

**For Information**

**LEGISLATIVE COUNCIL  
PANEL ON ENVIRONMENTAL AFFAIRS**

**Ex-gratia Payment for Phasing Out Pre-Euro IV Diesel Commercial Vehicles**

**Special Arrangement for Euro II Diesel Public Light Buses**

**PURPOSE**

This paper informs Members that the application deadline for Euro II diesel public light buses (PLBs) under “the Ex-gratia Payment Scheme for Phasing Out Pre-Euro IV Diesel Commercial Vehicles (DCVs)” (the ex-gratia payment scheme) will be extended for six months from 31 December 2017 to 30 June 2018 under specified conditions.

**BACKGROUND**

2. DCVs are one of the major sources of roadside air pollution in Hong Kong. To improve roadside air quality and better protect public health, the Environmental Protection Department (EPD) launched an incentive-cum-regulatory program in 2014 to progressively phase out by the end of 2019 some 82 000<sup>[1]</sup> pre-Euro IV (namely pre-Euro, Euro I, Euro II and Euro III) DCVs including goods vehicles, light buses and non-franchised buses.

3. Under this approach,

- (a) a \$11.4 billion ex-gratia payment scheme<sup>[2]</sup> was launched on 1 March 2014 for eligible vehicle owners to phase out their pre-Euro IV DCVs. Pre-Euro IV DCV owners are required to scrap their DCVs and then cancel their registration at the Transport Department (TD) before applying for the ex-gratia payment. The deadlines for ex-gratia payment application are set out below:

<u>DCVs</u>	<u>Application deadlines</u>
Pre-Euro	31 December 2015
Euro I	31 December 2016
Euro II	31 December 2017
Euro III	31 December 2019

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<sup>1</sup> The 82 000 pre-Euro DCVs accounted for 60% of the total number of DCVs as at end November 2013.

<sup>2</sup> The ex-gratia payment level, as approved by the Finance Committee of the Legislative Council, inversely correlates with the age of the vehicles and remains the same throughout the ex-gratia payment scheme.

- (b) in tandem, in accordance with the Air Pollution Control (Air Pollutant Emission)(Controlled Vehicles) Regulation, Cap. 311X (the Regulation), the vehicle licence for pre-Euro IV DCVs will no longer be issued/renewed, also in phases (i.e. no issuance/renewal of vehicle licence for pre-Euro DCVs after 31 December 2015, Euro I DCVs after 31 December 2016, Euro II DCVs after 31 December 2017 and Euro III DCVs after 31 December 2019); and
- (c) the service life of DCVs first registered on or after 1 February 2014 has been limited to 15 years.

4. The response to the ex-gratia scheme has been positive so far. As at the end of August 2017, about 56 000 pre-Euro IV DCVs (about 68% of the eligible DCVs) had retired. Detailed statistics on the number of participating DCVs are at **Annex A**. Out of the total 512 Euro II diesel PLB, only 163 had retired, meaning that 349 have yet to be retired in the remaining months before the end of 2017.

## **THE NEED FOR SPECIAL ARRANGEMENT**

5. The Road Traffic (Amendment) Bill 2017 to increase the maximum passenger seating capacity of light buses from 16 to 19 was passed on 28 June 2017 and came into effect on 7 July 2017. The PLB trade has advised the Government that many new 19-seat PLBs ordered cannot be delivered to Hong Kong in time for their owners to complete the necessary procedures for de-registering their old PLBs and submitting their applications for the ex-gratia payment before the end of 2017. The PLB trade thus appealed to the Government for extending the deadline for their relevant ex-gratia payment application and vehicle retirement (paragraph 3 (a) and (b) respectively).

6. The EPD has separately approached the major local PLB suppliers which confirmed that only a limited number of new 19-seat PLBs could arrive Hong Kong before end of 2017. Based on the suppliers' information, we estimate that about 200 replacement PLBs would not be able to be delivered in time to complete the vehicle body building and registration procedures as well as de-registration of the Euro II PLBs by 31 December 2017. Taking into account the local vehicle body building capacity for PLBs, it is estimated that six more months after end 2017 would be required.

