For information
on 19 June 2008

Legislative Council

House Committee Subcommittee on the
Sewage Services (Trade Effluent Surcharge) (Amendment) Regulation 2008

Follow-up action arising from the discussions
at the meeting on 19 June 2008

Purpose

Members of the Subcommittee on the Sewage Services (Trade Effluent Surcharge) (Amendment) Regulation 2008 requested the Administration to provide a comparison on the existing and new trade effluent surcharge (TES) rate matrices at the meeting held on 17 June 2008. This paper seeks to provide the information requested.

The Purpose of the Sewage Services (Trade Effluent Surcharge) (Amendment) Regulation 2008

2. As set out in the Legislative Council Brief of 9 May 2008, the purpose of the Sewage Services (Trade Effluent Surcharge) (Amendment) Regulation 2008 is to revise the chemical oxygen demand (COD) values and the trade effluent surcharge (TES) rates in accordance with the results of the trade effluent survey with a view to achieving 100% operating cost recovery for the TES by 2009-10. The current cost recovery rate is about 84%. With the complete implementation of the revision proposal in two phases, our projected cost recovery rate for 2008-09 and 2009-10 would be 93% and 100% respectively.

Review of the TES Rates for the Trades

3. The Administration completed a trade-specific effluent survey of all 30 TES trades at the end of 2007. The Drainage Services Department (DSD) then started reviewing the TES scheme having regard to the policy objectives, i.e. polluter-pays principle and the recovery of full relevant operating cost. The TES rates for the trades were revised according to the following two factors –

(a)   the need to recover 100% operating costs in 2009-10; and
(b)   the new generic COD value applicable to a particular trade.

4. The combined results of the application of the above two factors are that 13 trades (representing about 92% of all the TES accounts) will enjoy a reduction in the TES rates, while the rates for 14 trades (representing about 8% of all the TES accounts) will be subject to an increase in the TES rates.

The TES Rate Matrices for Reassessment Application

5.   The TES rate matrices, which are used for determining a TES rate of a consumer or agent as a result of an application for reassessment under the Sewage Services (Trade Effluent Surcharge) Regulation (Cap 463 Sub Leg B), have also been revised in order to reflect the need to recover 100% operating costs.   The matrices are used for applications for reassessment of the TES rates by all specified TES trades.

6.   Using the same COD levels, the rates in the first new matrix, which is for 2008-09, are 9.2% higher than the rates in the original matrix.   The rates in the second new matrix, which is for 2009-10 onwards, are 9.2% higher than the rates in the first new matrix, giving a total of 19.2% higher than the original matrix.

7.   The new matrices in effect show the charging rates with respect to the COD values, regardless of the trades.   In order to achieve the policy target of full recovery, these charging rates need to be increased.   In fact, these new matrices, the new generic COD values and the new TES rates are all consistent with each other.

8.   It must be emphasised that for those existing accounts that are enjoying the reassessed TES rates based on the original matrices, their currently reassessed TES rates will continue to apply until the expiry of their validity period.   Under the latest Government's proposal, their validity will be further extended by one year automatically.   The increase in TES rates will only kick in when they renew their applications.   Even though there is an increase in TES rates, any reduction in COD levels as a result of the pollution control efforts by the operators may reduce their new reassessed TES rates when they renew their applications.

9.   Should the new matrices be repealed and the existing matrix continues to apply, there will be inconsistencies between the charging level embodied in the new generic TES rates and that in those TES rates determined through reassessments.   It will run against the policy of full recovery of the operating costs and the polluter pays principle.   The economic incentive to encourage improvement in pollution control would be undermined.

