

## **ITEM FOR FINANCE COMMITTEE**

### **HEAD 44 – ENVIRONMENTAL PROTECTION DEPARTMENT**

#### **Subhead 700 General non-recurrent**

**New Item “One-off subsidy for retrofitting refuse collection vehicles to meet the new equipment standards”**

Members are invited to approve the creation of a new commitment of \$18.8 million for providing a one-off subsidy to assist private refuse collection vehicle<sup>1</sup> owners to retrofit their vehicles for meeting the new equipment standards.

### **PROBLEM**

To enhance the environmental performance of our waste collection system, the Government will introduce legislative amendments to require all refuse collection vehicles (RCVs) used for delivering waste to landfills, refuse transfer stations and any other new designated waste disposal facilities to be equipped with a metal tailgate cover and a waste water sump tank for more effective avoidance of nuisance arising from their operations.

### **PROPOSAL**

2. The Director of Environmental Protection, with the support of the Secretary for the Environment, proposes to create a new commitment of \$18.8 million for providing a one-off subsidy to assist private RCV owners to retrofit their vehicles for meeting the new equipment standards.

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<sup>1</sup> In general, a refuse collection vehicle is a medium or heavy goods vehicle which is equipped with a loading device to load garbage from collection bins and a rear compactor to reduce waste volume.

3. Subject to funding approval by this Committee, a one-off subsidy scheme will be implemented for a limited period of time in the run up to the commencement of the new statutory requirements on RCV equipment standards. We aim to roll out the scheme in January 2014 and complete the retrofitting work of all existing private RCVs within 2014-15.

## **JUSTIFICATION**

### **Proposed One-off Subsidy Scheme**

4. RCVs equipped with a rear compactor compartment are widely used by the Food and Environmental Hygiene Department (FEHD) and private waste haulers for collection of municipal solid waste from street-level, residential and business premises for delivery to refuse transfer stations or landfills.

5. RCVs are often subject of complaints for causing environmental hygiene problems such as odour nuisance, dripping of leachate and spattering of waste. There have also been prevalent public calls for full enclosure of RCVs. Having regard to the environmental and public concerns, the Government has decided to amend the Waste Disposal (Designated Waste Disposal Facility) Regulation (Cap. 354L) to mandate that all RCVs used for delivering waste to landfills, refuse transfer stations and any other new designated waste disposal facilities must be equipped with a metal tailgate cover and a waste water sump tank. We plan to table the proposed legislative amendments at the Legislative Council for negative vetting by the end of 2013. Following the enactment of the amendments, we will separately appoint the commencement date of the amended regulation by notice in the Gazette taking into account the progress of retrofitting works.

6. At present, there are some 530 RCVs in Hong Kong of which 150 are government vehicles operated by FEHD and the remaining 380 are private RCVs engaged in FEHD's refuse collection contracts or serving private clients. Whilst all of FEHD's RCVs and most of its contractors' RCVs are already equipped with tailgate cover and waste water sump tanks, most of the other private RCVs have yet to be similarly retrofitted to meet the proposed equipment standards. To help the waste collection trade to meet the more stringent equipment standards of RCVs with a view to abating their environmental nuisance, we propose to launch a one-off subsidy scheme for private RCV owners to retrofit their vehicles with tailgate covers and waste water sump tanks.

7. To ensure smooth running of the proposed one-off subsidy scheme, the Environmental Protection Department (EPD) launched a pilot scheme in August 2013 for around 10% of the 270 private RCVs which have yet to meet the proposed equipment standards to test out various technical aspects of the retrofitting process. The pilot scheme has so far confirmed that it is technically feasible to retrofit a tailgate cover and a waste water sump tank to an existing RCV, and that local vehicle workshops are capable of carrying out the retrofitting works. The full-scale subsidy scheme has been drawn up with reference to information and experience from the pilot scheme, including costs and time required for the retrofitting works, number of workshops capable of and interested in carrying out the retrofitting works, and views of RCV owners, etc.

8. Upon completion of the retrofitting works, all RCVs in Hong Kong will be equipped with a tailgate cover to reduce spread of odour and a waste water sump tank to collect and store leachate. This will improve the environmental performance of RCVs during their operations.

### **Major details of the subsidy scheme**

9. The Electrical and Mechanical Services Department (EMSD) provides engineering and technical support for the subsidy scheme including drawing up specifications, reviewing capability of workshops, assessing costs, formulating subsidy levels, examining completed work, etc.

10. The retrofitting work will involve one or a combination of the following items –

- (a) Installation of a metal tailgate cover with powering device at the rear of the vehicle;
- (b) Enlargement of the existing waste water sump tank or installation of a new one for collection of leachate; and
- (c) Improvement works on a RCV already equipped with tailgate cover or sump tank, e.g. installation of additional cover plates or replacement of worn out or broken parts.

