

Position Paper on Waste Disposal Charging
Hong Kong General Chamber of Commerce
May 2002

1. The Chamber supports the principle of charging for waste disposal and its implementation through imposing a landfill charge. But landfill charging is only one element, albeit an important one, of a comprehensive package to reduce wastes. We therefore urge the HKSAR Government to develop a proactive programme to encourage waste reduction and recycling at the same time.

The Context

2. The growing amount of waste is generating enormous pressure on the SAR's waste disposal facilities and resources. Every day, some 17,000 tonnes of waste are discharged into the landfills, of these 8,000 tonnes are construction wastes, 7,000 tonnes domestic and 2,000 tonnes commercial. At the present rate, the landfills will run out of capacity not long after the next decade – and much sooner if the rate of waste disposal continues to rise.
3. It has been established government policy to impose a landfill charge, but this has not been implemented due to opposition from waste hauliers who have expressed concern over the problems of cash flow and possible bad debts, especially for smaller operators. While we understand the haulier's concern, in our view the landfills are a cost not only to the Administration but to society, and a charge collected "at the gate" is an effective way of administering cost recovery for the landfills.

An effective charging mechanism

4. We believe that the landfill "gate charge" should be implemented but with a comprehensive mechanism to allay the concerns of the hauliers and to make the charging scheme effective. There are two major aspects which should be addressed, namely:
 - (i) the financial and administrative aspect, including coverage, effective charging and assistance to smaller operators
 - (ii) the environmental aspect, such as the problem of illegal dumping and reduction at source
5. On the administrative side, we understand the Environmental Protection Department is developing a package of measures to make the collection more effective, including directing charge of big waste producers and appropriate use of a trip-ticket system. There will also be provisions for financial arrangements with smaller operators to help them ease their credit and cash flow problems as well as deal with bad debts. We believe these measures should render the charge collection much more effective and we would lend our support to the call on hauliers to cooperate. Moreover, the administrative fee for the charging scheme should be simple to ensure the administrative cost is kept as low as practicable.
6. For a comprehensive charging scheme that is in accord with the polluter-pay principle there should be 100% coverage of all waste sources. The presently planned charging scheme, however, does not cover domestic wastes. In our view, this is a major omission. Although we appreciate that domestic waste producers are much more

diffuse than their commercial counterparts and collection will be difficult, we suggest that there should be a statement of intention to institute charging for domestic wastes, preferably with a target timetable to do so.

7. On the environmental side, we are concerned that the imposition of the charging scheme may give rise to more fly-tipping. We recommend that the penalty for illegal dumping should be raised substantially and enforcement should be stepped up. The effective administration of fee collection will also help reduce the incentive for fly-tipping by easing the burden of small operators.
8. Besides cost-recovery, another important objective for the landfill charge is to encourage waste reduction at source. But this objective can only be achieved if there are also incentives to the waste producers to reduce waste at the point of generation, or to give the waste collectors a stake in recycling. Here a conspicuous gap exists, in that there is no strong recycling industry in Hong Kong. In our view, much remains to be done in this area. Within the non-interventionist framework for industry, the government should consider ways of providing more support to the recycling industry, in particular to the SME operators. It should also consider assisting in the research and development of new waste disposal technologies.

Other Waste Reduction Measures

9. Important as it is, landfill charging is but one element of the overall strategy to reduce wastes. It should not be implemented on its own but should be part of a comprehensive package of measures of waste management, such as incentives for waste reduction, recycling, responsibility for packaging, building rehabilitation, alternatives to demolition, and incentives for life cycle costing, to name a few. These should be supported by a community education campaign to target waste reduction at source.
10. A case in point is that of construction and demolition waste. We note that the Real Estate Developers Association, in supporting the principle of a reasonable landfill charge, has emphasised the importance of reduction and recycling as the solution to the waste problem. We agree with REDA that government can play a leading role by bringing our Building Regulations up to date to allow buildings to be constructed in a more efficient and less wasteful manner. At the same time, it can encourage a greater degree of recycling by setting specifications for all types of C&D waste materials that may be reused in building works.

Recommendation

11. The Chamber supports the polluter-pay principle. With respect to waste disposal charging, we recommend that the government undertake the following:
 - (i) the implementation of landfill charges for construction wastes and commercial wastes;
 - (ii) the commencement of a detailed study on charging for domestic wastes;
 - (iii) raising the penalty for illegal dumping and stepping up enforcement;
 - (iv) with a view to extending the lifetime of landfills, developing a proactive programme to encourage waste reduction and recycling.

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The background

1. Since the Waste Reduction Framework Plan was launched in 1998, the amount of municipal solid waste has been contained at 3.4 million tonnes each year. Instead of the historical 3.5% annual growth rate, the past three years has seen zero growth in waste generation. This is, however, no cause for celebration, as it could be attributable, at least in part, to the poor state of the economy rather than entirely to the efforts in waste reduction. Given Hong Kong's limited resources, the waste problem will become unsustainable even with zero growth. A more vigorous approach to waste reduction is needed.

2. In a previous statement on waste management (May 2002), the Chamber stated its support for the imposition of a landfill charge. The Chamber also stated that landfill charging:

...is but one element of the overall strategy to reduce wastes. It should not be implemented on its own but should be part of a comprehensive package of waste management measures, such as incentives for waste reduction at source, recycling, responsibility for packaging, building rehabilitation, alternatives to demolition, and incentives for life cycle costing, to name a few. These should be supported by a community education campaign to target waste reduction at source.

