance road safety at steep roads, the Administration implemented a host of traffic control measures on an ongoing basis, including changing traffic direction to uphill only at certain steep roads and erecting appropriate traffic signs to alert drivers of the gradient of the roads and remind them to drive carefully.

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22. Ms Cyd HO suggested that the Administration should explore with relevant District Councils measures to improve road traffic safety, and should not merely rely on the red light camera systems to prevent traffic accidents.

23. Dr PAN Pey-chyou said that Members belonging to the Federation of Trade Unions supported the funding proposal as red light jumping posed serious threats to road safety. He said that some of the roads in Hong Kong were quite wide and often a traffic signal had turned amber or red when a vehicle was half way across a crossroad, even though the driver was not intended to jump the light. He asked if the Administration would lengthen the time interval of the amber light signal at wide crossroads.

24. AC for T/TS advised that the existing design of traffic signals had already addressed members' concern. Sufficient time was allowed for vehicles travelling at normal speed to clear the junctions, before the traffic signals in other direction turned green, to avoid collision. He added that amber light jumping was not an offence if a running vehicle which, when the traffic signals changed to amber, was so close to the traffic signals that it could not safely be stopped before passing the signals.

25. There being no further questions, the Chairman put the item to vote. The Committee approved the proposal.

Item No. 6- FCR(2012-13)6

**HEAD 95 – LEISURE AND CULTURAL SERVICES
DEPARTMENT**

Subhead 700 General non-recurrent

New Item "Organising an exhibition on Bruce Lee"

26. The Chairman advised that the item sought the Committee's approval for a new commitment of \$24,850,000 for organizing an exhibition on Bruce Lee at the Hong Kong Heritage Museum.

27. Mr IP Kwok-him, Chairman of the Panel on Home Affairs, reported that the Panel discussed the proposal at its meeting held on 10 February 2012. Panel members supported the proposal and the submission of funding application to the Finance Committee. Panel members generally considered that, in recognition of Mr Bruce LEE's considerable contribution to Chinese martial arts and Hong Kong's film industry, the Administration should set up a permanent exhibition hall of appropriate scale on Mr Bruce LEE and Chinese martial arts.

28. As no member raised question, the Chairman put the item to vote. The Committee approved the funding proposal.

Item No.7- FCR(2012-13)7

HEAD 44 – ENVIRONMENTAL PROTECTION DEPARTMENT

Subhead 700 General non-recurrent

New Item "One-off subsidy to assist vehicle owners to replace the catalytic converters and oxygen sensors of their petrol and liquefied petroleum gas taxis and light buses"

29. The Chairman advised that the item sought the Committee's approval for the creation of a new commitment of \$150 million for providing a one-off subsidy to assist vehicle owners to replace the catalytic converters and oxygen sensors of their taxis and light buses that were fuelled by petrol or liquefied petroleum gas (LPG).

30. Ms Miriam LAU said that the taxi and public light bus (PLB) sectors welcomed the Administration's proposal. They were, however, concerned about the long-term financial burden of having to replace the catalytic converters and oxygen sensors every 18 months, as the Administration only planned to provide a one-off subsidy. The sectors had also reflected that other vehicle parts, namely, mixers, evaporators and exhaust gas recirculation control valves, would also affect a vehicle's emission performance and needed regular replacement. She asked whether the Administration would provide any long-term financial support to the sectors, and whether additional subsidies would be provided for the replacement of other component parts she had mentioned.

31. Permanent Secretary for the Environment / Director of Environmental Protection (PSEN/DEP) explained that different vehicle component parts served different functions. As the catalytic converters and oxygen sensors were the most critical in reducing emissions, they were specifically targeted for replacement. Deputy Director of Environmental Protection (3) (DDEP(3)) supplemented that mixers, evaporators and exhaust gas recirculation control valves were more durable, and required only regular cleansing rather than periodic replacement. The Environmental Protection Department (EPD) would produce information pamphlets to advise vehicle owners and operators on how to cleanse these components.

