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Panel on Environmental Affairs

Special meeting on 29 May 2017

**Updated background brief on
introduction of municipal solid waste charging in Hong Kong
prepared by the Legislative Council Secretariat**

Purpose

This paper provides updated background information on the introduction of municipal solid waste ("MSW") charging in Hong Kong. It also gives a brief account of the views and concerns expressed by Members when the subject was discussed by relevant committees of the Legislative Council ("LegCo").

Background

Municipal solid waste disposal and collection

2. MSW comprises domestic, commercial and industrial solid waste, and excludes construction and demolition waste, chemical waste and other special waste. According to the waste statistics published by the Environmental Protection Department ("EPD"), 15 102 tonnes of solid waste were landfilled each day in 2015, of which around 67% (10 159 tonnes) were MSW.¹

3. At present, the Food and Environmental Hygiene Department ("FEHD") and its contractors manage a fleet of about 250 refuse collection vehicles to provide direct waste collection services for most residential buildings managed by property management companies, including public housing estates and various institutional premises. Waste collected from these sources is conveyed

¹ See "Monitoring of Solid Waste in Hong Kong – Waste Statistics for 2015":
<https://www.wastereduction.gov.hk/sites/default/files/msw2015.pdf>.

to landfills or refuse transfer stations ("RTSs") without any charges levied on the waste producers. Commercial and industrial establishments are not serviced by FEHD. Their waste, as well as that of some residential buildings, is collected and delivered to landfills or RTSs by private waste collectors. A charge is payable by private waste collectors for MSW delivered to RTSs.²

Public engagement exercises on municipal solid waste charging

4. Based on the findings of a public consultation in 2012, the Administration affirmed that quantity-based MSW charging should be the broad direction in pursuing MSW reduction. The Council for Sustainable Development ("SDC") subsequently conducted a second-stage public engagement exercise on the implementation framework of MSW charging in 2013.³ In its report, SDC recommended that (a) for equity and in line with the "polluter pays" principle, MSW charging should be implemented across the board for all sectors in one go; (b) the charging mechanism should be built upon the existing MSW collection and disposal system so as to minimize adverse impacts on environmental hygiene; and (c) the level of charges should be directly related to the quantity of waste disposed of by MSW producers.

Proposed implementation arrangements

Implementation framework

5. Based on SDC's recommendations, the Administration has adopted the following implementation framework for MSW charging:

- (a) for MSW disposal through FEHD's direct collection service, the ultimate goal is to implement charging "by household using pre-paid designated garbage bags";
- (b) as some residential buildings using FEHD's direct collection service may require time for residents to reach a consensus on the implementation details of waste charging, a transitional period will

² The charge, currently in the range of \$30 - \$110 per tonne, was originally imposed to enable the Government to recover at least the marginal cost for handling waste delivered to RTSs by private waste collectors. Other than that, no charge is required for MSW disposed of at landfills. Separately, individual charging schemes are in place for the disposal of chemical waste, construction waste and clinical waste in Hong Kong.

³ SDC was established by the Chief Executive as a forum for exchanging views on key issues related to Hong Kong's long-term sustainability. Members of SDC are appointed by the Chief Executive and include people with experience and expertise in the environmental, social and business sectors, as well as senior government officials.

be provided during which these residential buildings will be allowed to adopt a charging mechanism on the basis of "by volume of waste disposed of by the building";

- (c) for residential buildings and village houses not covered by FEHD's direct collection service, residents must use designated garbage bags for disposing of MSW at refuse collection points; and
- (d) for MSW disposal through private waste collectors, a gate fee based on the weight of waste disposed of will apply at landfills and RTSs.