## **SPECIAL ARRANGEMENT**

7. To address PLB trade's concern in paragraphs 5 and 6 above and avoid disruption to public transport services provided by PLBs to passengers, we will introduce a special arrangement for Euro II diesel PLB owners who have already placed orders for new replacement 19-seat PLBs on or before 31 October 2017 to retain their eligibility for the ex-gratia payment for six months beyond the 31 December 2017 deadline to 30 June 2018. We have consulted the PLB trade which welcomed our proposal.

8. For those affected Euro II diesel PLBs with vehicle licence expiring after 31

December 2017, depending on their individual expiry dates, some may need to have their vehicle licence renewed after 31 December 2017 pending the availability of the replacement PLBs. The owners concerned need to apply separately for EPD's exemption under Section 6 of Cap. 311X<sup>[3]</sup> so that their vehicle licence can be renewed despite the statutory deadline of 31 December 2017 (paragraph 3(b) above).

9. Details of the special arrangement for the affected Euro II diesel PLBs, modelled on that for the previous voluntary retirement schemes for pre-Euro/Euro I and Euro II DCVs launched in 2007 and 2010 respectively, are set out at **Annex B**.

10. Members are invited to note the above special arrangement.

**Environmental Protection Department**  
**September 2017**

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<sup>3</sup> Cap. 311X Section 6(1) –

The Authority, if satisfied that exceptional circumstances make it impractical or unreasonable for a controlled vehicle to comply with this Regulation, may exempt the vehicle from the application of this Regulation for not more than 1 year.

**Number of applications for the ex-gratia payment scheme  
by emission standards and vehicle types  
(as at 31 August 2017)**

Vehicle Type	Number of applications for the ex-gratia payment scheme (Take up rate)					No. of applications approved
	Pre-Euro	Euro I	Euro II	Euro III	Total	
Light goods vehicles	8,748 (89.8%)	10,184 (96.3%)	8,923 (83.7%)	5,171 (29.5%)	33,026 (68.1%)	32,697
Medium goods vehicles	6,477 (90.2%)	2,241 (92.9%)	5,213 (85.4%)	3,337 (34.5%)	17,268 (68.1%)	17,127
Heavy goods vehicles	657 (96.6%)	311 (99.4%)	630 (80.4%)	156 (30.4%)	1,754 (76.6%)	1,743
Public light buses	15 (100.0%)	283 (99.0%)	163 (31.8%)	20 (4.9%)	481 (39.5%)	471
Private light buses	297 (94.6%)	333 (93.3%)	255 (63.1%)	46 (23.6%)	931 (73.3%)	909
Non-franchised buses	168 (94.4%)	123 (93.9%)	514 (86.4%)	1,811 (69.4%)	2,616 (74.4%)	2,569
<b>Total</b>	<b>16,362 (90.3%)*</b>	<b>13,475 (95.8%)*</b>	<b>15,698 (82.4%)</b>	<b>10,541 (34.1%)</b>	<b>56,076 (68.3%)</b>	<b>55,516</b>

\* No pre-Euro DCVs have valid vehicle licence i.e. all pre-Euro DCVs have been phased out.

As at 21 August 2017, only 16 Euro I DCVs still had valid vehicle licence, thus about 99.9 % Euro I DCVs have been phased out.

These 16 Euro I DCVs will retire upon the expiry of their vehicle licence.

**Ex-gratia Payment for Phasing Out Pre-Euro IV Diesel Commercial Vehicles  
Special Arrangement for Euro II Diesel Public Light Buses**

The Road Traffic (Amendment) Bill 2017 for increasing the maximum passenger seating capacity of light buses from 16 to 19 was passed on 28 June 2017. It is understood that many new 19-seat public light buses (PLBs) ordered for replacing Euro II diesel PLBs cannot be delivered to Hong Kong in time for their owners to complete the necessary procedures for de-registering their old PLBs and for submitting their applications for the ex-gratia payment under the Ex-gratia Payment Scheme for Phasing Out Pre-Euro IV Diesel Commercial Vehicles (DCV) (the ex-gratia payment scheme) by the deadline of 31 December 2017. Separately, for some of these Euro II diesel PLBs, depending on their individual vehicle licence expiry dates, they may need to have their vehicle licences renewed after the statutory deadline of 31 December 2017, pending the availability of the replacement PLBs.

