

**立法會**  
**Legislative Council**

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**Panel on Environmental Affairs**

**Minutes of special meeting  
held on Wednesday, 15 May 2013, at 8:30 am  
in Conference Room 3 of the Legislative Council Complex**

**Members present** : Hon Cyd HO Sau-lan (Chairman)  
Hon Christopher CHUNG Shu-kun,  
BBS, MH, JP (Deputy Chairman)  
Hon CHAN Hak-kan, JP  
Hon CHAN Kin-por, BBS, JP  
Hon Albert CHAN Wai-yip  
Hon Claudia MO  
Hon Steven HO Chun-yin  
Hon WU Chi-wai, MH  
Hon Gary FAN Kwok-wai  
Hon Charles Peter MOK  
Dr Hon Kenneth CHAN Ka-lok  
Hon KWOK Wai-keung  
Hon Dennis KWOK  
Hon SIN Chung-kai, SBS, JP  
Dr Hon Elizabeth QUAT, JP  
Ir Dr Hon LO Wai-kwok, BBS, MH, JP  
Hon CHUNG Kwok-pan  
Hon Tony TSE Wai-chuen

**Members attending** : Hon Frankie YICK Chi-ming  
Hon TANG Ka-piu

**Members absent** : Hon Vincent FANG Kang, SBS, JP  
Hon CHAN Han-pan  
Dr Hon Helena WONG Pik-wan

**Public Officers attending** : **For item I**

Mr WONG Kam-sing, JP  
Secretary for the Environment

Ms Christine LOH, JP  
Under Secretary for the Environment

Mr Andrew LAI, JP  
Deputy Director of Environmental Protection (3)  
Environmental Protection Department

Mr MOK Wai-chuen, JP  
Assistant Director (Air Policy)  
Environmental Protection Department

Mr Edmond HO  
Principal Environmental Protection Officer  
(Mobile Source Control)  
Environmental Protection Department

**For item II**

Mr WONG Kam-sing, JP  
Secretary for the Environment

Ms Christine LOH, JP  
Under Secretary for the Environment

Mr Andrew LAI, JP  
Deputy Director of Environmental Protection (3)  
Environmental Protection Department

Mr MOK Wai-chuen, JP  
Assistant Director (Air Policy)  
Environmental Protection Department

Mr Edmond HO  
Principal Environmental Protection Officer  
(Mobile Source Control)  
Environmental Protection Department

**Clerk in attendance** : Ms Miranda HON  
Chief Council Secretary (1)1

**Staff in attendance** : Mrs Mary TANG  
Senior Council Secretary (1)1

Miss Mandy POON  
Legislative Assistant (1)1

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Before proceeding with the discussion, the Chairman sought members' views on the need to invite public views on the two funding proposals to be discussed. Members agreed on the need to hold a special meeting for the purpose.

**I. Retirement of pre-Euro IV diesel commercial vehicles**

(LC Paper No. CB(1)1003/12-13(01) — Administration's paper on "Retirement of pre-Euro IV diesel commercial vehicles"

LC Paper No. CB(1)1003/12-13(02) — Background brief on "Retirement of pre-Euro IV diesel commercial vehicles" prepared by the Legislative Council Secretariat)

2. The Secretary for the Environment ("SEN") briefed members on the proposal to phase out pre-Euro IV diesel commercial vehicles through an incentive-cum-regulatory approach and to limit the service life of newly registered diesel commercial vehicles at 15 years as proposed in the 2013 Policy Address. He said that to take forward the proposal, the Government had earmarked \$10 billion for the proposed ex-gratia payment to facilitate the early phasing out of heavily polluting diesel commercial vehicles with effect from specified dates. It had consulted the relevant trades (including transport operators, vehicle vendors, vehicle body builders and vehicle scrapping agents)

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about the phasing-out programme. Their key concerns were on four areas, namely the level of ex-gratia payment, the phasing-out timetable, the 15-year service life limit for newly registered diesel commercial vehicles, and the transitional arrangements before the commencement of the new scheme. Subject to the positive feedback in the consultation with the transport trades and the support of the Legislative Council, the Administration planned to implement the proposal in 2014.

