

立法會
Legislative Council

LC Paper No. CB(1)1191/18-19
(These minutes have been seen
by the Administration)

Ref : CB1/PL/EA

Panel on Environmental Affairs

Minutes of meeting
held on Monday, 29 April 2019, at 2:30 pm
in Conference Room 1 of the Legislative Council Complex

Members present : Dr Hon Junius HO Kwan-yiu, JP (Chairman)
Hon HUI Chi-fung (Deputy Chairman)
Hon CHAN Hak-kan, BBS, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon Steven HO Chun-yin, BBS
Hon WU Chi-wai, MH
Hon CHAN Chi-chuen
Hon Kenneth LEUNG
Hon KWOK Wai-keung, JP
Hon Dennis KWOK Wing-hang
Dr Hon Elizabeth QUAT, BBS, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHUNG Kwok-pan
Hon CHU Hoi-dick
Hon SHIU Ka-fai
Hon YUNG Hoi-yan
Hon Kenneth LAU Ip-keung, BBS, MH, JP
Hon Tony TSE Wai-chuen, BBS

Members absent : Hon Frankie YICK Chi-ming, SBS, JP
Hon Tanya CHAN

**Public Officers
attending : For item IV**

Mr TSE Chin-wan, BBS, JP
Under Secretary for the Environment

Mrs Vicki KWOK, JP
Deputy Director of Environmental Protection (2)
Environmental Protection Department

Mr FONG Kin-wa
Assistant Director (Waste Reduction and
Recycling)
Environmental Protection Department

Mr Andy CHAN
Principal Environmental Protection Officer (Waste
Reduction and Recycling)
Environmental Protection Department

Mr Jimmy KWOK, SBS, MH, JP
Chairman
Advisory Committee on Recycling Fund

For item V

Mr TSE Chin-wan, BBS, JP
Under Secretary for the Environment

Mr CHEN Che-kong
Assistant Director (Water Policy)
Environmental Protection Department

Mr Anthony FOK
Principal Environmental Protection Officer
(Sewerage Infrastructure)
Environmental Protection Department

Mr WONG Sui-kan
Assistant Director (Projects and Development)
Drainage Services Department

Mr CHOI Chun-ming
Chief Engineer (Consultants Management)
Drainage Services Department

Mr Jimmy POON
Chief Engineer (Project Management)
Drainage Services Department

Clerk in attendance : Ms Angel SHEK
Chief Council Secretary (1)1

Staff in attendance : Mr Jason KONG
Senior Council Secretary (1)1

Miss Bowie LAM
Council Secretary (1)1

Miss Mandy POON
Legislative Assistant (1)1

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I. Confirmation of minutes

(LC Paper No. CB(1)917/18-19 — Minutes of the meeting held
on 28 January 2019)

The minutes of the meeting held on 28 January 2019 were confirmed.

II. Information papers issued since last meeting

2. Members noted that the following papers had been issued since the last meeting:

(LC Paper No. CB(1)859/18-19(01) — Administration's response to
the letter from Hon Steven
HO Chun-yin on the
ineffectiveness of
environmental impact
assessments in reflecting the
cumulative environmental

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impacts of marine works projects and works related to new development areas on the agriculture and fisheries industries

LC Paper No. CB(1)929/18-19(01) — Letter dated 28 March 2019 from Dr Hon Elizabeth QUAT appealing for early discussion of measures to combat climate change by the Panel (Chinese version only))

III. Items for discussion at the next meeting

(LC Paper No. CB(1)922/18-19(01) — List of follow-up actions

LC Paper No. CB(1)922/18-19(02) — List of outstanding items for discussion)

3. Members agreed to discuss the following items at the next regular meeting scheduled for Monday, 27 May 2019, at 2:30 pm:

- (a) Yuen Long Effluent Polishing Plant; and
- (b) promotion of energy efficiency and conservation as well as renewable energy through innovation and technology.

4. Dr Elizabeth QUAT asked about the timing for discussing the item "Combating climate change". The Chairman remarked that discussion on the item had been scheduled for the regular meeting in June 2019.

(Post-meeting note: The regular meeting originally scheduled for 24 June 2019 had been subsequently rescheduled to 2 July 2019.)

