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**Panel on Environmental Affairs**

**Meeting on 31 March 2003**

**Updated background brief on the Landfill Charging Scheme**

**Background**

The amount of solid wastes has substantially increased as a result of the continuous growth in population and economic activities. The majority of these wastes are generated from the commercial/industrial sectors, construction and demolition (C&D) wastes from the construction industry in particular. These wastes are collected and delivered to the three government landfills by private waste collectors. Since landfill disposal is free of charge, there is no incentive for waste reduction and recycling. The indiscriminate disposal has also led to rapid depletion of limited landfill capacity and advanced the need for replacement of disposal facilities.

**Waste Disposal (Charges for disposal of Waste) Regulation**

2. To progressively recoup the landfill disposal cost according to the polluter-pays principle and to provide the necessary economic incentive for waste minimization as well as recycling and reuse, a proposal to charge for the disposal of privately-collected waste was first put forward in 1993. Under the Scheme, all privately-collected wastes delivered to landfills would be subject to charging. The initial charging level was set to recover 50% of the landfill disposal cost and gradually increased to achieve full cost recovery. This step-by-step approach would allow time for waste producers to take appropriate measures to reduce, recycle and reuse their waste.

3. There were two levels of charges for small and large vehicles under the initial charging scheme. Based on 50% cost recovery, the initial charges were in the range of \$175 for small vehicles with payloads of not more than five tonnes of waste and \$350 for large vehicles with payloads of over five tonnes of waste. Payment would be made in the form of pre-paid tickets. In the light of concern about the possible impact of the charging arrangement on domestic households served by private waste collectors, the scheme was modified to charging on a per tonne basis to better reflect the polluter-pays principle.

4. To give legal effect to the charging scheme, the Waste Disposal (Charges for Disposal of Waste) Regulation was introduced and enacted in May 1995. It set down the legal framework for the proposed charging scheme which was based on a per-tonne charging system and the use of prepaid tickets. The level of charge was set at \$45 per tonne of waste.

5. The Regulation was opposed by the waste collection trade because the proposed charging arrangement would not only give rise to cash flow and bad debt problems, but also was at variance with the trade practice of the construction waste haulers who were paid by their clients on a vehicle-load basis. In June 1995, a landfill blockade was staged by some trade associations as a move to protest against the scheme. The blockade ended with the Administration undertaking not to implement landfill charging before reaching an agreement with the trade. It also resulted in the amendment of the Regulation to enable landfill users to pay the charge by tonnage as well as by vehicle load.

### **Charging arrangements**

6. While there is general support for the polluter-pays principle, views on the actual charging arrangements are mixed. Green groups and some members have indicated preference for a higher levy whereas the private sector, particularly the construction industry, are concerned about the possible burden on businesses. There have also been suggestions that the Administration should not rely on charging alone to achieve the objectives of waste reduction and recycling. On the method of charging, the construction waste collectors is strongly opposed to the per-tonne system and the use of pre-paid tickets as this would cause serious cashflow and bad debt problems to the trade if they have to pay the landfill charge in advance but fail to get reimbursement from their clients. Their views are that instead of requiring those who deliver the waste to pay the charge, consideration should be given to charging the waste producers direct.

7. Since the 1995 landfill blockade, many rounds of meetings between the Administration and the relevant trade associations had been held in an attempt to arrive at an acceptable charging arrangement. After almost two years of negotiation, a revised proposal allowing users to choose among the following three charging options were put forward for consultation with the trade –

- (a) the prepaid ticket system for ad hoc landfill users;
- (b) the chit-based account system for construction waste haulers; and
- (c) the vehicle registration mark-based account billing system for commercial/industrial waste haulers, i.e., charges levied directly on the waste producer.

Feedback from the Administration indicates that the concern on bad debts remain unresolved as the Government is not able to underwrite any commercial bad debts using public funds. Direct charging of waste producers is also considered not

feasible in many cases, particularly for commercial/industrial wastes which frequently involve collection of waste from many waste producers at the same multi-storey building. There is also concern over the security deposit requirement for account opening and cash flow problems.

8. In the light of concerns of the construction industry and waste haulers, the Administration put forward a further revised arrangement, as follows -

- (a) charging all C&D waste at around \$125 tonne so as to recover fully the capital and recurrent costs of the three existing landfills;
- (b) exempting all construction contracts that have already commenced and/or that were signed before the implementation of the scheme;
- (c) establishing a direct settlement system so that major C&D waste producers would pay the landfill charge direct to the Government, thereby obviating the need for waste haulers to collect/handle such a charge; and
- (d) charging waste haulers for wastes arising from ad hoc renovation works as there are no effective means to extend the direct settlement system to small C&D waste producers.

The revised arrangement was discussed by the Environmental Affairs Panel on 25 February, 27 May and 24 June 2002 and deputations were invited to express their views at the last meeting. It was noted that despite the Administration's proposals, such as billing waste haulers on a monthly basis, offering them a credit period and waiving the requirement for security deposit, to allay the concern on cash flow problems, waste haulers remained opposed to any form of participation in the Scheme. They have counter-proposed that the direct settlement system be extended to all waste producers, including developers, contractors as well as property management companies, and that payment should be made via a chit system to be settled monthly. For minor works, payment should be borne by the waste producers concerned through the respective management companies. In this way, landfill charges can be settled in an administratively simple manner without the need to involve waste haulers.

9. While agreeing that measures should be worked out to address the concern of waste haulers, members of the Panel consider that this should not delay the implementation of the Landfill Charging Scheme, which is also the concern of the Public Accounts Committee. Given that the subject has been dragged on for a long time, they consider it necessary for the Administration to finalize an early agreement with the trade associations on the proposed charging arrangement so that the Landfill Charging Scheme can be put in place as soon as possible.