Level of ex-gratia payment

3. Mr CHAN Hak-kan said that while he would support measures to improve roadside air quality, there was a need to ensure the cost-effectiveness of such measures. He was concerned that the sole purpose of the retirement of pre-Euro IV diesel commercial vehicles was to replace existing vehicles. He was dissatisfied that under the present proposal, the retirement of the newer Euro III diesel commercial vehicles would be entitled to a higher level of ex-gratia payment than the older and more polluting pre-Euro II vehicles, and considered such arrangement to be putting the cart before the horse. He questioned whether the Administration was acting as a second-hand car dealer or implementing an environmental improvement policy. He also expressed concern about the impact of the phasing-out programme on the transport trades, in particular on the livelihood of owners of "single vehicles" who were also drivers ("single-vehicle owners"). Mr CHAN recalled that the Government had provided subsidies to franchised bus companies in retrofitting Euro II and III franchised buses with selective catalytic reduction devices. It had also allowed power companies to adjust their investment returns to take account of the installation cost of desulphurization facilities. As the level of subsidies under the current proposal was much less as compared to those schemes, he questioned why the Government was harsh to vehicle owners yet generous to major enterprises.

4. Mr WU Chi-wai supported the direction of replacing heavily polluting vehicles under an incentive-cum-regulatory approach. He shared the view that the more polluting vehicles should be given additional incentives for early replacement in an attempt to remove them from the roads.

5. SEN responded that pre-Euro IV diesel commercial vehicles were owned by both individual owners and companies and they could all receive ex-gratia payment in the retirement of their vehicles. Unlike the two previous one-off grant schemes for the early replacement of pre-Euro II and Euro II diesel commercial vehicles which were voluntary, the present proposal adopted an incentive-cum-regulatory approach to phase out all pre-Euro IV diesel commercial vehicles. Under the proposal, the payment level would be inversely correlated with the age of the vehicle to be scrapped and would remain the same

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throughout the scheme period. This would give extra impetus for vehicle owners to take actions earlier.

6. Mr Tony TSE indicated support for the proposal to phase out pre-Euro IV diesel commercial vehicles. As the older and more polluting vehicles should be encouraged to be replaced sooner, he failed to see why the ex-gratia payment for such vehicles was less than that for newer vehicles. Sharing similar concerns, Mr KWOK Wai-keung queried why owners of Euro III vehicles could be given more ex-gratia payment if they chose to scrap their vehicles earlier but the same did not apply to pre-Euro and Euro I vehicles as there was only one flat rate for vehicles aged 18 or above.

7. The Deputy Director of Environmental Protection (3) ("DDEP(3)") explained that in setting the ex-gratia payment levels, the Administration had made reference to the two voluntary schemes for replacement of pre-Euro / Euro I and Euro II diesel commercial vehicles. Under the present proposal, owners who chose to scrap their pre-Euro IV diesel commercial vehicles without seeking replacement would receive less payment than those who sought to replace their vehicles with newly registered vehicles. The payment levels would be linked to the age of vehicles rather than their Euro grading in order to incentivize their early replacement. Owners could choose to replace their polluting vehicles earlier and receive higher payment or they could choose to continue with the use of their polluting vehicles for a longer time and receive less payment. He further said that as pre-Euro II diesel vehicles were proposed to be phased out by 1 January 2016 because their licences would not be renewed after this date, there might not be a need to provide additional incentives for their replacement. Meanwhile, owners of Euro II and Euro III vehicles could choose to receive a higher ex-gratia payment if they replaced their vehicles earlier than the specified dates for licence non-renewal, which was set at 1 January 2017 and 1 January 2019 respectively. There had been extensive consultation with the relevant trades, including transport operators, vehicle vendors, vehicle body builders and vehicle scrapping agents in working out the present proposal.