IV. Mid-term review of the Recycling Fund

(LC Paper No. CB(1)922/18-19(03) — Administration's paper on "Proposed enhancement measures to the Recycling Fund"

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LC Paper No. CB(1)922/18-19(04) — Updated background brief on "Recycling Fund" prepared by the Legislative Council Secretariat)

Briefing by the Administration

5. The Under Secretary for the Environment ("USEN") and Chairman, Advisory Committee on Recycling Fund ("C/RFAC") gave introductory remarks on the mid-term review of the Recycling Fund. Then, with the aid of a power-point presentation, the Principal Environmental Protection Officer (Waste Reduction and Recycling) ("PEPO(WR&R)") briefed the Panel on (a) the implementation progress of the Recycling Fund, (b) enhancement and facilitation measures introduced before the mid-term review, (c) findings of the review, (d) the first batch of post-review enhancement measures launched in January 2019, and (e) the proposed further enhancement measures.

(*Post-meeting note:* A set of the power-point presentation materials was circulated to members on 29 April 2019 vide LC Paper No. CB(1)973/18-19(01).)

Discussion

Implementation progress and funding scope of the Recycling Fund

6. The Deputy Chairman said that he did not object to the general direction of implementing new measures to enhance the Recycling Fund. Nevertheless, in view of the low utilization of the Fund in the past, he expressed doubts about the effectiveness of further enhancement measures. Noting from paragraph 7 of the Administration's paper (LC Paper No. CB(1)922/18-19(03)) that among the 526 applications received by the Fund as at the end of March 2019, 217 applications (or 41.3% of all applications) were withdrawn before consideration by the Advisory Committee on Recycling Fund ("RFAC") or after approval, he asked about the major reasons for the withdrawal of applications. Mr Martin LIAO raised a similar question.

7. PEPO(WR&R) and C/RFAC explained that the major reasons for withdrawal of applications could be categorized as follows:

- (a) change of business strategy of the applicant due to internal or external factors, such as a drop of the market value of the recyclables concerned or the tightening of requirements for import recyclables by the Mainland. This category accounted

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for over 40% of the withdrawn applications;

- (b) incomplete information submitted by the applicant, such as the lack of details on the source and outlet of recyclables. In some cases, the applicants withdrew the applications after the Fund's secretariat had requested supplementary information. This category accounted for about 35% of the withdrawn applications; and
- (c) some approved applications were withdrawn because the applicants concerned subsequently decided to apply for funding under other programmes (e.g. the Standard Projects programme which was introduced as a facilitation measure) instead; and some other applicants withdrew their initial applications and re-submitted applications afterwards.

8. Mr KWOK Wai-keung enquired whether the Administration had assisted rejected applicants in refining their proposals for re-submission. The Deputy Director of Environmental Protection (2) ("DDEP(2)") responded that if an application was withdrawn or rejected, the Administration and RFAC would discuss with the applicant and give advice on how to enhance the proposal. There were cases where such proposals were approved after enhancement.

9. Mr Kenneth LEUNG noted from Annex D to LC Paper No. CB(1)922/18-19(03) that the total quantity of recyclables processed by approved projects (as at the end of March 2019) was about 150 500 tonnes. He sought confirmation on whether the figure excluded recyclables collected by grantees but were subsequently landfilled (if any).

10. DDEP(2) explained that one of the objectives of the Recycling Fund was to provide greater impetus to local landfill diversion. The figure quoted by Mr Kenneth LEUNG represented the quantity of recyclables that were converted into useful raw materials or recycled products in order to achieve landfill diversion.

11. Mr CHU Hoi-dick, Mr CHAN Chi-chuen and Mr Kenneth LEUNG enquired whether the following types of projects were eligible for funding support under the Recycling Fund: (a) recycling operations involving imported recyclables, (b) development of information technology systems to enable the application of big data, and (c) public education programmes on recycling organized by non-government organizations ("NGOs").

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12. USEN advised that projects related to the recycling of imported recyclables were not within the funding scope of the Recycling Fund. Recyclers might seek funding support for development of information technology systems under the Fund, provided that the systems could enhance the recyclers' capabilities and capacities, etc. Moreover, a new scheme designated for start-up enterprises had been launched recently to promote innovative ideas for the recycling industry. As for public education programmes organized by NGOs, funding support might be sought through the Environment and Conservation Fund.

13. Mr CHU Hoi-dick remarked that some waste plastics recyclers were unable to apply for funding support under the Recycling Fund because their operations were inconsistent with the planned use of the land. Moreover, there were many complaints about the environmental nuisances arising from plastics recycling operations near residential areas, making it difficult for the operators concerned to obtain waivers of lease conditions from the Lands Department ("LandsD"). To tackle the above problems, Mr CHU considered that the Administration should allocate suitable sites (such as restored landfills) for the formation of an industrial cluster for plastics recycling.

