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Paper for the House Committee meeting on 11 May 2007

**Subcommittee on
Sewage Services (Sewage Charge) (Amendment) Regulation 2007,
Sewage Services (Trade Effluent Surcharge) (Amendment) Regulation 2007
and Technical Memorandum on Procedures and Methods for
Sampling and Analysis of Trade Effluents**

Purpose

This paper reports on the deliberations of the Subcommittee on Sewage Services (Sewage Charge) (Amendment) Regulation 2007 (the SC (A) Regulation), the Sewage Services (Trade Effluent Surcharge) (Amendment) Regulation 2007 (the TES (A) Regulation) and the Technical Memorandum on Procedures and Methods for Sampling and Analysis of Trade Effluents (the TM).

Background

Existing arrangements

2. Sewage services charges, namely, the Sewage Charge (SC) and the Trade Effluent Surcharge (TES), were introduced in Hong Kong on 1 April 1995 pursuant to the Sewage Services Ordinance (Cap.463) ("SSO") enacted in 1994, the Sewage Services (Sewage Charge) Regulations (Cap.463, Sub. Leg. A) in 1995 and the Sewage Services (Trade Effluent Surcharge) Regulations (Cap.463, Sub. Leg. B) in 1995.

3. The SC aims to recover the cost of the collection and treatment of wastewater at or below a typical pollution strength equivalent to domestic sewage. The SC is collected from all users whose premises are connected to a government sewer. The TES is an additional charge on top of the SC applicable to 30 trades for the additional cost incurred in treating effluents of strength higher than domestic sewage. Members of the same trades are subject to trade-specific generic TES rates, which are based on the respective generic Chemical Oxygen Demand (COD)

value for each trade. Individual members of a trade are entitled to a lower TES rate if they can, through the reassessment process, prove that the effluent they discharge is weaker than that suggested by the relevant generic COD value.

Review of the existing sewage services charging scheme

4. In the Policy Agenda 2005, the Administration pledged to review the existing sewage services charging scheme according to the polluter-pays principle with a view to achieving an equitable sharing within the community of the responsibility for funding the operating costs of sewage collection, treatment and disposal while the capital costs will continue to be funded by the Government. The Administration completed the review in 2006 and developed a number of proposals which took into account the need to:

- (a) enhance the recovery rate of the operating costs attributable to the SC and thus provide further economic incentives to households and the trades to reduce sewage discharges;
- (b) recover the anticipated substantial increases in annual operating expenditure when the Harbour Area Treatment Scheme (HATS) Stage 2A and other additional treatment facilities come into place over the coming 10 years; and
- (c) ensure that the adjustments are modest, gradual and affordable to the community.

5. On 28 December 2006, the Administration announced that the review had been completed and recommended that the following package of proposals be adopted-

- (a) as a long term goal, the operating costs of sewage services be fully recovered from the whole community, including both the public and the trades, in accordance with the polluter-pays principle;
- (b) as an interim target, the SC be increased gradually so as to raise the cost recovery rate from about 54% at present to about 80% in 10 years' time; and the fee levels in the coming 10-year period be set out in a single item of legislation;
- (c) regarding the TES, to encourage pollution reduction measures and to address the concerns of the affected trades, the validity period of reassessments should be extended from one year to two years and the sampling requirement for small TES accounts (with daily pollution less than 50kg COD) be reduced from three days to two days; and

- (d) to aim to complete surveys of the quality of effluents of all trades subject to the TES within 12 months with a view to adjusting their generic COD values and TES rates with effect from 1 April 2008.

The Amendment Regulations

6. The SC (A) Regulation increases the rate of SC by yearly increments from the current \$1.20 to \$2.92 per cubic metre of water supplied (other than water supplied specifically for flushing purposes) over a period of 10 years starting from 1 July 2007. The TES (A) Regulation extends the period during which a re-assessed TES rate is effective from one year to two years. The two Amendment Regulations will come into operation on 1 July 2007.

The Technical Memorandum

7. The proposal to reduce the number of specified sampling days for small establishments from three to two days will be put into effect through amendments to the TM issued by the Secretary for the Environment, Transport and Works (SETW) under section 13 of SSO. Accordingly, SETW has approved the amendments to the above TM to put into effect the necessary changes, with the understanding that the proposed amendments to the TM are part and parcel of the overall SC and TES review package to be considered by Legislative Council (LegCo) for approval. Under the amended TM (section 3.6.2), for formal applications for reassessments received by the Drainage Authority i.e. the Director of Drainage Services or his authorized representatives, on or after 1 July 2007, the sampling requirement for those establishments with daily discharge of less than 50kg COD will be reduced from three days to two days.