32. As regards the feasibility of providing longer term subsidies to LPG taxi or light bus owners, PSEN/DEP responded that owners should primarily be responsible for the proper maintenance of their vehicles. The Administration

estimated that the average cost of replacing the catalytic converter and oxygen sensor for a vehicle was about \$6,060. The actual cost might vary from vehicle model to vehicle model. She stressed that the resultant improvement in vehicle performance and fuel savings would outweigh the replacement and maintenance costs. DDEP(3) supplemented that the estimated replacement cost included the replacement of worn-out pipes and ducts. In future, vehicle owners could replace the core parts, which should cost between \$1,000 and \$2,000 for a taxi.

33. Ms Miriam LAU said that she had advocated early replacement of the polluting components in taxis and light buses. The taxis and light buses sectors well understood the Administration's emission control measures, and did not resist them. They even urged the Administration to expedite implementation of the measures. Ms LAU said that the sectors understood that frequent cleansing of mixers, evaporators and exhaust gas recirculation control valves could contribute towards reducing vehicle emissions. However, the Administration should provide sufficient guidance to the sectors on how these components should be cleansed and how frequently they should be cleansed to achieve optimal effectiveness. She noted that the proposed funding allocation included \$2 million for arranging free training for mechanics and carrying out quality control work on the replacement parts. She queried the justification for providing training for mechanics, as the subsidies already included service costs, and remarked that the \$2 million should instead be used to produce technical guidance materials for the sectors to help them maintain their vehicles.

34. DDEP(3) said that the Administration had separate funding to produce pamphlets on maintenance guidelines for LPG taxi and light bus owners as well as maintenance mechanics. It was a normal practice of the Administration to provide necessary training for maintenance personnel when the Government introduced tighter emission control standards. Such support would, in the end, also benefit vehicle owners.

35. Ms Miriam LAU noted that 21 630 vehicles, comprising about 18 000 taxis and more than 3 000 PLBs, were eligible for the one-off subsidy, and the Administration expected that replacement programme would be completed within six months. She considered the timetable too optimistic and queried what specific arrangements the Administration would make to achieve this target.

36. PSEN/DEP added that if the funding application was approved, the Administration would proceed with the tendering exercises at the earliest opportunity. More than one contract would be awarded for the supply of catalytic converters and oxygen sensors and for the replacement services,

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respectively. The Administration would ensure that sufficient service points would be available in different convenient locations to ensure that the replacement programme could be completed within six months. In response to Ms Miriam LAU's enquiry, DDEP(3) said that the Administration intended to appoint about 30 workshops to offer the replacement service. Vehicle owners could book appointments in advance with the workshops to reduce waiting time and to speed up the replacement process.

37. Mr KAM Nai-wai expressed concern about the lack of competition in the provision of replacement services if only 30 workshops were to be appointed. He asked if the Administration would appoint more contractors, especially smaller scale contractors, to participate in the replacement programme.

38. DDEP(3) said that a workshop could service about 10 vehicles a day. With 30 workshops, the target of replacing the catalytic convertor and oxygen sensors of the 21 630 target vehicles within six months could be achieved. Upon receipt of the return tenders, the Administration would consider appointing a few more workshops to improve the overall geographical distribution of the workshops for offering more convenient services to the vehicle owners.

39. Mr KAM Nai-wai said that Members belonging to the Democratic Party (DP) supported measures that would help improve roadside air quality. He said that the Administration gave an impression that vehicles fuelled by LPG were almost emission free, but in fact vehicles that did not emit black smoke could still emit excessive amount of nitrogen oxides, carbon monoxide and other volatile organic compounds. Mr KAM referred to the Administration's paper which stated that the number of days with Air Pollution Index (API) exceeding 100 had increased from 43 days in 2005 to 172 days in 2011. He asked about the number of such days would be reduced if the present funding application was approved and the proposed measures implemented.

40. PSEN/DEP said that upon completion of the replacement programme, the Administration would deploy roadside remote sensing equipment in mid 2013 to screen out in-use petrol and LPG vehicles that emit excessively and require their owners to rectify the excessive emission problem. The Administration estimated that the catalytic convertors of some 80% and 45% of road-running petrol/LPG taxis and light buses respectively had been worn out. The proportion of nitrogen oxides and carbohydrates from these vehicles was between 40% and 50% of the total vehicle emissions in busy roads of Hong Kong's urban areas. The Administration therefore targeted at these vehicles under the replacement programme. PSEN/DEP said that it was estimated that

upon completion of the replacement programme and the installation of selective catalytic reduction (SCR) devices in Euro II and III franchised buses, roadside air quality would be substantially improved.