Charging levels and charging arrangements

6. For charging by designated garbage bags, the Administration proposes to set the per-litre charge at \$0.11 in the first three years of implementation.⁴ The charging level will be reviewed thereafter to ensure its effectiveness in achieving waste reduction. The Administration also proposes that the designated garbage bags be of nine different sizes from 3-litre up to 100-litre to cater for the needs of different users. For oversized waste that cannot be wrapped into a garbage bag, an oversized waste label will be provided at a uniform rate of \$11 per label.⁵

7. During a three-year transitional period after commencement of MSW charging, residential buildings can choose to adopt a charging mechanism based on the number of waste collection bins collected by FEHD's waste collection fleet, and pay MSW charges on a monthly basis according to the total number of bin tippings.⁶ To encourage early migration to charging by designated garbage bags, the Administration proposes that the per-bin charge level be 30%, 40% and 60% higher than that of designated garbage bags (\$0.11 per litre) in the beginning of the first, second and third year of implementation respectively.⁷

⁴ At this price level, if a three-member household uses a 15-litre designated garbage bag for daily disposal of MSW, it will have to pay around \$1.7 per day.

⁵ The charging rate is projected to the 2019-2020 price level when MSW charging is planned to be implemented.

⁶ Registration for bin-counting shall be open six months before the implementation of MSW charging and throughout the transitional period. Residential buildings can apply to the Government for installation of tags onto their waste collection bins for identification and billing purposes. A one-off per-bin tag affixing charge at \$170 will be imposed on a full cost recovery basis.

8. For MSW disposal through private waste collectors, the Administration proposes that the gate fee be set at \$395 per tonne at the four urban RTSs and North West New Territories Transfer Station, and \$365 per tonne at other RTSs and landfills, on a full cost recovery basis projected to the 2019-2020 price level.⁸ A hybrid registration system is proposed under which both private waste collectors and waste producers can be registered as account holders for paying the gate fee.⁹

Enforcement

9. The Administration intends to put in place a six-month phasing-in period after commencement of MSW charging. During this period, frontline staff of FEHD at waste reception points will conduct visual screening, and reject any waste that has not been properly wrapped in designated garbage bags or attached with oversized waste labels. Warnings will be issued in non-compliant cases and enforcement actions will be taken if necessary. After the phasing-in period, strict enforcement actions will be taken. Frontline staff of FEHD will continue with the visual screening at the waste reception points and reject non-compliant waste. EPD and FEHD will, based on complaints and reports on non-compliance, conduct surveillance and enforcement actions at different waste reception points. Fixed penalty tickets at \$1,500 each will be issued to offenders intercepted on the spots, and prosecution by way of summons will be taken against serious and repeated offenders.

Director of Audit's Report No. 65

10. In October 2015, the Director of Audit completed a review of the Administration's efforts in managing MSW, and the relevant report was published in the Director of Audit's Report No. 65 ("Audit Report"). The Public Accounts Committee of LegCo noted from the Audit Report that the Administration had failed to meet the original time target for putting in place an MSW charging scheme, and urged for expeditious implementation of the initiative, with a view to meeting the waste reduction targets set out in the "Hong Kong: Blueprint for Sustainable Use of Resources 2013-2022".¹⁰

⁷ This will translate into \$34, \$37 and \$42 for a 240-litre bin, and \$94, \$100 and \$115 for a 660-litre bin for the first three years of implementation respectively, projected to the 2019-2020 price level.

⁸ The gate fee will be maintained at the same level for the first three years of implementation.

⁹ This proposed arrangement aims to address the concerns of private waste collectors about potential cash flow and bad debt problems which may arise if they are required to pay the gate fee upfront, but their clients fail to repay them in time.

¹⁰ Published in May 2013, the "Hong Kong: Blueprint for Sustainable Use of Resources 2013-2022" sets a target of reducing MSW disposal rate by 40% on a per capita basis

Major views and concerns expressed by Members

11. The Panel on Environmental Affairs ("EA Panel") discussed MSW charging with the Administration and SDC at a number of meetings since January 2011. The Establishment Subcommittee and Finance Committee also discussed related issues when they considered a staffing proposal for the implementation of MSW charging on 23 June 2015 and 20 November 2015 respectively. The Public Accounts Committee held two public hearings on 7 and 29 December 2015 to receive evidence on the findings and observations of the Audit Report. The major views and concerns expressed by Members are summarized in the ensuing paragraphs.

