

立法會
Legislative Council

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Panel on Environmental Affairs

Minutes of special meeting
held on Wednesday, 2 October 2013, at 2:30 pm
in Conference Room 3 of the Legislative Council Complex

Members present : Hon Cyd HO Sau-lan (Chairman)
Hon Vincent FANG Kang, SBS, JP
Hon CHAN Kin-por, BBS, JP
Hon Claudia MO
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 Helena WONG Pik-wan
Ir Dr Hon LO Wai-kwok, BBS, MH, JP
Hon Tony TSE Wai-chuen

Members attending : Hon James TIEN Pei-chun, GBS, JP
Hon Frankie YICK Chi-ming
Hon POON Siu-ping, BBS, MH
Hon TANG Ka-piu

Members absent : Hon Christopher CHUNG Shu-kun,
BBS, MH, JP (Deputy Chairman)
Hon CHAN Hak-kan, JP
Hon Albert CHAN Wai-yip
Hon Steven HO Chun-yin
Hon CHAN Han-pan
Dr Hon Elizabeth QUAT, JP
Hon CHUNG Kwok-pan

**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

Dr MAK Shing-tat
Acting Principal Environmental Protection Officer
(Mobile Source)
Environmental Protection Department

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

Staff in attendance : Miss Lilian MOK
Senior Council Secretary (1)1

Miss Mandy POON
Legislative Assistant (1)1

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I. Retirement of pre-Euro IV diesel commercial vehicles

(LC Paper No. CB(1)1647/12-13(01) — Joint submission from 公共巴士同業聯會, 中港澳直通巴士聯會, 港粵直通巴士協會 and 香港巴士業供應商聯會 (Chinese version only)

LC Paper No. CB(1)1820/12-13(01) — Administration's paper on "Mandatory Retirement of Pre-Euro IV Diesel Commercial Vehicles"

LC Paper No. CB(1)1820/12-13(02) — Updated background brief on "Retirement of pre-Euro IV diesel commercial vehicles" prepared by the Legislative Council Secretariat

LC Paper No. CB(1)1840/12-13(01) — Joint submission from Friends of the Earth (HK) and Clean Air Network (Chinese version only)

LC Paper No. CB(1)1844/12-13(01) — Submission from Federation of Hong Kong Transport Worker Organizations (Chinese version only)

LC Paper No. CB(1)1844/12-13(02) — Submission from Civic Exchange)

LC Paper No. CB(1)1854/12-13(01) — Submission from 運輸業界(貨運團體)共識會議 (Chinese version only)

LC Paper No. CB(1)1854/12-13(02) — Submission from Mr Jacky LIM (Chinese version only))

1. The Secretary for the Environment ("SEN") briefed members on the revised proposal to phase out pre-Euro IV diesel commercial vehicles ("DCVs") through an incentive-cum-regulatory approach and to limit the service life of newly registered DCVs at 15 years. He said that having regard to the principles of prudent fiscal management and the "polluter pays", the Administration

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proposed to enhance the ex-gratia payment package by raising the payment levels, providing only one tier of ex-gratia payment (i.e. the ex-gratia payment level would only be linked with the age of the phased-out DCVs irrespective of whether a new replacement vehicle would be acquired) and reducing the number of age bands of DCVs from five to three, while keeping the proposed service life of newly registered DCVs at 15 years unchanged. Subject to the support of the Legislative Council ("LegCo"), the Administration planned to implement the revised proposal in the first quarter of 2014.

2. On the implementation of the proposal, the Deputy Director of Environmental Protection (3) ("DDEP(3)") supplemented that a new regulation under the Air Pollution Control Ordinance (Cap. 311) would be tabled in LegCo in late October or early November 2013 for negative vetting to require registered pre-Euro IV DCVs to, upon application for licence from the specified deadlines, meet the prevailing emission design standards applicable for a DCV of the same class and design weight seeking first registration at the time the licence was being applied for, and to effect the proposed 15-year service life limit of newly registered DCVs. Upon approval of the regulation on completion of the vetting procedures, the Administration would seek the Finance Committee ("FC")'s approval of the funding required as soon as possible with a view to starting the phasing-out programme in the first quarter of 2014. The Under Secretary for the Environment ("USEN") sought members' support for the revised proposal so that the legislative process and funding application could be proceeded with as soon as practicable for the betterment of the environment and public health.