41. DDEP(3) supplemented that roadside air quality was affected by vehicular emissions and the ambient ozone concentration in the region. In the case of nitrogen oxides, which are the main cause of roadside API exceeding 100, about 80% of their emissions at the roadside were from franchised buses and from LPG taxis and light buses. The SCR retrofit to franchised buses and the replacement of the aged catalytic converters in LPG taxis and light buses should be effective in reducing significantly their emission of nitrogen oxides. If the regional ozone concentration did not deteriorate, it was likely that, with all these improvement measures, the roadside air quality should reach the 2004-05 level.

42. Ms Audrey EU said that the Administration should adopt the new Air Quality Objectives (AQO) after having completed the replacement programme and the deployment of remote sensing equipment. Pointing out that having 172 days with API exceeding 100 reflected a very serious level of air pollution, she asked what the situation would be like when measured by the new AQO after completion of the replacement programme. Noting that five remote sensing teams would be deployed to different locations in the territory to screen out in-use petrol and LPG vehicles that emit excessively, she asked when the deployment would be completed, and when the strengthened emission control measures mentioned in the Administration's paper would be implemented. Ms EU remarked that although the community generally supported measures that would improve air quality, controversy would be expected if the relevant legislative amendments involved the sanction of cancellation of vehicle licence. She reminded the Administration to allow sufficient time for public consultation.

43. DDEP(3) said that the new AQO was more stringent than the existing standards, especially in the limit for nitrogen dioxide. To meet the new AQO for nitrogen dioxide, apart from replacing catalytic converters and oxygen sensors of taxis and light buses and retrofitting Euro II and III franchised buses with SCRs, other measures would have to be implemented in parallel such as phasing out old polluting vehicles. In line with the existing Smoky Vehicle Control Programme, vehicles screened by remote sensing equipment as emitting excessively would be required to be repaired and to pass an advanced emission test done with the aid of a chassis dynamometer at a designated vehicle emission testing centre to ascertain the effectiveness of the repair. PSEN/DEP said that the Administration was making preparation for the installation and operation of dynamometers at designated vehicle examination centres for

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testing emission during annual roadworthiness examinations. These combined efforts were expected to be able to improve roadside air quality significantly.

44. Regarding the implementation timeframe, DDEP(3) advised that taking into account the time required for public consultation, setting up of vehicle examination centres, procurement and installation of testing equipment, the advanced emission test could be incorporated into Transport Department's roadworthiness examination in about four years' time. Ms Andrey EU urged the Administration to expedite this area of work, and considered that it would be more effective to have the new legislation, the replacement programme and the new emission examination requirement for taxis and light buses to be in place in one go. PSEN/DEP and the Senior Engineer (Vehicle Safety) said that EPD was working closely with the Transport Department to implement the proposed strengthened emission control measures. However, necessary lead time was required for the legislative amendments, the creation of posts and the setting up of the test centres. PSEN/DEP added that with the deployment of remote sensing equipment, vehicles with excessive emission could be spotted and rectifications made. This arrangement would already bring immediate improvement to roadside air quality.

45. Mr CHAN Kam-lam said it was less than 10 years ago that the Administration encouraged replacement of diesel and petrol taxis and light buses with LPG ones through subsidies, claiming that the replacement programme would reduce respiratory suspended particles and sulphur oxide compounds. However, these LPG vehicles were now found to have nitrogen oxides emission problems that required public subsidies to replace polluting component parts. He queried whether the previous policy of promoting replacement of diesel taxis and light buses with LPG ones was justified, and whether the current proposal would conceal the policy mistake. On the other hand, the taxi and light bus trades were concerned that the proposed one-off replacement subsidy scheme was a precursor of introducing more stringent vehicle emission control measures. Mr CHAN also mentioned that some owners of LPG vehicles were discontented with the Administration putting the blame of roadside air pollution on them, despite the fact that their vehicles were well maintained and had passed annual roadworthy examinations.

