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Subcommittee on Air Pollution Control (Air Pollutant Emission) (Controlled Vehicles) Regulation

Background brief

Purpose

This paper provides background information on the Air Pollution Control (Air Pollutant Emission) (Controlled Vehicles) Regulation ("the Regulation"), and gives a brief account of the views and concerns expressed by Members on the proposal to phase out pre-Euro IV (i.e. pre-Euro, Euro I to III) diesel commercial vehicles ("DCVs") and to limit the service life of newly registered DCVs at 15 years.

Background

2. DCVs are one of the major sources of roadside air pollution. As at end March 2013, there were some 131 200 registered DCVs (excluding franchised buses) in Hong Kong, of which about 84 000 were pre-Euro IV DCVs. The Government launched two voluntary incentive schemes in 2007 and 2010 to encourage vehicle owners to replace their pre-Euro and Euro I, as well as Euro II DCVs respectively with new commercial vehicles. However, the two schemes received lukewarm response.

3. To improve roadside air quality and better protect public health, the Chief Executive announced in the 2013 Policy Address that the Government would adopt an incentive-cum-regulatory approach to phase out pre-Euro IV DCVs and set a service life limit of 15 years for newly registered DCVs. These

DCVs include goods vehicles, light buses and non-franchised buses, regardless of whether the vehicles are used commercially or non-commercially¹.

4. The Administration had consulted the Panel on Environmental Affairs ("the Panel"), the transport trades and other stakeholders on its proposal. The transport trades had suggested that the ex-gratia payment levels to be raised, the payment level to be uncoupled from whether vehicle owners procure new replacement vehicles, and the phasing out timetable be extended. Goods vehicle body builders suggested allowing at least two years for phasing out pre-Euro II, Euro II and Euro III goods vehicles respectively. The green groups would like to see the early implementation of the proposal and the prudent use of public money.

5. Having regard to the views of the transport trades, the objective of reducing air pollution caused by pre-Euro IV DCVs as soon as practicable, and the principles of prudent fiscal management and the polluter pays, the Administration subsequently revised its initial proposal to address the key concerns of the trades. In the revised proposal, the Administration will –

- (a) enhance the ex-gratia payment package by raising the payment levels (which will range from 27% to 33% of the average taxable values of new vehicles) to ease the financial hardship of the transport trades;
- (b) provide only one tier of ex-gratia payment, irrespective of whether a new replacement vehicle will be acquired, so as to give greater flexibility for vehicle owners to choose whether and when to buy a replacement vehicle, thereby alleviating the worries of the transport trades that vehicle suppliers might profiteer through raising vehicle prices. The payment level will inversely correlate with the age of the vehicles to be phased out to give extra impetus for vehicle owners to take actions earlier;
- (c) phase out pre-Euro IV DCVs in phases with reference to their respective dates of first registration. The retirement deadlines for Euro I, Euro II and Euro III DCVs will be deferred by one year respectively to 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. The retirement deadline is 1 January 2017 for Euro I, 1 January 2018 for Euro II

¹ The term "diesel commercial vehicles" is a generic name that has been used among the transport trades and in the two previous incentive vehicle replacement schemes launched by the Environmental Protection Department. It is used to avoid ambiguity to the transport trades and include diesel goods vehicles, non-franchised buses and light buses. The Regulation is intended to cover diesel goods vehicles, non-franchised buses and light buses regardless of their nature of use.

and 1 January 2020 for Euro III while that for the most polluting pre-Euro DCVs remains to be 1 January 2016; and

(d) set a service life limit of 15 years for newly registered DCVs.

6. In line with the previous two incentive schemes for replacing pre-Euro III DCVs and the mandatory installation of emission reduction devices in pre-Euro DCVs, first registration dates will be used to distinguish pre-Euro IV vehicles of different emission standards. According to the Administration, as first registration dates are stated in vehicle registration documents and are not subject to changes, they are easy and clear for pre-Euro IV vehicle owners to understand the phasing-out deadlines applicable to their vehicles.

7. To effect the proposed retirement deadlines for pre-Euro IV DCVs and the proposed 15-year service life limit, DCVs will be required to, on each licence application from the specified deadlines or from its 15th anniversary date of first registration, as the case may be, comply with the emission standards applicable to them as if they were first registered on the date of the vehicle licence application. Failure to comply with the requirement may be a ground for the Commissioner for Transport to refuse to license the vehicles under section 25(1)(iic) of the Road Transport Ordinance (Cap. 374).

8. To prevent abuse of the ex-gratia payment scheme, the retired DCVs are required to have a valid licence at the time of scrapping. The deadlines for application for the ex-gratia payment will be one day before the respective retirement deadlines.

The Regulation

9. The Regulation is to effect the proposed retirement deadlines for pre-Euro IV DCVs and the proposed service life limit of 15 years for DCVs first registered after the commencement of the Regulation. The Regulation will be implemented in accordance with sections 43(1)(r) and 43(1)(rg) of the Air Pollution Control Ordinance (Cap. 311), and prescribes –

- (a) the vehicles covered by the Regulation;
- (b) the requirement for the vehicles concerned to comply with the emission standards at the specified dates;
- (c) the emission standards; and
- (d) the power of exemption of the Authority.