The Subcommittee

8. At the House Committee meeting held on 13 April 2007, Members agreed to form a Subcommittee to study the Amendment Regulations and TM. Under the chairmanship of Hon Audrey EU Yuet-mee, the Subcommittee has held five meetings, including a meeting with deputations. The membership list of the Subcommittee is at **Appendix I**. A list of organizations and individuals that have submitted views to the Subcommittee is at **Appendix II**.

9. The Amendment Regulations and the TM were published in the Gazette on 23 March 2007 and tabled at the LegCo sitting on 28 March 2007. To allow sufficient time for scrutiny, a resolution under section 34(4) of the Interpretation and General Clauses Ordinance (Cap. 1) and another resolution under section 13(5) of SSO were passed at the Council meeting on 25 April 2007 to extend respectively the scrutiny period for the Amendment Regulations and the TM to 16 May 2007.

Deliberations of the Subcommittee

Sewage Services (Sewage Charge) (Amendment) Regulation 2007

10. In principle, the Subcommittee agrees with the polluter-pays principle in the provision of sewage services in Hong Kong. In considering the SC (A) Regulation, members have raised concerns about the application of the said principle, the propriety and implications of the proposed increases in SC over a 10-year period, as well as the timely implementation of HATS Stages 2A and 2B.

The Polluter-pays principle

11. The Subcommittee notes that the Administration plans to invest about \$20 billion in over 40 new sewerage and sewage treatment projects, including HATS Stage 2A, in the next 10 years. According to the Administration, these major projects will increase the annual operating expenditure of sewage services from about \$1,150 million in 2005-06 to some \$2,450 million by 2016-17.

12. The Government will continue to bear the capital costs of new sewage projects. Pursuant to the polluter-pays principle, the operating cost will be shared by households and the trades to encourage reduction of sewage and to ensure long-term sustainability. In this connection, members also note that in the last 11 years, the rates of SC have not been adjusted, such that the current SC covers only about 54%¹ of the costs attributed to it. To strike a balance between applying the polluter-pays principle in full and avoiding an adverse impact on people's livelihood, the Administration has proposed to recover about 80% of the projected operating costs for sewage services projects through 10 annual increments starting from 1 July 2007.

13. The Subcommittee notes that the polluter-pays principle has the support of the community and Members of LegCo. Nevertheless, members are keen to ensure that the principle is implemented in an equitable and practicable manner. To facilitate consideration, the Subcommittee has sought information on the cost recovery rates for other government services which operate under the user-pays principle and notes that of the 4 300 fees currently charged under the user-pays principle, around 3 500 (81%) have already achieved full cost recovery.

Increments of SC over a 10-year period

Propriety of the proposal

14. The Subcommittee has examined the propriety or otherwise for LegCo to approve, in a single item of legislation, proposed SC adjustments over a 10-year period which straddles the next LegCo term. On one hand, query has been raised as to whether the proposal will have the effect of pre-empting the consideration of

¹ The Administration has informed the Subcommittee that the latest cost recovery rate of SC for 2006-07 has dropped to about 53%.

LegCo Members in the next term and given the Administration excessive authorization. On the other hand, there is the view that the proposed legislation should not pose a problem as there are examples of other statutory provisions setting out certain arrangements over a future period of time. Concern has also been expressed that the proposed SC adjustments may set an undesirable precedent for the Administration to propose similar fee adjustment schemes spanning a long period of time.

15. The Administration has confirmed that according to its legal advice, the current proposal of setting out the annual increments of SC over the next 10 years in a single item of legislation is constitutionally and legally in order. It also believes that notwithstanding the change of term, the polluter-pays principle has the ongoing support of LegCo Members.

16. The Subcommittee notes the Administration's plan that once the proposed increases under the SC (A) Regulation are endorsed, the Government will seek funding approval for the next HATS Stage 2A-related project so that Stage 2A will be fully commissioned in 2014 as originally scheduled.