46. PSEN/DEP said that roadside pollution was caused by a number of air pollutants from different sources, and efforts were being made to reduce their emissions to improve air quality. DDEP(3) added that replacing diesel taxis and light buses with LPG ones was an essential step to improve roadside air quality, because LPG vehicles were more environmentally-friendly (emitting virtually no particulates and significantly less nitrogen oxides) than their diesel counterparts not only with the technology in early 2000s, but they also

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out-performed the more advanced Euro V diesel vehicles available presently, whose nitrogen oxides emission was two to five times of that of their LPG counterparts. LPG vehicles were installed with three-way catalytic converters which were effective in reducing nitrogen oxides emission, but they needed replacement when their efficiency had been depleted over use. As nitrogen oxides was not visible, it was necessary to detect worn-out converters using remote sensing equipment and dynamometers. The current funding proposal would help raise LPG vehicle owners' awareness of the need to replace these component parts regularly. The installation of remote sensing equipment would enable the Government to identify vehicles with excessive emission for taking rectification actions.

47. DDEP(3) further commented that irrespective of their fuel types, vehicles required regular and proper maintenance to keep their emissions at a normal level and LPG and petrol vehicles were no exception. The proposed provision of a one-off subsidy for replacement of catalytic converters and oxygen sensors in taxis and light buses would help meet their owners to develop a habit of keeping their vehicle in proper maintenance.

48. Referring to paragraph 12 of the Administration's paper which suggested that \$17 million would be reserved as contingency to cater for, among other factors, increase in the number of eligible light buses, etc., Mr CHAN Kam-lam queried the need for the contingency provision as there was no plan to increase the number of light buses. PSEN/DEP explained that the contingency provision was needed to buffer for any unforeseen fluctuation in the price of the parts as well as the variation in the number of different models of eligible vehicles to cater for voluntary participation of newly replaced LPG vehicles.

49. Mr CHAN Kam-lam contended that the Administration's explanation was not valid, as the components of new vehicles did not required replacement. He said that keeping vehicles under regular and proper maintenance to reduce emission was the owners' responsibility. It was not appropriate to subsidize vehicle owners with public funds to replace polluting component parts; otherwise they would expect further financial support from the Government every time the parts were due for replacement. Besides, all of the 21 630 vehicles eligible for the proposed one-off subsidy should already be subject to annual roadworthy examinations; it would be a waste of resources if subsidies were provided for some of the vehicles that had just undergone regular maintenance, or replaced. He suggested that in such circumstances, owners should be allowed to retain the subsidy to spend on the necessary servicing, say 18 months later, when the catalytic converters and oxygen sensors were due for replacement.

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50. PSEN/DEP said that several public consultation sessions had been held regarding the approach of providing one-off subsidy to replace the concerned component parts, and introducing emission testing using remote sensing equipment. The taxi and light bus sectors were willing to co-operate with the Administration to meet the objectives of improving roadside air quality. The Administration noted that the catalytic converters and oxygen sensors of many of the existing LPG taxis and light buses were most in need of replacement. By providing a one-off subsidy for owners to replace the two component parts, the Administration hoped to achieve immediate improvement to roadside and air quality. The replacement programme would also facilitate the implementation of the tightened emission control measures using remote sensing equipment.

51. DDEP(3) added that the Administration had discussed with the respective sectors on various options in providing the subsidy. During consultation, the sectors considered that the subsidy should cover all LPG taxis and light buses irrespective of their vehicle age. The Administration had acceded to the sectors' views.

52. Mr CHAN Kam-lam said that vehicle owners should be responsible for maintaining their own vehicles. It was even more unreasonable that the Administration would provide the proposed subsidy to owners of new LPG vehicles. He queried whether the proposal was a prudent use of public resources. On this account, he would vote against the funding proposal. He requested that his objection be recorded.

53. PSEN/DEP recapitulated that the Administration intended to tighten emission control on nitrogen oxides by using remote sensing equipment and dynamometer for emission testing. This objective was supported by the Panel on Environmental Affairs, and represented the Administration's efforts to respond to the community's demand for more proactive steps in tackling roadside air quality problems. The one-off subsidy to help LPG taxis and light buses vehicle owners to replace the catalytic converters and oxygen sensors would facilitate their meeting the emission requirements and to ensure successful implementation of the tightened emission control measures.

54. There being no further question, the Chairman put the item to vote. The Committee approved the item. (As requested by Mr CHAN Kam-lam, his objection to the proposal was recorded here).

55. The meeting was adjourned at 5:21 pm.