

30 October 2012

The Honourable C Y Leung  
Chief Executive  
Hong Kong Special Administrative Region  
Tamar, Central  
Hong Kong

Dear C.Y.,

### Policy Agenda on Air Quality

Subsequent to the submission of “Policy Priorities for the New Administration” presented by the Hong Kong General Chamber of Commerce in June 2012, we are grateful to hear that some of our thoughts on the key challenges facing Hong Kong are being seriously considered by the Government, particularly the threat to our competitiveness caused by poor air quality.

We applaud the Government for the positive message that the key guiding principle in the formulation of air quality improvement measures is to safeguard public health. As both roadside emissions and marine-related air pollution have been worsening according to the Government’s own pollution inventory data, we strongly call for immediate action to bring in early improvement to our air quality.

The Chamber, through substantial contribution from our Environment and Sustainability Committee, has developed the enclosed policy paper and advocated some recommendations to tackle roadside and vessel emissions. I sincerely hope that you will find our proposal useful in developing your policy agenda and making Hong Kong a better place to live, and we look forward to discussing and working closer with the Government to ensure the best possible outcome.

Thank you.

Yours sincerely,



C K Chow  
Chairman

Encl.

c.c. Chief Secretary for Administration  
Financial Secretary  
Secretary for the Environment

## Policy Agenda on Air Quality

1. The Hong Kong General Chamber of Commerce (“HKGCC”) has demonstrated its concern about the environment, and it has been our consistent position that Hong Kong should tackle the air quality issue as a matter of urgency. Despite the strenuous efforts taken by the Government of the Hong Kong Special Administrative Region over the past years, substantial growth in energy and transport emissions arising from economic development within the territory as well as in the region continuously presents harsh challenges to air quality. We are pleased to hear from the Government that **the key guiding principle in the formulation of air quality improvement measures is to safeguard the public health**, and HKGCC looks to new initiatives to bring short-term improvement to roadside and vessel emissions.

2. According to HKGCC’s Annual Business Survey conducted in late 2011, air pollution remains the top environmental concern of the business community, with 87.6% of 313 respondents rating 6 or below out of 10 (the highest level of satisfaction) to current air quality. Over half of the respondents even rated 4 or below to reflect their dissatisfaction over the air they breathe. **Apart from the health hazard, we opine that poor air quality is affecting our reputation as an international business and tourism centre, and is becoming a threat to our competitiveness and sustainability.**

3. We applaud the Government for finally stepping forward in early 2012 to refer to the World Health Organization’s targets in updating our own Air Quality Objectives (“AQOs”). While we understand that in some areas such as particulate matter emissions, Hong Kong is under the influence of regional pollution, there are concerns about the efficacy of the proposed action plans to achieve the targets. In essence, the 19+3 policy package to reduce local air pollutants lacks visibility and a timetable for actions. Instead, **a clear delineation of responsibilities** should be drawn up and shared with the business sector to facilitate long-term business planning and investment, and with the public to build trust in achieving the goals. **A regular review** on AQOs should also be conducted to map out a clear timeframe for achieving the ultimate targets, say a mandatory review every five years.

### We urge for faster and more visible progress

4. Tired of never-ending consultations, reviews and studies without any noticeable improvement in our air, businesses and residents are urging a faster progress - some immediate actions which are under our control to produce a quick improvement. **We have sufficient funds in our reserves, money that should be actively employed for the betterment of Hong Kong people’s lives, as well as enhancement of our position as a world city and leading international business hub.** It is the area in which substantial spending will be supported, because the benefits would be exponentially bigger.

5. Among all sources of pollution, the most important is roadside pollution arising from vehicles, especially diesel commercial vehicles which have the most day-to-day impact on public health. Emissions from ships also harm human health and the environment through acidification. The Government should tackle these two issues as priorities and demonstrate its leadership and determination, given that roadside emissions and marine-related air pollution have been worsening according to the pollution inventory data recently released by the Environmental Protection Department.