Charging by designated garbage bags

Charging level and other incentives to reduce waste

12. Members opined that the MSW charge should be set at a level that was sufficient to drive behavioural change towards waste reduction, and the relevant revenue should be ploughed back to, among other things, assist the development of the recycling industry. There was also a suggestion that the Administration should consider offering additional incentives to individual households, such as rebates in utility charges, based on the amount of waste reduced. Some Members were concerned about the financial impact of MSW charging on low-income families, and considered that concessionary arrangements and relief measures should be worked out for the grassroots.

13. The Administration advised that the data obtained after implementation of the MSW charging scheme could be used to develop further measures to encourage waste reduction by different waste producers. While relief measures were not common in cities that had implemented MSW charging, the Administration would explore ways to relieve the financial impact of the MSW charge on people with financial hardship.

Distribution of designated garbage bags

14. Members enquired whether the public, particularly elderly residents in rural villages, would be able to buy designated garbage bags at convenient locations. The Administration advised that under the current planning, more than 4 000 sales points of designated garbage bags would be set up across the territory, including vending machines in remote areas, during the initial stage of implementation. The Administration would reach out to the rural areas to

publicize MSW charging, including the arrangements for purchase and use of designated garbage bags.

Charging by gate fee

15. Some members' relayed the grave concern of private waste collectors about the potential cash flow and bad debt problems they might face if they were required to pay the gate fee upfront. They enquired if the Administration would consider providing insurance coverage for gate fee payments by private waste collectors. The Administration responded that the proposed gate fee arrangement was recommended by SDC and was commonly adopted in other cities where MSW charging was in place. It was after consultation with private waste collectors that the Administration had proposed the hybrid registration system so as to provide greater flexibility for the trade and their clients to work out the payment arrangements.

Measures to prevent fly-tipping

16. Members expressed concerns about potential aggravation of fly-tipping as a result of MSW charging, and the difficulties faced by property management companies in tackling the problem. They urged the Administration to step up public education on waste reduction and ensure effective enforcement against non-compliance.

17. The Administration responded that it would step up monitoring and enforcement actions against fly-tipping, and would continue to liaise with stakeholders such as property management companies on the operational arrangements to ensure smooth implementation of MSW charging. For instance, EPD and FEHD would conduct surveillance and enforcement actions at different waste reception points and black spots in private buildings based on complaints and reports on non-compliance from frontline cleansing staff, waste collection contractors, property management companies and the public. The Administration would develop a manpower plan covering staff in various departments during the preparation of the legislative proposals.

Offsetting waste charge by corresponding reduction in government rates

18. Some Members considered that as charges for waste collection had already been included in government rates, the rates should be reduced concurrently with the implementation of MSW charging to address the commercial and industrial sector's concern about "double charging". At the meeting on 18 December 2012, EA Panel passed three motions which respectively demanded that, if the Administration was to introduce quantity-based waste charging: (a) the rates should be lowered concurrently to avoid double charging; (b) a phased and progressive charging approach should be adopted and a "free of charge" policy should be adopted in the first phase; and (c) the charging should be based on the "revenue-neutral" principle, and the

charges so collected should be rebated to those users who had succeeded in reducing waste.

19. The Administration responded that government rates were an indirect tax based on the rateable value of properties, and were unrelated to the waste quantity disposed of from the properties or government expenditures on waste collection and disposal. The proposed MSW charge, which was set at a level generally acceptable to the public, could not recover the full costs of providing waste collection and disposal services.

Council questions

20. Hon Vincent FANG and Hon CHAN Hak-kan asked questions relating to the public consultation on MSW charging conducted in 2012 and the pilot scheme on MSW charging conducted in 2014 at the Council meetings of 21 March 2012 and 4 June 2014 respectively. The questions and the Administration's replies are hyperlinked in the **Appendix**.