8. Mr CHAN Kin-por expressed support for the phasing out of pre-Euro IV diesel commercial vehicles. He however noted with concern that the 16 000 pre-Euro diesel vehicles which were highly polluting would still be allowed on the roads up until 1 January 2016 when their licences would not be renewed. By then, these vehicles would be aged 20 years or more. He asked if a special arrangement could be introduced to incentivize the early retirement of pre-Euro diesel vehicles. He also enquired about the resale value of aged diesel vehicles and how this compared with the ex-gratia payment for scrapping an 18-year-old diesel vehicle which was set at 10% of the selling price of a new vehicle.

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9. DDEP(3) explained that the resale value of diesel vehicles would depend on their condition, model types and availability of buyers. As most pre-Euro diesel vehicles were aged 18 years or above, there would unlikely be a promising resale market for them in Hong Kong or overseas. The price to be offered for scrapping such vehicles would be in the range of several thousand dollars. Therefore, the ex-gratia payment being proposed for scrapping an 18-year-old diesel vehicle would be more attractive than selling it to scrapping agents. As regards the retirement of pre-Euro II diesel vehicles, they would be the first batch of vehicles to be phased out as their licences would not be renewed as from 1 January 2016.

10. Ms Claudia MO said that there was a need to ensure that the funds allocated for the scheme could enable improvements to roadside air quality, particularly in busy commercial districts such as Tsim Sha Tsui where pedestrians had to make use of underground passes to avoid pollution at the roadside. She was concerned about the emissions from vehicles circling around to avoid being caught for idling engines. She also enquired about the participation rate for the one-off grant scheme to encourage the early replacement of Euro II diesel commercial vehicles which was said to have exceeded the target of 24%. DDEP(3) responded that the purpose of the retirement of pre-Euro IV diesel commercial vehicles was to improve the roadside air quality. The Transport Department would decide on the need to adjust the pedestrian movement in busy commercial districts, having regard to vehicular traffic and pedestrian safety. As to the participation rate for the one-off grant scheme for early retirement of Euro II diesel commercial vehicles which was originally estimated at 24%, it was most likely that this would be exceeded on account of the rising number of applications in recent months.

Concern about profiteering by vehicle suppliers

11. Mr Albert CHAN questioned why the Government had chosen the option of providing direct subsidies to vehicle owners rather than exempting the First Registration Tax ("FRT"), as the latter could avoid huge increases in expenditure despite reducing revenue. He considered that as the current proposal would incur a huge financial commitment of \$10 billion, care should be taken to avoid transfer of benefits. He requested the Administration to provide an analysis on the financial implications of the proposal with a view to preventing different parties from making use of the phasing-out programme to profiteer. Mr KWOK Wai-keung shared the view on the need to assist vehicle owners in the replacement and to prevent vehicle suppliers from profiteering under the phasing-out programme.

12. DDEP(3) explained that the purpose of the proposal was to phase out polluting vehicles by assisting owners in the replacement through the provision of ex-grata payment. Under the proposal, ex-gratia payment would not only be

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provided to owners who replaced their vehicles, but would also be extended to owners who scrapped their vehicles without replacement. The proposal, would directly benefit all owners of pre-Euro IV diesel commercial vehicles and hence would be more preferred by owners than the exemption of FRT as the latter would only benefit owners who replaced their vehicles. Meanwhile, the current FRT concessions for replacing vehicles with more environment friendly vehicles would still continue. The Administration had consulted the relevant trades on the proposal. At Mr CHAN's request, the Administration would provide an analysis on the financial implications of the proposal and measures to prevent abuse by parties who sought to profiteer from the phasing-out programme. The Chairman added that there was a need to prevent profiteering by vehicle suppliers who sought to increase the selling prices of replacement vehicles as a result of the increased demand arising from the phasing-out programme.

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Impact on the transport trades

13. Mr KWOK-Wai-keung said that the transport trades should not be treated as culprits for polluting the environment and they should not be held solely responsible for contributing to the poor air quality. If the Administration did not extend the deadline for the replacement of pre-Euro IV diesel commercial vehicles, many single-vehicle owners would be left out of job. He questioned if it was fair to require owners of pre-Euro IV diesel commercial vehicles to replace their vehicles under a mandatory rather than a voluntary scheme. He enquired if there were arrangements to ensure that single-vehicle owners would not be forced out of job as a result of the phasing-out programme. Mr TANG Ka-piu echoed that the phasing-out programme would have a huge impact on the livelihood of single-vehicle owners as they relied on the use of diesel commercial vehicles to earn their living. He pointed out that many of these owners who were in their 50s or 60s would be reluctant to join the scheme because although the Government would be subsidizing up to 30% of the replacement cost, they would still have to shoulder the remaining 70% which would be a huge financial burden. Given the decline in the logistics business, these owners would have great difficulty in the replacement of vehicles.