3. The Chairman said that the Administration should seek FC's funding approval before making the new regulation so as to implement the phasing-out programme as early as possible to incentivize vehicle owners to phase out their polluting DCVs.

Impact on the transport trades

4. Mr TANG Ka-piu acknowledged the Administration's efforts in liaising with the transport trades on the revised proposal. Whilst noting that the transport trades and green groups were in general supportive of the revised proposal, he expressed concern that the phasing-out programme would have a huge impact on different transport operators, in particular owners of "single vehicles", who were also drivers ("single-vehicle owners") relying on the use of DCVs to earn their living. He anticipated that some of these single-vehicle owners would choose to scrap their pre-Euro IV DCVs and quit the trades after the implementation of the phasing-out programme. As a result, the number of second-hand vehicles would drop, making it difficult for people to acquire second-hand vehicles to start their business in the transport trades. Mr TANG enquired whether the Administration had assessed the impact of the revised

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proposal on different transport operators. Mr Frankie YICK shared similar views that there would be a shortage of single-vehicle owners as many of them would leave the trades when the phasing-out programme commenced.

5. SEN responded that the Administration had taken into account the concerns of the transport trades, green groups and relevant stakeholders, and tried to strike a proper balance among their concerns in formulating the revised proposal. DDEP(3) supplemented that the revised proposal had addressed the key concerns of the transport trades. For example, the ex-gratia payment level would be linked with the age of the phased-out vehicles irrespective of whether a new replacement vehicle would be acquired. In so doing, vehicle owners would be given greater flexibility to choose whether and when to buy a replacement vehicle. Although some single-vehicle owners might retire after the implementation of the phasing-out programme due to one reason or another, he could not infer the number of those who would quit their business given the large number of single-vehicle owners.

6. Mr TANG Ka-piu further said that while he supported the revised proposal to phase out pre-Euro IV DCVs as a public health measure, the Administration should maintain close liaison with the transport trades to better understand their operating difficulties and provide necessary assistance. He pointed out that a number of single-vehicle owners who were operators of school buses and school private light buses for kindergarten and junior primary students (commonly known as "nanny vans") were unable to afford the high cost for replacing their pre-Euro IV DCVs and would be forced out of business. He enquired whether the Administration would explore new measures to assist nanny van/school bus service operators to continue their business. For example, the Administration could consider setting up an environmental fund to provide subsidies to the transport trades for conducting trials on different types of electric vehicles as well as to study the feasibility of switching their DCVs to electric vehicles.

7. SEN responded that relevant government bureaux/departments would closely collaborate in taking forward the revised proposal and providing the necessary assistance to the transport trades. On the suggestion of using electric vehicles, DDEP(3) advised that the Pilot Green Transport Fund had been established to subsidize the trades for conducting trials on different types of electric vehicles and hybrid vehicles. Existing transport operators were eligible for applying for the Fund. DDEP(3) further advised that to provide relief to nanny van/school bus services operators, all non-franchised public bus operators who provided nanny van/school bus services as one of their service areas were allowed by the Transport Department to deploy any vehicle under their vehicular fleets to be school buses or nanny vans so that they could have more flexibility in operation.

