

**For discussion
22 November 2010**

Legislative Council Panel on Environmental Affairs

Development of EcoPark

PURPOSE

This paper updates Members on the progress of development of the EcoPark and seeks Members' views on the proposed leasing arrangement for the EcoPark Phase 2 lots.

BACKGROUND

2. The development of the EcoPark is one of the key initiatives set out in the "Policy Framework for the Management of Municipal Solid Waste (2005-2014)". It aims to provide long-term land at affordable cost for the development of the recycling and environmental industry with a view to encouraging investment in more advanced technologies and value-added processes in Hong Kong.

3. The 20 hectare EcoPark is being developed in two phases. Phase 1 occupies approximately 8 hectares of land and comprises a multi-function administration building with a visitor centre and six lots with a total of 3.6 hectares of rentable area. Phase 2 occupies approximately 12 hectares with a total rentable area of about 10 hectares. A plan showing the layout of the EcoPark is at **Annex 1**.

LATEST PROGRESS

EcoPark Phase 1

4. All six lots in Phase 1 of the EcoPark have been leased for the recycling of waste cooking oil, waste metals, waste wood, waste computers, waste plastics and waste car batteries. As at November 2010, five tenants (waste cooking oil, waste metals, waste wood, waste computers and waste plastics) have commissioned their operation. As regards the remaining lot (waste car batteries), the tenant advises that the construction works will shortly

commence with a view to commissioning the plant in 2011. A progress summary of all Phase 1 tenants is presented below:

Tenant	Recycling Process	Latest Development
Champway Technology Ltd	Recycling of waste cooking oil collected from restaurants and food factories into biodiesel	Commissioned in April 2010
Shiu Wing Steel Ltd	Sorting and shredding of waste ferrous metals for recycling and manufacturing of useful construction materials such as steel reinforcement bars in Southeast Asia or their own plant next to EcoPark when the proposed furnace is in place	Commissioned in May 2010
Hong Kong Hung Wai Wooden Board Company	Shredding of wooden pallets, wooden boards and tree trunks into wood chips for manufacturing of flakeboard in their plants in Mainland China	Commissioned in May 2010
Li Tong Group	Repair and dismantling of waste computer items into different recyclable components	Commissioned in September 2010
Hong Kong Telford Envirotech Group Ltd	Sorting and shredding of waste plastics into plastic flakes	First phase commissioned in November 2010
Cosmos Star Holding Company Ltd	Dismantling of waste car batteries into recyclable components	Construction of superstructure expected to commence shortly

5. The Environmental Protection Department (EPD) and the EcoPark management company, Serco Guardian Joint Venture (SGJV), have jointly taken measures to support the Phase 1 tenants in their works to construct the plants and commence operation as far as possible. These support measures include releasing part of the rental deposits and/or performance guarantee to tenants when substantial capital investment has been injected, providing

advice, guidance, referral and networking services where necessary to facilitate the tenants in undergoing the various statutory approval procedures as well as sourcing of the local recyclables.

EcoPark Phase 2

6. To add further impetus for the development of recycling and promotion of green lifestyle, the Administration has set up two waste recycling centres in EcoPark Phase 2 to provide secured outlets for waste plastics and waste electrical and electronic equipment (WEEE) which currently have rather limited opportunities of recycling in the local market. These two recycling centres are managed by non-profit making organizations selected through an open tendering process and with funding support from the Environment and Conservation Fund. The waste plastics recycling centre and the WEEE recycling centre have commenced operation in March and October 2010 respectively.

7. The site formation and road works of the remaining Phase 2 area have been substantially completed and the lots will be available for leasing by end 2010/early 2011.

Experience Gained from Phase 1 Development

8. The six Phase 1 lots were let in batches from 2007 to 2009. The experience gained in the tendering of the Phase 1 suggests there is room to consider possible improvement in relation to the following aspects in the leasing arrangement for the Phase 2 lots:

- (i) whether a specific waste type should be designated for each individual lot in inviting tenders;
- (ii) whether to continue with the standardized lot size (around 5 000 m²) for all lots;
- (iii) whether the tenancy period of 10 years is appropriate; and
- (iv) whether there is room to introduce a more robust assessment of the technical competency and financial viability of the applicants so as to ensure that the successful tenants are fully ready and capable of undertaking the planning, developing and commissioning work in

relation to their recycling processes in the EcoPark as pledged in their applications in a timely manner.