14. The Chairman asked about the number of applications to the Recycling Fund that were rejected or withdrawn due to land use restrictions. He suggested that EPD and/or RFAC should strengthen coordination with LandsD and proactively assist Recycling Fund applicants if necessary in applying for waivers of lease conditions.

15. USEN, C/RFAC, DDEP(2) and PEPO(WR&R) responded that grantees of the Recycling Fund were required to comply with relevant legal requirements, including land lease conditions. Among the 47 approved projects that were subsequently withdrawn, 19 cases were related to land use restrictions. As there were difficulties for some recyclers to obtain waivers of lease conditions from LandsD, especially if there were public complaints about the operations, the Administration considered that a more practical and efficient approach was to encourage such recyclers to relocate their operations to suitable places. Accordingly, a new measure was introduced in January 2019 under the Recycling Fund such that eligible applicants would be offered subsidies for relocating their operations from the existing premises to more suitable locations, such as from recycling sites in non-industrial zones to industrial buildings or land zoned for industrial purpose. The limit of such subsidies was 50% of market rent as assessed by the Rating and Valuation Department. Apart from the above, recyclers could apply for funding support for the purchase of new equipment and/or machinery to upgrade their recycling operations or improve their environmental performance.

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Monitoring mechanism

16. The Chairman and Mr WU Chi-wai asked about the monitoring mechanism for approved projects, including how the recycling capacity of a project was calculated and verified, and whether the monitoring reports could be uploaded onto an online platform for public inspection of the Recycling Fund's effectiveness. In addition, Mr WU expressed dissatisfaction that the Administration had not explained in LC Paper No. CB(1)922/18-19(03) how the approved projects under the Enterprise Support Programme ("ESP") could achieve the purpose of upgrading the capabilities and efficiency of the recycling industry. He considered that the Administration should provide such details in the paper to be submitted to the Finance Committee ("FC").

17. C/RFAC advised that each applicant had to submit information on its existing recycling capacity, which would serve as the benchmark for calculating the recycling capacity of the proposed project. Fund grantees were required to maintain records of the sources of recyclables and outlets of the processed materials/products. The Hong Kong Productivity Council ("HKPC"), which served as the Fund's secretariat and implementation partner, would monitor the records and conduct on-site investigations to verify the data provided by the grantees. USEN advised that as the monitoring reports contained business information of the grantees, they could not be made available for public inspection. The Chairman suggested that the gist of the monitoring reports be made available to the public using pseudonyms. C/RFAC said that RFAC would consider the Chairman's suggestion.

Proposed enhancement measures

18. Dr Elizabeth QUAT, Mr CHAN Hak-kan, Mr Kenneth LAU and Mr Kenneth LEUNG welcomed the proposed introduction of further enhancement measures to the Recycling Fund. In particular, Mr LAU said that he supported the increase in the cumulative maximum funding amount for each recycler under ESP from \$5 million to \$15 million.

19. Mr KWOK Wai-keung considered that, overall speaking, the Recycling Fund was not well received by industry practitioners in the past. Mr CHAN Chi-chuen pointed out that according to the original proposal for setting up the Recycling Fund (i.e. FCR(2015-16)25), a cash flow of around \$200 million a year was expected for the 2017-2018 to 2019-2020 financial years. However, only \$152 million of funding had been approved as at the end of March 2019, which fell far short of expectation. He enquired whether the Administration had plans to further relax the application criteria and funding limit for each applicant in future, so that the remaining balance of the

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Fund would be fully utilized by the end of its operational period.

20. USEN responded that the amount of approved funding increased substantially after the application procedures had been streamlined. With the proposed further enhancement measures, the Administration was confident that the Recycling Fund would be able to attract more applications and bring more benefits to the industry.

21. Mr CHU Hoi-dick was concerned whether the proposed increase of funding limit for each recycler under ESP and other enhancement measures proposed to be introduced to the Recycling Fund would constitute amendments to the original proposal for setting up the Fund, thus requiring approval by FC. Mr WU Chi-wai also asked a related question.

22. USEN advised that the Administration planned to issue an information paper to FC on the findings of the mid-term review and the enhancement measures before rolling out the remaining enhancement measures. The Environmental Protection Department ("EPD") would discuss with relevant departments the above issue raised by members.

Administrative and monitoring costs

23. Mr CHAN Hak-kan pointed out that \$99.9 million would be paid by the Recycling Fund to HKPC for its services as the secretariat and implementation partner according to the original proposal for setting up the Fund. During discussion on the proposal at the relevant FC meetings, he had questioned the cost-effectiveness of engaging HKPC to administer the Fund, and called on the Administration to explore ways to reduce the administrative costs. As it was now proposed that the operational period of the Fund and engagement with HKPC be extended for four years, Mr CHAN considered that EPD should bear the additional administrative costs involved, so that the remaining balance of the Fund could be reserved for gainful uses.

