

EP150/A7/1

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

**The Administration's responses**

The following information is requested by Members at the Subcommittee meeting held on 14 November 2013 –

**(a) Details on how the ex-gratia payment would encourage early replacement of vehicles**

According to the proposal from the Environmental Protection Department (EPD), an ex-gratia payment ranging from 27% to 33% of the average taxable values of new vehicles will be offered to eligible vehicle owners for phasing out their pre-Euro IV diesel commercial vehicles. As shown in the table below, the payment level will inversely correlate with the age of the vehicles to be phased out. Vehicle owners who scrap their vehicles ahead of the mandatory retirement deadlines may receive a higher ex-gratia payment, having regard to the age of the vehicles. Besides, once the ex-gratia payment level is fixed, the exact sum for individual vehicle type will remain the same throughout the whole period of the scheme. It will give extra impetus for vehicle owners to take action earlier.

	Age of Scrapped Diesel Commercial Vehicles		
	16 years or above	13 years – below 16 years	Below 13 years
Ex-gratia Payment Level (Based on average taxable values of new vehicles)	27%	30%	33%

**(b) Mechanism and criteria for granting exemptions from compliance with the Regulation**

If a vehicle owner wants to seek exemption for his vehicle from complying with the emission standards stipulated in section 4(1) of the Regulation, he could apply in writing to the Director of Environmental Protection (DEP) before his vehicle licence application. In line with the existing practice for applying exemption from vehicle exhaust and noise emissions requirements for the first registration of vehicles, the procedures for exemption application are set out administratively and no fee is charged for the application.

Section 6(1) of the Regulation serves to provide the exemption power to DEP to cater for unforeseeable situations. We do not have an exhaustive list of circumstances that warrants exemption or else we would have provided them explicitly in the Regulation. DEP may grant exemption to the owners of the vehicle concerned or type of vehicles should he/she be satisfied that it is impracticable or unreasonable for the vehicle(s) concerned to comply with this Regulation. In granting an exemption, DEP may impose conditions (such as a validity period for the exemption) under section 6(2).

If a person is aggrieved by DEP's decision on his application for exemption, he may make an appeal to the Air Pollution Control Appeal Board by lodging notice of appeal within 21 days after he has received notice of DEP's decision on the application for exemption.

**(c) Arrangements with respect to non-franchised buses which are subject to inspection for issuance of Certificate of Fitness (COF) before the Regulation comes into effect**

At present, non-franchised buses are required by the Transport

Department (TD) to complete a Certificate of Fitness Examination (COF) every three years starting from the 13<sup>th</sup> year after the year of manufacture of the bus chassis. The COF comprises a comprehensive inspection on the mechanical parts and the bodywork of the non-franchised bus to ensure vehicle safety, involving the removal of ceiling panels, interior side panels, and passenger seats of the non-franchised bus.

During the consultation, some non-franchised bus operators requested TD to review the COF procedures in the light of the more robust vehicle construction in recent years. They also opined that streamlined procedures could help reduce the financial burden of non-franchised bus operators, particularly if a 15-year service limit was introduced. Having considered vehicle safety, TD has worked out a modified COF for the first COF at the 13<sup>th</sup> year which requires only removing the parts covering the wheel arches for inspection but not the other parts of the bus unless irregularities such as signs of rusting and water ingress are found during inspection. TD plans to implement the modified COF upon the commencement of the Regulation.

- (d) Whether the Small and Medium Enterprise (SME) Loan Guarantee Scheme or other similar support measures would be available to assist vehicle owners in meeting the upfront cost of replacing their vehicles**

Vehicle owners who intend to purchase new or second-hand diesel commercial vehicles may consider applying for the SME Loan Guarantee Scheme. The purpose and eligibility criteria of the scheme are set out in **Annex**.

- (e) Statistics on prosecution cases involving vehicles having passed the periodic examinations but were later found not conforming to the emission standards while running on the road.**

EPD has been operating a Smoky Vehicle Control Programme, under which accredited spotters report smoky vehicles to EPD. The vehicle owners reported will then be required via an emission testing notice (ETN) to fix the problem within a prescribed period of 12 working days. In addition, EPD conducts joint roadside operations with the Police to identify smoky vehicles for enforcement actions. In the first ten months of 2013, EPD issued 296 ETNs to diesel commercial vehicles that were spotted emitting excessive smoke within one month of passing the roadworthiness examination of TD for licence renewal. As at end March 2013, there are some 124,000 licensed diesel commercial vehicles.

**Environmental Protection Department**  
**November 2013**

### Small and Medium Enterprises (SME) Loan Guarantee Scheme

The SME Loan Guarantee Scheme (SGS) aims to help small and medium enterprises (SMEs) secure loans from participating lending institutions (PLIs) for enhancing their productivity and competitiveness. The scheme is administered by the Trade and Industry Department.

2. Under the scheme, the Government acts as guarantor for up to 50% of the approved loans by the PLIs. The maximum amount of loan guarantee for each SME is \$6 million. Based on the maximum guarantee ratio of 50%, the corresponding loan amount is \$12 million. Each SME is allowed to recycle the guarantee once, after it has fully paid up the loan backed by the guarantee. The maximum guarantee period is five years.

3. The scheme covers two types of loans, namely the Business Installations and Equipment Loan (BIE) and Working Capital Loan (WCL). The BIE is for acquiring installations and equipment relating to the applicant enterprise's business operations, which may include, among others, transport facilities. The loan may be used for acquiring second-hand installations and equipment but cannot be used for financing or re-financing those that are already in the possession of the applicant enterprise or its associates. The WCL is for general business use in meeting working capital needs of the applicant enterprises. Government's guarantee can be used to secure loans for either BIE or WCL only, or a combination of both, subject to the maximum amount of loan guarantee per SME set out in the foregoing paragraph.

4. All SMEs<sup>1</sup>, except lending institution and its associates, registered under the Business Registration Ordinance (Chapter 310) and with substantive business operation<sup>2</sup> in Hong Kong can apply for the scheme. Interested and eligible SMEs are welcome to lodge applications through the PLIs. Currently, there are 36 PLIs providing services under the SGS. A list of the PLIs and more detailed information about the SGS can be downloaded from the website of the Trade and Industry Department's SME Funding Schemes at [www.smefund.tid.gov.hk](http://www.smefund.tid.gov.hk).

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<sup>1</sup> Under the definition of the Government of Hong Kong Special Administrative Region, an SME is a manufacturing business which employs fewer than 100 persons in Hong Kong; or a non-manufacturing business which employs fewer than 50 persons in Hong Kong.

<sup>2</sup> The applicant should have substantive business operations in Hong Kong. In this connection, an enterprise holding a shell business registration or having most of its main business operations outside Hong Kong will not be regarded as having substantive local business operations.