10. Upon approval of the Regulation, the Administration will seek funding support from the Finance Committee for implementing the ex-gratia payment scheme in the first quarter of 2014.

Deliberation by the Panel on Environmental Affairs

11. The Panel was consulted on the Administration's initial proposal to phase out pre-Euro IV DCVs and to limit the service life of newly registered DCVs at 15 years on 15 May 2013. The Panel then held a meeting on 25 May 2013 to receive public views on the proposal. On 2 October 2013, the Panel was further consulted on the revised proposal. The main concerns raised by members on the revised proposal were summarized in the ensuing paragraphs.

12. Members generally considered that the revised proposal had suitably addressed the concerns expressed by the transport trades on the level of the ex-gratia payment and the criteria for granting the payment. This notwithstanding, some members expressed concern that the phasing out of pre-Euro IV DCVs 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. They urged the Administration to maintain close liaison with the transport trades to better understand their operating difficulties and provide necessary assistance. For example, the Administration should consider setting up an environmental fund to provide subsidies to the trades to conduct trials on different types of electric vehicles as well as to study whether a switch of their vehicles to electronic ones could meet their operational needs. The Administration should also explain clearly to the trades the revised proposal, in particular the calculation of the ex-gratia payment.

13. Whilst appreciating the difficult operating environment faced by the transport trades, some members were of the view that the proposed extension of the retirement deadlines for pre-Euro IV DCVs was against the policy intent of phasing out the fleet to improve roadside air quality and better protect public health. Some other members pointed out that the revised proposal had caused many vehicle owners to put on hold their vehicle replacement plans. They therefore urged the Administration to speed up the implementation of the phasing-out programme such that vehicle owners could make up their vehicle replacement plans as early as possible. Consideration should also be given to providing more incentives to vehicle owners who chose to phase out their DCVs well ahead of the retirement deadlines specified in the revised proposal.

14. Some members were concerned about the impact of the revised proposal on vehicle servicing. They opined that there was a need to open up vehicle maintenance technology in order that vehicle servicing would not be

monopolized by major vehicle manufacturers/agents. To enhance the cost-effectiveness of the phasing-out programme, some members also found it necessary for the Administration to step up the mandatory vehicle examination scheme to ensure that the driving performance and exhaust emission of vehicles could meet the prevailing legislative requirements, thereby improving air quality.

Latest development

15. The Regulation was gazetted on 25 October 2013 and tabled in the Council on 30 October 2013. At the House Committee meeting on 1 November 2013, Members agreed that a subcommittee should be formed to examine the Regulation.

Relevant papers

16. A list of relevant papers is set out in the **Appendix**.

Council Business Division 1
Legislative Council Secretariat
13 November 2013

Appendix

List of relevant papers

Council/ Committee	Date of meeting	Paper
Panel on Environmental Affairs	15 May 2013	<p>Administration's paper on "Retirement of Pre-Euro IV Diesel Commercial Vehicles" (LC Paper No. CB(1)1003/12-13(01)) http://www.legco.gov.hk/yr12-13/english/panels/ea/papers/ea0515cb1-1003-1-e.pdf</p> <p>Background brief on "Retirement of pre-Euro IV diesel commercial vehicles" prepared by the Legislative Council Secretariat (LC Paper No. CB(1)1003/12-13(02)) http://www.legco.gov.hk/yr12-13/english/panels/ea/papers/ea0515cb1-1003-2-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)1569/12-13) http://www.legco.gov.hk/yr12-13/english/panels/ea/minutes/ea20130515.pdf</p>
Panel on Environmental Affairs	25 May 2013	<p>Administration's paper on "Retirement of Pre-Euro IV Diesel Commercial Vehicles" (LC Paper No. CB(1)1003/12-13(01)) http://www.legco.gov.hk/yr12-13/english/panels/ea/papers/ea0515cb1-1003-1-e.pdf</p> <p>Background brief on "Retirement of pre-Euro IV diesel commercial vehicles" prepared by the Legislative Council Secretariat (LC Paper No. CB(1)1003/12-13(02)) http://www.legco.gov.hk/yr12-13/english/panels/ea/papers/ea0515cb1-1003-2-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)1864/12-13) http://www.legco.gov.hk/yr12-13/english/panels/ea/minutes/ea20130525.pdf</p>

Council/ Committee	Date of meeting	Paper
Panel on Environmental Affairs	2 October 2013	<p>Administration's paper on "Mandatory Retirement of Pre-Euro IV Diesel Commercial Vehicles" (LC Paper No. CB(1)1820/12-13(01)) http://www.legco.gov.hk/yr12-13/english/panels/ea/papers/ea1002cb1-1820-1-e.pdf</p> <p>Updated background brief on "Retirement of pre-Euro IV diesel commercial vehicles" prepared by the Legislative Council Secretariat (LC Paper No. CB(1)1820/12-13(02)) http://www.legco.gov.hk/yr12-13/english/panels/ea/papers/ea1002cb1-1820-2-e.pdf</p>
Legislative Council	30 October 2013	<p>Legislative Council Brief on "Air Pollution Control (Air Pollutant Emission)(Controlled Vehicles) Regulation" issued by the Environment Protection Department on 24 October 2013 (EP150/A7/1) http://www.legco.gov.hk/yr13-14/english/subleg/brief/160_brf.pdf</p>