24. USEN responded that a major reason for engaging HKPC as the Fund's secretariat and implementation partner was to leverage on its expertise. As HKPC had the capability to perform both programme management and technical assessment, the Administration would not need to hire a separate technical consultant for the purpose. Among the \$99.9 million to be paid to HKPC, only about \$45 million (or about 4.5% of the \$1 billion Fund) was administrative expenditure. For the proposed extended engagement with HKPC, EPD planned to bear the additional costs of about \$49.9 million involved using its resources, so that the remaining balance of the Fund could be left intact for supporting the recycling industry and other relevant stakeholders.

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25. The Deputy Chairman commented that, although the current proposal did not require injection of funding to the Recycling Fund, the Administration still had a duty to justify the use of additional public resources (i.e. EPD's resources) to extend the operational period of the Fund, considering the Fund's low utilization in the past.

26. Mr CHAN Hak-kan requested the Administration to provide information on the amount of administrative costs incurred arising from the 179 approved projects that had commenced or would soon commence (as at the end of March 2019), so as to demonstrate whether the administrative costs were proportional to the amount of approved funding of \$152 million for those projects.

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27. USEN advised that the Administration would provide the above information after the meeting. C/RFAC pointed out that administrative costs had also been incurred for handling withdrawn and rejected applications.

Remaining balance and estimated cash flow

28. Mr Kenneth LEUNG sought clarification on the balance and estimated cash flow of the Recycling Fund, which were tabulated in paragraph 20 of LC Paper No. CB(1)922/18-19(03).

29. USEN explained that the balance of the Fund as at March 2019 was about \$900 million, and this figure was presented in the second row of the said table. The estimated cash flow of the Fund from the 2019-2020 financial year to September 2026 was presented from the third row downwards.

Other measures to support the local recycling industry

30. Dr Elizabeth QUAT relayed the concerns of some recyclers that the application and reporting procedures of the Recycling Fund were too complicated, and urged the Administration to continue to maintain close communications with the recycling industry and put in place timely support measures whenever necessary. She suggested that RFAC should introduce new solicitation themes targeting at certain types of recyclables that had not yet been covered by any approved projects. Furthermore, she enquired whether the Administration would consider subsidizing, through the Recycling Fund, the provision of rewards to the public by recyclers to facilitate the collection of recyclables.

31. Mr Kenneth LAU suggested that the Administration should further promote recycling in the rural areas and the development of a circular economy through (a) engaging community organizations and green groups in

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the provision of resource recovery and/or recycling facilities in the community, so as to foster the development of green neighbourhoods; and (b) use new technologies, such as reverse vending machines, to facilitate resource recovery.

32. USEN responded that the Administration endeavoured to improve the operation of the Recycling Fund so that it could better achieve the objective of enhancing the overall capabilities and capacity of the recycling industry. The Administration did not consider it appropriate for the Fund to subsidize the provision of rewards by recyclers to the public in exchange for recyclables. Nevertheless, to complement the proposed introduction of municipal solid waste charging, the Administration would allocate additional recurrent resources to support waste reduction and recycling. Rewards might be provided to the public to incentivize resource recovery through some projects funded by such recurrent resources. Moreover, targeted measures would be launched to promote resource recovery in the rural areas.

33. Mr Martin LIAO pointed out that according to the Administration's reply to his question raised at the Council meeting of 25 October 2017, the Administration would study the feasibility of incubating a local manufacturing industry using recycled materials and was examining how to leverage on the land and ancillary facilities at EcoPark to support the development of such an industry. He asked about the progress of Administration's work in this regard.

34. DDEP(2) advised that the Administration had been encouraging local recyclers to adopt value-added recycling processes for the production of recycled raw materials or products. Under the Standard Projects programme of the Recycling Fund, a list of equipment and machinery had been prescribed for which funding support could be sought through a streamlined process. Funding applications in respect of the production of recycled products would be given higher scores during consideration. Separately, a company was recently awarded lease for lots at EcoPark for the development of a waste paper recycling and manufacturing plant. The Administration would continue to identify suitable sites for supporting the development of the local recycling industry.

35. Mr KWOK Wai-keung and Mr WU Chi-wai pointed out that construction waste and waste metals accounted for the majority by weight of the recyclables processed by approved projects under the Recycling Fund, and comparatively, the quantities of waste paper and waste plastics processed were quite small. They therefore asked whether the Administration would consider introducing more support measures dedicated for promoting the recycling of waste paper and waste plastics. In addition, Mr WU queried

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whether the approved projects related to waste metals and construction waste were strictly in line with the objectives of the Fund, given that the existing recycling markets for these two types of materials were efficient.