Recent development

21. At the special meeting on 29 May 2017, EA Panel will receive public views on the proposed implementation arrangements for MSW charging.

Relevant papers

22. A list of relevant papers is set out in the **Appendix**.

Introduction of municipal solid waste charging in Hong Kong

List of relevant papers

Date	Event	Paper
24 January 2011	Meeting of the Panel on Environmental Affairs ("EA Panel")	Legislative Council Brief on "Update on the progress of the key initiatives in the 'Policy Framework for the Management of Municipal Solid Waste (2005-2014)'" issued by the Environment Bureau/Environmental Protection Department on 4 January 2011 (File Ref: EP 86/03/175A) Minutes of meeting (LC Paper No. CB(1)1509/10-11)
19 January 2012	Meeting of EA Panel	Consultation Document on "Strengthening Waste Reduction: Is Waste Charging an Option?" provided by the Administration (LC Paper No. CB(1)819/11-12(01)) Administration's paper on "Public Consultation on Municipal Solid Waste Charging" (LC Paper No. CB(1)855/11-12(05)) Minutes of meeting (LC Paper No. CB(1)1219/11-12)
18 December 2012	Meeting of EA Panel	Administration's paper on "Waste reduction through municipal solid waste charging: way forward" (LC Paper No. CB(1)276/12-13(01)) Minutes of meeting (LC Paper No. CB(1)568/12-13)

Date	Event	Paper
25 November 2013	Meeting of EA Panel	<p>Administration's paper on "Council for Sustainable Development's Public Engagement on Municipal Solid Waste Charging – 'Waste Reduction by Waste Charging. How to Implement?'" (LC Paper No. CB(1)314/13-14(03))</p> <p>Minutes of meeting (LC Paper No. CB(1)772/13-14)</p> <p>Administration's follow-up paper (LC Paper No. CB(1)591/13-14(01))</p>
16 December 2013	Meeting of EA Panel	<p>Minutes of meeting (LC Paper No. CB(1)1103/13-14)</p>
25 February 2015	Meeting of EA Panel	<p>Administration's paper on "Framework proposal for implementation of municipal solid waste charging" (LC Paper No. CB(1)560/14-15(08))</p> <p>Minutes of meeting (LC Paper No. CB(1)726/14-15)</p>
23 June 2015	Meeting of the Establishment Subcommittee	<p>Administration's paper on "Proposed creation of two supernumerary posts of one Administrative Officer Staff Grade B (D3) and one Administrative Officer Staff Grade C (D2) in the Environmental Protection Department for three years with immediate effect upon approval by the Finance Committee to lead a new Waste Management (Special Duties) Division" (EC(2015-16)3)</p> <p>Minutes of meeting (LC Paper No. ESC110/14-15)</p>
20 November 2015	Meetings of the Finance Committee	<p>Minutes of meetings (LC Paper No. FC163/15-16) (LC Paper No. FC164/15-16)</p>

Date	Event	Paper
23 January 2017	Meeting of EA Panel	Administration's paper on "2017 Policy Address – Policy initiatives of Environment Bureau: Environmental protection" (LC Paper No. CB(1)451/16-17(01)) Minutes of meeting (LC Paper No. CB(1)683/16-17)
27 March 2017	Meeting of EA Panel	Administration's paper on "Implementation arrangements for municipal solid waste charging" (LC Paper No. CB(1)697/16-17(01))

Hyperlinks to relevant documents:

Organization	Document
Environment Bureau	Hong Kong Blueprint for Sustainable Use of Resources 2013-2022
Council for Sustainable Development	Invitation for Response Document entitled "Waste Reduction by Waste Charging · How to Implement?" Report on the Public Engagement Process on Municipal Solid Waste Charging

Hyperlinks to relevant Council Questions:

Date	Council Question
21 March 2012	Press release on Council question (oral) raised by Hon Vincent FANG
4 June 2014	Press release on Council question (oral) raised by Hon CHAN Hak-kan