

23 January 2014

The Honourable Bernard Charnwut Chan, GBS, JP
Chairman
Council for Sustainable Development
c/o Sustainable Development Division
Environment Bureau
46/F, Revenue Tower
Wan Chai
Hong Kong

E-mail: sdCouncil@enb.gov.hk and comments@susdev.org.hk

Dear Chairman of the Council for Sustainable Development,

Submission of Views on

“Waste Reduction by Waste Charging • How to Implement?”

Over the last two decades, Business Environment Council (“BEC”) has taken a leading role in advocating the business case for environmental excellence in Hong Kong. Our members are committed to actively engaging with the different stakeholders including the Council for Sustainable Development (“CSD”) on a range of issues relating to the environment and sustainability.

BEC’s membership includes some of the largest companies in Hong Kong. BEC strives to create thought leadership in support of the Government’s environmental and sustainability objectives, and in pursuit of building trust between the CSD, the Government, the business sector and the public. BEC has carefully reviewed the Invitation for Response Document (“the IR Document”), and has discussed this among our membership. In the last year BEC has formed the BEC Waste Management Advisory Group (“the Advisory Group”) for our member companies to focus on waste policy discussions. Comments from the Advisory Group are reflected in this submission paper.

Views expressed in this submission are collective views of BEC, and are based on consultation with our members but may not necessarily correlate with the views of individual members.

We consider that waste management in Hong Kong has now reached a crisis point and the coming years will be critical in implementing policies and initiatives to reduce waste generation, improve waste management infrastructure, and enhance the recycling industry.

Municipal solid waste (“MSW”) charging is regarded as one of the most important policies to support waste reduction. As such, BEC supports a **charging scheme that enables earliest possible implementation**. The following elements are considered important to achieve this goal:

- Full coverage upon launching
- Same charging level between different types of waste
- Convertible and comparable charging rates
- Clear guidance on MSW charging implementation phases
- Flexible implementation

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- Extensive MSW charging trials in building types and areas
- Review of MSW charging scheme
- Extended producer responsibility scheme
- Lower charging level upon launching

BEC is looking forward to working constructively with the CSD, the Government and other stakeholders in taking our recommendations forward.

If there are any questions or concerns in regards to the content of this submission, please feel free to contact our Chief Executive Officer, Ms Agnes Li, at agnesn@bec.org.hk or 2784 3950.

Yours sincerely,

JOHN CHAI

Prof John Chai
Chairman
Business Environment Council Limited

cc Mr WONG Kam Sing, JP – Secretary for the Environment
cc Ms Agnes LI, CEO, Business Environment Council

BEC Views on “Waste Reduction by Waste Charging • How to Implement?”

Overview on Waste Charging

BEC responded to the 2012 public consultation “Strengthening Waste Reduction: Is Waste Charging an Option?” to ascertain our support for implementing quantity-based Municipal Solid Waste (“MSW”) charging in Hong Kong.

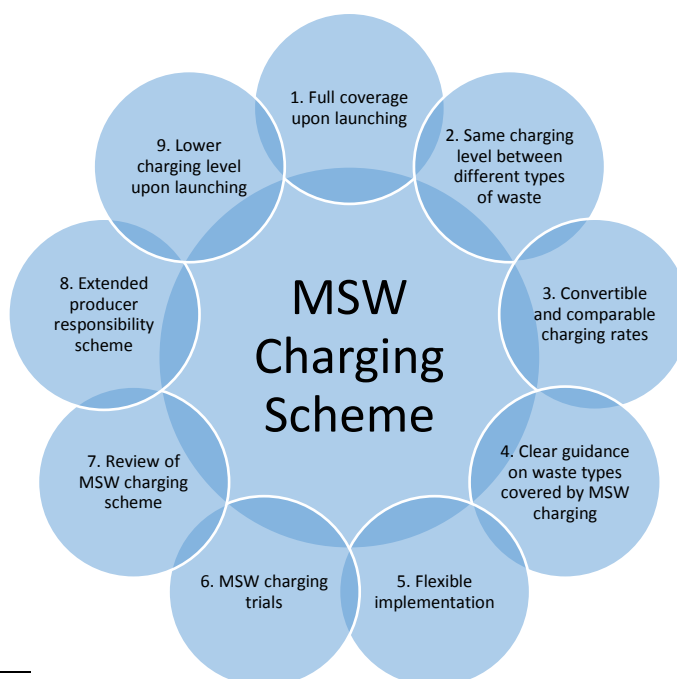
In November 2013, Business Environment Council (“BEC”) submitted to the Chief Executive our views on the 2014 Policy Address.¹ In the submission, BEC stressed the importance of implementing *all* the policies and initiatives outlined in the “Hong Kong Blueprint for Sustainable Use of Resources 2013-2022” (“the Blueprint”) within a clear timeframe. BEC stated that the necessary waste management infrastructure must be in place so that material recovery and waste reduction can be prioritized. Waste charging, on-going education as well as community engagement is fundamental to how we change behaviour when dealing with waste in Hong Kong.