Timeframe and implementation of the proposed increases

17. According to the Administration, the proposed incremental increase of 9.3% in SC each year from 2007-08 to 2016-17 will bring about modest, predictable and affordable fee increases. At the same time, it will provide sustainable funding for sewage services projects in the pipeline, as well as demonstrate Hong Kong's commitment to support long-term policies to improve the water environment. Some members of the Subcommittee agree that the incremental approach can provide certainty over future fee increases and facilitate cost planning.

18. The Subcommittee notes that the operating costs of some 41 sewage services projects, including HATS Stage 2A, have been factored into the 10-year SC increment projection. However, since many of these projects are scheduled for completion in the years to come and the community is not yet able to benefit from their services, members have queried the rationale for proposing to increase the level of SC at this stage, instead of upon completion or commissioning of the treatment facilities. They also note a similar view by a member of the former International Review Panel (IRP) that it is highly unusual to seek approval for SC increases in advance of completion of projects, some of which have not even been approved by LegCo. Some members also share the concern that the 10-year blanket approval apparently precludes any possibility that the Government will adopt a minimum effluent standard of secondary treatment for all sewage discharges within the next 10 years.

19. The Administration has stressed that its proposal is in compliance with the polluter-pays principle consistently supported by the community and LegCo. As a long-term commitment, the 10-year SC adjustment scheme is necessary because

sewage treatment infrastructure requires not only capital investment, but also significant recurrent operating expenses and a long planning lead-time for implementation. According to the Administration's forecast, if the SC is not adjusted over the coming 10 years, the cost recovery rate for SC will further decline from the 54% to 33% of operating costs in 2016-17. Hong Kong will thus be moving away from a sustainable approach based on the polluter-pays principle.

20. The Subcommittee has examined whether the SC increases should tie in with the completion or commissioning of major sewage treatment projects. In this regard, the Administration has cautioned that this will result in sharp and uneven fee increases over the next 10 years. At members' request, the Administration has provided information illustrating that if the recurrent cost recovery rate of existing/commissioned projects is raised to 80%, a sharp increase of around 50% in SC will be required in 2007-08. In 2009-10, there will be an increase of 6.6% reflecting the commissioning of the advance disinfection facilities for the HATS. The projected increase in SC will be 13.3% in 2011-12 and 22.5% in 2014-15 upon the commissioning of the Sludge Treatment Facilities and the HATS Stage 2A respectively. The Administration considers that under its currently proposed 9.3% increase each year, such fluctuations can be evened out over the 10-year period.

21. Hon Tommy CHEUNG has maintained his grave concern that pending the completion of major sewage treatment facilities, the proposed SC increments in the coming 10 years will result in the recovery of recurrent costs in excess and/or in advance of the actual increases in SC expenditure. He sees no strong justification for implementing the SC increases on 1 July 2007. The Administration's explanation is that at all times during the coming 10-year period, the projected SC expenditure will continue to exceed the SC revenue taking into account the proposed SC increases. It has submitted to the Subcommittee that even if only the recurrent costs of commissioned projects or those with funding approved by LegCo are taken into account, there will still be a lag of several years before the recurrent costs can be fully recovered. Even if the proposed increases are in place, the Administration will only recover, by year 2012-13, SC revenue equivalent to the level of expenditure in 2008-09. A table provided by the Administration setting out the various projections is at **Appendix III**.

22. The Subcommittee has exchanged views extensively with the Administration on shortening the specified period during which SC adjustments should be introduced, or to propose fee adjustments over a period of time not exceeding a LegCo term. The Administration reiterates its view that environmental improvement needs long-term policies to sustain and the 10-year SC adjustment plan is vital. Members have been advised that if the proposed increases are to be introduced over a shorter period of time to recover about 80% of operating costs, then, the magnitude of the annual increments will be greater, thus affecting the affordability of the SC increases to households and business establishments. If the increases are imposed for a shorter period but the rate of annual increase remains at 9.3%, then the Administration will fall far short of the

target cost recovery rate and its capability to take forward sewage services projects will also be undermined.

23. The Subcommittee is concerned about the economic implications of the currently proposed increases in SC. According to the Administration, the 9.3% per year increase in SC rate during 2007-08 is estimated to raise the Composite Consumer Price Index by 0.006% a year while the increase in SC alone will raise the operating costs of the restaurant trade by 0.018% a year. However, members of the catering trade maintain their objection to the proposed increases in SC as they will add to their financial burden. The trade is also concerned that the Administration would not take heed of their operating difficulties once the proposed SC increases are passed and implemented. The Subcommittee also notes the concern of the Federation of Hong Kong Industries about the cost impact of the proposed increases on the manufacturing sector, especially those industries that consume a large amount of water in production.