PROPOSED LEASING ARRANGEMENT FOR PHASE 2 LOTS

9. We have consulted various stakeholders including the EcoPark Phase 1 tenants, the EcoPark Advisory Committee (EAC)¹, the Waste Management Subcommittee of the Advisory Committee for the Environment (ACE WMSC) as well as conducted a survey of the recycling trade on the proposed leasing arrangements for Phase 2 lots. The following recommendations to raise the attractiveness of the EcoPark Phase 2 to potential tenants are generally endorsed in these consultations:

- (i) Open Waste Types – The types of waste to be processed in the EcoPark to be market driven and open for the tenderers to propose from a general list which will be formulated based on the recycling market situation and consultation with the trade. An initial list is shown in **Annex 2**. Under this arrangement, the waste types to be processed in the tender proposals will be a market decision of the potential tenants. Assessment of the merits of the tender proposals would be based on a basket of criteria including the effectiveness in diverting waste from landfill for recycling as well as the coverage and reliability of the presented collection plans to ensure steady and adequate supplies of recyclables for processing;
- (ii) Flexible Lot Size – The lot sizes should be changed from a standard size of around 5000 m² to different sizes within a reasonable range, say from 5 000 m² to 20 000 m², for tenderers to bid for to suit their own operational requirements;
- (iii) Length of Tenancy – The tenancy should be lengthened to 20 years so that initial capital investment can be amortized over a reasonably longer period, which is critical to the tenants in raising finance with banks and financial institutions. At the same time, the rental level could be reviewed on a regular basis and be adjusted according to a pre-determined formula. In addition, provisions should be included in the tenancy such that the tenancy agreement would be reviewed every

¹ The EcoPark Advisory Committee is chaired by the Director of Environmental Protection with representatives from trade associations, universities and professional bodies, including Hong Kong General Chamber of Commerce, Federation of Hong Kong Industries, Hong Kong Chinese General Chamber of Commerce, Hong Kong Productivity Council, Hong Kong Waste Management Association, Hong Kong Institution of Engineers, Invest Hong Kong and Hong Kong Science and Technology Park Corporation.

5 years will be established to allow for early termination of the tenancy by the tenants if necessary;

- (iv) Tender Assessment – Certain statutory approvals on building and fire safety and on environmental control are necessary before most of the value-added recycling processes can commence. To better ensure that only those tenderers who are technically and financially ready to proceed with the proposed recycling processes in a timely manner will be able to take up the lots in the EcoPark, a robust tender assessment should be adopted. In the tender submissions, the tenderers should be required to provide a comprehensive business and work plan with supporting documents detailing the list of statutory approvals and licences that are necessary for the proposed recycling process, the means and timeframe estimated to complete the approving procedures, their professional expertise and experience in the recycling process concerned, the collection plans for the recyclables and the outlets for the recycled materials, as well as the financing plans etc; and

- (v) Additional Guidance and Assistance to Tenants – While the responsibilities for fulfilling the statutory approvals are on the tenants, the EcoPark management company should assign designated staff to liaise and support every tenant in their planning for commissioning of the operations as far as possible. Furthermore, EPD should liaise with all the Government Departments concerned to expedite the processing of the tenants' application for statutory approvals as far as possible. It is envisaged that a lead time of 12 to 18 months would still be required for the tenants to complete the whole process of plant design and construction, installation of facilities, testing of machineries, environmental compliance checking etc. before commencement of their operations.

PUBLIC CONSULTATION

10. The EAC was consulted three times in August and November 2010 and the ACE WMSC was consulted on 22 October 2010. Both the EAC and ACE WMSC supported the proposed leasing arrangement for EcoPark Phase 2 lots as set out in paragraph 9 above. A survey of the recycling trade was conducted in September 2010 and the results indicate a similar preference to the flexible terms and conditions as proposed in paragraph 9.