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8. Referring to Annex D of the Administration's paper, Mr TANG Ka-piu noted that some Euro III DCVs would be aged 13 years or above in 2014. Even if the vehicle owners of these DCVs chose to scrap or replace their vehicles once the phasing-out programme was implemented in 2014, the ex-gratia payment to be offered to them would only be in the range of 27% to 30% of the taxable values of new vehicles, instead of the maximum of 33%. Mr TANG was worried that these vehicle owners might have a wrong perception that they would be granted the maximum of 33% of the taxable values of new vehicles if they were to scrap or replace their DCVs as soon as the phasing-out programme started. He urged the Administration to clearly explain all the details of the revised proposal to the transport trades, in particular the calculation of the ex-gratia payment. DDEP(3) explained that in line with the two previous incentive schemes for replacement of pre-Euro III DCVs, the Administration proposed to use first registration dates for distinguishing pre-Euro IV vehicles of different emission standards under the revised proposal. As first registration dates were unique and stated in vehicle registration documents, it would be easy and clear for pre-Euro IV vehicle owners to understand the phasing-out deadlines applicable to their vehicles and the respective ex-gratia payment levels.

9. Ir Dr LO Wai-kwok indicated support for the revised proposal as it had addressed the key concerns of the transport trades by raising the ex-gratia payment levels and linking the payment with the age of the phased-out vehicles, irrespective of whether a new replacement vehicle would be acquired afterwards. He pointed out that the engine of a DCV would deteriorate over use. The continued use of aged vehicles would not only cause excessive emission of air pollutants and higher maintenance fees, but would also affect road safety. There was thus a need to deter the continuing operation of aged vehicles. Although postponing the retirement deadlines for Euro I, II and III DCVs by one year would allow more time for vehicle owners to consider whether and when to scrap their DCVs and acquire a replacement, Ir Dr LO was concerned that such extension would compromise air quality. He shared the Chairman's view that the Administration should seek FC's approval of the funding required before making the new regulation so as to implement the phasing-out programme as early as possible.

10. SEN responded that although the retirement deadlines were proposed to be extended, vehicle owners were urged to phase out their highly polluting DCVs as soon as practicable to improve roadside air quality. DDEP(3) stressed that under the revised proposal, the ex-gratia payment level would be linked with the age of the phased-out vehicles. The sooner the vehicle owners were to phase out their DCVs, the higher the level of ex-gratia payment they would receive. Such arrangement would give extra impetus for vehicle owners to take actions earlier. DDEP(3) also explained that the Administration considered it more desirable to obtain LegCo's approval of the new regulation to mandate the phasing-out programme before seeking FC's funding approval because without

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the legal backing, the programme might be perceived by the public as another voluntary scheme with a high level of subsidy for replacing pre-Euro IV DCVs.

11. With reference to the "Hedley Environmental Index", which monitored and published in real time on the internet the economic cost of air pollution in terms of public health impacts and their monetary value, Mr Frankie YICK pointed out that poor air quality had caused huge economic losses and the number of deaths a year caused by illnesses possibly related to air pollution had also been on the rise. Noting that vehicle vendors and vehicle body builders were being adversely affected as many vehicle owners had put on hold their vehicle replacement plans, Mr YICK urged for the early implementation of the revised proposal. Mr KWOK Wai-keung echoed that the phasing-out programme had affected the business plans of many vehicle owners. The Administration should expedite the implementation of the programme. He further requested the Administration to report to the Panel on a regular basis the participation rate of the transport trades in the phasing-out programme and the improvement in air quality after the programme was implemented.

12. DDEP(3) responded that since a number of initiatives would be implemented to reduce vehicular emissions and improve roadside air quality under the Clean Air Plan, it might be difficult for the Administration to attribute the level of improvement in air quality to individual programmes. SEN said that early implementation of the programme would not only improve roadside air quality and better protect public health, but would also facilitate the transport trades in formulating their business plans. He undertook to report to the Panel regularly on the progress of the phasing-out programme.