Revised proposal

24. Having considered members' views and concerns, the Administration has put forward a revised proposal that the 10-year period of scheduled SC increases specified in the SC (A) Regulation will start on 1 April 2008, instead of 1 July 2007. Hon Andrew LEUNG and Hon Miriam LAU have expressed support on behalf of Members of the Liberal Party, with the exception of Hon Tommy CHEUNG who has maintained his disagreement to the Administration's revised proposal. Hon WONG Yung-kan has indicated the support of Members of the Democratic Alliance for the Betterment and Progress of Hong Kong, while Ir Dr Hon Raymond HO has stated that Members of the Alliance agree with the revised proposal. Hon WONG Kwok-hing, Hon Emily LAU and Hon TAM Heung-man have also expressed their support. On account of the support expressed, the Administration will move a motion to amend the SC (A) Regulation accordingly.

25. The Subcommittee notes that Hon Tommy CHEUNG has indicated that he may consider moving an amendment to the Amendment Regulation. Hon Audrey EU has indicated that she may move an amendment to the SC (A) Regulation to provide for a schedule of SC increases up to 2011-12 only.

Mid-term review and monitoring

26. One of the major concerns about the current proposal is that the Administration is not required, by law or other means, to conduct any mid-term review during the 10-year period when the approved SC increments are in force. Notwithstanding the Administration's view that the impact of the proposed increases in SC is minimal and that households and businesses will be incentivized to economize on using water resources, the Subcommittee is keen to ensure that a proper mechanism is put in place to ensure that the increases in SC will be in tandem with the prevailing economic conditions. Since the use of new technologies or improved efficiency in the civil service may help reduce recurrent

costs, question has also been raised as to whether the Administration will reduce the SC if the cost recovery rate exceeds the target 80%.

27. The Administration has undertaken to monitor the SC recovery rate annually. To maintain transparency and certainty for users, it has confirmed that unless the deviations are very substantial and persistent, it will not propose to review and adjust the fees in the coming 10 years once the proposal is endorsed by LegCo. The Administration has also agreed to conduct a mid-term review of the cost recovery of SC for the coming 10-year. In this connection, members consider it necessary to adopt objective criteria or benchmarks to ensure the efficacy of the review. They also consider it important to continue to monitor the future economic impact of the SC increases and to maintain an oversight on the cost-efficiency of the sewage services. Regarding the timing of the mid-term review, members in general agree that it should be advanced to year 2011, instead of 2012 as proposed, in order that the Administration can also revert to members on the outcome of the review on the planning and programme of HATS Stage 2B scheduled to take place in 2010-11. Given that the implementation of major sewage services projects has a direct bearing on operating costs and hence, the rates of SC, members consider that any project delay may have costing implications and should also be taken into account in reviewing the SC levels. To allay members' concerns, the Administration has undertaken that after passage of the Amendment Regulations and TM, it will provide annually to the Panel on Environmental Affairs (EA Panel) the summary of the sewage services operating accounts of the previous financial year and the projection for the coming financial year. The Administration further undertakes that if, at any time during the 10-year period,

- (a) the sewage services accounts show that the 80% cost recovery target for SC has been exceeded or is projected to be exceeded in the following year; or
- (b) the programme of the planned major sewage services related infrastructural projects i.e. advanced disinfection facilities, sludge treatment facilities and HATS 2A will be delayed by more than one year,

it will review the schedule of increases specified in the legislation and seek the views of EA Panel on how the application of the polluter-pays principle should continue to be manifested. The Administration has also agreed to advance the mid-term review to mid-2011 and to present the results to the EA Panel containing:

- (a) a summary of the sewage services operating Accounts of the previous period and projections for the coming period, including information on the actual and projected operating cost recovery rates for SC;
- (b) an assessment of the economic impact of the prevailing and projected SC rates;

- (c) an account of savings and efficiency measures undertaken by the Drainage Services Department over the review period and the plans for the coming period; and
- (d) the progress report and programme for HATS Stage 2B.

