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**Subcommittee on Road Traffic Ordinance
(Amendment of Schedule 10) Order 2015**

Background brief

Purpose

This paper provides background information on the Road Traffic Ordinance (Amendment of Schedule 10) Order 2015 ("the Order") and summarizes the major views and concerns expressed by members of the Panel on Environmental Affairs ("EA Panel") when the subject was discussed in 2014.

Background

Vehicle emission test and fee

2. Under section 77B of the Road Traffic Ordinance (Cap. 374)("the Ordinance"), the Commissioner for Transport may, for the purpose of ascertaining whether a motor vehicle complies with vehicle emission standards, require the registered owner to have the motor vehicle tested at a vehicle emission testing centre ("emission test"). The fee to be charged in respect of the test is set out in paragraph 6(b) of Schedule 10 to the Ordinance ("test fee"). The current fee is \$310 which was set on a full cost recovery basis in 1998¹. There are now six Designated Vehicle Emission Testing Centres ("DVETCs") and they are all privately run.

The upgraded emission test

3. The emission test has been upgraded since 1999 to an advanced smoke test, which is done with the aid of a chassis dynamometer. According to the Administration, the advanced smoke test takes longer time to complete and costs more to run because of the capital outlay for the dynamometer and the supporting equipment as well as their operational expenses. DVETC operators have been urging the Government for an increase in the test fee on the grounds that the prevailing test fee of \$310 is not sustainable, taking into account the

¹ At that time, the Environmental Protection Department ("EPD") operated a designated vehicle emission testing centre in Homatin, which conducted idling emission test for checking the smoke from diesel vehicles. The testing centre was closed in 2000 upon expiry of the land lease.

increased operating costs, inflation in recent years², and the substantial decline in the number of smoky vehicles³. The number of DVETCs for providing test services for diesel vehicles has declined from 12 in 2005 to six at present.

4. The Administration has indicated that the unsustainably low test fee has also been an impediment to existing or potential DVETC operators to consider providing emission testing services for the strengthened emission control programme⁴ for petrol and LPG vehicles. When the strengthened emission control programme was launched in 2014, only two DVETCs provided the related test service.

Proposal to increase the test fee

5. After conducting a review with DVETC operators, the Administration proposed that the test fee of \$310 should be increased to three levels to reflect the prevailing costs for serving different types of vehicles⁵ as set out below –

Motor vehicle type	Proposed test fee
<i>Petrol and LPG vehicles</i> (i.e. motor vehicle with a positive-ignition engine)	\$620
<i>Light diesel vehicles</i> (i.e. motor vehicle with a compression-ignition engine and having a permitted gross vehicle weight not exceeding 5.5 tonnes)	\$730 ⁶
<i>Heavy diesel vehicles</i> (i.e. motor vehicle with a compression-ignition engine and having a permitted	\$680

² As advised by the Administration, the cumulative inflation from 1998 to 2013 is about 25%.

³ The number of smoky vehicles has been sharply decreased from about 40 000 to 7 000 per year due to a combination of control measures. They include the launch of dynamometer-based smoke test, the increase of fixed penalty fine for smoky vehicles to \$1,000, replacement of diesel taxis and light buses with liquefied petroleum gas ("LPG"), retrofitting pre-Euro diesel vehicles with particulate removal devices and introduction of more stringent vehicle emission and diesel fuel standards.

⁴ To improve roadside air quality, EPD has strengthened the emission control for petrol and LPG vehicles since 1 September 2014 by using roadside remote sensing equipment and dynamometer. Owners of vehicles found to have excessive emissions will be notified by an emission testing notice issued by EPD. These vehicles will then be required to pass a dynamometer-based emission test at a DVETC within 12 working days so as to ensure the problem is rectified. Failure to meet the requirement will lead to cancellation of the licence of the vehicle concerned.

⁵ At present, a flat fee is charged for an emission test in respect of different types of motor vehicles.

⁶ According to the Administration, the proposed test fee for light diesel vehicles is higher than that for heavy diesel vehicles primarily because of the higher rental expenses for centres serving the former. Light diesel vehicles operate mostly in the urban areas while heavy duty vehicles operate more often in the New Territories. To suit their customers, test centres for light diesel vehicles are more likely to be set up in urban areas, whose rentals are higher than those in the New Territories, while test centres for heavy diesel vehicles are more likely to be in the New Territories. Moreover, centres for heavy diesel vehicles require larger space for their testing equipment, which are difficult to be found in the urban areas.

Motor vehicle type	Proposed test fee
gross vehicle weight exceeding 5.5 tonnes)	

6. The Administration held two consultation sessions in September 2014 to seek the views of the transport trades, the vehicle maintenance and repair service trade, the Hong Kong Automobile Association and other relevant parties on the proposal. According to the Administration, a few stakeholders commented that the proposed fee increase was too high and suggested the Government provide the test service. The Administration explained that the proposed fee increase was justified in the light of the additional test equipment, longer testing time and the cumulative inflation since the last fee increase in 1998. Besides, the test fee would have to be fixed on a full cost recovery basis even if the test service was provided by the Government.

The Road Traffic Ordinance (Amendment of Schedule 10) Order 2015

7. The Order was published in the Gazette on 15 May 2015 and tabled before the Legislative Council on 20 May 2015 to increase the test fee as set out in paragraph 5 above. The Administration proposes that the Order should come into effect from 1 August 2015.