Impact on vehicle servicing

13. Mr TANG Ka-piu expressed concern about the impact of the phasing-out programme on vehicle servicing. He opined that there was a need to open up vehicle maintenance information in order that vehicle servicing would not be monopolized by major vehicle manufacturers/agents. Mr Frankie YICK said that in some European countries, vehicle maintenance information was required to be opened up to allow the market to provide similar services. USEN responded that the Administration would follow up with vehicle suppliers in this regard. DDEP(3) added that the Vocational Training Council had been offering training courses to vehicle mechanics to help them keep abreast of the latest vehicle technology.

Retirement deadlines for Euro I, II and III DCVs

14. Dr Kenneth CHAN expressed reservation about the revised proposal. In his views, the extension of the retirement deadlines for Euro I, II and III DCVs went against the objective of the phasing-out programme, which was to

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incentivize the early retirement of polluting DCVs. Dr CHAN enquired about the reason for deferring the retirement deadlines for Euro I, II and III DCVs by one year and the possible adverse impact of such extension on public health.

15. USEN responded that the revised retirement deadlines would provide more time for the vehicle scrapping trade and the vehicle body building trade to tackle the surge of demand to be brought about by the phasing-out programme. Meanwhile, for the most polluting pre-Euro DCVs, the proposed retirement deadline would remain unchanged, i.e. 1 January 2016. As a matter of fact, if the Administration could not reach a broad consensus with the transport trades on the retirement deadlines, the entire programme might have to be deferred.

16. SEN said that the proposed extension of the retirement deadlines for Euro I, II and III DCVs would not compromise the attainment of the new Air Quality Objectives by 2020 or the compliance of the 2015 and 2020 emission reduction targets set by the Government. He reiterated that under the revised proposal, the ex-gratia payment level would be linked with the age of the phased-out vehicles. The sooner the vehicle owners were to phase-out their DCVs, the higher the level of ex-gratia payment they would be granted. Vehicle owners would therefore be incentivized to have their polluting DCVs retired early.

Provision of additional incentives for early replacement of DCVs

17. Mr WU Chi-wai asked if the Administration would consider providing more incentives to vehicle owners who chose to phase out their DCVs well ahead of the specified deadlines. Mr Vincent FANG also indicated support for the revised proposal and shared the view that additional incentives should be given to vehicle owners who scrapped or replaced their DCVs before the specified deadlines. For example, while keeping the range of the ex-gratia payment between 27% and 33% of the taxable values of new vehicles, the ex-gratia payment to be granted to vehicle owners who scrapped or replaced their DCVs one year before the respective deadlines could be increased by 2%.

18. SEN responded that the Administration had been in close communication with the transport trades over the phasing-out programme in the past nine months. Having regard to all the views collected, the revised proposal had addressed the key concerns of the trades to a large extent and achieved a proper balance among different considerations. DDEP(3) reiterated that linking the ex-gratia payment level with the age of the phased-out vehicles was in fact providing incentives to vehicle owners to replace their pre-Euro IV DCVs early. The Administration was well aware of the potential financial difficulties for some vehicle owners and therefore the ex-gratia payment levels for different vehicle models were raised under the revised proposal to provide more assistance to them.

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Mechanism to prevent abuse of the phasing-out programme

19. While supporting the revised proposal, Mr CHAN Kin-por expressed concern that some people might import second-hand pre-Euro IV DCVs into Hong Kong and apply for registration of these vehicles for the purpose of being eligible for the phasing-out programme. As a very large sum of ex-gratia payment was proposed, Mr CHAN enquired whether there was any mechanism to prevent abuse.

20. DDEP(3) explained that all vehicles were required to comply with the prevailing vehicular emission standards, currently at Euro V, if they were imported to and registered for use in Hong Kong. There should be no question of pre-Euro IV DCVs being imported into and registered in Hong Kong for benefitting from the ex-gratia payment scheme.

Cross-boundary vehicles from the Mainland

21. Noting that the Hong Kong-Zhuhai-Macau Bridge would open in the near future and there would be a substantial increase in the cross-boundary traffic flow, Dr Helena WONG expressed concern about the impact of the increasing number of cross-boundary vehicles on local air quality. She asked whether cross-boundary vehicles were required to meet the local emissions standard if they were running in Hong Kong, and whether the Administration would be involved in the registration and licensing of such vehicles.