TENTATIVE PROGRAMME

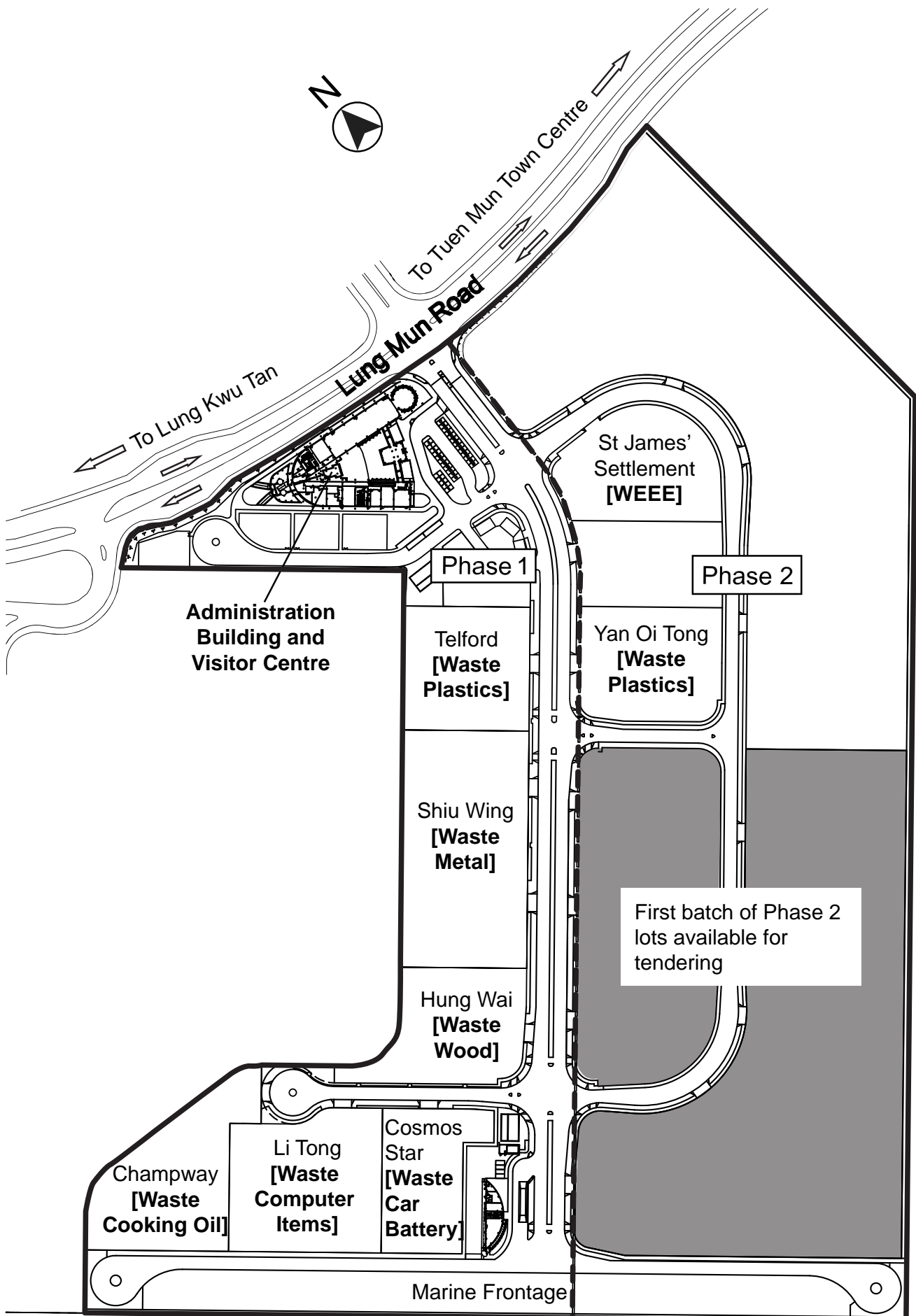
11. We plan to invite tenders for the first batch of the Phase 2 lots with an area of about 5 hectares by end 2010 / early 2011. The tentative programme is summarized below:

Tasks	Date
Invitation to tender for 1 st batch of Phase 2 lots	End 2010 / early 2011
Allocation of 1 st batch of Phase 2 lots	April 2011
Invitation to tender for remaining Phase 2 lots	Mid 2011 subject to 1 st batch tender result
Allocation of remaining Phase 2 lots	Late 2011

ADVICE SOUGHT

12. Members are invited to note the latest development of the EcoPark and to comment on the proposed leasing arrangement for the Phase 2 lots as presented in paragraph 9.

**Environmental Protection Department
November 2010**



Initial List of Waste Types to be Processed in EcoPark Phase 2

1. Waste lead acid batteries
2. Concrete waste(i.e. inert construction materials)
3. Food waste
4. Waste glass
5. Waste lube oil/mineral oil
6. Waste metals
7. Organic waste except food waste (e.g. horse manure)
8. Waste paper
9. Waste paper drink pack (e.g. Tetrapak)
10. Waste plastics
11. Waste rubber tyres
12. Waste cooking oil
13. Waste electrical and electronic equipment
14. Waste wood