

**Subcommittee on
Waste Disposal (Designated Waste Disposal Facility)
(Amendment) Regulation 2004 and
Waste Disposal (Charges for Disposal of Construction Waste)
Regulation**

Revised Deposit Arrangement

Purpose

This paper outlines the Administration's revised proposed deposit arrangement for opening billing accounts under the Construction Waste Disposal Charging Scheme.

Background

2. The proposed Construction Waste Disposal Charging Scheme requires all construction waste disposal charge payments to be made through billing accounts. As with other public utilities such as electricity, water and gas, a deposit is payable before services can be provided. At the Environmental Affairs Panel meeting held on 25 November 2004, some stakeholders expressed concern over the Administration's proposal of setting the level of deposit for each chit at \$350 as it may give rise to cash flow problems. It was agreed that the Administration would discuss the issue with the concerned parties with a view to reaching consensus on a revised level of deposit.

Calculation of Deposit Amount

3. The original proposal of \$350 deposit for each chit was based on the average of the median pay loads at the three types of waste disposal facilities (i.e. landfills, sorting facilities and public fill reception facilities). Given the concern expressed by some stakeholders over the level of deposit for each chit, we now propose to reduce the amount from \$350 to \$300 for each chit. This is based on the assumption that all vehicle loads contain inert materials to be disposed of at public fill reception facilities which impose the lowest level of disposal charge i.e. \$27 per tonne. The calculations of the original and revised levels of deposit for each chit are at Annex A.

4. The amount of deposit required for each billing account is set at the number of vehicle loads remaining unpaid for¹. However, in view of possible cash flow problems for account holders requiring to dispose of large amounts of construction waste, we propose that for accounts with project value of \$1 million or above, a different deposit arrangement should apply. We propose that each project-specific account holder may, for each project, apply for up to 100 chits at a flat deposit level of \$10,000. Any additional requirement may be topped up on a pro rata basis. Such account holders still have a choice of settling outstanding bills within the payment period to avoid having to pay a higher deposit.

¹ if 10 chits are required each month, the amount of deposit should be $\$300 \times 10 = \3000 . If the outstanding payment is settled within the payment period, a further 10 chits can be applied for without any need to vary the deposit level.

In this context, Members may wish to note that the Administration has acceded to the trade's request of extending the payment period from 30 to 45 days (counting from the date of the payment demand note issued by the Director of Environmental Protection at the end of each month) to provide further relief. The Administration considers that the above package of measures should be adequate in addressing the trade's concern over possible cash flow problems. The Construction Waste Disposal Charging Scheme including the deposit arrangement will be subject to review six months following its implementation and regularly thereafter.

Consultation

5. The Hong Kong Construction Association, the Hong Kong General Building Contractors Association and the Contractor's Authorised Signatory Association are being consulted on the above proposed revised deposit arrangements.

Environment, Transport and Works Bureau

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Calculation of deposit amount for each chit

Median vehicle load at Public Fill Reception Area (PFA) = 11.54 tonnes
 Median vehicle load at landfill = 3.96 tonnes
 Estimated Median vehicle load at sorting facilities = $(11.54 + 3.96)/2 = 7.75$ tonnes

Assuming the distribution of Construction Waste after implementation of charging are
 80% to PFA
 10% to Sorting Plant
 10% to Landfill

Weighted average charge for one vehicle load:

PFA	$11.54 \times \$27 \times 0.8$	= \$249
Sorting Facility	$7.75 \times \$100 \times 0.1$	= \$ 78
Landfill	$3.96 \times \$125 \times 0.1$	= <u>\$ 50</u>
	Total	= \$377
		say, = <u><u>\$350</u></u>

Revised deposit for each chit

Assuming that 100% of vehicles carry inert materials to be disposed of at PFA, the charge for each vehicle load:

$$11.54 \times \$27 = \$311.58$$

say, = \$300