10.   A comparison on the existing and new TES rate matrices is at **Annex**.

Environmental Protection Department
Drainage Services Department
18 June 2008

COD(s) (g/m³) — vertical axis; COD(t-s) (g/m³) — horizontal axis

Each cell shows: Existing rate / Rate wef 1.8.08 (increase over existing) / Rate wef 1.8.09 (increase over 2008-09 rate)

COD(s) \ COD(t-s)	0	100	130	160	200	250	320	400	500	630	790	1000	1260	1580	2000
2000	$3.78 / $4.13 9.2% / $4.51 9.2%														
1580	$2.82 / $3.08 9.2% / $3.36 9.2%	$2.82 / $3.08 9.2% / $3.36 9.2%	$2.82 / $3.08 9.2% / $3.36 9.2%	$2.86 / $3.12 9.2% / $3.41 9.2%	$3.06 / $3.34 9.2% / $3.65 9.2%	$3.30 / $3.60 9.2% / $3.94 9.2%	$3.63 / $3.96 9.2% / $4.33 9.2%	$4.02 / $4.39 9.2% / $4.79 9.2%							
1260	$2.08 / $2.27 9.2% / $2.48 9.2%	$2.08 / $2.27 9.2% / $2.48 9.2%	$2.08 / $2.27 9.2% / $2.48 9.2%	$2.13 / $2.33 9.2% / $2.54 9.2%	$2.32 / $2.53 9.2% / $2.77 9.2%	$2.56 / $2.80 9.2% / $3.05 9.2%	$2.90 / $3.17 9.2% / $3.46 9.2%	$3.29 / $3.59 9.2% / $3.92 9.2%	$3.77 / $4.12 9.2% / $4.50 9.2%	$4.39 / $4.79 9.2% / $5.23 9.2%					
1000	$1.49 / $1.63 9.2% / $1.78 9.2%	$1.49 / $1.63 9.2% / $1.78 9.2%	$1.49 / $1.63 9.2% / $1.78 9.2%	$1.54 / $1.68 9.2% / $1.84 9.2%	$1.73 / $1.89 9.2% / $2.06 9.2%	$1.97 / $2.15 9.2% / $2.35 9.2%	$2.31 / $2.52 9.2% / $2.75 9.2%	$2.69 / $2.94 9.2% / $3.21 9.2%	$3.17 / $3.46 9.2% / $3.78 9.2%	$3.80 / $4.15 9.2% / $4.53 9.2%	$4.57 / $4.99 9.2% / $5.45 9.2%	$5.58 / $6.09 9.2% / $6.65 9.2%			
790	$1.01 / $1.10 9.2% / $1.20 9.2%	$1.01 / $1.10 9.2% / $1.20 9.2%	$1.01 / $1.10 9.2% / $1.20 9.2%	$1.06 / $1.16 9.2% / $1.26 9.2%	$1.25 / $1.37 9.2% / $1.49 9.2%	$1.49 / $1.63 9.2% / $1.78 9.2%	$1.83 / $2.00 9.2% / $2.18 9.2%	$2.21 / $2.41 9.2% / $2.64 9.2%	$2.69 / $2.94 9.2% / $3.21 9.2%	$3.32 / $3.63 9.2% / $3.96 9.2%	$4.09 / $4.47 9.2% / $4.88 9.2%	$5.10 / $5.57 9.2% / $6.08 9.2%			
630	$0.64 / $0.70 9.2% / $0.76 9.2%	$0.64 / $0.70 9.2% / $0.76 9.2%	$0.64 / $0.70 9.2% / $0.76 9.2%	$0.69 / $0.75 9.2% / $0.82 9.2%	$0.88 / $0.96 9.2% / $1.05 9.2%	$1.12 / $1.22 9.2% / $1.34 9.2%	$1.46 / $1.59 9.2% / $1.74 9.2%	$1.84 / $2.01 9.2% / $2.19 9.2%	$2.32 / $2.53 9.2% / $2.77 9.2%	$2.95 / $3.22 9.2% / $3.52 9.2%	$3.72 / $4.06 9.2% / $4.44 9.2%	$4.73 / $5.17 9.2% / $5.64 9.2%	$5.98 / $6.53 9.2% / $7.13 9.2%		
