

The Waste Paper Situation.

- A very timely meeting. Events over the last couple of weeks have illustrated the importance of bringing about real change in the way in which we produce and handle waste in Hong Kong - which is the objective of the Waste Reduction Framework Plan. Important question raised by Mr Leung of the Waste Paper trade. Why did HK have a flourishing paper recycling business in the 70s and 80s but not now. What has changed? Much of rest of world has changed its waste collection practices - as Mr Choi pointed out - but Hong Kong hasn't kept up.
- Let me say at the outset that the Administration is very concerned about the plight of the collectors of waste paper. Major changes in the supply and the demand for waste paper worldwide have been impacting on their livelihood for some time, and the recent closure of Concordia has caused significant disruptions in their business.
- We are less concerned about the business of recycling paper. If there are sensible economic reasons for recycling of paper to take place, either here or elsewhere, that is fine. The added environmental benefit of recycling paper is questionable. Most paper now consumed in Hong Kong is produced by forests that are managed on a renewable basis. Recycling demands large energy inputs. Supporting recycling for the sake of recycling is not the right approach. We need to give priority to the reduction of waste, to the development of producer responsibility, and to the development of facilities and programmes that help recover and separate waste to allow for economic reuse. That is the set of priorities given in the WRF. Under that framework, through the Waste Reduction Committee, with industry, with green groups, with reorganization of Government programmes, we aim to give Hong Kong a world class waste management structure, one that will also give support to economically viable and environmentally desirable recycling activities. If we get our priorities wrong, we will make our present problems worse.
- Helpful if I set out clearly for members the full situation with regard to waste paper in Hong Kong, and the many different interests involved. We need to take account of overall economic and environmental interests, and also be aware of the interests of several different groups - the waste producers, the many different waste collectors, the local recycling industry, the paper exporting industry, and, last but not least, the Hong Kong taxpayer.
- Every day, 4,000 tonnes of waste paper produced.
- About 2,000 tonnes is either part of domestic waste and goes straight to landfills, mostly through USD/RSD collection services, or is poor quality/contaminated commercial waste that the collectors again take direct to the landfills or RTS.
- About 2,000 tonnes is of commercially valuable waste. In the past, about 800 tonnes went to local recycling operations and 1,200 tonnes was exported. The waste collectors depended on the payments from the recyclers or exporters for much of their

revenue. Competition between collectors kept the price charged to waste producers very low. Waste producers have always had the alternative of free disposal in the landfills if commercial waste collectors tried to charge higher collection prices.

- The world price of waste paper for the recycling market has been coming down steadily in recent years, as waste reduction measures in other countries, especially the US and Western Europe, have driven waste producers to find outlets rather than dispose of waste in their own countries. This has meant that local recyclers have been able to reduce the prices they have paid to local collectors. About 40% of the waste paper that was being processed at Concordia was being imported. Local exporters have also been reducing the price that they have offered to collectors, because they have to keep their prices to purchasers down, and because they know that the collectors have to sell at whatever price they offer because there is no strong competing demand for the paper.
- The closure of Concordia has meant that the outlet for the collectors has been further reduced. Concordia handled 500 tonnes of paper a day, so there is now that extra amount of paper chasing a market. Exporters have therefore been able to reduce the prices they pay to the collectors very steeply. They know that the collectors are in a very weak position, since it is very hard for them to increase their charges to the producers, they get nothing if they take the paper to the landfill and they cannot put pressure on the exporters. Indeed, it is a position in which it is very easy for the bigger businesses that are involved - the exporters and recyclers - to use the problems faced by the collectors to try to put pressure on the administration to do things that will benefit the bigger businesses, without any necessary benefit to the collectors. Most of the demands we have seen in the papers over the last week or so have been for measures that will reduce costs for recyclers or exporters.
- How do we assess the problems, and what are we trying to do about them?
- The first thing to keep clear is that we are talking about a relatively small quantity of potentially valuable material. Although world prices are lower, there is still a market for good quality waste paper. Export is continuing and about 300 tonnes a day is still being processed locally. Not very much extra paper has been coming to the landfills since Concordia closed down. Separated paper is still being collected from all of the schools that have been taking part in various voluntary programmes. Of the 132 public housing estates that have been practicing waste separation schemes, 35 reported problems with the collection of waste paper, but when we put an exporter in touch with them, the management said they preferred to work with their existing collection contractors.
- Even if the market disappeared entirely, from a waste management point of view, there would be no problem in collecting an extra 2,000 tonnes of waste paper a day and taking it to the landfills. In the longer term, this would be undesirable as a standard practice. The WEIFs we intend to build under the WRFPP could address the