14. SEN responded that the Administration was well aware of the financial difficulties of some vehicle owners. The two voluntary schemes for the replacement of pre-Euro III diesel commercial vehicles were found to be ineffective for phasing out polluting vehicles. There was a need for more resolute actions in the form of an incentive-cum-regulatory approach to phase out heavily polluting diesel commercial vehicles.

15. Mr Frankie YICK said that the transport trades were in general supportive of the proposal to phase out pre-Euro IV diesel commercial vehicles. However, given the wide spectrum of the transport trades, there were transport operators,

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particularly single-vehicle owners, who found it difficult to save up for the replacement of their diesel commercial vehicles even with the subsidies provided. There had been calls from the transport trades for increasing the level of ex-gratia payment. Some of them suggested that the payment level should only be linked with the age of the phased-out vehicles irrespective of whether a new replacement vehicle would be acquired. They also suggested that the replacement of vehicles should be carried out under a phased approach lest the sudden increase in the demand for replacement vehicles might push up their selling prices. SEN responded that the Administration would be collating and analyzing the views received from the transport trades, including the suggestion that the payment level should only be linked with the age of the phased-out vehicles irrespective of whether a new replacement vehicle would be acquired.

16. Dr Kenneth CHAN said that members of the Civic Party would support the incentive-cum-regulatory approach to phase out heavily polluting diesel commercial vehicles and the need to invite public views on the proposal. He requested that more information be provided on the impact of air quality on public health as well as the health cost associated with exposure to poor air quality. Such information should be set out in the Administration's paper to help explain the justifications for spending \$10 billion on the phasing-out programme. In addition, more information should be provided on the impact of the proposal on single-vehicle owners, who might be forced out of business as a result of implementation of the programme. Consideration should be given to providing additional subsidies to these affected owners as well as their employees. He hoped that environmental groups would not object to additional subsidies being given to the affected owners who were in need of assistance. The Under Secretary for the Environment ("USEN") agreed to provide the requisite information. She said that while information on the number of single-vehicle owners could be provided, it should be noted that not all of them would need additional subsidies as some might be operating their business profitably. Besides, it would not be easy to set eligibility criteria for the provision of additional subsidies under the scheme.

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17. Dr Elizabeth QUAT shared the concern about the impact of the proposal on single-vehicle owners as they might not be able to secure loans for the replacement of their pre-Euro IV diesel commercial vehicles even with the subsidies provided. She supported that additional financial assistance be provided to these affected owners, such as the provision of loan schemes similar to that for small and medium enterprises. DDEP(3) responded that banks would be prepared to offer more attractive mortgage terms and lending rates for vehicles owners who replaced their diesel commercial vehicles under the phasing-out programme.



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Phasing-out timetable

18. Dr Elizabeth QUAT said that while she would support measures to improve air quality and public health, there was a need to justify the cost-effectiveness of the investment made. She was concerned that the proposal might give rise to other problems, particularly when it would mandate the retirement of all pre-Euro IV diesel commercial vehicles, instead of targeting at the more polluting pre-Euro II models. She would support that a phased approach be adopted whereby the more polluting pre-Euro II models would be phased out first, to be followed at a later stage by the retirement of Euro III models, whose emission performance could be improved through the use of selective catalytic reduction devices.

19. DDEP(3) responded that the phasing-out programme would cover all pre-Euro IV diesel commercial vehicles as they were more polluting. The proposed ban on the renewal of licences of the 86 000 pre-Euro IV diesel commercial vehicles would be implemented by phases, to ensure that their retirement would take place in a progressive manner. The Administration had not taken on board the suggestion of deferring the replacement of Euro III diesel commercial vehicles since their respirable suspended particulate ("RSP") emissions were four to five times higher than that of Euro IV and Euro V models. If the Euro III diesel commercial vehicles were not included in the phasing-out programme, this might give the transport trades the wrong impression that the emission performance of Euro III models was acceptable.