3. The outbreak of SARS (Severe Acute Respiratory Syndrome) has heightened the community's awareness of the importance of a clean environment and a sustainable way of life – a message reinforced in a recent Chamber submission to the government. (*“Re-invigorate, Re-launch and Re-build Hong Kong: A proposed three-phased plan from the Hong Kong General Chamber of Commerce”*.) A comprehensive and effective waste management policy must be an integral part of the effort to re-build Hong Kong. This paper sets out the Chamber's views on some of the elements that should be addressed in developing such a comprehensive waste management policy for Hong Kong.

Landfill charging

4. An important element of the overall waste management policy would be mandatory measures, of which landfill charging is an essential component. There has been considerable discussion and debate on the details of the charging scheme, the latest of which is outlined in the recent Legislative Council paper “Proposed Landfill Charging Scheme – Associated Arrangements”. We urge the government and the Legislative Council to speed up implementation of the arrangement as soon as possible. In doing so, the Administration should seek to address the concerns of the waste hauliers on the operation of the charging scheme.

5. The present plan in landfill charging will be limited largely to construction and demolition wastes. This will facilitate the sorting of non-waste materials that can be gainfully re-used. It should be supplemented by a programme to encourage the construction industry to adopt sustainable construction practices so as to reduce C&D materials at source.
6. Besides construction and demolition wastes, we reiterate our view, expressed in the earlier paper, that ultimately the goal must be to implement landfill charging for commercial, industrial and municipal waste as well. To that end the government should commence a detailed study on charging for other wastes such as domestic wastes.

Reduction of domestic waste

7. Economic disincentives such as charging or fiscal penalty could be powerful tools for reduction of domestic wastes. They are sensitive policy issues, as evidenced by past debates over sewage charges; but they should not be precluded as options to be explored.
8. The key in reduction of domestic wastes lies in the cooperation and participation of the households. To help build waste management practice into everyday life, more innovative ideas should be encouraged, e.g. refillable bottles, redeemable containers, more convenient waste separation such as floor separation bins, etc.
9. With regard to recycling, in the absence of Government subsidy, the degree of municipal solid waste recycling in Hong Kong is in line with international norms. Arguably, the level of recycling currently achieved is close to the maximum economic threshold, and for a significant improvement there would have to be some form of subsidy or funding from the government. Taking into account the full costs of landfill disposal, currently paid for from general revenues, it may make sense to increase recycling by providing a subsidy. On the other hand, if the policy is to move towards polluter-pay and landfill charging, a subsidy on recycling may create a distortion. Thus the potential costs and benefits of government intervention into recycling must be studied carefully.

Regulatory measures for specific waste streams

10. Besides education and persuasion on waste reduction, regulatory measures will have to be imposed for some waste streams due to their specific nature. For instance, an elaborate regime already exists for chemical waste. On the other hand, food waste presents some complex issues which have yet to be adequately dealt with. Medical waste presents some unique problems and will no doubt receive more attention in light of the SARS outbreak.
11. A relatively high-profile stream is packaging waste. It is of interest to many business sectors because of potentially wide ranging implications if product responsibility schemes were to be introduced, of which there is limited local experience. An alternative to product responsibility would be to levy the

consumer at the point of sale – but this presupposes that the administrative infrastructure for charging consumers is in place (such as when sales tax becomes a reality), which is not the case. Self-regulation among retailers is another possible avenue. In the case of supermarket chains, for instance, market concentration would enable the major players – if they can be persuaded to come together – to exert great influence over suppliers to cut back on packaging. This could be a first step to explore before mandatory regulation is contemplated.

Bulk reduction and incinerators

12. However much we achieve in waste reduction, there will be massive volumes of residual waste which must be disposed of. Controversy and political sensitivity notwithstanding, incineration remains a reliable method of bulk reduction.
13. There is an ongoing debate about the merits or otherwise of incinerators. With the advance of modern technology, incinerators with minimal impacts to air quality and human health have become a distinct possibility. The Chamber believes that clean and efficient incinerators should be an option to be actively explored, and we urge the government to examine this option carefully and come to a conclusion without delay.

Public awareness and education

14. One major barrier in tackling the challenge of waste management is lack of awareness among the general public of the magnitude of the problem. The “polluter pay principle”, though recognised among some sectors of the business community, means little in practice for the general public. The message that waste costs money – not just in the financial sense but also in social and environmental sense – should be more forcefully put across.
15. There should be a renewed effort to raise the general public’s awareness on the waste problem and to educate them to reduce, reuse and recycle waste. A plethora of programs by community organisations and green groups have been undertaken, yet we still have not been successful in raising awareness to the point of significant and sustained reduction in the levels of domestic waste avoided or recovered. To pursue the education objective, partnership and collaborations between government, the private sector and the broader community is critical. On our part, the Chamber will, through our Environment Committee, continue to contribute our views on policies and programmes to raise community awareness on waste reduction, recycling, and resources management.

Conclusion: renewed effort needed

16. Though a complex problem cutting across institutional, economic and technical arenas, the pertinent issues in waste management have already been identified in the Waste Reduction Framework Plan; the main question now lies in implementation. While much progress has been made, there has been little development in other areas – green procurement by the government, use of modern

green technologies and services, life cycle costing, eco-labelling, composting, offshore disposal, to name a few. To achieve the targets of the Waste Reduction Framework Plan would require a renewed effort. Implementing landfill charging quickly will be one major step, but this effort will pay off meaningfully only if it is, as advocated by the Chamber, part of a comprehensive package of solutions. In seeking such a comprehensive solution, the need for cooperation and partnership among different sectors must be emphasised.