Overriding Principle for MSW Charging

BEC’s submission on the 2014 Policy Address also emphasised the urgency and importance of MSW charging in Hong Kong. According to BEC’s estimates, it is projected to remove 1,200 tpd from the waste stream going to landfill. Implementation of MSW charging **should not be later than early 2015** in order to achieve the overall MSW disposal targets stated in the Blueprint.

With this standpoint, BEC supports an **MSW charging scheme that enables earliest implementation** with a relatively simple mechanism. However, BEC recommends further fine-tuning the MSW charging scheme over time to incentivise stakeholders and achieve further reductions.

Success Factors for Earliest Implementation of MSW Charging Scheme



¹ The complete submission is available on line at http://bec.org.hk/files/images/Resource_Centre/Submission/CE_Policy_Address_BEC_Submission_20131031clean-pw.pdf

1. Full Coverage upon Launching of MSW Charging Scheme (In response to Questions A2 and B4 of the IR Document.)

Immediate waste reduction, alleviating pressure on landfills, and minimising difference in opinions amongst stakeholders is important for the success of the MSW charging scheme. Therefore, BEC supports the **launch of MSW charging with inclusion of both commercial and industrial (“C&I”) and domestic waste producers.**

2. Same Charging Level between Different Types of Waste to Landfills

Construction and demolition (“C&D”) waste has had a disposal charge in Hong Kong since 2006. BEC believes that a **unified charging level for all waste types** is most appropriate during early implementation.

3. Convertible and Comparable Charging Rate for Quantity-based MSW Charging

Depending on collection route and other factors, it is likely that both weight-based and volume-based MSW charging mechanisms will be used. To enable the adoption of a unified charging level for different stakeholders, BEC recommends the **establishment of conversion factor(s) that allow for easy comparison of charging rates** amongst different quantity-based MSW charging mechanisms.

4. Clear Guidance on MSW Charging Implementation Phases

MSW charging scheme should cover all waste types. Bulky domestic waste that is usually not put in waste disposal bags or containers (such as sofas, refrigerators and washing machines) will need to be handled differently. Following the appointment of the WEEE operator and the setting up of the WEEE collection points pursuant to the current WEEE tender, WEEE disposal and charging will be handled through the WEEE system by the WEE operator. For non-WEEE bulky items, similar to the existing practice of removing bulky domestic waste from the building, such items could be sent to the refuse collection points and charged by weight. However, if waste charging for bulky domestic waste requires more implementation time, it may be desirable to be implemented in a second phase. If so, **clear guidance on MSW charging implementation phases for different waste types together with definitions** should be developed.

5. Flexible Implementation

As pointed out in the IR Document, Hong Kong has high coverage of premises with building management. BEC supports a **mechanism that enables building management to exercise flexible ways to encourage waste reduction through guidance / code of practice** published by the Government. Property management companies or building owner corporations should be allowed to determine which charging mechanism to be adopted, such as to charge by building or household, by volume or weight, using pre-paid designated garbage bags, as long as the conversion rate is transparent and clearly understood by the public. Such flexibility can facilitate earliest implementation of MSW charging and at the same time help to minimise the fly tipping problem and other nuisances that may arise.

6. MSW Charging Trials

In order to reduce potential problems during full implementation of the MSW charging scheme, several **trial runs for MSW charging** in selected building types and in selected areas are suggested.

7. Review of MSW Charging Scheme

It is understandable that confusions and problems may be found during the launch and initial implementation of the MSW charging scheme. Hence, BEC suggests to conduct a **full-scale review after the first year of MSW charging scheme implementation** to identify necessary adjustments to the scheme.