Members' views and concerns

8. The EA Panel was consulted on the proposed test fee increase at the meeting on 23 July 2014. The ensuing paragraphs summarized the major views and concerns raised by Panel members on the proposal.

Implementation of test fee increase

9. Noting that the test fee for DVETCs had not been revised since 1998, some members criticized that the Administration did not review the test fee levels regularly and adjust the fee levels as appropriate. They also expressed concern that the proposed test fee increase would pose a financial burden on vehicle owners. There was a suggestion that the Administration should consider postponing the effective date of the new test fee, or implementing the fee increase in phases, so as to allow more time for petrol and LPG vehicle owners to prepare for the new requirements of the strengthened emission control programme.

10. The Administration explained that a one-off replacement programme of catalytic converters and oxygen sensors for petrol and LPG taxis and light buses ("one-off replacement programme") was completed in April 2014 to assist these

vehicles to reduce certain emissions⁷. Some 80% of the target vehicles took part in the programme. The Administration considered that the proposed increase in test fee would not impact on vehicle owners who took good care of the maintenance of their vehicles proactively, whereas for those vehicle owners who overlooked proper vehicle maintenance, increasing the test fee to a reasonable level could be a deterrent for their negligence. As such, the Administration did not consider it necessary to defer the effective date of the proposed fee increase.

11. On whether a phased approach should be adopted to increase the test fee, the Administration advised that the test fee for DVETCs had not been adjusted since 1998. Over the period, the number of DVETCs had been reduced from 12 to six with only two in operation because the test fee could not sustain their operation. The Administration pointed out that the proposed fees were already the minimum acceptable to DVETC operators as they might not cover the operation costs in full although they would reduce their losses to a more tolerable level. As such, the Administration considered it not desirable to increase the test fee in phases.

Setting of test fee levels

12. Members enquired whether it was a normal arrangement for the Administration to set the test fee levels for privately-run DVETCs. The Administration pointed out that it was stipulated in Schedule 10 of the Ordinance that users of emission test services at a DVETC would need to pay to the centre a test fee, and any adjustment to the fee would require amendments to the said Schedule. In fact, similar arrangements were in place for the Administration to set other fees, such as the vehicle annual examination fee for the Transport Department's Car Testing Centres and other private testing centres.

13. As to why the Administration did not bring market forces into play for determining the test fee, the Administration advised that the current arrangement had struck an appropriate balance between addressing vehicle owners' concern and promoting the sustainable operation of DVETCs. If the test fees were entirely determined by market forces, it might be adjusted to a very high level, thereby posing a heavy financial burden on the transport trades.

14. Since the number of smoky vehicles had been decreasing which meant that a lower number of vehicles would need to undergo the emission test, some members queried the usefulness of the proposed fee increase to avert the operating loss of DVETCs. The Administration pointed out that the proposed fees would only help reduce the operational loss of DVETCs to a more tolerable

⁷ The programme was launched in August 2013 and aimed to reduce emission of carbon monoxide, hydrocarbon and nitrogen oxides from the target vehicles, which are the major causes of roadside air pollution.

level. As the existing DVETCs were also providing vehicle maintenance services, providing the emission test services could have certain synergy. Moreover, in anticipation of the test fee increase, the DVETC operators were willing to continue the operation of their centres or invest in the equipment for the emission test.

Capacity and operation of DVETCs

15. Noting that the number of DVETCs had been declining in recent years and there were now only two in operation (among which only one was providing test services for petrol and LPG light buses), some members expressed grave concern that if a large number of petrol and LPG taxis/light buses were found to have excessive emissions by roadside remote sensing equipment and were required to undergo the dynamometer-based emission test, it might not be possible for all of them to go through the test within the prescribed time limit of 12 working days. Under such circumstances, vehicle owners could not use their vehicles to earn a living and public transport services would also be adversely affected.

16. The Administration advised that completion of the one-off replacement programme, together with the ongoing efforts to promote proper vehicle maintenance, should reduce the number of these vehicles with excessive emission. If however there were many petrol and LPG vehicles awaiting emission test services, the Administration would consider extending the time limit for passing the emission test having regard to the circumstances of individual cases. Although there was only one DVETC providing test services for petrol and LPG light buses at present, the DVETC should have adequate capacity to cope with the demand for test services. The Administration envisaged that after increasing the test fee, new testing centres might be set up by other operators in future.

Latest development

17. At the House Committee meeting on 22 May 2015, Members agreed to form a Subcommittee to study the Order.

Relevant papers

18. A list of relevant papers is in the **Appendix**.

List of relevant papers

Date	Event	Paper/Minutes of meeting
23 July 2014	Meeting of the Panel on Environmental Affairs	Administration's paper (LC Paper No. CB(1)1814/13-14(01)) Minutes (LC Paper No. CB(1)61/14-15) (paragraphs 4 to 22)
20 May 2015	The Road Traffic Ordinance (Amendment of Schedule 10) Order 2015 ("the Order") was tabled before the Legislative Council	The Order (L.N. 90 of 2015) Legislative Council Brief Legal Service Division report (LC Paper No. LS66/14-15)