36. The Deputy Chairman commented that the recycling capacity of approved projects for waste plastics (i.e. 8 800 tonnes) was on the low side, given that the daily disposal quantity of waste plastics in Hong Kong was over 2 000 tonnes.

37. USEN advised that local waste paper and waste plastics recyclers were facing different kinds of challenges. The major challenge faced by waste paper recyclers was to upgrade the standards of their recycling operations, so that the processed materials could meet the Mainland's tightened requirements for import recyclables. The recovery rate of waste plastics was low due to high transportation costs involved. Through the Standard Projects programme under the Recycling Fund, the Administration had encouraged recyclers to purchase equipment to reduce the operating costs of waste plastics recycling. To further facilitate the recovery of waste plastics, the Administration planned to install reverse vending machines under a pilot scheme to collect plastic beverage containers, and provide free collection service for waste plastics from non-commercial and non-industrial sources.

38. USEN also reiterated that the recycling capacity of approved projects, which was set out in Annex D to LC Paper No. CB(1)922/18-19(03), represented the additional capacity contributed by the projects upon the benchmark capacity. In other words, the approved projects related to waste plastics had helped expand the capacity of waste plastic recyclers.

V. Construction of San Shek Wan sewage treatment works at South Lantau, provision of sewerage networks in South Lantau and Tolo Harbour, and rehabilitation of underground sewers in Kowloon

(LC Paper No. CB(1)922/18-19(05) — Administration's paper on "San Shek Wan Sewage Treatment Works in South Lantau, Provision of Sewerage Network in South Lantau and Tolo Harbour, and Rehabilitation of Underground Sewers in Kowloon")

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Briefing by the Administration

39. USEN advised that the Administration proposed upgrading three sewerage items to Category A for (a) constructing the San Shek Wan sewage treatment works ("STW") in South Lantau, (b) providing sewerage network to parts of the unsewered areas in South Lantau and the Tolo Harbour catchment, and (c) rehabilitating ageing underground sewers in Kowloon.

40. With the aid of a power-point presentation, the Assistant Director (Projects and Development), Drainage Services Department ("AD(P&D)/DSD") briefed members on the three sewerage items as follows:

- (a) part of 4331DS – Outlying Islands sewerage, stage 2 – South Lantau sewerage works;
- (b) part of 4125DS – Tolo Harbour sewerage of unsewered areas, stage 2; and
- (c) part of 4414DS – Rehabilitation of underground sewers.

(Post-meeting note: A set of the power-point presentation materials was circulated to members on 29 April 2019 vide LC Paper No. CB(1)973/18-19(02).)

Discussion

Project timetables

41. The Chairman expressed support for the Administration's proposal. He asked why both the rehabilitation of underground sewers in Kowloon (i.e. part of 4414DS) and the provision of sewerage network to the Tolo Harbour catchment (i.e. part of 4125DS) would take about four and a half years to complete, even though the total length of the sewers involved in the latter project was shorter. He called on the Administration to compress the timetable of part of 4125DS, including expediting the construction of the Cheung Kang sewage pumping station ("SPS") and modification of the Tai Po Kau SPS, and implementing different components of the projects in parallel.

42. AD(P&D)/DSD explained that part of 4414DS would be carried out in existing underground sewers using a trenchless method. As for the new gravity sewers to be constructed under part of 4125DS, some of them would be located in narrow alleys, and there was a need to avoid affecting

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underground utilities. The project would be implemented in phases, and it was expected that the Cheung Kang SPS would be completed before the gravity sewers. The timetable of the project was set with reference to those of similar projects. The Administration would endeavour to expedite the construction works as far as practicable.

Educational facilities

43. The Chairman enquired whether the Administration would consider incorporating educational facilities, such as an exhibition centre, into the San Shek Wan STW to enhance public understanding of the STW's operation.

44. USEN responded that given the relatively small scale of the San Shek Wan STW, incorporation of educational facilities might not be in line with the principle of efficient use of land resources. AD(P&D)/DSD supplemented that educational facilities would be included in the Shek Wu Hui Effluent Polishing Plant, which was to be redeveloped from the existing Shek Wu Hui STW.

Conclusion

45. The Chairman concluded that members did not object to the Administration's submission of the relevant funding proposals to the Public Works Subcommittee.

VI. Any other business

46. There being no other business, the meeting ended at 4 pm.