20. Mr TANG Ka-piu pointed out that with the tightening of vehicle standards, the number of pre-Euro II diesel commercial vehicles had significantly reduced over the years. He questioned whether the increase in the number of days with unacceptable air quality was attributable to the increase in the number of polluting diesel vehicles on the roads or the deterioration in regional air quality. If the latter was the case, it would not be justified to spend \$10 billion to replace polluting diesel vehicles in Hong Kong. He further said that the air quality monitoring stations had recently recorded a decrease in levels of RSP but an increase in levels of nitrogen dioxide ("NO<sub>2</sub>") at the roadside. As diesel vehicles were the main contributors of RSP emissions while franchised buses and liquefied petroleum ("LPG") taxis and public light buses ("PLBs") were the main contributors of NO<sub>2</sub> emissions, he failed to see why the phasing-out programme should be targeted at diesel vehicles when the RSP emissions were already on the decline. He stressed that there was a need to ensure the cost-effectiveness of spending \$10 billion on the phasing-out programme.

21. DDEP(3) explained that the roadside air quality was affected by vehicular emissions of RSP and NO<sub>2</sub>. Separate initiatives would be introduced to reduce the NO<sub>2</sub> emissions from LPG taxis and PLBs. It was worthy to note that the NO<sub>2</sub> emissions from pre-Euro and Euro I diesel vehicles were two to three times

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higher than that from Euro V vehicles. As the International Agency for Research on Cancer of the World Health Organization had declared diesel engine exhaust as carcinogenic to humans, there was a need to retire the heavily polluting vehicles in the diesel commercial fleet as soon as practicable.

22. Mr Christopher CHUNG shared the view that more incentives should be provided to phase out the more polluting pre-Euro diesel vehicles, which contributed to 41% of the overall vehicular RSP emission. Meanwhile, the replacement of Euro III diesel vehicles should be proceeded with at a later stage as they were newer and less polluting. SEN said that the proposed timetable for the non-renewal of licences for pre-Euro IV diesel commercial vehicles would enable the more polluting pre-Euro II vehicles to be phased out first. In response to Mr CHUNG's enquiry, SEN stated that information on emission performance from different Euro grading diesel vehicles could be provided to the Panel again in the information paper.

Transitional arrangements

23. Mr Frankie YICK said that as the one-off grant scheme on the early replacement of Euro II diesel commercial vehicles would be expiring on 30 June 2013 while the phasing-out programme for pre-Euro IV diesel commercial vehicles had yet to be implemented, there would be an interim period whereby no subsidy would be made available to owners in the replacement of the heavily polluting diesel commercial vehicles. As passenger-carrying vehicle operators would have to replace their old vehicles owing to operational needs, they had requested that a retrospective arrangement be introduced for eligible vehicles scrapped before the commencement of the phasing-out programme. Another possible solution would be to extend the expiry date of the one-off grant scheme to tie in with the commencement of the phasing-out programme to enable a seamless transition. Owners of Euro II diesel commercial vehicles had also requested that they be allowed to deregister their vehicles before 30 June 2013 while awaiting the actual replacement so that they could still benefit from the one-off grant scheme. SEN responded that owners of Euro II diesel commercial vehicles should consider making use of the one-off grant for the replacement of their vehicles as the scheme would not be extended beyond its expiry date on 30 June 2013.

15-year service life limit for newly registered diesel commercial vehicles

24. Mr Tony TSE was concerned that the 15-year service life limit for newly registered diesel commercial vehicles might be too short and he enquired if there was any scientific data to support setting the service life limit at 15 years. He was also concerned whether second hand car dealers would be affected by the proposal of limiting the retirement age of diesel commercial vehicles at 15 years.

