

Progress Update on EcoPark Development

Purpose

This paper updates Members on the development of the EcoPark in Tuen Mun Area 38.

Background

2. Following the endorsement of the Environmental Impact Assessment (EIA) report of the EcoPark by the EIA Sub-committee of the Advisory Council on the Environment (ACE) in May 2005, the ACE at its meeting on 13 June 2005 gave full support to the development of the EcoPark and considered it an important move as an integral part of the waste management strategy.

3. The EIA report was approved under EIAO in June 2005. With the agreement of the Town Planning Board, the EcoPark site was re-zoned as Other Specified Uses (Resource Recovery Park) in February 2006. Support from the Legislative Council Panel on Environmental Affairs and Public Works Subcommittee was obtained in December 2005 and February 2006 respectively. Funding for the construction of the EcoPark was approved by the Legislative Council Finance Committee in April 2006.

Update on EcoPark Development

Construction

4. The EcoPark occupies 20 hectares of land in Tuen Mun Area 38 and is being developed in 2 phases (see *Annex I*). The Government will fund the construction of its basic infrastructure and common facilities (at a

cost of \$257 million). The works comprise site formation, construction of internal roads, drains and sewers, utilities, an administration building and ancillary facilities and landscaping work for the EcoPark.

5. The construction for Phase I, with an area of about 8 hectares, commenced on 3 July 2006 with a view to making the first batch of lots available for leasing towards the end of 2006. Construction of Phase II with an area of 12 hectares will commence in 2008. Upon full operation, the EcoPark can provide a total of 14 hectares of rentable land to the recycling and environmental industries.

Operation and Management

6. The Environmental Protection Department (EPD) appointed a management contractor (the Operator) in November 2006 to manage and maintain the EcoPark's common facilities. The Operator will have to ensure that EcoPark tenants are running their operations properly and in compliance with the environmental and safety requirements.

7. The Operator will also provide optional support services to the tenants which including advisory and consultancy services, permit application, by-product exchange, occupational, safety and health training, joint purchasing and marketing and information gathering.

Tenancy Arrangement

8. In order to seek market interest and obtain market feedback on the EcoPark, EPD invited Expressions of Interest (EOI) from the industry in March and April 2006. The market responses are encouraging, with more than 50 EOI submissions received. In general, the submissions are in line with the Government's objective to facilitate the setting up of long term value-added recycling industries at the EcoPark. The information collected in the EOI exercise has been used for detailed planning of the EcoPark and preparation of tenancy arrangements. A summary report on the EOI Exercise is attached in *Annex II*.

9. The EcoPark will be divided into lots of different sizes, each assigned for specific recovered material(s) or process(es) that help achieve Government's waste management objectives, in particular, recycling of local wastes. The lots will be leased to recyclers through open tender following government tendering procedures, with priority to be given to processes involving value-added technologies and target materials of the proposed Producer Responsibility Schemes. Interested companies would be required to submit their relevant experience, business plans and rental offers for technical and financial evaluation by the Government. Those who meet the admission criteria and submit the best combined proposals will be awarded the tenancies.

10. Upon taking up the lots, the tenants have to set up their buildings, plant and equipment within a specified period of time for commencing their recycling operations. The tenancy period will be sufficiently long to justify investment in equipment and technologies in the EcoPark, which is set as 10 years for the first batch of lots.

11. The possible materials that have been evaluated and permitted by the EIA include batteries, electronics, glass, organic food waste, ferrous metals, non-ferrous metals, paper, plastics, textiles, rubber tyres, wood and spent copper etchant.

12. The Government has set up an EcoPark Advisory Committee (EAC), with representatives from trade associations and professional bodies, to seek their views on the development and operation of the EcoPark. The first EAC meeting was held on 8 December 2006, during which the Government obtained valuable advice and comments from members on the development strategy, land allocation and admission/evaluation criteria for the EcoPark. In the future, the EAC will also receive from the Operator reports on the daily operation and management of the EcoPark.

