

**Legislative Council Public Accounts Committee
Audit Report No.54
Chapter 5 – Development of EcoPark**

Update as at early May 2010

This information note provides Members with an up-to-date progress report on the development of the EcoPark since the completion of the Audit study in end February 2010.

Phase 1 Development

2. All six lots in Phase 1 of the EcoPark have been let out for the recycling of waste cooking oil, metals, wood, computers, car batteries and plastics. As at early May, four tenants (waste cooking oil, waste metals, waste wood and waste computers) have commissioned or will commission their operation one after another. It is estimated that when these tenants have fully commissioned their operation in the coming months, 20 000 tonnes of waste cooking oil, 160 000 tonnes of waste metals, 2 400 tonnes of waste wood and 1 200 tonnes of waste computers would be recycled every year. We will continue to provide support and assistance to all tenants and monitor their progress in accordance with the tenancy requirements.

3. In addition, the EcoPark Visitor Centre at Phase 1 has commenced to receive visitors since mid March this year and has so far received more than 50 group visits with over 1 500 visitors. Schools, community organizations and the general public can now arrange booking for visit through the Environmental Protection Department (EPD) and EcoPark websites.

4. An up-to-date progress report on the development of all Phase 1 tenants as of early May 2010 is given below (*please also see photos in Annex I*):

Recycling Operation	Latest Development	Actual/Expected Commissioning Date	Expected/Minimum Quantity of Waste Recycled (tonnes/year)
Recycling of waste cooking oil to biodiesel	Commissioned	April 2010	20 000

Recycling Operation	Latest Development	Actual/Expected Commissioning Date	Expected/Minimum Quantity of Waste Recycled (tonnes/year)
Recycling of waste metals	Commissioned	May 2010	160 000
Shredding of waste wood	First phase operation commissioned	May 2010	2 400
Processing of waste computer equipment	The superstructure completed and installation of machinery in progress; operation will start soon	June 2010	1 200
Processing of used car batteries	Inviting tenders to construct the superstructure	Early 2011 (tentative)	120
Recycling of waste plastic	Tenant is revising its development plan and claims to be ready for commissioning in August 2010	Third Quarter 2010 (tentative)	4 000
EcoPark Visitor Centre	Fully open to public	Mid March 2010	-

Experience Gained from Phase 1 Development

5. The six lots were let in batches from 2007 to 2009. When we first conducted the tender exercise for selection of tenants, we specified waste types to be processed for individual lots available for letting in accordance with feedback we gauged earlier from the trades and the wastes situation in Hong Kong. However, as the market conditions for recyclables fluctuate rapidly, tender exercises conducted on this approach did not produce positive outcome. In the first tendering exercise, a total of only 8 conforming bids were received for the three lots. Out of the three tenants who were selected in April 2007, one was terminated in around six months' time and another one was terminated in a year's time mainly due to the downturn in the market. In the second exercise, a total of only 3 conforming bids were received for the three lots, and no conforming bid was received for one of the three tenders invited. In the subsequent tenders,

we have introduced certain flexibility such as types of waste to be processed, and date of site handing-over.

6. We have conducted several meetings with various interested groups and potential tenants in our marketing for the EcoPark. Based on their feedback, we have identified the following key issues that need to be addressed in the tenancy arrangements for Phase II lots.

7. There are two distinct groups of potential tenants to the EcoPark, based on the nature of their proposed recycling operations, and their expectation of tenancy terms.

8. The first group is potential tenants intending to undertake recycling operations requiring heavier investment (say, over \$100 million) for specially-designed structures as well as plants and equipment for higher value-added processes. Due to the nature of their operations, the land required would be of larger sizes than the standard lot sizes currently rented in Phase I, and these investors may have other specific site requirements to fit their operational needs. In view of the heavy capital investment for construction of structures, plants and equipment, the investors will look for a longer tenancy term, say not less than 20 years to make the investment viable. They find it difficult to match their investment plans with the timing of invitation of tenancy by the EcoPark.

9. Potential tenants under the second group are in most cases small and medium sized investors who are engaged in lower investment recycling operations. As this group of enterprises generally require larger space for sorting of wastes and often waste discharge treatment, multi-storey industrial buildings cannot satisfy their operational needs. If they are to rent the EcoPark lots, they are on the other hand generally not familiar with the required procedures in seeking statutory approvals for building basic infrastructures (e.g. work-sheds, power transformer rooms and fire services installations, etc). A common concern raised by potential tenants is that locally-recovered waste alone will in many cases unable to provide a sufficient feedstock to the value-added recycling operations which often adopt automatic mechanical processes to deal with a very large scale of operation/throughput.

Phase 2 Development

10. The above views are being taken into account in our review of the tenancy arrangements for Phase II. The site formation and road works for Phase 2 have been substantially completed and the lots will be available for leasing by end 2010. In the light of the lessons learnt from Phase 1 as

well as the feedback from project stakeholders from time to time, EPD is now reviewing in consultation with the Financial Services and the Treasury Bureau (FSTB) the lot allocation arrangement. While we would continue to uphold the principle of open, competitive and fair process in the selection of tenants, we are prepared to make appropriate necessary adjustments to (i) increase the attractiveness of the EcoPark to the recycling industry; and (ii) to facilitate early commencement of recycling operation on site so that the objectives of setting up the EcoPark to provide long-term land at affordable costs for the development of the recycling and environmental industry with a view to encouraging investment in more advanced technologies and value-added processes are fulfilled.

11. Views from the Audit Commission, the Public Accounts Committee and FSTB will be taken into account when EPD develops a set of revised lot allocation arrangement for Phase 2 lots. Subject to follow-up consultation with relevant stakeholders and the Legislative Council Panel on Environmental Affairs, we aim to commence the tendering process by end 2010.

**Environment Bureau and Environmental Protection Department
May 2010**

Annex 1 – EcoPark Phase 1 Updated Photos

EcoPark Phase 1 – Used Cooking Oil Recycling	
<p>February 2010 Progress: Plant substantially completed</p>	<p>Early May 2010 Progress: Plant completed, operation commenced</p>
EcoPark Phase 1 – Waste Metals Recycling	
<p>February 2010 Progress: Concrete plinths for huge shedder just completed</p>	<p>Early May 2010 Progress: Installation of huge shedder completed, operation commenced</p>

EcoPark Phase 1 – Waste Wood Recycling



February 2010

Progress: Concrete paving in progress



Early May 2010

Progress: Installation of wood shredder completed, initial operation commenced

EcoPark Phase 1 – Waste Computer Recycling



February 2010

Progress: Construction of superstructure in progress



Early May 2010

Progress: Construction of superstructure completed, operation will commence after equipment installation