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Concluding remarks

25. The Chairman concluded that members did not have a consensus on the proposal and the main concerns raised by members were the levels of ex-gratia payment, the impact on the transport trades, the health threat to the public, the phasing-out timetable, and possible profiteering by vehicles suppliers. She emphasized that there was a need for the Administration to address these concerns and strike a proper balance among them in formulating the proposal.

**II. Increase in commitment for one-off grant to encourage early replacement of Euro II diesel commercial vehicles**

(LC Paper No. CB(1)1003/12-13(03) — Administration's paper on "Increase in commitment for one-off grant to encourage early replacement of Euro II diesel commercial vehicles"

LC Paper No. CB(1)1003/12-13(04) — Background brief on "One-off grant to encourage early replacement of Euro II diesel commercial vehicles" prepared by the Legislative Council Secretariat)

26. SEN briefed members on the Administration's proposal to increase the commitment for the one-off grant scheme on the early replacement of Euro II diesel commercial vehicles ("the one-off grant scheme") by highlighting the salient points of the discussion paper.

27. Mr Frankie YICK said that he supported the proposal to increase the commitment for the one-off grant scheme. He also said that the sudden increase in the number of applications under the scheme was probably because while the scheme would be expiring on 30 June 2013, the date for implementing the proposal to phase out pre-Euro IV diesel commercial vehicles had yet to be decided. He pointed out that owners of Euro II diesel commercial vehicles who were in their 60s and who would like to continue with the use of their aged vehicles for a number of years would be forced to retire if the proposal to phase out pre-Euro IV diesel commercial vehicles was implemented. He hoped that the Administration would take into account the concerns raised by the transport trades and increase the commitment for the one-off grant scheme which would bring much benefit to the community in terms of improved air quality.

28. Mr TANG Ka-piu indicated support for the proposal to increase the commitment for the voluntary one-off grant scheme. He enquired whether the

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applications under the scheme were mostly received from single-vehicle owners or company owners as such information could reflect the impact of the scheme on the transport trades. He supported that more assistance be provided to single-vehicle owners by way of increased subsidies (particularly for those who opted to replace their vehicles early) or extension of the vehicle retirement age.

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29. DDEP(3) responded that the information on the owners of Euro II diesel commercial vehicles who had applied for the one-off grant might be available from the Transport Department and he undertook to check it with the Transport Department and provide it to members for reference if available. He further said that as participation in the one-off grant scheme was voluntary, owners would decide on the replacement of their vehicles based on their own decision and this would take time. There was a need for more resolute actions to phase out heavily polluting diesel commercial vehicles. The incentive-cum-regulatory approach as proposed would provide owners of aged diesel commercial vehicles with the needed incentive to replace their polluting vehicles. USEN added that the Administration would be collating views from the transport trades and discussing with them on the terms of the ex-gratia payment for the phasing-out of their pre-Euro IV diesel commercial vehicles.

30. Dr Kenneth CHAN said that members of the Civic Party were supportive of the proposal to increase the commitment for the one-off grant scheme. He shared the concern about the need for the Administration to report on the outcome of the scheme and its effectiveness in reducing emissions, in order to facilitate analysis on the way forward. He stated that more information should be provided on the number and profile of single-vehicle owners receiving the one-off grant (such as their age and family composition) to facilitate members' understanding of the scheme's impact on the transport trades. USEN responded that while the number of single-vehicle owners receiving the one-off grant could be provided, the provision of social welfare assistance for these owners would be a separate issue, particularly when some of them might not need such assistance.

31. Mr WU Chi-wai expressed support for the proposal to increase the commitment for the voluntary one-off grant scheme. He enquired about the progress of the replacement of Euro II diesel commercial vehicles and whether vehicle vendors had raised the prices of diesel commercial vehicles in the light of the one-off grant scheme. He opined that the proposal to phase out polluting vehicles was meant as a tool to achieve the new Air Quality Objectives ("AQOs").

32. Mr KWOK Wai-keung agreed on the need to increase the commitment for the voluntary one-off grant scheme. He said that the public would like to be apprised of the environmental benefits in terms of improved air quality brought about by the replacement of Euro II vehicles under the one-off grant scheme.