Next Steps

13. The preparation of tenancy agreements and tender documents for the first batch of Phase I lots is almost complete. The Government aims

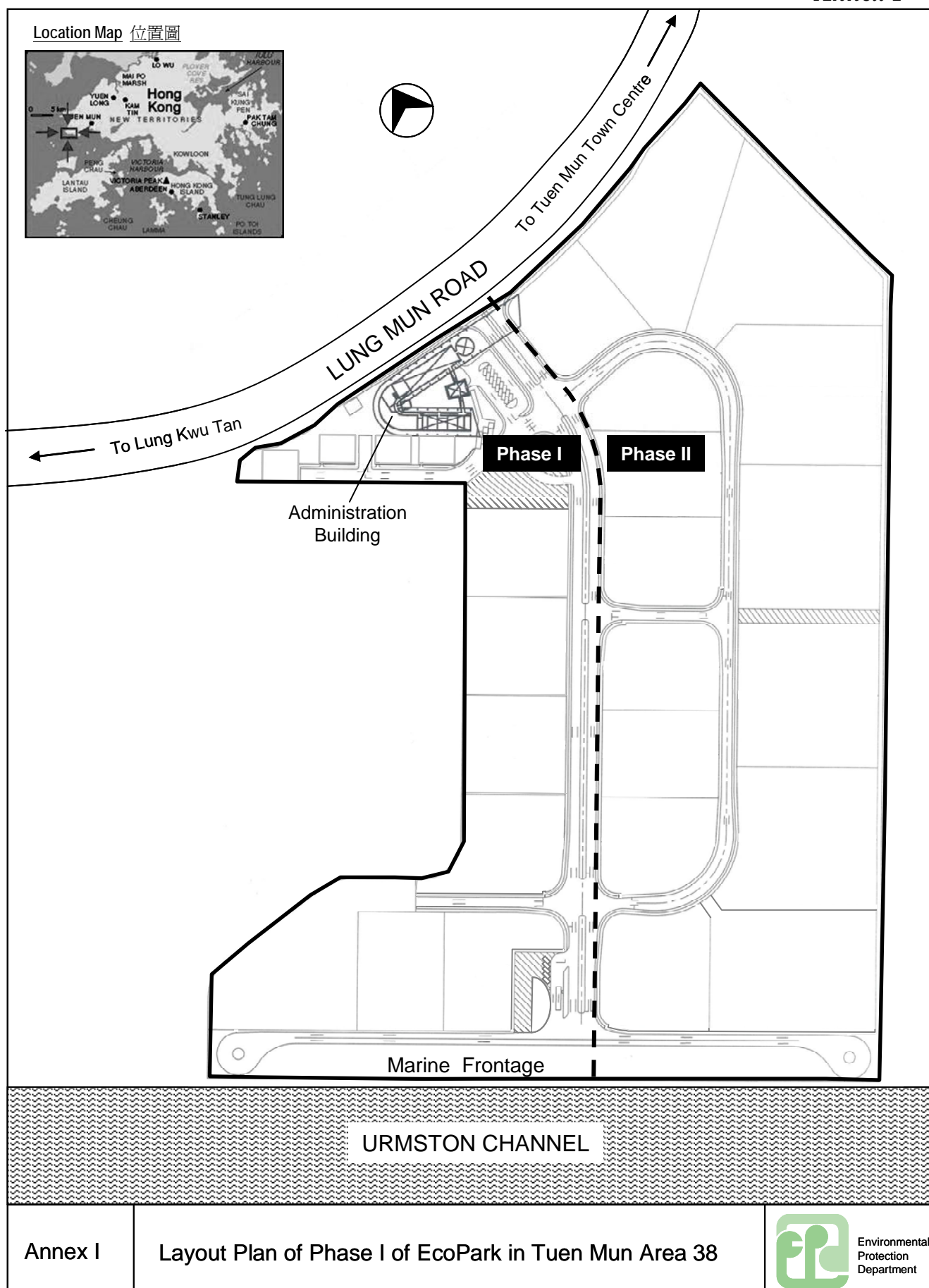
to commence leasing of the first batch of lots by end of 2006 and the second batch in first half of 2007.

