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(ACE 18/95)

For Advice

Charging for Disposal of
Waste at Landfills by
Private Waste Collectors

I INTRODUCTION

This paper seeks members' endorsement of the draft Waste Disposal (Charges for Disposal of Waste) Regulation (at Annex) which provides for the introduction of a charging scheme for disposal of waste at landfills by private waste collectors.

II BACKGROUND

2. In 1994, some 24,000 tonnes of solid wastes were disposed of at government landfills everyday. About 78% of these wastes, generated mainly from commerce, trade and industrial sources/establishments, were collected and delivered to landfills by the private sector. The remaining 22%, the majority of which being household wastes, were handled by the two Municipal Councils, refuse transfer station operators and government departments.

3. At present, disposal of all wastes at landfills is free of charge. Free disposal has encouraged indiscriminate use of landfills as no economic incentive exists for waste producers to minimise waste generation, carry out sorting or separation to facilitate recycling and reuse, or deliver the suitable construction waste to public dumps for land reclamation purpose. Indiscriminate use of landfills has led to rapid depletion of limited landfill capacity and advances the time when replacement disposal facilities are required.

4. After consulting affected parties in mid 1993, including the Environmental Pollution Advisory Committee on 19 April 1993, the Government proposed that charges should be introduced for waste delivered to landfills by private waste collectors (other than contractors of the Municipal Councils) and that the initial charging level should be set at 50% of full cost recovery. The level of charge should be progressively increased to achieve full cost recovery. This proposal was approved by the Executive Council in December 1993.

5. The original charging arrangements we proposed involved two levels of charge for large and small vehicles. Based on 50% cost recovery (1993 prices), the initial charges should be in the order of \$175 for small vehicles with payloads of not more than 5 tonnes of waste and \$350 for large vehicles with payloads of more than 5 tonnes of waste. Payment will be in the form of pre-paid fixed value tickets.

6. Subsequently, new concerns have been raised about the charging arrangements and possible impact on domestic households currently served by private waste collectors. To address these new concerns, we intend to modify the charging scheme and the latest arrangements are described below.

Charging Arrangements

7. To address concerns about inequity caused by the two-tier charging arrangements, we intend to modify the scheme to charging on a per tonne basis. This will make the level of charge more closely related to the quantity of waste disposed and hence conforms more closely with the polluter pays principle. Based on 50% cost recovery (1995 prices), the level of charge per tonne of waste will be \$43.

8. Initially, payment will be in the form of pre-paid paper tickets of one-tonne and five-tonne face value. A private contractor will be appointed for the printing and sale of these tickets which will be made available at some 32 sales offices located in different parts of Hong Kong, including one each at the operational landfills. After payment at landfills, a record slip showing details of waste delivery will be issued.

9. We are aware that an electronic payment system will be more user friendly, will simplify charge collection procedures and will shorten processing time at landfills. Hence, we are working out the arrangements for an electronic system and hope to phase it in next year.

Household Waste delivered by Private Waste Collectors

10. To address concerns about possible impact on domestic premises currently served by private waste collectors, we propose to exempt from charging household waste disposed of at landfills by private waste collectors. The Environmental Protection Department will register private waste collectors who deliver household waste to landfills and provide them with tickets based on the quantity of household waste they collect and dispose. Information to be provided by these private waste collectors to support their applications will include names, addresses and documentary proof of the domestic buildings they serve, the quantity of household waste they deliver to landfills, details of waste collection vehicle and such other information as required by the Environmental Protection Department to determine the exemption quota for each applicant.

III WASTE DISPOSAL (CHARGES FOR DISPOSAL OF WASTE)
REGULATION

11. The proposed charging scheme will have to be given legal effect through the enactment of a regulation under section 33(1)(j) of the Waste Disposal Ordinance (WDO) whereby the Governor-in-Council may by regulation provide for the charges payable to the Director of Environmental Protection (the Director) for the disposal of any waste or class of waste. The draft regulation is at Annex. It applies to the disposal of waste, except household waste, at landfills and provides for the following:

- (a) payment of landfill charges - any person who deposits any waste at a landfill shall pay the Director the appropriate charge prescribed in a schedule to the regulation [Clause 2(1)];
- (b) exclusion - notwithstanding (a) above, no charge shall be payable by
 - (i) the Urban Council and the Regional Council for the disposal of any waste at a landfill [Clause 2(2)]; and
 - (ii) any person for the disposal of household waste at a landfill [Clause 3(1)].
- (c) method of payment - the Director may specify the manner in which landfill charges shall be paid [Clause 2(3)];
- (d) reduction - the Director may reduce the charge payable in respect of any load of waste to \$43 if he thinks it is impracticable to ascertain the actual weight of the load [Clause 3(3)]; and
- (e) penalty - any person who fails to pay the prescribed level of charge commits an offence and is liable to a fine of \$10,000 and to imprisonment for six months [Clause 4(1)]. Any person who knowingly provides incorrect or misleading information to the Director, e.g. in support of his application for waste disposal tickets, is liable to a fine of \$200,000 and to imprisonment for six months [Clause 4(2)].