500	$0.34 / $0.37 9.2% / $0.41 9.2%	$0.34 / $0.37 9.2% / $0.41 9.2%	$0.34 / $0.37 9.2% / $0.41 9.2%	$0.39 / $0.43 9.2% / $0.47 9.2%	$0.58 / $0.63 9.2% / $0.69 9.2%	$0.82 / $0.90 9.2% / $0.98 9.2%	$1.16 / $1.27 9.2% / $1.38 9.2%	$1.55 / $1.69 9.2% / $1.85 9.2%	$2.03 / $2.22 9.2% / $2.42 9.2%	$2.65 / $2.89 9.2% / $3.16 9.2%	$3.42 / $3.73 9.2% / $4.08 9.2%	$4.43 / $4.84 9.2% / $5.28 9.2%	$5.68 / $6.20 9.2% / $6.77 9.2%		
400	$0.11 / $0.12 9.2% / $0.13 9.2%	$0.11 / $0.12 9.2% / $0.13 9.2%	$0.11 / $0.12 9.2% / $0.13 9.2%	$0.16 / $0.17 9.2% / $0.18 9.2%	$0.36 / $0.39 9.2% / $0.43 9.2%	$0.60 / $0.66 9.2% / $0.72 9.2%	$0.93 / $1.02 9.2% / $1.11 9.2%	$1.32 / $1.44 9.2% / $1.57 9.2%	$1.80 / $1.97 9.2% / $2.15 9.2%	$2.42 / $2.64 9.2% / $2.89 9.2%	$3.19 / $3.48 9.2% / $3.80 9.2%	$4.20 / $4.59 9.2% / $5.01 9.2%	$5.45 / $5.95 9.2% / $6.50 9.2%	$6.99 / $7.63 9.2% / $8.34 9.2%	
320	$0.00 / $0.00 / $0.00	$0.00 / $0.00 / $0.00	$0.00 / $0.00 / $0.00	$0.05 / $0.05 / $0.06 9.2%	$0.24 / $0.26 9.2% / $0.29 9.2%	$0.48 / $0.52 9.2% / $0.57 9.2%	$0.82 / $0.90 9.2% / $0.98 9.2%	$1.20 / $1.31 9.2% / $1.43 9.2%	$1.68 / $1.83 9.2% / $2.00 9.2%	$2.31 / $2.52 9.2% / $2.75 9.2%	$3.08 / $3.36 9.2% / $3.67 9.2%	$4.09 / $4.47 9.2% / $4.88 9.2%	$5.34 / $5.83 9.2% / $6.37 9.2%	$6.88 / $7.51 9.2% / $8.20 9.2%	
250	$0.00 / $0.00 / $0.00	$0.00 / $0.00 / $0.00	$0.00 / $0.00 / $0.00	$0.05 / $0.05 / $0.06 9.2%	$0.24 / $0.26 9.2% / $0.29 9.2%	$0.48 / $0.52 9.2% / $0.57 9.2%	$0.82 / $0.90 9.2% / $0.98 9.2%	$1.20 / $1.31 9.2% / $1.43 9.2%	$1.68 / $1.83 9.2% / $2.00 9.2%	$2.31 / $2.52 9.2% / $2.75 9.2%	$3.08 / $3.36 9.2% / $3.67 9.2%	$4.09 / $4.47 9.2% / $4.88 9.2%	$5.34 / $5.83 9.2% / $6.37 9.2%	$6.88 / $7.51 9.2% / $8.20 9.2%	
200	$0.00 / $0.00 / $0.00	$0.00 / $0.00 / $0.00	$0.00 / $0.00 / $0.00	$0.05 / $0.05 / $0.06 9.2%	$0.24 / $0.26 9.2% / $0.29 9.2%	$0.48 / $0.52 9.2% / $0.57 9.2%	$0.82 / $0.90 9.2% / $0.98 9.2%	$1.20 / $1.31 9.2% / $1.43 9.2%	$1.68 / $1.83 9.2% / $2.00 9.2%	$2.31 / $2.52 9.2% / $2.75 9.2%	$3.08 / $3.36 9.2% / $3.67 9.2%	$4.09 / $4.47 9.2% / $4.88 9.2%	$5.34 / $5.83 9.2% / $6.37 9.2%	$6.88 / $7.51 9.2% / $8.20 9.2%	
