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(ACE 4/94)
for advice

Sewage Services (Sewage Charges) Regulation **Sewage Services (Trade Effluent Surcharge) Regulation**

INTRODUCTION

At the meeting of the Advisory Council on the Environment on 21 March 1994, after considering the draft Sewage Services Bill (SSB) which would enable the introduction of sewage charges and trade effluent surcharges (TES), Members advised that the Bill should be recommended to the Governor-in-Council (ACE Paper 15/94). The Bill was approved by the Governor-in-Council on 28 June 1994 for introduction into the Legislative Council (LegCo) and was passed in LegCo on 14 December 1994 after thorough discussions in six sessions of the LegCo Bills Committee.

A
B

2. This paper seeks Members' advice on the subsidiary legislation to be made under the SSB: the Sewage Services (Sewage Charges) Regulation at Annex A and the Sewage Services (Trade Effluent Surcharge) Regulation at Annex B. These Regulations will establish the detailed arrangements for the charging system and the rates of sewage charges and the TES.

BACKGROUND

3. Water pollution in the Victoria Harbour is serious. Some 1.5 million m³ of industrial effluent and domestic sewage is disposed of into the harbour every day, largely without treatment. To bring early improvement to the water quality, the Government has embarked upon an \$8 billion (all in 1993 prices) High Priority Programme (HPP) for the most polluted areas around the harbour. The HPP, comprising the Principal Collection and Treatment System under the Strategic Sewage Disposal Scheme and the most urgently needed regional sewerage improvement schemes related to it, would help reduce harbour pollution significantly upon its completion by 1997. More than \$4 billion will also be spent on other sewerage improvement works in the territory under the Capital Works Reserve Fund. In line with the polluter pays principle, the public should help pay for the sewage services they use. To keep sewage charges modest, however, the Government has undertaken to fund the capital costs of the new sewerage programme in full. Hence sewage charges will cover the operating costs of sewage services only.

4. The enabling legislation for sewage charges, i.e. the SSB was introduced into LegCo on 6 July 1994. A Bills Committee was formed to examine the Bill and six meetings were convened, between July and November 1994, to examine the provisions in the SSB, and the detailed charging arrangements to be set out in the subsidiary legislation. During the discussions, the Bills Committee studied possible improvements to the charging system, particularly ways to simplify the structure of the sewage charging scheme. One of the Bills Committee's proposals is to do away with fixed charges for all users and base sewage charges on a uniform volumetric charge only. Furthermore, exemptions for households would be modelled on the arrangements under the water tariff. These modifications have been incorporated in the SSB passed in LegCo on 14 December 1994.

SEWAGE SERVICES (SEWAGE CHARGES) REGULATION

Sewage Charges

5. As a result of the modifications to the sewage charging structure as agreed with the LegCo Bills Committee, instead of a fixed charge and a variable charge, we will have a uniform volumetric charge only of \$1.2 per cu.m. of water consumed (Section 2(1) of the Regulation). The revised charging structure simplifies the calculation of charges, makes it easier to administer and for the public to understand. It also obviates the need to check meter sizes or user categories which will otherwise be required under the original fixed charge proposal.

6. All households will benefit from the modified exemption arrangement which is modelled on the water tariff. Under the existing water tariff, the first 13m³ of water consumption in a four-month billing period is provided free. This exemption level will be reviewed by the Water Authority from time to time and adjusted when necessary.

7. As a result of these changes, 50% of households will be paying less than \$8 a month for sewage charges, or 85% less than \$18 a month. The charges are very modest by any measure.

Reduction of Sewages Charges by the Drainage Authority

8. For specified trades which discharge substantially less water than they consume as a result of production losses, the sewage charge will be based on 80% of the volume of water used. This applies to the beverage manufacturers, textile bleaching and dyeing industry, ice-making industry and restaurants (section 2(2)).

9. A consumer may also apply to the Drainage Authority (DA) for a reduction of the sewage charge if he can prove that the volume of his discharge is not more than 85% of the volume of water on which his sewage charge is based (section 3). The DA may reduce, refund or waive the charges if the information provided by the consumer to justify his application is verified correct.

SEWAGE SERVICES (TRADE EFFLUENT SURCHARGE) REGULATION

Trade Effluent Surcharge (TES)

10. In addition to sewage charges, industry and trade which produce more polluting effluent would be subject to a TES. The TES will be calculated based on the pollutant loads. This is determined by both volume and strength of wastewater. Similar to the calculation of sewage charges, volume of wastewater is determined by water meter reading and discharge factor of 80% will be applied to specified trades which discharge less water than they consume as a result of production losses (section 3(2)). For strength, the TES will be based on the average COD concentration assessed of the various industries and trades (section 3(1) and schedule 2).

Variation of TES

11. A TES account holder may apply to the DA for a review of the COD concentration used in determining the TES. The application has to be accompanied by test results by an approved laboratory (section 4(1)) in accordance with the Technical Memorandum (a draft copy at Annex C) to be issued by the Secretary for Works under section 13 of the Sewage Services Ordinance (Annex D). The new TES rate determined by the DA will take effect from the beginning of the billing period during which the determination is made (section 4(3)).

Reduction of TES by the Drainage Authority

12. Similar to sewage charges, a consumer may also apply for a reduction of TES if he can prove that the volume of his discharge is not more than 85% of the volume of water on which his TES is based (section 5).

Financial Penalties for Unpaid TES

13. Where a TES account holder fails to pay TES, the DA may add a late payment penalty equal to 5% of the unpaid amount. Where the TES remain unpaid for 6 months, the DA may add an additional late payment penalty equal to 10% of the total amount owing (section 6).

Notification of Incorrect Category of Use

14. A consumer is required to notify the DA, within 30 days after receiving a bill for TES, any change in the nature of his trade, business or manufacture on which his TES is based. Any person who fails to notify the DA or supply the false information commits an offence and is liable on conviction to a fine of level 6, i.e. \$100,000 (section 7).

IMPLEMENTATION OF CHARGING SCHEME

15. Subject to Members' advice, we will seek the approval of the Governor-in-Council for the draft Regulations at Annexes A and B to take effect from 1 April 1995.

ADVICE SOUGHT

16. Members are asked to advise on whether the draft Sewage Services (Sewage Charges) Regulation and the draft Sewage Services (Trade Effluent Surcharge) Regulation at Annexes A and B respectively should be recommended to the Governor-in-Council for approval.

Planning, Environment and Lands Branch
January 1995