

**For discussion on  
30 October 2017**

**LEGISLATIVE COUNCIL  
PANEL ON ENVIRONMENTAL AFFAIRS**

**Implementation of Municipal Solid Waste Charging**

**Purpose**

This paper sets out the proposed modifications to the implementation arrangements for municipal solid waste (MSW) charging that the Government announced in March 2017 (LC Paper No.CB(1)697/16-17(01)), and our responses to the key comments raised by different stakeholders and the community at large.

**Background**

2. Quantity-based waste charging aims to create financial incentives to drive behavioural changes in waste generation and hence reducing the overall waste disposal. On the basis of majority support revealed in the public consultation completed in 2012, we affirmed the direction of introducing a quantity-based MSW charging system as a key policy tool to achieve waste disposal reduction. Based on the recommendations made by the Council for Sustainable Development (SDC) subsequent to a public engagement process completed in 2014, the Government formulated the proposed implementation arrangements for MSW charging for release in March 2017. On charging mechanism, for MSW collected by Food and Environmental Hygiene Department (FEHD), it was proposed that charging would be imposed through the purchase of pre-paid designated garbage bags<sup>1</sup> or labels<sup>2</sup>

<sup>1</sup> The designated garbage bags will be of nine different sizes from 3-litre up to 100-litre (i.e. 3-litre, 5-litre, 10-litre, 15-litre, 20-litre, 35-litre, 50-litre, 75-litre and 100-litre), and in two different designs of t-shirt and flat-top to cater for the need of different users. The per-litre charge is at \$0.11 and the prices of the bags are respectively \$0.3, \$0.6, \$1.1, \$1.7, \$2.2, \$3.9, \$5.5, \$8.5 and \$11.

<sup>2</sup> Designated labels will be charged at a uniform rate of \$11 per piece regardless of the size and weight of the MSW on which the designated labels are affixed.

(to cater for oversized waste<sup>3</sup>) before disposal. This accounts for some 52% of about 10 200 tonnes of daily MSW disposed of at landfills in 2015. The remaining 48% daily MSW disposed of at landfills which are collected by the private waste collectors (PWCs), on the other hand, would be subject to a gate fee based on the weight of MSW disposed.

3. Following the announcement of the implementation details in March 2017, the Environment Bureau / Environmental Protection Department (EPD) held over 60 liaison sessions, meetings, seminars and forums to brief the community and various stakeholders on the proposed arrangements and solicited their views. While the proposed implementation arrangements were found generally agreeable, there were some suggestions on how certain aspects of the arrangements could be improved.

### **Expanded scope of application of pre-paid designated garbage bags**

4. One of the major comments we received was about the proposed gate-fee arrangement, which would require the PWCs to register as the account holders for disposing of MSW at landfills and Refuse Transfer Stations (RTSs), pay the MSW charges (in the form of gate fee) to the Government upfront, and then recover relevant charges from their clients afterwards. The PWC trade expressed keen concerns over the proposed arrangement, maintaining that since they are not waste polluters but intermediaries, it is undesirable for the Government to put an unnecessary burden on them to pay the gate fee upfront and to apportion the charges amongst their clients. They reckoned that the proposed arrangement would not only dilute the application of the “polluter-pays” principle, but would also create substantial cash flow and bad debt problems for them if their clients, who are mainly commercial and industrial (C&I) companies and property management companies (PMCs), fail to repay them in time or refuse to pay afterwards. They therefore suggested that the MSW they collect should be subject to the charging mode of pre-paid designated garbage bags. The PMCs also supported this suggestion as it would obviate their need to apportion MSW charges amongst the occupants. Some green groups also made similar suggestion on the ground that the charging mode of designated garbage bags accords better with the

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<sup>3</sup> Oversized waste in this paper refers to waste which cannot be properly wrapped in pre-paid designated garbage bags.

“polluter-pays” principle.

5. The gate fee arrangement would require the PWCs to pay MSW charges as users of the waste disposal facilities. Such arrangement is adopted by other cities where quantity-based waste charging is implemented, e.g. Taipei City and Seoul. At present, PWCs have been paying a gate fee ranging from \$30 to \$110 per tonne for MSW disposed of at RTSs<sup>4</sup>, and in the case of construction waste disposal charging, either the person delivering the construction waste to the waste disposal facilities, or the person on whose behalf such construction waste is delivered, can open a billing account for paying the relevant disposal charges for works contract of value less than \$1 million. For contracts for construction work with a value of \$1 million or above, the main contractor is required to open an account for paying the disposal charges directly to the Government.