160	$0.00 / $0.00 / $0.00	$0.00 / $0.00 / $0.00	$0.00 / $0.00 / $0.00	$0.05 / $0.05 / $0.06 9.2%	$0.24 / $0.26 9.2% / $0.29 9.2%	$0.48 / $0.52 9.2% / $0.57 9.2%	$0.82 / $0.90 9.2% / $0.98 9.2%	$1.20 / $1.31 9.2% / $1.43 9.2%	$1.68 / $1.83 9.2% / $2.00 9.2%	$2.31 / $2.52 9.2% / $2.75 9.2%	$3.08 / $3.36 9.2% / $3.67 9.2%	$4.09 / $4.47 9.2% / $4.88 9.2%	$5.34 / $5.83 9.2% / $6.37 9.2%	$6.88 / $7.51 9.2% / $8.20 9.2%	
130	$0.00 / $0.00 / $0.00	$0.00 / $0.00 / $0.00	$0.00 / $0.00 / $0.00	$0.05 / $0.05 / $0.06 9.2%	$0.24 / $0.26 9.2% / $0.29 9.2%	$0.48 / $0.52 9.2% / $0.57 9.2%	$0.82 / $0.90 9.2% / $0.98 9.2%	$1.20 / $1.31 9.2% / $1.43 9.2%	$1.68 / $1.83 9.2% / $2.00 9.2%	$2.31 / $2.52 9.2% / $2.75 9.2%	$3.08 / $3.36 9.2% / $3.67 9.2%	$4.09 / $4.47 9.2% / $4.88 9.2%	$5.34 / $5.83 9.2% / $6.37 9.2%	$6.88 / $7.51 9.2% / $8.20 9.2%	
100	$0.00 / $0.00 / $0.00	$0.00 / $0.00 / $0.00	$0.00 / $0.00 / $0.00	$0.05 / $0.05 / $0.06 9.2%	$0.24 / $0.26 9.2% / $0.29 9.2%	$0.48 / $0.52 9.2% / $0.57 9.2%	$0.82 / $0.90 9.2% / $0.98 9.2%	$1.20 / $1.31 9.2% / $1.43 9.2%	$1.68 / $1.83 9.2% / $2.00 9.2%	$2.31 / $2.52 9.2% / $2.75 9.2%	$3.08 / $3.36 9.2% / $3.67 9.2%	$4.09 / $4.47 9.2% / $4.88 9.2%	$5.34 / $5.83 9.2% / $6.37 9.2%	$6.88 / $7.51 9.2% / $8.20 9.2%	
0	$0.00 / $0.00 / $0.00	$0.00 / $0.00 / $0.00	$0.00 / $0.00 / $0.00	$0.05 / $0.05 / $0.06 9.2%	$0.24 / $0.26 9.2% / $0.29 9.2%	$0.48 / $0.52 9.2% / $0.57 9.2%	$0.82 / $0.90 9.2% / $0.98 9.2%	$1.20 / $1.31 9.2% / $1.43 9.2%	$1.68 / $1.83 9.2% / $2.00 9.2%	$2.31 / $2.52 9.2% / $2.75 9.2%	$3.08 / $3.36 9.2% / $3.67 9.2%	$4.09 / $4.47 9.2% / $4.88 9.2%	$5.34 / $5.83 9.2% / $6.37 9.2%	$6.88 / $7.51 9.2% / $8.20 9.2%	$8.90 / $9.72 9.2% / $10.61 9.2%

COD(t-s) (g/m³)

LEGEND

Existing rate ← COD(s) (g/m³) 0

	$3.78	→ Rate of increase over existing rate
Rate wef 1.8.08 ← 2000	$4.13	9.2%
Rate wef 1.8.09 ←	$4.51	9.2% → Rate of increase over 2008-09 rate

COD(t-s) (g/m³)