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Senior Council Secretary (1)1
Council Business Division 1
Legislative Council Secretariat
Legislative Council Complex,
1 Legislative Council Road, Central
Hong Kong
(Attn: Ms. Anki NG)

22 March 2017

Dear Ms. Ng,

**Panel on Environmental Affairs
Follow-up to meeting on 27 February 2017**

Please find at the **Annex** our response to the motion carried at the meeting on 27 February 2017 regarding "Promoting the use of electric vehicles".

If you have any queries, please contact the undersigned on 25946401.

Yours sincerely,

(Dave Ho)

for Director of Environmental Protection

Encl.

Motion : As the Government should encourage the public to drive electric vehicles for the purpose of environmental protection, the Government should be committed to increasing the proportion of electric private cars in the overall number of private cars. The Panel requests that the Government should maintain the existing arrangement of waiving the first registration tax for electric private cars.

The Government is committed to promoting the use of electric vehicles (EV) as **replacements** of their conventional counterparts. In considering the first registration tax (FRT) arrangement for EV, the Government needs to take into account the latest technological development and market situation of EV, and other traffic considerations, in order to ensure effective implementation of the relevant policies and prudent management of public finances.

For electric private cars (e-PC), the Government has first and foremost considered the technological improvements. The e-PC technology has made significant advances in recent years and e-PC's driving performance can fairly meet the needs of drivers in general. Therefore, they have become increasingly popular amongst drivers, including local ones. Manufacturers of e-PC have now been able to produce mass-market e-PC models whose price difference with conventional private cars is narrowing. For example, the majority of e-PC models on the local market are priced below \$500,000 (with FRT waived) with a travel range of around 160 km or more after a full charge, meeting normal daily driving need of most local drivers.

Furthermore, the Government has long adopted a public transport-oriented policy with railway as the backbone. There has been continuous rise in the number registered private cars in recent years. Heavy reliance on private cars for daily commute will lead to severe road traffic congestion, which could also offset the efforts to improve roadside air quality.

It should also be noted that in comparison with conventional private cars, e-PC will continue to enjoy FRT concessions under the revised arrangements for 2017-18. In addition, their annual vehicle licence fee will continue to stay at about \$600 to \$1,100, which is significantly lower than that for conventional private cars ranging from \$3,815 (for petrol private cars with engine cylinder capacity not exceeding 1,500 c.c.) to \$12,675 (for diesel private cars with engine cylinder capacity exceeding 4,500 c.c.). The

electricity cost for powering e-PC is also less when compared with petrol or diesel cost for powering conventional ones. Therefore, our assessment is that the revised FRT concession arrangements would still remain attractive to some buyers who might opt to purchase e-PC, especially the more economical models, in lieu of conventional private cars. On the whole, we believe that the Government's revised FRT concessions for e-PC can attain a reasonable balance between promoting the use of e-PC and stemming the excessive growth of the private car fleet.

We have seriously considered the views expressed by the Panel on Environmental Affairs. The Government considers it reasonable and necessary to cap the FRT concessions for e-PC having regard to the considerations in the above paragraphs. The Government will take steps to implement the FRT proposal, i.e. from 1 April 2017 to 31 March 2018, the FRT concessions for e-PCs will be capped at \$97,500.

The Government will review the revised FRT concession arrangement before its expiry by the end of March 2018 in consideration of the latest technological development and market situation of EV and traffic considerations.