6. While this paper focuses on short-term measures, we do not neglect energy emissions as one of the major contributors to air pollution. From the environmental point of view, we fully support more stringent emission requirements for power plants. At the same time, Hong Kong needs a transparent and effective energy policy that ensures that the territory continues to be supplied with the energy that we need with full regard to reliability, quality, social values and affordability. Our position has been clearly explicated in the HKGCC paper - "Restoring Blue Skies: Review of the Policy Agenda on Air Pollution" published in 2008 and subsequently a number of policy submissions on air quality, climate change strategy and demand-side management. As such, HKGCC will continue to take the lead in taking forward the discussion of energy policy with the Government and stakeholders.

### **Getting dirty vehicles off the road**

7. The 120,000 diesel commercial vehicles, including over 100,000 goods vehicles and about 12,000 buses/coaches, contribute the most to traffic emissions in Hong Kong as a whole. Although the Government has introduced two subsidy schemes to encourage early replacement of Pre-Euro III diesel commercial vehicles, there are still about 18,000 Pre-Euro, 12,000 Euro I and 24,000 Euro II, as well as 30,000 Euro III commercial vehicles (totalling some 84,000 Pre-Euro IV, about 70% of all commercial vehicles) running on the road. On roadside particularly along busy corridors in Central, Causeway Bay and Mongkok, about 80% of pollution comes from franchised buses and aging LPG mini-buses/taxis. There is a need for the Government to introduce more stringent measures to expedite their replacements or retrofits.

#### *Incentives and dis-incentives for replacement of polluting commercial vehicles*

8. **Incentive schemes such as subsidies, while important, are unlikely to resolve the air quality problem without the support of appropriate mandatory measures.** While we understand that regulations may create resistance, especially from SME operators, we recommend a **"carrot and stick"** approach to phase out Pre-Euro IV commercial vehicles over a defined period, starting with the oldest to Euro III vehicles under a specific timeframe. We propose a **one-off subsidy scheme of HK\$5 billion together with funds unused for previous programmes, in connection with appropriate mandatory measures, to:**

- 8.1 Provide a scrapping cash incentive to retirement of all pre-Euro, Euro I and II commercial diesel vehicles through mandatory means;
  - 8.2 Enhance the subsidy scheme of replacing aging selective catalytic reduction (“SCR”) equipment for the 24,000 LPG taxis and light buses with a fully funded scheme.
  - 8.3 Expand the trial scheme of retrofitting Euro II and III buses with SCR devices to full-scale implementation as soon as possible;
  - 8.4 Accelerate the replacement of dirty vehicles, via imposing progressively rising annual license fee on Pre-Euro IV commercial vehicles, particularly those vehicles older than 15 years, based on their emission standards to dis-incentivize the continual use of aging vehicles; and
  - 8.5 Revise the Air Pollution Index and tighten the emission standards of commercial vehicles to enforce retrofitting or de-registration of those polluting vehicles failing to comply with the standards.
9. At present, the annual inspection system for vehicles running over 6 years focuses on safety requirements. Instead, the system should account for “harmful effects” associated with poorly maintained vehicles not meeting emission standards. In addition, the messages of **health loss and fuel inefficiency of aging vehicles** with proven statistics should be disseminated to the general public. A **mandatory emissions testing routine** should also be introduced to ensure road worthiness.

#### *Low-emission vehicles*

10. Regarding the use of low-emission vehicles, some of our members have already introduced electric vehicles in their business operations. While the Government had earmarked HK\$180 million for franchised bus companies to purchase 36 electric buses for trial runs, it is recommended that similar **government subsidies and incentives should be made available to other businesses to promote wider use of environmentally-friendly vehicles** in addition to the extended waiver of the first registration tax. In order to encourage more drivers to switch to electric vehicles in the longer term, the Government could play an even more effective role by speeding up the development of complementary charging infrastructure.
11. Regarding the issue of potentially higher bus fare due to the initial investment on electric buses, the Government may consider using the fiscal reserve to **subsidize the riders** over a defined transition period.

### *Low-emission zones and bus route rationalization*

12. We recommend a mandate of **restricting pre-Euro IV buses running on identified busy corridors and major commercial districts by 2015**, giving franchised bus companies sufficient time to deploy their bus fleets in the “low-emission zones”. The Government should also study the possible extension of such restriction to other commercial vehicles.

13. In regard to the implementation of other measures to reduce vehicles on the road such as **rationalization of bus routes**, it definitely requires buy-in from local communities. Accordingly, we would like to call for cross-party efforts to coordinate discussions at the District Councils to ensure complete rationalization of bus routes across Hong Kong by 2014.

