

# The Conservancy Association

## Submission on Government's Proposed Subsidy Scheme to Encourage Replacing Pre-Euro and Euro-I Diesel Vehicles to Euro IV Vehicles

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### Understanding of Government Scheme

1. Government proposes to spend HK\$3.176 billion to subsidize owners of diesel vehicles of pre-Euro and Euro-I standards to change their vehicles to Euro-VI standard. The main justification is that these vehicles are very dirty and emit a lot more air pollutants than the rest of the vehicle fleet in Hong Kong and the owners are not willing to replace their vehicles without a subsidy.
2. The amount of subsidy varies according to the scrap value of the vehicles. Subsequently, the older and smaller the vehicle, the lesser is the subsidy. Therefore, the smallest pre-Euro diesel vehicle gets the least money and the largest Euro-I vehicle gets the largest amount.
3. For light buses, as there are more options for replacement, i.e., Euro IV diesel, LPG and electric, the subsidy varies according to the cleanliness of the vehicle type. Subsequently, electric vehicle gets the largest subsidy and diesel vehicle gets the least.

### Justifications of the Scheme

4. Government's logic of the scheme is that if we can replace the 49161 pre-Euro and 25206 Euro-I diesel vehicles with cleaner vehicles (Mainly Euro IV, partly LPG and Electric), there will be 74% and 38% less vehicle emissions of particulates and nitrogen oxides, implying cleaner air.
5. Majority of the 49161 pre-Euro diesel vehicles are very old (12 to 15 years) and have exceeded their normal operating life span. The Euro-I vehicles are close to the end of their operating life span (10 to 12 years). The pre-Euro vehicles should have been scraped and the Euro-I vehicles should be retired very soon. Government's subsidy (average HK\$38377 for each pre-Euro vehicle and HK\$51160 for each Euro-I vehicle) is to expedite the phasing out of these vehicles.
6. There are some fundamental flaws of this logic: (a) this is totally against the principles of polluter pays which we persistently and Government occasionally uphold; (b) subsidizing the Euro-I vehicles is not effective at all compared to the case of pre-Euro vehicles – Government pays HK\$ 1.87 billion for 1044 tons of particulate and 4950 tons nitrogen oxides reduction (aggregate HK\$314,752 per ton) to pre-Euro vehicles but HK\$1.29 billion for 299 and 953 tons of these two pollutants (aggregate HK\$1,029,982 per ton) to Euro-I vehicles and (c) the subsidy to the light buses passes a very wrong message to these owners, i.e., there would be more rewards for not joining the LPG scheme before 2005 – remaining to use the diesel vehicle can still have a subsidy of HK\$40,000. This is unfair to those operators/ owners who listened to Government to switch their diesel vehicles to LPG version.

### Dilemma

7. These flaws as said above develop “naturally” from the contradictions of Government’s environmental policy and industrial/ commercial support policy. It is Government’s long standing policy to support SMEs and that is why the tax on diesel is still lower than that on petrol although diesel in many aspects is more polluted than petrol.
8. The need to support these SMEs (including many diesel vehicle operators) is well understood as they provide many job opportunities. However, this support has a limit. SMEs cannot pose danger to public health and safety. Government and legislators have full responsibility to ensure public health and safety. There must not be any compromise.
9. The policy makers (Government and Legislative Council) must be very clear that public health is an uncompromised objectives and survival of SMEs is only one of the many constraints. We cannot put the carts in front of the horse. Otherwise, our community will be the same as triad society ruled by force and balance of benefits.

### Our Counter-proposal

10. The citizens of Hong Kong certainly are not willing to see the money spent but the dirty air problem persists. The main problem of the Government’s proposed subsidized scheme is that it is solely voluntary; the polluters have a freedom of not joining the scheme. They may even have a “reasonable expectation” of a better scheme for them if they do not join this time, same as the LPG scheme for light buses.
11. If these pre-Euro and Euro-I diesel vehicles produce 30 and 15 times more particulates and 2 and 1.5 times more nitrogen oxides than the current Euro-IV versions, it is highly likely that these vehicles do not pass a proper emission test. And, by tightening the law enforcement, not to mention the vehicle emission laws, most of these vehicles shall be forced out of the road. So, one of the logical options is to step up the law enforcement. As such, these vehicles have to undergo an annual emission test (at least for particulate and NOx emissions) for re-issuing of road license and more roadside emission tests should be performed.
12. Another tidier option is that the Transport Department will stop re-issuing the road license for these vehicles when this subsidy scheme expires.