6. The above notwithstanding, we appreciate that the level of MSW charges proposed would be higher than the current gate fee charged for using the RTSs and also the service fee charged by PWCs. Given the relatively long period that it may take for the PWCs to recoup the charges from their clients, the gate-fee arrangement may create cash flow problem for some PWCs. Moreover, unlike construction waste disposal charging where collection service is often provided on a point to point basis from a single client, PWCs in many cases collect MSW from a number of premises for making up a full load of MSW before delivering it for disposal at the waste disposal facilities. This inevitably would require PWCs to apportion the MSW charges subsequently among multiple clients, hampering their operational efficiency.

7. Currently, about half of the MSW disposed of by PWCs is collected by their refuse collection vehicles with rear compactors (referred to as “RCVs”) as shown at **Annex**. These RCVs are mainly used to collect MSW from street-level shops, shopping centres, institutions as well as domestic and C&I buildings. Usually a PWC’s RCV collects MSW from multiple premises for making up a full load before delivering the MSW to the waste disposal facilities. Hence, PWCs using RCVs for waste collection are most affected by the issues

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<sup>4</sup> At present, no charge is imposed for disposal of MSW by PWCs at landfills whilst charge is imposed at RTSs for the service of transferring MSW to landfills. The gate fee at RTS is set at a level intended to be commercially viable to the trade and to enable the Government to recover at least the additional cost for handling of the MSW delivered to RTSs by the PWCs.

arising from the gate fee arrangement. On the other hand, for other types of waste collection vehicles without compactors (i.e. non-RCVs including grab lorry, demountable truck and tippers), they sometimes collect bulky waste or waste which are irregular in shape (e.g. mattresses, sofas, large-sized metals ware and wood panels, etc.) that cannot be put into a designated garbage bag. Moreover, the collection of such types of MSW using non-RCVs is usually arranged on an ad-hoc/occasional rather than on a regular basis, and in most cases, the clients would pay the PWCs on a per service basis beforehand. Hence, PWCs providing service using these non-RCVs should not face acute problems in relation to apportionment of charges to clients and cash flow/bad debt like RCVs.

8. Having regard to the above waste disposal arrangement and after conducting further trial at premises being served by PWCs, we propose that the scope of application of prepaid designated garbage bags be expanded to cover MSW collected by PWCs using RCVs<sup>5</sup>. This would help address most of the concerns expressed by the PWC trade, while enabling the charging regime to achieve the “polluter-pays” principle to a greater extent among MSW producers in both the domestic and C&I sectors. For non-RCVs, as they would sometimes be used to collect MSW that is bulky in size or irregular in shape, and hence cannot be wrapped into designated garbage bags, the MSW they collect should continue to be subject to gate fee. We estimate that under the modified proposal, around 65% of the daily MSW being collected by PWCs will be subject to the designated garbage bag arrangement while the remaining 35% will be subject to gate fee, resulting in 80% and 20% of MSW respectively will be subject to designated garbage bag arrangement and gate fee.

9. Under the revised charging arrangement, PWCs using RCVs for waste collection should accept only MSW that has been properly wrapped in designated garbage bags, and reject any MSW that has not been so wrapped. This requirement would apply to all PWCs including those PWCs who are FEHD’s contractors. If a PWC is found to have accepted non-compliant MSW, he or she will be issued a fixed penalty ticket of \$1,500.

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<sup>5</sup> MSW delivered to the urban RTSs and the Northwest New Territories Refuse Transfer Station by PWCs’ RCVs, however, would be subject to an additional fee of \$30 per tonne to align with the higher gate fee set for using these RTSs.

10. Given that the RCVs are equipped with a compactor, enforcement can only be conducted before disposal of the non-compliant waste into a vehicle's compaction compartment – either at the points where PWCs accept non-compliant waste<sup>6</sup> or upstream at the common waste collection chambers or waste collection points on individual floors within the premises where MSW is first disposed of. Due to privacy concerns and the large number of possible enforcement points involved, enforcement actions upstream would mainly be taken as a result of incident reports by PMCs or occupants while regular inspections will be conducted at the points of MSW collection by the RCVs.