Current Milestones of Development Programme

<i>Task</i>	<i>Date</i>
Invitation of tenders for 1st batch of Phase I lots	Dec 06
Allocation of 1st batch of Phase I lots to confirmed tenants	Mar 07
Invitation of tenders for 2nd batch of Phase I lots	Mar 07
Allocation of 2nd batch of Phase I lots to confirmed tenants	Jun 07
Commencement of Phase II construction	2008
Allocation of Phase II lots to confirmed tenants	2009

**Waste Management Policy Division
Environmental Protection Department**

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EcoPark in Tuen Mun Area 38

Expressions of Interest (EOI) Exercise

The EOI Exercise

1. During 18 March - 20 April 2006, the Environmental Protection Department (EPD) conducted an EOI exercise for establishing environmental and recycling businesses in the EcoPark. The purposes of the EOI exercise are to seek market interest on a no-commitment basis and to obtain market feedback on the following:

- recyclers' preferences on types of recyclable materials to be processed and recycling processes to be adopted;
- recyclers' needs including tenancy arrangements, lot sizes, utility requirements, superstructure requirements, etc; and,
- management services to be provided by the Government or its agents.

2. The information collected in the EOI exercise has been used for detailed planning of the EcoPark and preparation of tenancy arrangements for lots. This report summarizes the key findings of the EOI exercise.

Summary of Findings

3. Responses from the market to the EOI invitation have been encouraging. EPD has received totally 56 submissions, including 11 from overseas companies and 3 from Mainland companies. Many of the respondents are small and medium enterprises as reflected from their proposed scale of businesses, landuse requirements, proposed numbers of employees, and level of capital investment.

4. **Types of Businesses** - The respondent companies propose a

wide variety of recycling operations of different materials; including plastic, vehicle tyres, waste electrical and electronic equipment (WEEE), paper, metals, textiles, glass and construction materials. Apart from proposals that include only simple sorting and baling operations for mixed wastes, a considerable number of submissions propose value-added recycling processes converting waste plastics, vehicle tyres, WEEE, and construction waste materials into either feedstock or products.

5. **Landuse Requirements** - The submissions indicate a wide range of land requirements, with the majority of them (70%) requiring land in the order of 10,000 sq.m. or below. With the flexible arrangement of modular lot design, requirements for different land sizes can be suitably accommodated.

6. **Investments** - About 50% of the submissions propose capital investments up to \$25M, typically below \$10M. Capital investments are mainly for construction of building structures, purchase of equipment and plant installation. Generally speaking, respondent companies proposing recycling of precious metals, vehicle tyres, WEEE and batteries require heavier capital investments and hence longer investment return periods. Most companies would create 10 to 50 jobs, depending on the proposed scale of operation. On this basis, the EcoPark should create at least 750 jobs upon its full development.

7. **Terms of Tenancy** - All respondent companies demand for long-term lease to allow sufficient time for plant and equipment setup, and reasonable returns on capital investments. A majority of them require a start-up period between 6 to 12 months and request for tenancy periods of 10 to 15 years.

8. **Utility and Power Requirements** - In respect of water supply, drainage and sewerage connection, the EcoPark engineering design can comfortably meet the requirements of the respondent companies. The need for a central wastewater pre-treatment facility, however, remains divided. As regards energy requirements, the electrical power supplied to individual lots should be adequate to meet the needs of most respondent companies. Flexibilities have also been included in the design to cater

for those with higher power demands.

9. **Supporting Facilities and Management Services** - Most respondent companies welcome and support the appointment of a management company by Government to manage the common facilities provided, including meeting rooms, the resource centre, the exhibition hall etc., which will facilitate their businesses and reduce their running costs. In particular, about half of the respondent companies indicate their needs to use the marine frontage for their daily operations.

10. **Optional Value-added Services** - Many respondent companies indicate their support and interest for the management company to provide optional value-added services. They consider that administrative support services such as getting the necessary licences and permits for their business operations and by-product exchange programmes are most useful, though other services such as providing advice and assistance on product development and marketing would also be helpful.

Conclusion

11. On the basis of the information received, it can be concluded that in general, the market responses are in line with the Government's objective to encourage the industry to set up long term value-added recycling businesses in the EcoPark. Furthermore, the planning and design of the EcoPark infrastructure and operational arrangements appear to fit in well with the requirements of the respondents.

Environmental Protection Department
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