problem, but, if current waste production continues, we would probably need to build an extra WEIF plant just for the paper. That would be expensive.

- 'If current waste production continues'. That is not our objective. Our objective is to reduce the amount of waste substantially, and to change the way that waste is handled by producers and intermediaries. Our objective is to bring benefit to the environment in a way that makes economic sense for the community as a whole and for the individual components of the waste handling industry.
- Just think what I said a few moments ago about the present dynamics of waste paper handling in Hong Kong. The waste collectors, the biggest group, have hardly any leverage. They can be squeezed on all sides by the waste producers, exporters or recyclers. The waste producers have little concern. The recyclers have a problem of how to remain competitive when their cost base may be higher than in other places. The exporters have always had a flexible position, that is helped by greater local supply.
- What would make a real difference would be for the Government to change the dynamics of waste paper handling by introducing landfill charging and developing producer responsibility schemes as proposed under the WRFPP. Just think what would change:
 - The waste producer would have to start thinking about how to reduce his costs by reducing waste.
 - The waste collectors would be given a negotiating position with the waste producers, because the waste producers would no longer be able to say that they can send their waste for free to the landfill.
 - Recyclers would be given a better negotiating position with waste producers and collectors, and be able to press for better standards of waste separation.
 - The taxpayer would have to pay less in landfill costs.
 - The administration could consider using proceeds from the landfill charge in the way that they have in many parts of the US or Europe, to put back into infrastructure to support waste separation or recycling and reuse initiatives.
- That is the direction we need to move Hong Kong towards - a situation that brings environmental and economic benefits, rather than the present situation of hidden subsidies that is doing damage to our environment and to the health of several key businesses engaged in waste management. Both the environmental damage and the distorting effects on individual businesses are bad for our economy.

[This was as far as I spoke in LegCo]

- The present painful adjustments in the waste paper handling industry are very difficult to address directly by Government intervention. Finding an action that will help one set of interests without having serious consequences for others is very hard. Even the work that EPD staff have done over the last several weeks, to identify potential purchasers and put them in touch with local suppliers, is fraught with risk.

The potential purchasers know that the suppliers are in a weak position, and will drive a hard bargain. Ideas like bringing in USD and RSD to help with collection and separation may only serve to take the livelihood away completely from small firms and individuals who now do the work.

- We have already taken a number of steps to give support. Land has been offered for use only by recyclers. We have offered stockpiling areas within the landfills and are continuing to search for new sites that can be used for recycling or waste separation. The reduction of diesel duty and the freeze on fees and charges has helped everyone to some extent with their costs.
- As members know, tomorrow morning we have invited representatives from different sections of the waste paper industry to a meeting. We want to understand better the concerns and difficulties that each are facing and give them the opportunity to put forward any other practical ideas they may have to help resolve the difficulties.
- We have to be realistic though. Given the present state of world supply and demand for waste paper, and the dynamics of the market within Hong Kong, direct intervention by Government isn't going to make any real difference. What we can do, as I have suggested, is to be working quickly to introduce a transparent, effective landfill charging scheme, to put waste management conditions in Hong Kong onto an even footing with the situation in other places. The business skills and entrepreneurial talents of the waste handling industry will then be given a firmer basis on which to operate to their own benefit and to the environmental and economic benefit of Hong Kong.
- I would be very grateful for an indication from Members that this is a direction that you would like the Administration to pursue. Without your support for this, and for other measures that have been outlined in the WRFPP to bring comprehensive improvement to the way in which Hong Kong manages its waste, we are not going to be able to deliver a key part of the environmental improvements that the citizens of Hong Kong are asking for.