8. Extended Producer Responsibility Scheme

The success of the MSW charging scheme hinges on the implementation of other policies and initiatives laid out in the Blueprint. BEC urges the **extension of producer responsibility**

schemes to include product take-back schemes (i.e. refundable deposit systems) for plastic and glass bottles. In view of the MSW charging scheme and other policies, the amount of materials to be recovered would increase substantially if a refundable deposit system for bottles is implemented.

9. Lower MSW Charging Level upon Launching of MSW Charging Scheme

The MSW charging level must not be perceived as an additional revenue source for the Government that unnecessarily burdens the community and businesses. BEC supports a **lower MSW charging level upon launching** to gain general acceptance. The effectiveness of the charging level in waste reduction can be reviewed at later stage if necessary.

Specific Views on MSW Charging for Commercial and Industrial Waste Producers

Charging Mechanism

Gate Fee by Weight (In response to Question A1 of the IR Document.)

BEC supports the adoption of a **weight-based mechanism based on a gate fee for large producers of C&I waste**. This has been widely adopted and proven effective in other jurisdictions. To incentivise behavioural change, the charge of C&I waste should be paid by the waste producers via private waste collectors. However, **some C&I waste producers** (especially for SMEs that produce small quantities of waste in composite buildings) would find it more convenient to use **pre-paid designated garbage bags**, similar to the domestic scheme.

Charging Level (In response to Questions A3 and A4 of the IR Document.)

The charging level for C&I waste should be set at a level that facilitates better public acceptance. Hence the level of \$400 - \$499 per tonne is preferred. The introduction of threshold is not preferred due to added complexity.

Specific Views on MSW Charging for Domestic Waste Producers

Charging Mechanism (please refer to Diagrams A and B) (In response to Questions B1, B2 and B3 of the IR Document.)

BEC believes that an **effective quantity-based (by volume or weight) MSW charging scheme should incentivise waste reduction at the domestic level**. While premises with building management and high-rise buildings are most common in Hong Kong, a large number of village houses and low-rise single block buildings without building management would also need to be covered under the scheme. As such, BEC recommends a simple and flexible approach.

Charging mechanism based on pre-paid designated garbage bags is suitable for single block buildings, village houses or other buildings without building management.

Buildings with formal building management should be allowed to determine which charging mechanism to be adopted, such as to charge by building or household, by volume or weight, using pre-paid designated garbage bags, as long as the conversion rate is transparent and clearly understood by the public.

As a possible scenario for residential premises with building management, **pre-paid designated garbage bags could be sold to building management at a discounted rate**. Residents would purchase the pre-paid designated garbage bags from building management

at the standard rate. The difference between the purchase and selling of the pre-paid designated bags (i.e. the *margin*) could then be used by the building management to **1) implement flexible, tailored approach to encourage waste reduction**, and **2) enhance waste collection/ recycling infrastructure**. A separate account should also be established by the building management to record the sales of pre-paid designated garbage bags and margin obtained, in addition to publicizing how the margin is used to enhance recycling efforts.

Overall, high penalties for fly-tipping should be widely advertised and strictly enforced.

Charging Level (In response to Question B5 of the IR Document.)

In line with the C&I waste charge, BEC recommends the charging level for domestic waste to be set at \$400-\$499 per tonne, or equivalent in volume. The introduction of threshold is not preferred due to added complexity. The \$400-\$499 per tonne would be translated to about \$30 to \$40 per household per month, calculated from an average household of 3 persons. Such amount will not overburden the low income earners but still significant enough to change attitudes and behaviours.

Recycling (In response to Questions A5 and B7 of the IR Document.)

BEC believes that the revenue from MSW charging must be ploughed back into supporting the reduction, separation and recycling of waste. The public needs to be convinced and incentivised to participate in MSW recycling and reduction. A clear strategy is required to communicate the intent of a charging scheme to the public.

We welcome the setting up of the Steering Committee to Promote the Sustainable Development of the Recycling Industry (“the Steering Committee”) and look forward to more engagement opportunities to contribute our views on how to support the recycling industry in Hong Kong.

Our views on the required recycling infrastructure that would facilitate the implementation of an MSW charging scheme is provided below. BEC urges Government to start large-scale piloting of different sorting infrastructure now, in order to identify the most effective and practical means of separating waste in the various communities and business environments in Hong Kong.

Recycling Infrastructure

1. At Source Sorting

Sorting at source is imperative to make the recycling process economically viable for the recycling industry. The Government should utilize **revenue of the waste charging scheme to provide funding for sorting facility operators** to cover the additional resources required for localised at-source sorting and material recovery.

