

## **Implications of the Proposals**

### **Environmental Implications**

The proposed charging scheme is in line with the Polluter/User Pays Principle and will encourage construction waste reduction and recovery.

### **Economic Implications**

2. The charging scheme will affect mainly the construction industry, which is a major user of landfills, sorting facilities and public fill reception facilities. Based on the average amount of construction waste generated by works projects in past years, we estimate that the proposed charges would lead to an increase in the cost of construction projects by 0.2-2.4%. However, the actual cost impact should be smaller as the industry would have the economic incentive to adopt waste minimisation measures which in turn would reduce the amount of waste to be disposed of at the three facilities.

3. Privatisation or else contracting out the operation of the waste disposal facilities could help bring out explicitly the need, hitherto not well recognized by the waste disposers, for paying charge for cost recovery and for adherence to the polluter pays principle. Also, the introduction of private sector operators through competitive bidding could engender better efficiency and cost-effectiveness in running the facilities.

### **Civil Service Implications**

4. The charging scheme will be implemented through internal redeployment of staff resources within EPD and CED.

## **Sustainability Implications**

5. The proposed charging scheme contained in the Amendment Bill aligns with the Polluter/User Pays Principle and provides an incentive to reduce construction waste in particular. It should help slow down the depletion of the limited landfill capacity, and is conducive to the sustainability principle of minimising the use of non-renewable sources, and reusing and recycling waste. We would demonstrate to the public that the proposal has balanced interests or concerns of both the green groups and the construction industry and waste haulers.

## **Financial Implications**

6. The charging scheme will bring about revenue and savings to the public coffer. Assuming a 20% reduction in the amount of construction waste generated, and that the sorting facilities would operate to its full capacity, the gross revenue to the Government is estimated to be over \$540 million, and savings in contractual payment to the landfill operators could be over \$60 million.

7. If the two sorting facilities are to be Government facilities operated by contractors under the Civil Engineering Department, their recurrent expenditure is estimated to be about \$40 million per year. However, we wish to encourage the private sector to fund and operate the facilities and will thus invite open tender from the industry in late 2003.

8. If there is no private sector interest in funding and operating the sorting facilities, we would have to make available these facilities as Government facilities. We would use the revenue from the sorting charge to remunerate the operator(s) of the sorting facilities before crediting the remaining proceeds to the General Revenue Account (netting-off arrangement). This would obviate the need to seek additional resources from the centre and at the same time enable the sorting facilities to be provided which in turn would bring about additional revenue and savings to the Government.