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**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**

Background Brief

Purpose

This paper sets out the background for the 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. It also summarizes the views of members of the Panel on Environmental Affairs (EA Panel) when being consulted on the key proposals in the two Amendment Regulations.

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. SC applies to all dischargers at the uniform rate of \$1.2 per cubic metre of water supplied (other than water supplied specifically for flushing purposes). 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 sewage collection, treatment and disposal. 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 cost 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 phases from \$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 trade effluent surcharge 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, will be put into effect through amendments to the Technical Memorandum on the Procedures and Methods for Sampling and Analysis of Trade Effluents for the Trade Effluent Surcharge Scheme (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.

8. 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.

Consultation with the EA Panel

9. Prior to introduction of the subsidiary legislation, the Administration consulted the EA Panel on 5 and 22 January 2007. At the latter meeting, the EA Panel met with 11 deputations (**Appendix I**) and urged the Administration to take into consideration the views and concerns raised by deputations and Members when finalizing the relevant subsidiary legislation. The major areas of concern are summarized as follows:

The Polluter-pays principle

10. The Panel noted that in line with the polluter-pays principle, the Government should bear the capital investment in sewage infrastructure, including

the HATS Stage 2A, while users would shoulder the recurrent cost for the provision of sewage services through the payment of SC. Meanwhile, the Administration confirmed that it would conduct a review of the generic COD through trade-specific surveys which would take about 12 months to complete. While supporting the polluter-pays principle, members considered that the Administration should expedite the review.

11. The Panel also noted the call from the restaurant trade for early implementation of a revised TES rate for the trade.

Increment of SC over a 10-year period

12. There was concern that specifying the SC fee levels for the coming 10 years in a single item of legislation without an interim review might have given excessive authorization to the Administration and set an undesirable precedent for other bureaux to propose similar fee-charging schemes. Query was also raised as to whether it was proper for LegCo to approve SC increases for a period of 10 years which would straddle the next LegCo term.

13. The Administration's stance was that the proposed 10-year increment scheme sought to ensure a stable source of funding to support new sewage treatment projects in the pipeline for the coming decade and to provide certainty to consumers. Its legal advice also confirmed that the proposed legislation was legally and constitutionally in order. On account of the need for substantial investment in sewerage infrastructure, a number of green groups expressed support for the proposed 10-year adjustments in SC.

Implementation of HATS Stage 2A and Stage 2B

14. There was general support for timely implementation of HATS Stage 2A. As regards HATS Stage 2B, the Panel noted that there were different views in the community on the timing for implementing Stage 2B. There was also concern about the implications of the substantial treatment cost of Stage 2B on SC and TES. The Administration had undertaken to move forward with Stage 2A while keeping in view the need to prepare for a review of the timing of implementation of Stage 2B in 2010-11.

Reference

15. A list of relevant papers is at **Appendix II**.

**Organizations which have attended the meeting held by
Panel on Environmental Affairs on 22 January 2007**

1. WWF Hong Kong
2. Hong Kong Marine Conservation Society
3. The Hong Kong Institution of Engineers
4. Association of Engineering Professionals in Society Ltd
5. Association of Restaurant Managers Ltd
6. Hong Kong Catering Industry Association
7. Factory Canteen Chamber of Commerce
8. The Association for Hong Kong Catering Services Management Ltd
9. Hong Kong Federation of Restaurants and Related Trades
10. Civic Party
11. The Conservancy Association

Appendix II

List of relevant papers

Committee	Paper	LC Paper No.
Special meeting of Panel on Environmental Affairs (EA Panel) on 5 January 2007	✧ Administration's paper on "Application of the Polluter-pays Principle in the Provision of Sewage Services" http://www.legco.gov.hk/yr06-07/english/panels/ea/papers/ea0105cb1-600-1-e.pdf	CB(1)600/06-07(01)
	✧ Background brief on sewage service charging scheme http://www.legco.gov.hk/yr06-07/english/panels/ea/papers/ea0105cb1-617-15-e.pdf	CB(1)617/06-07(15)
	✧ Minutes of the EA Panel special meeting on 5 January 2007 http://www.legco.gov.hk/yr06-07/english/panels/ea/minutes/ea070105.pdf	CB(1)930/06-07
Meeting of EA Panel on 22 January 2007	✧ Administration's paper on "Progress Update on Harbour Area Treatment Scheme Stage 2A and the Proposal for Applying the Polluter-pays Principle in the Provision of Sewage Services" http://www.legco.gov.hk/yr06-07/english/panels/ea/papers/ea0122cb1-742-10-e.pdf	CB(1)742/06-07(10)
	✧ Updated background brief on the Harbour Area Treatment Scheme http://www.legco.gov.hk/yr06-07/english/panels/ea/papers/ea0122cb1-742-9-e.pdf	CB(1)742/06-07(09)
	✧ Letter dated 8 December 2006 from Hon Audrey EU http://www.legco.gov.hk/yr06-07/english/panels/ea/papers/ea0122cb1-572-1-e.pdf	CB(1)572/06-07(01)

Committee	Paper	LC Paper No.
	✧ Administration's response to letter dated 8 December 2006 from Hon Audrey EU http://www.legco.gov.hk/yr06-07/english/panels/ea/papers/ea0122cb1-572-2-e.pdf	CB(1)572/06-07(02)
	✧ Letter dated 12 January 2007 from Hon Tommy CHEUNG (Chinese version only) http://www.legco.gov.hk/yr06-07/chinese/panels/ea/papers/ea0122cb1-742-8-c.pdf	CB(1)742/06-07(08)
	✧ Administration's response to letter dated 12 January 2007 from Hon Tommy CHEUNG http://www.legco.gov.hk/yr06-07/english/panels/ea/papers/ea0122cb1-782-1-e.pdf	CB(1)782/06-07(01)
	✧ Minutes of the EA Panel meeting on 22 January 2007 http://www.legco.gov.hk/yr06-07/english/panels/ea/minutes/ea070122.pdf	CB(1)970/06-07
	✧ Follow-up to the meeting on 22 January 2007 – Administration's paper on "Issues Related to the Harbour Area Treatment Scheme, Stage 2" http://www.legco.gov.hk/yr06-07/english/panels/ea/papers/ea0122cb1-1199-e.pdf	CB(1)1199/06-07(01)