### *Long term vision and policy*

14. HKGCC has long been an advocator of the adoption of a transport-environment policy (or “**sustainable transport policy**” in the more modern terminology) since 1997, calling for the Government to take a pre-emptive, proactive and holistic approach to develop a long-term vision and roadmap of sustainable transport network, so as to accommodate future needs of people and goods rather than cope with problems as they arise. To achieve this, the Government should adopt an inter-departmental approach involving relevant policy bureaux to bring about the required changes in regulatory and technical guidelines, including:

- 14.1 Study the feasibility of taking on various **alternative transport modes** in addition to comprehensive railway development, for example, trolleys, hybrid vehicles, super-capacitor buses and electric/LPG delivery vehicles, with a view to increasing the ridership of more energy-efficient transport systems;
- 14.2 Review and consider **electronic road pricing** and **pedestrianization** to reduce traffic in congested areas;
- 14.3 Take forward the proposed development, expansion and interconnection of **cycle tracks** and ancillary facilities in new development areas; and
- 14.4 Take a comprehensive look at replacing **off-road diesel-powered vehicles and engines** in container terminals and construction sites.



### **Reducing emissions from vessels and ferries**

15. It is important for the Government to step up its efforts in working with shipping operators on **switching to ultra low sulphur diesel**, which, according to the Government's own estimate, will reduce sulphur dioxide by 99%, bringing major environmental and health benefits. We welcome the recently launched 3-year incentive scheme, under which ocean-going vessels that use low sulphur diesel can enjoy a 50% reduction in port facilities and light dues. To encourage participation of operators, the Government should **simplify the application procedure for the subsidies**. Further incentives, and/or subsidies under a specific timeframe, are crucial to encourage collaboration within the sector while maintaining their competitiveness in the region.

16. Widely supported by the shipping sector to voluntarily switch to low sulphur fuels, the immediate next step in reducing pollution from vessels is for the Government to tighten emission control on ocean-going vessels. The Government should draw up and share with the public an **implementation timeline to introduce regulations** on ship emissions to be consistent with best practices from around the world. It should then take the initiative in lobbying the Central Government for joint implementation of "fuel switch at berth" in the Pearl River Delta ("PRD") waters, and in the longer term, setting up an **Emission Control Area in PRD** waters.

17. In regard to local ships, the trial scheme of installing **seawater scrubbers** on cross-harbour ferries to reduce sulphur dioxide and visible smoke seems to be fairly effective. The Government should, subject to the final result of the scheme, encourage the retrofitting of such add-on back-end treatment into the exhaust system of all local ferries.

18. In a longer term, the Government should kick off the feasibility study with terminal operators and utility companies for the possibility of adopting **onshore power** to reduce engine emissions of vessels berthing at the ports.

### **Government to lead by example**

19. One of the obstacles of promoting the use of cleaner fuels and electric vehicles is the cost barrier. As a major owner and user of vehicles and vessels, **the Government should lead by example**, i.e. to accelerate the replacement of its own car fleet by electric vehicles as proposed in the 2011-12 Budget, and switch to cleaner fuels or use seawater scrubbers where feasible for the Government's vessels to facilitate the development of related markets.

20. In many advanced jurisdictions, environmental protection is an integral part of their economic programmes. Hong Kong should follow global best practices by integrating the environmental agenda into relevant government policies and projects, so that significant emissions reduction can be achieved taking into account energy efficiency, cleaner transport, green procurement, waste management and environmentally friendly lifestyle. To implement policies and programmes efficiently, it requires strong leadership and tight coordination among all relevant government bureaux and departments to ensure an alignment of strategic objectives as well as cost-effective approaches to achieve these objectives. To demonstrate its leadership and commitment, the Government should **incorporate emission reduction targets into the key performance indicators of all bureaux and departments.**

### **Conclusion**

21. The success of implementing an effective emission reduction strategy depends in large measure on engagement with the business sector and the wider community to generate practical solutions and obtain strong public buy-in. HKGCC looks forward to discussing and working closely with the Government our proposals to improve air quality to ensure the best possible outcome.

HKGCC Secretariat  
30 October 2012