12. We intend to submit the draft Regulation to the Executive Council in May 1995. Subject to approval by the Executive Council, the Environmental Protection Department will start to register private waste collectors who deliver household waste to landfills and issue waste disposal tickets to them. Charging is expected to start in September 1995.

IV OTHER CONSIDERATIONS

13. There has been concerns that the introduction of charges may cause waste producers to seek to evade charges through unauthorised disposal, commonly termed fly-tipping. We have already taken this into account when formulating the charging proposal. The initial moderate level of charge should be affordable to waste collectors as well as waste producers who are expected to bear the cost ultimately. Achieving full cost recovery in phases enables waste collectors and producers to gradually factor the charges into their operating accounts. It also allows time for waste producers to take appropriate measures to minimise waste generation and to sort their waste for reuse or recycling.

14. Furthermore, to give a greater deterrent effect to potential fly-tippers, a new control provision has been introduced under the Waste Disposal Ordinance stipulating a much heavier penalty for fly-tipping - \$200,000 plus imprisonment for 6 months for the first offence; and \$500,000 plus imprisonment for 6 months for repeated offences. This control provision came into force in December 1994 and the Environmental Protection Department has already set up a task force to take enforcement actions.

15. For the purpose of encouraging waste reduction and reuse, we are aware that a multi-faceted approach is necessary. Hence, apart from the introduction of charges, the Government has introduced complementary measures to increase public awareness and encourage the use of alternative disposal methods. Some examples of such measures include :

- (a) general publicity campaign to appeal to the public to use less plastic bags and other disposable items;
- (b) advice to industry on ways to upgrade to cleaner production processes through implementation of projects recommended by the Industry Department's Support to Industry on Environmental Matters consultancy study;
- (c) identification and provision of more public dumps to facilitate the reuse of suitable construction waste materials;
- (d) planned establishment of an intermediate sorting plant at SENT landfill for mixed construction waste which cannot be sorted on site because of construction site constraints.

16. In addition to the above measures, the Government has also commissioned consultants to undertake a comprehensive study of the existing waste generation, collection, recovery and recycling patterns in Hong Kong and to develop a strategy for reducing the amount of waste requiring disposal. At the end of the study in Autumn 1995, the consultants are expected to submit for Government's consideration an integrated waste reduction strategy combining both existing measures and new initiatives which may be applicable to Hong Kong.

V PUBLIC CONSULTATION

17. Interested parties as well as parties likely to be affected by the charging proposal have been consulted. There is general support for the polluter pays principle. But on the actual charging arrangement, views are mixed. Green groups and some Legislative Council Members prefer a higher cost recovery rate whereas the private sector, particularly the construction industry, are concerned about the possible burden on businesses. Construction waste collectors prefer a per vehicle charging system because this is in line with how they currently charge their customers. They have expressed strong objection to the per tonne charging arrangement. Nevertheless, collectors of other types of waste support the per tonne charging arrangement we currently propose because it is more equitable.

18. Given the fact that many diverse interests are involved, it is very difficult to devise a charging scheme which meets fully the expectations of all concerned. We believe that we have struck the right balance and the scheme we now propose is fair and reasonable. To assist waste collectors to adjust their operational practices, if such adjustments are necessary, we will issue record slip showing the weight of wasteloads several weeks before charging starts. This will enable waste collectors to acquaint themselves with the average weight of wasteloads they currently carry and facilitate them in charging their customers accordingly.

19. The Municipal Councils have expressed concern about whether charging is the most effective means to achieve waste minimisation, possible impact on domestic households and a likely increase in fly-tipping incidents. To address these concerns, we have amended the charging scheme to exempt domestic waste delivered by private waste collectors and set up a task force in the Environmental Protection Department to enforce the new fly-tipping provision under the Waste Disposal Ordinance. Regarding means to achieve waste minimisation, it has never been our intention to rely on charging alone. As explained above, we have initiated other complementary measures and are working towards an integrated strategy.

20. The Hong Kong Construction Association have pointed out that for existing contracts, their members will not be able to recover the landfill charges from their clients since they have not allowed for these charges in their original tender bids. We believe that landfill charges will only constitute a very minor portion of the operating expenses of the construction industry and should not impose an undue burden on contractors even if they cannot pass them onto their clients. Besides, with waste minimisation and recycling measures, contractors should be able to reduce the amount of waste delivered to landfills and the amount of disposal costs incurred.

VI ADVICE SOUGHT

21. Members are requested to advise whether the draft Waste Disposal (Charges for Disposal of Waste) Regulation at Annex should be recommended to the Governor-in-Council.