In view of the unique living environment in Hong Kong, a combination of different sorting/recycling mechanisms will be required. **Priority for at-source sorting** should be given to sizable housing estates/ developments using refuse rooms/ refuse collection points operated by property management companies or the Food and Environmental Hygiene Department (“FEHD”).

At-source sorting of food waste for recycling (e.g. centralised composting) may be viable for some housing estates/ developments once the MSW charging scheme is in place. The Government should consider supporting food separation from a planning and building design perspective. Incentives should also be provided for building management companies to promote and implement the waste charging scheme as well as waste reduction and recycling

initiatives. One means of enhancing recycling would be the granting of exemptions in GFA for recycling facilities. Simplified application and approval procedures would likewise foster establishment of facilities in new buildings and existing buildings where suitable space is available.

Government policies and actions would also be needed to ensure scalable markets for the end products produced from recycling.

2. District Recyclables Collection

To further enhance convenience and efficiency of recyclable collection, BEC supports the development of at least **one Community Green Station for each of the 18 districts, with additional smaller recyclable collection stations (stationary or mobile) serving densely populated areas in some districts**. Licensing conditions should be imposed on the operators of these district Community Green Stations and smaller recyclable collection stations. Participation should be open to **both non-profit and profit organizations** which can fulfil the licensing conditions.

3. Regional Recyclables Collection/ Materials Recovery

BEC suggests using existing facilities (such as refuse transfer stations and refuse collection points) to **conduct regional material recovery**, or else to use these existing facilities as regional collection points to gather recyclables. Community Green Stations and smaller recyclable collection stations should serve as collection points for refuse transfer stations to be hauled either to EcoPark, designated recycling plants or other forms of centralised recycling infrastructure. The scope of works of contractors for these regional material recovery stations would have to be extended to include sorting and recycling. The provision of mechanical sorting facilities in conjunction with manpower sorting facilities on a regional basis may be essential to increase the level of recycling in Hong Kong.

Summary of Views

Municipal solid waste (“MSW”) charging is regarded as one of the most important policies in waste reduction. To achieve the overall MSW disposal targets laid out by the Blueprint, BEC considers that the implementation of MSW charging **should not be later than early 2015**. As such, BEC supports a **charging scheme that enables earliest possible implementation**. The following elements are considered important to achieve this goal:

- Full coverage upon launching
- Same charging level between different types of waste
- Convertible and comparable charging rates
- Clear guidance on MSW charging implementation phases
- Flexible implementation
- Extensive MSW charging trials in building types and areas
- Review of MSW charging scheme
- Extended producer responsibility scheme
- Lower charging level upon launching

Charging mechanism for C&I sector: BEC suggests that, a weight-based mechanism using a gate fee is suitable for large waste producers. However, flexibility could be given to smaller waste producers (especially in composite buildings) to use pre-paid designated garbage bags.

Charging mechanism for domestic sector: BEC supports a simple and flexible approach. Property management companies or building owner corporations should be allowed to determine which charging mechanism to be adopted.

For buildings without building management and village houses, BEC recommends the use of pre-paid designated garbage bags.

As a possible scenario for residential premises with building management, pre-paid designated garbage bags could be sold to building management at a discounted rate. Residents would purchase the pre-paid designated garbage bags from building management at the standard rate. The difference between the purchase and selling of the pre-paid designated bags (i.e. the margin) could then be used by the building management to 1) implement flexible, tailored programs to encourage waste reduction, and 2) enhance waste collection/ recycling infrastructure. A separate account should also be established by the building management to record the sales of pre-paid designated garbage bags and margin obtained, in addition to publicizing how the margin is used to enhance recycling efforts.

Overall, high penalties for fly-tipping should be widely advertised and strictly enforced.

Charging level for C&I and domestic sector: BEC proposes the level of \$400-\$499 per tonne, or equivalent in volume.

Recycling – at source sorting: the Government should utilize revenue of the waste charging scheme to provide funding for sorting facility operators to cover the additional resources required for localised at-source sorting and material recovery. To enhance recycling, exemptions in GFA for recycling facilities and simplified application and approval procedures can foster establishment of facilities in new buildings.

Recycling – district recyclable collection: to further enhance convenience and efficiency of recyclable collection, BEC supports the development at least one Community Green Station for each of the 18 districts, with additional smaller recyclable collection stations (stationary or mobile) serving densely populated areas in some districts.