28. SETW has agreed to give the aforesaid undertakings in her speech when moving the amendment to the SC(A) Regulation.

Timely implementation of HATS Stage 2A and Stage 2B

29. As part of the reasons for the proposed increases in SC is to defray the operating costs of HATS Stage 2A scheduled for commissioning in 2014, the Subcommittee has taken the opportunity to consider the phased implementation of HATS Stage 2. While supporting the timely implementation of Stage 2A, members have urged the Administration to expedite Stage 2B so that sewage under HATS will receive secondary treatment before being discharged into the harbour area.

30. In exchanging views with depositions, the Subcommittee notes the strong call from green groups that the Government should demonstrate its firm commitment to HATS Stage 2B by declaring a timetable for its construction. The engineering sector also urges the Government to undertake the necessary planning and assessment work for Stage 2B. There are also views from some green groups that HATS Stages 2A and 2B should be implemented in one phase.

31. In this regard, the Administration's stance is that phased implementation of HATS Stage 2 will enable a step-by-step upgrading of the existing sewage treatment facilities so as to properly manage the uncertainties regarding future population growth and sewage flow build-up and the time required to finalize land and planning issues related to Stage 2B. According to the Administration, this approach will avoid saddling users of sewage services with the associated extra \$700 million per annum recurrent costs of biological treatment under Stage 2B before it is environmentally necessary. The Administration has re-affirmed its full commitment to implementing HATS Stage 2, including biological treatment of all HATS effluent under Stage 2B, and its public commitment to thoroughly review in 2010-11 the timing and methodology of commissioning Stage 2B. According to the Administration, the review will take into account the latest developments on the co-use of the site² on Stonecutters Island, technological advancements relating to biological treatment, as well as additional field data on the planning parameters for

² The site earmarked for the biological treatment plant under HATS Stage 2B is currently zoned under the Stonecutters Island Outline Zoning Plan No.S/SC/8 for "Other Specified Uses" annotated "Container Related Uses" and is currently let on a number of short-term tenancies which will expire in early 2010. It is proposed that the treatment plant be constructed underground to allow other "container related" operations to take place above ground.

Stage 2B. It will also set out the scale and timing of the project and provide an updated estimate of the cost of Stage 2B.

32. With a view to ascertaining the Administration's commitment to take forward HATS Stage 2B, the Subcommittee has sought further information on the process of site search, the feasibility of accommodating only the Stage 2B treatment facility at the designated site, the estimated operating costs incurred if the biological treatment plant under Stage 2B is constructed underground or at-grade, as well as the rationale for including population growth as a factor in determining the timing for implementing Stage 2B.

33. Noting that the availability of land for construction of the biological treatment plant is a critical factor for the implementation of HATS Stage 2B, members are keen to ensure that the planning, interface and development issues related to the co-use of the site are being addressed without delay. For this purpose, the Subcommittee has written to the relevant bureaux, including the Economic Development and Labour Bureau, to convey the Subcommittee's concern for early implementation of HATS Stage 2B and to request up-to-date information on how the bureaux are taking forward their respective planned uses of the site.

34. Noting that in planning for HATS Stage 2B, the Administration will take into account the need to implement the polluter-pays principle in the provision of sewage services, question has been raised as to whether consideration can be given to deploying some of the revenue derived from co-use of the site (e.g. revenue collected from the container facilities set up at-grade) to fund the operating costs of the biological treatment plant under Stage 2B. The Administration's response is that the suggestion may not be consistent with the polluter-pays principle. Moreover, since the biological treatment plant and the container-related facilities are operations independent of each other, cross-subsidization may not be appropriate.

Environmental impact of the disinfection facilities under HATS Stage 2A

35. In considering the cost-effectiveness of the proposed increases in SC, the Subcommittee is gravely concerned about the possible environmental impact of the use of chlorination/dechlorination for disinfection under HATS Stage 2A. In this connection, the Administration has referred to the closure of four beaches in Tsuen Wan following the full commissioning of HATS Stage 1 in December 2001, the further deterioration in bacteria levels in the western harbour and the Tsuen Wan beaches after commissioning of HATS Stage 2A if disinfection were not provided, as well as the Report of the Public Accounts Committee of LegCo on the Director of Audit's Report No. 42 (2004) recommending, inter alia, that the commissioning of the disinfection facilities of HATS Stage 2A should be advanced.