11. As part of the implementation arrangements we announced in March 2017, a “phasing-in period” will be put in place in the first six months after the implementation of MSW charging to allow the community to adapt to the charging regime. PWCs would be encouraged to report cases of non-compliant MSW to EPD for compiling a list of blackspots for subsequent monitoring and follow-up actions. EPD would conduct a survey to identify the payment/kerbside collection points where the PWCs collect MSW and conduct targeted publicity and public education for the relevant parties (including PMCs, residents and frontline cleaners). The frontline cleaners of single block buildings would be reminded that they should not collect non-compliant MSW from individual households. Advisory/warnings would be largely given during the “phasing-in period” though we would also contemplate actions against repeated and blatant offenders if the situation so warrants. Enforcement actions against those disposing of<sup>7</sup> and collecting non-compliant waste would be taken after the “phasing-in period”. Given the time required for the necessary behavioural change, we would further review the need to extend the 6-month phasing-in period having regard to progress of implementation and public reaction during the phasing-in period.

12. To facilitate compliance, apart from setting up a hotline, we also plan to develop some mobile applications for members of the public to report cases of non-compliance, while a network of lay

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<sup>6</sup> These would include areas within the premises where MSW would be collected and if no waste collection space is available, somewhere along the pavement or kerb side.

<sup>7</sup> Fixed penalty tickets at \$1,500 each will be issued or prosecution by way of summons will be taken. For prosecution by way of summons, a person would be liable to a fine at level 4 (i.e. \$25,000) and to imprisonment for six months for the first conviction, and to a fine at level 5 (i.e. \$50,000) and to imprisonment for six months for the second or subsequent conviction.

observers would be established in collaboration with District Councils, non-governmental organisations and green groups. We will also explore the feasibility to make use of appropriate technology to trace and deter the disposal of non-compliant MSW.

13. We will work closely with the property management sector to help them publicise the charging arrangements to their residents. Apart from developing some Best Practice Guides for the reference of PMCs and frontline cleaners, the outreaching team we will set up (see para. 16 below) will also provide on-site assistance to them and residents in implementing the arrangements.

### **Removal of the bin-counting arrangement**

14. During the SDC's public engagement process in 2014, some had suggested that as it was difficult to trace the sources of non-compliant waste in multi-storey and multi-tenant buildings, more time should be allowed for residents in these buildings to reach a consensus on the implementation arrangements. It was proposed that a transitional period of up to three years should be provided to allow these premises to adopt, on a voluntary basis, the bin-counting arrangements under which charging would be imposed on the basis of the number of bins of MSW collected by FEHD from the whole building. As the charging impact will only be indirectly felt by the households, in order to encourage early migration to the ultimate charging mode of using designated garbage bags, we proposed to impose a "premium" of 30%, 40% and 60% on top of the proposed charge for designated garbage bags in the beginning of the first, second and third year of implementation respectively for the per-bin charge.

15. Since the announcement of the implementation details in March 2017, we have received the feedback from the property management sector that owners' corporations or resident associations are very unlikely to opt for bin-counting in view of the higher charges proposed. Noting that the transitional arrangement was proposed to last for three years only and residents would have to use designated garbage bags eventually, the PMCs would prefer to publicise the use of designated garbage bags by their residents early. Also, as there would be a 6-month phasing-in period to facilitate adaptation, there is a lesser need for the transitional bin-counting arrangement, which may dilute the charging impact and unnecessarily complicate the charging regime.

We therefore propose that it be removed from the MSW charging proposal.

## **Support for waste reduction and recycling**

### *Support for the community*

16. The introduction of MSW charging is not intended to raise Government revenue but to induce behavioural changes to reduce waste and promote recycling. We are keenly aware of the need to provide adequate resources to beef up the support for recycling. Apart from the range of measures we have embarked on to promote recycling, we would also be launching a new initiative to set up an outreaching team in EPD to reach out to the 18 districts to provide residents and PMCs with on-site guidance and assistance to practise proper waste source separation and clean recycling. The outreaching team will also help residents prepare for the implementation of MSW charging and other waste reduction initiatives. We would also launch a Waste Reduction and Recycling promotional campaign under the central theme “Dump Less Save More”, with the first phase focusing on educating the public on the types of recyclables that could be properly recycled and ways to minimise “contaminants” and “impurities” in practicing recycling of waste plastic bottles, as well as how to properly sort waste paper and keep it clean and dry to meet the Mainland’s tightened requirements for import recyclables which will gradually take effect from early 2018 onwards.