Recycling – regional recyclable collection/materials recovery: BEC suggests using existing facilities (such as refuse transfer stations and refuse collection points) to conduct regional material recovery, or else to use these existing facilities as regional collection points to gather recyclables.

Diagram A Possible Scenario for Charging Mechanism for Domestic Waste

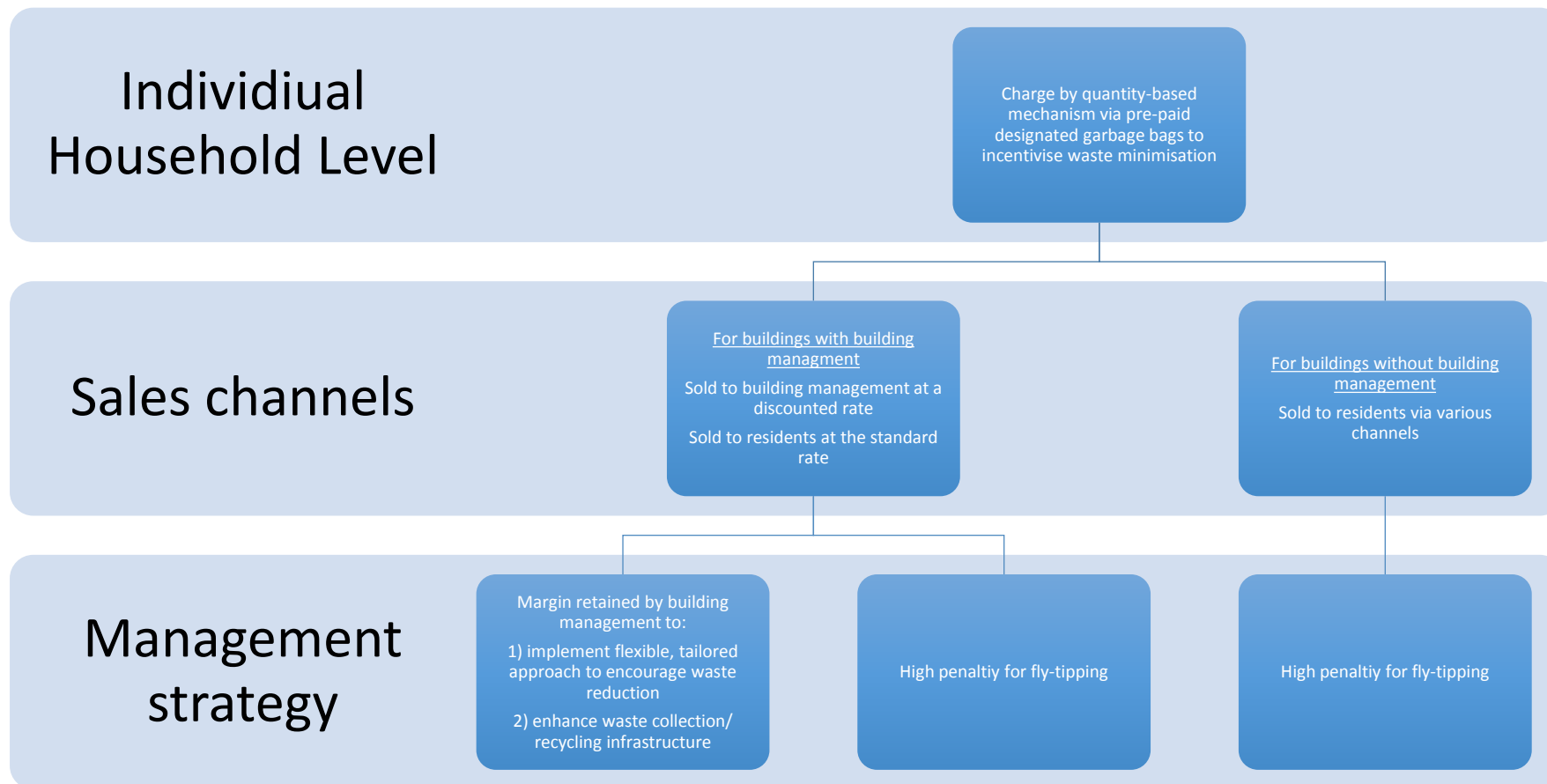


Diagram B Possible Scenario for Charging Mechanism for Domestic Waste (graphical presentation)