22. The Assistant Director of Environmental Protection (Air Policy) ("ADEP(AP)") responded that cross-boundary vehicles travelling between Hong Kong and the Mainland, be they new or second-hand vehicles, were required to be registered in Hong Kong, which would ensure their compliance with the statutory requirements for first registration. He said that the Administration had put in place measures to regulate cross-boundary transport and would also liaise with the Mainland authorities on the regulatory arrangements as and when necessary. While the Transport Department was responsible for the registration of motor vehicles in Hong Kong, the Environmental Protection Department would closely monitor the implementation of the phasing-out programme to ensure that the programme would retire highly polluting DCVs as expected.

Other concerns

23. Referring to the submission from Mr Jacky LIM in LC Paper No. CB(1)1854/12-13(02), Ms Claudia MO expressed concern as to whether the Administration was transferring benefits to vehicle suppliers who would be profiteering from the phasing-out programme by increasing the selling prices of replacement vehicles due to increased demand arising from the phasing-out programme. Mr Gary FAN shared similar concerns.

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24. SEN responded that there was neither collusion between the Government and vehicle suppliers in the scheme nor transfer of benefits. ADEP(AP) explained that retrofitting pre-Euro IV DCVs with emission reduction devices was generally not a practicable alternative to their phasing out for improving roadside air quality and protecting public health. There was no universally applicable emission reduction retrofit devices that could be installed to pre-Euro III DCVs of different brands and models for upgrading their emission performance. As for Euro III DCVs, diesel particulate filters ("DPFs") and selective catalytic reduction devices ("SCRs") could potentially upgrade their emission performance in respect of respirable suspended particulates and nitrogen oxides.

25. ADEP(AP) further advised that to enable a DPF to function properly, the vehicle would need a high enough exhaust temperature (typically above 350°C) for the DPF to regenerate. Otherwise, it would be blocked, causing eventually pre-mature failure of the DPFs and in extreme cases, the vehicle engines. Many of the Euro III DCVs had been in operation for more than 10 years. Compared to franchised buses of the same age, these DCVs tended to have more severe engine wear and tear because their maintenance was primarily remedial than preventive. As such, their engine exhaust was unlikely to reach the very high temperature required for the proper functioning of a DPF.

26. As regards SCRs, ADEP(AP) explained that SCRs could perform properly only with the right amount of urea solution injected into the exhaust gas. Insufficient urea injection would compromise the operation of SCRs while excessive injection of urea solution would risk blockage in the tailpipe leading to pre-mature failure of both SCR and the DPF upstream. In extreme cases, they would result in engine failures. The optimization of SCR injection would have to be conducted on a vehicle model basis, which was the reason why a 12-month trial of SCR retrofitting for suitable models of franchised buses before full implementation had to be conducted. The complication and challenges in ensuring effective installation and optimization of the SCR injection for some 650 Euro III models of different designs in the whole DCV fleet were very substantial and might not be practical. In view of the above constraints, the Administration considered that phasing-out of pre-Euro IV DCVs was the only practicable way to effect quick relief to air pollution.

Concluding remarks

27. The Chairman concluded that members were generally supportive of the revised proposal to phase out pre-Euro IV DCVs and to limit the service life of newly registered DCVs at 15 years, and there was no objection for the revised proposal to be submitted to FC for consideration. To enhance the cost-effectiveness of the phasing-out programme, the Chairman urged the

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Administration to tighten the mandatory vehicle examination scheme to ensure that the existing vehicles could meet the prevailing legislative requirements on environmental performance, thereby improving air quality.

II. Any other business

28. There being no other business, the meeting ended at 3:50 pm.

Council Business Division 1
Legislative Council Secretariat
7 January 2014