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He sought information on the effectiveness of the scheme in terms of the increase in the number of days with good air quality. He was concerned that despite improvements made to the roadside air quality, the ambient air quality could not be improved with the pollutant emissions from neighbouring areas.

33. DDEP(3) said that it was expected that about 6 000 to 7 000 Euro II vehicles or one-fourth of the total number of Euro II vehicles would be replaced under the one-off grant scheme. As the nitrogen oxide ("NOx") emissions from Euro II vehicles contributed to 14% of the overall vehicular NOx emission, the replacement of one-fourth of the total number of Euro II vehicles would have correspondingly reduced the level of their pollutant emissions. More significant improvements would be made with the replacement of all pre-Euro IV diesel commercial vehicles. In addition to the replacement of polluting diesel commercial vehicles, the Administration had been implementing trials on retrofitting Euro II and Euro III franchised buses with selective catalytic reduction devices which could reduce NOx emissions from franchised buses by 60%, and it would report the findings of the trials to the Panel soon. Meanwhile, tenders were invited to help owners of LPG taxis and PLBs to replace the catalytic converters on a one-off basis for reducing emissions and the replacement scheme would start by the end of the year. With the implementation of these programmes, it was expected that the roadside air quality would be much improved. It remained the Administration's target to broadly achieve the new AQOs by 2020. USEN said that in the interest of public health, the Administration would try its best to implement the end-of-pipe solutions, as they were under the Environment Bureau's control and most effective for improving the roadside air quality to which the community was exposed.

34. Mr CHAN Hak-kan expressed support for the proposal to increase the commitment for the one-off grant scheme which, in line with the first replacement scheme for pre-Euro and Euro I diesel commercial vehicles, was targeted at the replacement of the more polluting vehicles. However, he had reservations about the phasing-out programme for pre-Euro IV diesel commercial vehicles as it did not target at the more polluting vehicles. Given that the ex-gratia payment level of the phasing-out programme would be inversely correlated with the age of the vehicle to be scrapped, it would appear that the Environment Bureau was acting as a second-hand car dealer. He failed to see why the phasing out of the more polluting pre-Euro diesel vehicles which contributed to 41% of the overall vehicular RSP emission should be entitled to less ex-gratia payment as compared to the cleaner Euro III vehicles. He opined that more ex-gratia payment should instead be granted to the more polluting vehicles in an attempt to remove them from the roads. He hoped that the Administration would seriously reconsider the payment mechanism.

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35. SEN explained that pre-Euro IV diesel vehicles were much more polluting than Euro V diesel vehicles in terms of RSP and other pollutant emissions. In order to achieve the new AQOs by 2020, all the pre-Euro IV diesel commercial vehicles would have to be replaced. These aged and polluting vehicles should be phased out progressively. The inverse correlation between payment level and age of vehicle would give extra impetus for vehicle owners to take actions earlier. He did not agree that the more polluting vehicles should receive higher ex-gratia payment as this ran contrary to the polluters' pay principle.

36. The Chairman sought elaboration on the interfacing arrangements between the one-off grant scheme for Euro II diesel commercial vehicles and the phasing-out programme for pre-Euro IV diesel commercial vehicles as the former would expire on 30 June 2013 while the latter had yet to be implemented. She said that vehicle owners would need to decide whether and when to join the schemes and there might be a need to extend the one-off scheme beyond the expiry date of 30 June 2013.

37. USEN responded that the trades were well aware of the financial implications associated with the two schemes. They would like to know when the phasing-out programme for pre-Euro IV diesel commercial vehicles would be introduced. At present, vehicle owners were indecisive on the replacement, particularly for those who owned Euro II vehicles that were being offered a voluntary incentive scheme. Vehicle vendors and vehicle body builders were also adversely affected because many commercial vehicle owners had put on hold their vehicle replacement plans pending a final decision of the Government on the proposal. As legislation would have to be introduced to mandate the retirement of pre-Euro IV diesel commercial vehicles, a clear decision on the way forward would have to be worked out in consultation with the transport trades. Subject to members' approval for the funding of the phasing-out programme, the relevant legislation would be introduced early in the next legislative session. There might not be a need for interfacing arrangements between the two schemes with the timely approval for funding and introduction of new legislation.