11. There will be pre-set ceiling subsidy levels for different combinations of work items, based on the cost assessment by EMSD. The subsidy levels for the proposed scheme which seek to cover the full cost of the relevant work items are summarized as follows –

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Items	Pre-set ceiling subsidy levels	Unit rate assumed for budgeting purpose
(a) Installation of metal tailgate cover plus enlargement/addition of sump tank	Pre-set limits ranging from \$39,900 to \$53,300, depending on the combination of work items.	\$50,000
(b) Improvement works/ replacement of worn out or broken parts	Pre-set limit ranging from \$5,500 to \$34,300, depending on the work items.	\$20,000

### **Implementation arrangements**

12. Subject to the funding approval of this Committee, we intend to take forward the proposed full-scale subsidy scheme as follows –

- (a) We plan to roll out the subsidy scheme in January 2014. Subject to further consultation with the trade, we plan to set a nine-month subsidy application period from January to September 2014.
- (b) The RCV owner has to submit a retrofitting application with the proposed design and preferred retrofitting workshop to EPD. The proposed design of retrofitting works and the workshop have to be approved by EMSD before commencement of the retrofitting works. The completed retrofitting work will have to be examined and certified by EMSD to ensure compliance with the functional requirement before payment of the subsidy.
- (c) The subsidy, subject to the pre-set ceiling level, will be paid directly to the retrofitting workshop to meet the actual cost of the retrofitting work to ensure that the allocated resources would be channelled to their intended purposes.
- (d) A one-year all-inclusive warranty for the retrofitting work will be provided by the workshops to the RCV owners. The RCV owners have to liaise with the workshops to make arrangements for the follow-up and maintenance of the finished retrofitting work. The RCV owners will also be responsible for future maintenance and the associated costs upon expiry of the warranty period.

## FINANCIAL IMPLICATIONS

### Non-recurrent Cost

13. The estimated total funding for the one-off subsidy scheme is \$18.8 million which comprises the following components –

- (a) retrofitting cost of \$13.5 million, on the assumption that about 270 private RCV owners would apply for the one-off subsidy to retrofit their vehicles with tailgate covers and sump tanks and that the average cost of retrofitting work for each vehicle is around \$50,000;
- (b) around \$1.2 million for one-off improvement works or replacement of worn out or broken parts of about 60 (out of 110) private RCVs already equipped with tailgate covers and sump tanks on a one-off basis;
- (c) administration and supervision fee of \$2.35 million for the Electrical and Mechanical Services Trading Fund (EMSTF); and
- (d) 10% contingency provision of \$1.705 million to cater for variation in estimated number of participating RCVs and the estimated costs<sup>2</sup>. A breakdown is provided in the Enclosure.

Encl.

14. We plan to start inviting subsidy applications from RCV owners in January 2014. The actual cashflow requirement will depend on the number of eligible RCV owners participating in the scheme. For planning and budgetary purpose, assuming that 10% of the eligible applicants will have their retrofitting work completed in 2013-14 and the rest in 2014-15, the estimated cashflow will be as follows –

Financial year	(\$ million)
2013-14	1.7
2014-15	17.1
<b>Total</b>	<b>18.8</b>

### Recurrent Cost

15. The proposal has no additional recurrent financial implications. EPD will oversee the retrofitting programme with existing staff resources.

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<sup>2</sup> The number of RCVs requiring the more expensive types of retrofitting works is uncertain.

## PUBLIC CONSULTATION

16. We briefed the waste collection trade and they welcome the proposal to subsidize the retrofitting cost of their RCVs. We also consulted the Panel on Environmental Affairs (the Panel) on the proposal as part of the Waste Diversion Plan on 28 October 2013. The Panel supported our proposal to seek funding approval from this Committee for the one-off subsidy scheme to assist private RCV owners to retrofit their vehicles.

## BACKGROUND

17. At present, many private RCVs do not have the adequate devices to avoid such nuisance as odour, leachate dripping or waste spattering during their operation. The Government is committed to taking pro-active measures for more effective avoidance of nuisance arising from RCVs and has been encouraging owners of private RCVs to equip their vehicles with a metal tailgate cover and a waste water sump tank.

18. Starting from 2011, the refuse collection service contracts of FEHD required the contractors to use RCVs equipped with a metal tailgate cover and a waste water sump tank. In 2012, EPD in collaboration with relevant government departments and the trade prepared a “Code of Practice on the Operation of Refuse Collection Vehicles” (CoP) aiming to provide general guidelines in respect of environmental hygiene and safety for the waste disposal trade and practitioners to observe on a voluntary basis. In the CoP, it is stipulated that when procuring new RCVs, a waste disposal operator should purchase fully-enclosed RCVs equipped with metal tailgate cover and waste water sump tank and if the waste disposal operator has no plan to replace the existing open-type RCVs with fully-enclosed ones in the near future, he should retrofit them with metal tailgate cover and waste water sump tank.

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**Breakdown of Funding Sought for the Subsidy Scheme for  
Retrofitting Refuse Collection Vehicles to  
Meet the New Equipment Standards**

<b>Item</b>	<b>No. of RCVs</b>	<b>Unit Rate (\$)</b>	<b>Sub-total (\$)</b>
(a) Installation of metal tailgate cover plus Enlargement/addition of sump tank	270	50,000 <sup>(1)</sup>	13,500,000
(b) Improvement works/replacement of worn out or broken parts	60	20,000 <sup>(2)</sup>	1,200,000
(c) EMSTF administration and supervision fee (including fee for the consultant employed by EMSD)	-	-	2,350,000
		<b>Sub-Total</b>	<b>17,050,000</b>
(d) 10% Contingency			1,705,000
		<b>Grand-Total</b>	<b>18,755,000</b> say <b>18,800,000</b>

Notes:

- (1) The actual subsidy rate is subject to a pre-set limit ranging from \$39,900 to \$53,300, depending on the combination of work items. For budgeting purpose, a unit rate of \$50,000 is assumed.
- (2) The actual subsidy rate is subject to a pre-set limit ranging from \$5,500 to \$34,300, depending on the work items. For budgeting purpose, a unit rate of \$20,000 is assumed.