36. According to the Administration and its consultants, various disinfection technologies have been considered but the only one that can be installed reasonably quickly to allow early improvement in water quality is chlorination followed by

dechlorination. The Administration has pointed out that while the environmental impact assessment (EIA) for chlorination/dechlorination is yet to be concluded, all the indications are that the impacts on water quality should be acceptable. The Administration has also assured members that this technology will not be used if the final EIA study ultimately concludes that it would lead to unacceptable environmental consequences under the local conditions.

37. Many members of the Subcommittee do not agree entirely with the Administration and have enquired about the use of alternative disinfection technology such as UV-radiation. The Subcommittee has sought further information on the annual operating costs of chlorination/dechlorination and UV radiation, as well as the current practices and the trend of disinfection technologies used by overseas cities. The Subcommittee notes from the available information that UV-radiation is effective for disinfection of secondary/tertiary effluents. However, its application to primary or chemically enhanced primary treated (CEPT) effluents is less cost-effective due to the low transmittance. Members share the view that HATS Stage 2B should be expedited to facilitate the use of more advanced disinfection technology such as UV-radiation.

38. Regarding the need or otherwise for disinfection upon commissioning of HATS Stage 2B, the water quality modeling results of the EIA study for the Advance Disinfection Facilities show that with the implementation of Stage 2B, compliance with the relevant Water Quality Objectives (WQOs) at most of the Tsuen Wan beaches can be achieved without the provision of disinfection. However, members are advised that since modeling cannot fully predict the high variability of some factors (e.g. salinity, natural ultra violet radiation and wind) that affect the density of *E. coli* in the receiving waters, disinfection is necessary to ensure consistent compliance with the WQOs.

Use of reclaimed effluents

39. Members have taken the opportunity to enquire about the current arrangements for recycling treated sludge and effluent. In this regard, the Administration has affirmed its commitment to implementing the Total Water Management programme in which water conservation and water resource protection are enhanced through education and promotion, while examining technologies for recycling through pilot schemes. The Administration has referred to the Ngong Ping Sewage Treatment Works commissioned in 2005 which produces reclaimed water for toilet flushing, as well as the Demonstration Scheme on Reclaimed Water Uses in the North District commissioned in October 2006. According to the Administration, a review of the aforesaid schemes will be carried out in late 2008 to map out the way forward.

Sewage Services (Trade Effluent Surcharge) (Amendment) Regulation 2007

40. Under the existing TES scheme, individual account holders may apply to have their charge rates reduced, based on empirical evidence they supply

suggesting that the COD values of their discharge is lower than the respective generic values. Under the existing legislation, the period for which a reassessed TES rate remains valid is one year. The TES (A) Regulation seeks to extend this to two years, thereby halving the cost of a reassessment without affecting the integrity of the assessment process.

41. While supporting the proposed amendment, the Subcommittee has noted the concerns voiced by the catering trade that about 86% of TES is now borne by the trade and that many restaurants are deterred from seeking reassessment because of the high costs involved. The catering trade considers the proposed improvement not highly significant and would prefer a longer validity period of three years.

42. The Subcommittee notes that similar to SC, the TES rates have not been adjusted in the last 11 years and the current recovery rate is about 83% of the operating costs. On this occasion, the Administration has not sought to adjust the rates of TES to achieve the target 100% cost recovery rate. It will review the generic CODs of all TES trades by carrying out trade-specific effluent surveys and will put forward proposals for adjusting the TES rates to achieve the target recovery rate upon completion of the reviews.

43. In submitting views to the Subcommittee, the catering trade urges for early implementation of a revised TES scheme. It also suggests that the 100% target recovery rate should not be implemented immediately as there is no reason why businesses should not enjoy the same degree of subsidy as domestic users. In response to members' concern about early completion of the review on generic CODs, the Administration has confirmed that the surveys of the effluents of the relevant trades will be completed by the end of 2007.

The Technical Memorandum

44. Under the current reassessment process for COD values, a certain number of days' sampling must be conducted in order to arrive at an estimate of effluent quality. At present, this varies from three to six days depending on the pollution load of a TES establishment. The minimum requirement of three sampling days applies to establishments discharging less than 100 kg COD per day. The Administration has proposed that for small establishments discharging less than 50 kg COD per day, the number of specified sampling days be reduced to two. The Subcommittee notes that given the small amount of pollution discharged from individual establishments in this band, the relaxation will unlikely compromise the integrity of the system. It will however help enhance the incentives and encourage a larger portion of these small establishments to consider applying for reassessment.