38. Mr CHAN Hak-kan stated that he would support submitting the funding proposal for the increased commitment for the one-off grant scheme to the Finance Committee ("FC"), but would object to the submission of the phasing-out programme for pre-Euro IV diesel commercial vehicles to FC, particularly when deputations' views had yet to be invited on the latter.

39. DDEP(3) said that as members were in general supportive of the proposal to increase the commitment for the one-off grant scheme on the early replacement of Euro II diesel commercial vehicles, he would suggest that the

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proposal be treated separately from the phasing-out programme for pre-Euro IV diesel commercial vehicles for which deputations' views would be invited. The Administration planned to submit the funding proposal for the one-off grant scheme to FC as soon as possible. As for the phasing-out programme, the Administration would join the special Panel meeting to receive deputations' views. It would then decide on the way forward in implementing the proposal.

40. Mr SIN Chung-kai said that he was more concerned about the emissions from franchised buses as some of them were aged over 17 years. Given the impact of emissions on the roadside air quality from franchised buses which were plying frequently in busy commercial districts, it might be more cost-effective to use the proposed \$10 billion earmarked for the phasing-out programme to replace franchised buses rather than diesel commercial vehicles. With the proposed funding, more environment friendly buses, such as those running on liquefied natural gas in use in some European countries, could be introduced into Hong Kong with reduced bus fares. In this way, the Government would only have to deal with the few franchised bus companies and not the entire transport trade which had much objection to the current proposal. SEN said that the Administration had issued the Clean Air Plan in March 2013 for Hong Kong which set out the blueprint for achieving cleaner air in the territory. It was note-worthy that the diesel commercial vehicle fleet in Hong Kong accounted for a very high percentage of vehicular emissions which was much more than that from the franchised bus fleet. A multi-pronged approach applicable to all kinds of vehicles was needed to improve the roadside air quality to meet the new AQOs by 2020.

41. Ir Dr LO Wai-kwok supported the need to increase the commitment for the one-off grant scheme as the remaining balance as at 30 April 2013 would be insufficient for meeting the financial commitment for approving all applications under the scheme. Moreover, the number of applications was expected to further increase when it got closer to the expiry date of the scheme on 30 June 2013. He would therefore support the early submission of the proposal to FC. As for the phasing-out programme for pre-Euro IV diesel commercial vehicles which was subject to much controversy, he agreed on the need to invite public views. He could not accept the view that the more polluting vehicles should be offered higher ex-gratia payment for their replacement. He considered that commercial enterprises should fulfill their corporate responsibility and arrange for the early replacement of their aged and polluting vehicles so that such vehicles would not remain on the roads and pollute the environment. Besides, it would be more cost-effective for enterprises to replace their aged vehicles which would incur more repair and maintenance cost in order to ensure their safety and performance.

42. DDEP(3) said that as at 9 May 2013, there were 1,080 outstanding applications under the scheme being processed and it was foreseen that the

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remaining balance of around \$83 million as at 30 April 2013 would be unable to meet the financial commitment for approving all applications under the scheme. Based on the rising number of applications in the recent months, the Administration estimated that an additional financial commitment of about \$86 million would be required.

43. The Chairman concluded that members were in general supportive of the proposal to increase the commitment for the one-off grant scheme on the early replacement of Euro II diesel commercial vehicles, and there was no objection for the proposal to be submitted to FC for consideration. As for the funding proposal on the phasing-out programme for pre-Euro IV diesel commercial vehicles, she considered it necessary that after receiving deputations' views, the Administration should further consult the Panel before submitting it to FC. DDEP(3) responded that the Administration would consult the Panel again on the phasing-out programme before submitting the funding proposal to FC.

*(Post meeting note: With the concurrence of the Chairman, the special meeting to receive deputations' views on the retirement of pre-Euro IV diesel commercial vehicles was scheduled for Saturday, 25 May 2013, at 3:00 pm.)*

**III. Any other business**

44. There being no other business, the meeting ended at 10:30 am.

Council Business Division 1  
Legislative Council Secretariat  
18 July 2013