***Ex-gratia payment***

2. Euro II diesel PLB owners' eligibility for ex-gratia payment will be extended up to 30 June 2018, subject to their meeting of the following requirements—

- (i) placement of an order for a new replacement 19-seat PLB on or before 31 October 2017; and
- (ii) submission of an application for retaining the eligibility for ex-gratia payment to the Environmental Protection Department (EPD) using a prescribed application form on or before 14 November 2017.

3. The applicant must submit the duly completed application form together with the photocopy of following documents to the EPD -

- (i) applicant's Hong Kong Identity Card (HKID) or passport for non-HKID holders for individual owners; or both the Certificate of Incorporation and Business Registration Certificate if the applicant is a business entity;
- (ii) vehicle registration document of the Euro II diesel PLB; and

(iii) sales contract<sup>[4]</sup> (i.e. the placement order) of the new 19-seat PLB signed between the authorised supplier of the PLB manufacturer or distributor (as seller) and the applicant (as buyer), and the deposit receipt. The sales contract should state the vehicle class, make, model and fuel type of the new PLB.

4. For avoidance of doubt, even if the application for retaining the eligibility is approved, approval of ex-gratia payment is subject to the concerned owner meeting all prevailing eligibility criteria and completing all other necessary procedures under the ex-gratia payment scheme and submission of application for the ex-gratia payment on or before 30 June 2018.

5. The approval for “Retention of Eligibility for Ex-gratia Payment for Phasing Out Pre-Euro IV Diesel Commercial Vehicles” is **not transferrable**. Thus, if an Euro II diesel PLB owner who has been granted the approval for retention of eligibility sells the concerned PLB and transfers its ownership to a new buyer, the new buyer of the Euro II diesel PLB will not be eligible for the retention of eligibility for ex-gratia payment beyond 31 December 2017. In other words, the original Euro II DCV ex-gratia payment application deadline (31 December 2017) still applies to the concerned PLB. By the same token, the vehicle licence of the concerned PLB, which is owned by the new buyer, will not be renewed after 31 December 2017 (paragraphs 7 and 8 below).

6. The application form for “Retention of Eligibility for Ex-gratia Payment for Phasing Out Pre-Euro IV Diesel Commercial Vehicles” can be obtained via fax on demand from EPD hotline 2651 1100 or downloaded from EPD’s website at [www.epd.gov.hk/epd/english/environmentinhk/air/prob\\_solutions/Phasing\\_out\\_diesel\\_comm\\_veh.html](http://www.epd.gov.hk/epd/english/environmentinhk/air/prob_solutions/Phasing_out_diesel_comm_veh.html). Applicants should carefully read the Notes for Attention in the application form before completing the application form.

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<sup>4</sup> Other supporting document confirming that the registered owner of the Euro II PLB has placed order for a new 19-seat PLB may be accepted on a case-by-case basis.

### ***Vehicle licences***

7. In accordance with the Air Pollution Control (Air Pollutant Emission)(Controlled Vehicles) Regulation, Cap. 311X (the Regulation), the vehicle licences for Euro II DCVs will no longer be issued/renewed after 31 December 2017.

8. Owners of Euro II diesel PLBs with vehicle licence that expires after 31 December 2017 may have the need to apply for vehicle licence renewal after 31 December 2017, depending on the expiry dates and the replacement PLB availability dates. The concerned owners need to **separately** apply for exemption under Section 6 of the Regulation for extending the retirement deadline by submitting an application in writing to EPD together with a copy of EPD's approval of retention of eligibility for ex-gratia payment. When granting approval of retention of eligibility for ex-gratia payment, EPD will remind the applicants of this separate requirement in case they wish to apply for renewing the vehicle licence of their Euro II diesel PLBs and that there will not be automatic extension of the statutory vehicle retirement deadline of 31 December 2017.