

**Subcommittee on
Waste Disposal (Designated Waste Disposal Facility)
(Amendment) Regulation 2004 and
Waste Disposal (Charges for Disposal of Construction) Waste Regulation**

**List of follow-up actions arising from the discussion
at the meeting on 12 November 2004**

Please find Administration's response as follows: -

	Views expressed by Members	Administration's Response
(1)	To keep the level of the daily fine for failure of main contractors to apply for billing accounts under review to ensure that it was sufficient to deter non-compliance. The Administration to also provide a progress report on the level of compliance after the charging scheme had been implemented for six months.	The Administration will keep the level of the daily fine for failure of main contractors to apply for billing accounts under review and will provide a progress report on the level of compliance after the charging scheme had been implemented for six months.
(2)	To ensure that there were clear and objective guidelines on the conditions to be imposed by the Director of Environmental Protection on approving an application to establish a billing account. To also consider revoking billing accounts only for repeated breach of conditions.	The Administration will ensure that there will be clear and objective guidelines on the conditions to be imposed by the Director of Environmental Protection (DEP) on approving an application to establish a billing account. DEP will be very cautious in considering whether a billing account should be revoked.
(3)	To provide a paper explaining the policy intent and operation of the proposed deposit for a billing account.	A paper has been prepared and enclosed.

22 November 2004

Environment, Transport and Works Bureau

**Subcommittee on
Waste Disposal (Designated Waste Disposal Facility)
(Amendment) Regulation 2004 and
Waste Disposal (Charges for Disposal of Construction Waste) Regulation**

Deposit arrangement for the Construction Waste Disposal Charging Scheme

Purpose

This paper sets out the proposed deposit arrangement for the Construction Waste Disposal Charging Scheme.

Background

2. We originally proposed that construction waste disposal charges could be paid by means of on-site payment or through billing accounts. During the scrutiny of the Waste Disposal (Amendment) (No. 2) Bill 2003 in the last legislative session, waste haulers raised grave concern over possible cashflow and bad debt problems if the charges were paid on-site and Members also advised us to review the payment arrangements. Following thorough consultation and discussion with parties concerned, we reached consensus on revising the charging arrangements by removing on-site payment and requiring all charges to be paid through billing accounts. As such payments through billing accounts are on credit for services already provided for, a deposit is required for each billing account as a measure against non-payment to safeguard public revenue.

Deposit arrangement

3. Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, a main contractor who undertakes construction work valued \$1 million or above must apply to the Director of Environmental Protection within 21 days after being awarded the project for a billing account solely in respect of such project. No deposit will be required when the account is set up. Prior to disposal of construction waste, the account holder has to apply

for chits as a means of recording and identification of billing account for the disposal of construction waste at waste facilities by his appointed waste hauler(s). When the account holder applies for the chits, the Director may require him to pay a deposit of an amount specified by the Director.

4. The above arrangement is similar to how the Water Supplies Department (WSD) charges for water supply service for different trades. Therefore in devising the deposit arrangement, we have made reference to the arrangement adopted for water supply to trades.

5. The deposit for the provision of water supplies varies from trade to trade, with a minimum of \$1,000. The principle is to cover the water charges of two billing periods. If the deposit is insufficient to cover the recent consumption pattern of two billing periods, the registered consumer will be required to pay an additional water deposit.

6. Since the quantities of construction waste to be disposed of by different account holders will vary significantly, it is not possible to predetermine a fixed deposit level. Unlike water charges which can be determined according to metre reading, there is no way to predetermine usage until construction waste has actually been deposited at waste disposal facilities. We have therefore proposed that the amount of deposit be determined according to the number of chits required by an account holder as each chit will enable one carload of waste to be deposited and charged to the holder's account. The number of chits an account holder applies for is therefore indicative of the volume of waste that needs to be disposed of. We propose that the deposit should be set at \$350 for every chit applied for. \$350 is the average of the median pay loads at the three types of waste disposal facilities. The calculation is at Annex.

The Payment Cycle

7. Under the Regulation, the Director shall issue to an account holder a notice of demand for payment specifying the amount of disposal charges incurred by him on that account. The account holder will be allowed 30 days from the date of the notice to make payment. If the account holder fails to make payment as required, he is liable to pay a 5% surcharge and he shall pay to the Director the unpaid charges and the surcharge within 14 days. Should the payment remain unsettled after that 14 days, the Director may suspend the account concerned. A

final notice will be issued to the account holder notifying him that the account will be revoked if the bill is not settled within 14 days of the final notice. Upon expiry of the 14 days, the Director may revoke the account if the bill remains unsettled. The outstanding balance will be deducted from the deposit and any deficit to be recovered as a civil debt.

8. With such a long credit period, the deposit required should be of a reasonable amount sufficient to serve as security covering the waste disposal services provided in advance and where instant payment was not made at the point of provision of service. Deposit levels will be reviewed from time to time and adjusted according to the volume of waste to be disposed of as indicated by the number of chits applied for and outstanding balance. Therefore, an account holder who manages the account in such a manner that he settles outstanding payments more frequently would not require a high deposit.

Environment, Transport and Works Bureau
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Calculation of deposit amount for each chit

Median vehicle load at Public Fill Reception Area (PFA) = 11.54 tonnes

Median vehicle load at landfill = 3.96 tonnes

Estimated Median vehicle load at sorting facilities = $(11.54 + 3.96)/2 = 7.75$ tonnes

Assuming the distribution of Construction Waste after implementation of charging are

80% to PFA

10% to Sorting Plant

10% to Landfill

Weighted average charge for one vehicle load:

PFA	$11.54 \times \$27 \times 0.8$	= \$249
Sorting Facility	$7.75 \times \$100 \times 0.1$	= \$ 78
Landfill	$3.96 \times \$125 \times 0.1$	= <u>\$ 50</u>
	Total	= \$377
	say,	= <u>\$350</u>