

Revision of Fees and Charges

Air Pollution Control Ordinance (Cap. 311)
Waste Disposal Ordinance (Cap. 354)
Water Pollution Control Ordinance (Cap. 358)
Noise Control Ordinance (Cap. 400)
Ozone Layer Protection Ordinance (Cap. 403)

Merchant Shipping (Prevention & Control of Pollution)
(Charges for Discharge of Polluting Waste) Regulations
Dumping at Sea Ordinance (Cap. 466)

Purpose

This paper invites Members' views on the proposed revision of administrative fees and charges for environmental services provided by Government.

Background

2. It is Government policy that fees should in general be set at levels sufficient to recover the full cost of providing the services. Most Government fees and charges have been frozen since February 1998 as an exceptional measure to alleviate the financial burden on the public in times of economic difficulty. Among the environment related fees and charges proposed for revision, some were last revised in 2000-01 when the economy was gradually picking up, the rest were last revised in 1997-98. To abide by the "user pays" principle, the Financial Secretary indicated in the 2004-05 Budget Speech the need to consider the resumption of revision of Government fees and charges, starting with those that do not directly affect people's livelihood or general business activities.

3. We have been taking measures to reduce or contain costs through implementing efficiency initiatives, reprioritizing service provision and streamlining procedures. Such efficiency savings and improvement measures have been factored into the calculation of costs for individual fee items.

The Proposal

4. We propose to revise the fees and charges for various environmental services. The latest costing results show that some existing fees fall short of full cost recovery. It is acknowledged that it would cause some difficulties if fees were increased rapidly to achieve 100% cost recovery. We therefore propose to revise the fees along the following lines -

- (a) achieve full-cost recovery within seven years for fees with an existing cost recovery rate of less than 40%, through an increase of about 20%;
- (b) achieve full-cost recovery within three to seven years for those fees with existing cost recovery rates of between 40% and 70%, through an increase of about 15%;
- (c) achieve full-cost recovery within one to three years for those fees with existing cost recovery rates of over 70%, through an increase of about 10%; and
- (d) reduce those fees with existing cost recovery rate of over 100% to their full-cost levels.

For fee reductions, we propose to reduce the fees to the full cost level in one go. Similar guidelines were applied in the 2000-01 fee revision exercise.

5. In line with the Polluter Pays Principle, our original plan was to recover the full variable operation cost (VOC) of the Chemical Waste Treatment Centre (CWTC) by the end of the eighth year from 1995-96 when charges were first introduced, i.e., achieving full VOC recovery by 2003-04. The former Environmental Pollution Advisory Committee endorsed the plan in July 1993 (EPCOM Paper 30/93-94) and members endorsed Government's proposal of enacting the Waste Disposal (Charges for Disposal of Chemical Waste) Regulation to provide for the charges for the disposal of chemical waste at the CWTC in January 1995 (ACE Paper 1/95) and revisions in the charges in March 1996 (ACE Paper 9/96) and April 1997 (ACE Paper 25/97).

6. The charges, however, have not been adjusted since the moratorium was introduced in 1997-98 to freeze Government fees and charges. We wish to catch up with the programme to recover the full VOC as soon as possible. Hence we propose to introduce gradual increase of the charges over the next three years and to achieve full recovery of the VOC by 2007-08.

7. The opportunity is taken to propose a technical amendment to the Waste Disposal (Charges for Disposal of Chemical Waste) Regulation (the Regulation). At present, the CWTC provides both collection and disposal services which is charged

as one sum under the Regulation for the combined service. We propose to separate the charges for collection and disposal. New “Collection Charge” items are, therefore, included in Annex I. This would bring the Regulation in line with the Merchant Shipping (Prevention and Control of Pollution)(Charges for Discharge of Polluting Waste) Regulation which prescribes the charges for disposal and collection services of marine pollution waste as two separate items. The proposed separate charging would also give a clearer picture of the costs of different services provided to users, namely, the chemical waste producers.

8. Our proposal involves 67 existing fee items, of which 28 are increases and 37 are decreases; and creation of two new items. Details of the fee proposal are set out at Annex I.

9. These proposed revisions were presented to the Legislative Council Panel on Environmental Affairs on 21 December 2004. Members of the Panel did not raise any objection to the fee proposals. These fees can be effected by amendment to the respective legislation following consultation with the Advisory Council on the Environment. As a result of these revisions, there will be a net increase of revenue of about \$10 million per annum.

10. For members’ information, adjustment in the fee level of an administrative fee payable under the Dumping at Sea Ordinance and the collection and disposal charges for oily waste discharged by merchant ships under the Merchant Shipping (Prevention & Control of Pollution) (Charges for Discharge of Polluting Waste) Regulations will be made separately. Details of these items are at Annex II for members’ information.

Implementation Timetable

11. Subject to the views of members, we plan to implement the proposal in paragraph 8 in early 2005.

Advice Sought

12. Members’ advice is sought as to whether the proposed fee revisions as set out in paragraph 8 above should be made. The revised fees would take effect in early of 2005 subject to passage of the relevant amendment regulations.