45. The Subcommittee supports the proposed amendment to section 3.6.2 of the TM to give effect to the relaxed requirement. It also notes that the

Administration will move a motion to amend certain textual errors in the Chinese version.

RECOMMENDATION

46. The Subcommittee supports the TES (A) Regulation and the TM. A majority of the members of the Subcommittee have expressed support for the Administration's proposed amendments to the SC (A) Regulation (as stated in paragraph 24 above). The Subcommittee has not proposed any amendment to the two Amendment Regulations and the TM.

ADVICE SOUGHT

47. Members are invited to note the Subcommittee's recommendation in the preceding paragraph.

Council Business Division 1
Legislative Council Secretariat
10 May 2007

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Sewage Services (Sewage Charge) (Amendment) Regulation 2007,
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Membership list

Chairman Hon Audrey EU Yuet-mee, SC, JP

Members Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J.,JP
Hon SIN Chung-kai, JP
Hon WONG Yung-kan, JP
Hon Howard YOUNG, SBS, JP
Hon Miriam LAU Kin-yee, GBS, JP
Hon Emily LAU Wai-hing, JP
Hon CHOY So-yuk, JP
Hon Tommy CHEUNG Yu-yan, JP
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon WONG Ting-kwong, BBS
Hon TAM Heung-man

(Total : 14 Members)

Clerk Miss Polly YEUNG

Legal Adviser Mr Timothy TSO

Date 19 April 2007

**Subcommittee on
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**List of organizations/individuals which/who have submitted
views to the Subcommittee**

1. Association of Engineering Professionals in Society Ltd
2. The Association for Hong Kong Catering Services Management Ltd
3. Association of Restaurant Managers Limited
4. Civic Party
5. The Conservancy Association
6. Democratic Party
7. Factory Canteen Chamber of Commerce
8. Federal Restaurants (Group Ltd)
9. Federation of Hong Kong Industries
10. Green Power
11. Hong Kong Catering Industry Association
12. WWF Hong Kong
13. Professor Leonard CHENG
Department of Economics, School of Business and Management,
Hong Kong University of Science and Technology
14. Dr Albert KOENIG
Department of Civil Engineering, The University of Hong Kong

Sewage Charge element (with the proposed fee adjustments of 9.3%)

排污費部分(已計及建議的9.3%費用調整)

Appendix III

	05/06 年度	06/07 年度	07/08 年度	08/09 年度	09/10 年度	10/11 年度	11/12 年度	12/13 年度	13/14 年度	14/15 年度	15/16 年度	16/17 年度
	Actual 實際	Projected 預計	Projected 預計	Projected 預計	Projected 預計	Projected 預計	Projected 預計	Projected 預計	Projected 預計	Projected 預計	Projected 預計	Projected 預計
	\$M 百萬元	\$M 百萬元	\$M 百萬元	\$M 百萬元	\$M 百萬元	\$M 百萬元	\$M 百萬元	\$M 百萬元	\$M 百萬元	\$M 百萬元	\$M 百萬元	\$M 百萬元
Total expenditure * 開支總額	1,154	1,196	1,213	1,231	1,348	1,380	1,607	1,653	1,783	2,232	2,388	2,453
SC Expenditure * 排污費開支	903	935	948	963	1,055	1,079	1,254	1,290	1,402	1,758	1,880	1,931
SC Revenue (with fee adj) 排污費收入(已計及 費用調整)	489	495	553	619	696	781	875	980	1,099	1,230	1,376	1,538
Subsidy 補貼	414	440	395	344	359	298	379	310	303	528	504	393
SC Cost recovery rate 排污費成本收回率	54.1%	52.9%	58.3%	64.3%	66.0%	72.3%	69.8%	75.9%	78.4%	70.0%	73.2%	79.6%
Average household monthly SC bill (\$) 平均每月每戶(住宅 用戶)排污費(元)	11.0	11.0	12.0	13.1	14.4	15.7	17.2	18.8	20.5	22.4	24.5	26.8

* expenditure includes recurrent cost of HATS Stage 2A, Sludge Treatment Facilities and other planned sewage projects

開支包括淨化海港計劃第二期甲、污泥處理設施及其他已計劃的污水工程的經常開支。