17. In addition, we plan to introduce a new service to centrally collect WPBs received by the 18 Community Recycling Centres and, as necessary, from the sources direct across the territory, so as to better support the collection and recycling of WPBs. We will also set up a dedicated Food Waste Recycling Group in the EPD to study and formulate new regulatory measures on food waste disposal such as mandatory source separation of food waste, starting with the significant food waste generators in the C&I sector, and administer the Food Wise Hong Kong Campaign.

### *Support for the Recycling Industry*

18. Separately, to enhance the capability of local recyclers in handling waste plastics so as to meet the tightened requirements of the

Mainland on importing recyclables, the Recycling Fund Advisory Committee has in September 2017 earmarked \$20 million to support recyclers to procure different types of necessary machinery, including plastics sorters, label and cap removers, washing machines, dryers, and pelletizers. In parallel, an amount of \$50 million has been earmarked to encourage recyclers to use compactor trucks to enhance their operation efficiency and to mitigate the high collection and transportation costs for local recyclables, in particular plastics and papers.

19. Having regard to the latest needs and requirements of the recycling industry, we are working with the Recycling Fund on further measures for introduction in the near future, with a view to broadening the scope as well as enhancing the functions and operation of the Recycling Fund. Among other things, we would review whether and how we should help promote the development of local product manufacturing industries involving recyclables generated in Hong Kong, with a view to better absorbing and re-using the resources locally recovered as well as minimizing the reliance on export to dispose of local recyclables. We will also consider using the land resources in the EcoPark as well as the need for other incentives to this end, having regard to the views and needs of the recycling industry and other stakeholders.

### **Assistance for the needy**

20. While the responsibility to reduce waste should be shared by the whole community and exemption from MSW charging is not recommended, we consider that the need of people with financial hardship should be addressed. As we informed Members earlier, the Government plans to provide financial assistance for the recipients of the Comprehensive Social Security Assistance (CSSA) Scheme, which provides a safety net for those who cannot support themselves financially. Making reference to the estimated average spending of a 3-member household in waste disposal (i.e. \$33 per month or around \$10 per person per month if a 10-litre designated garbage bag is used daily), we plan to increase the CSSA standard rates<sup>8</sup> by \$10 per person per month for all CSSA recipients upon the implementation of MSW

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<sup>8</sup> The CSSA standard rates are adjusted annually in accordance with the Social Security Assistance Index of Prices.



charging<sup>9</sup>.

## **Municipal Solid Waste Reduction Office**

21. We expect that the implementation of MSW charging on a territory-wide basis would entail resources implications. Apart from striving to secure the necessary resources, to underline the Government's commitment to implement the MSW charging as a major policy tool to achieve our waste reduction target and to better oversee its implementation, we propose that a Municipal Solid Waste Reduction Office be set up under the EPD after the passage of the Amendment Bill. The new office, which would subsume all relevant resources in the EPD on MSW charging, would be responsible for taking forward the preparation, implementation, publicity, enforcement and review of MSW in conjunction with other departments.

## **Implementation timetable**

22. We plan to introduce the Amendment Bill into the Legislative Council by end of 2017. Assuming that the scrutiny of the Bill would take 12 months and a preparatory period of 12 to 18 months would be in place before the legislation comes into effect, the MSW charging would be implemented towards the end of 2019 at the earliest.

## **Advice sought**

23. Members are invited to provide comments on the proposed modifications to the arrangements and other issues set out in the above paragraphs.

## **Environment Bureau / Environmental Protection Department October 2017**

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<sup>9</sup> As the payment level of the Higher Old Age Living Allowance (OALA), which is planned for implementation in mid-2018, will be pegged to the standard rates for able-bodied CSSA elderly singleton recipients (currently at \$3,435 per person per month), the rate of Higher OALA will be increased by \$10 accordingly upon the implementation of the MSW charging.

**Refuse Collection Vehicles with Rear Compactors**

