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6 January 2025

Ms. Shirley CHAN
Clerk to the Public Accounts Committee
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Ms. CHAN,

**Public Accounts Committee
Consideration of Chapter 3 of the Director of Audit's Report No. 83
Producer Responsibility Scheme on Waste Electrical and Electronic Equipment**

Your letter dated 17 December 2024 to the Director of Environmental Protection requesting information of the captioned Report refers. We have prepared detailed a reply for the reference of the Public Accounts Committee. Please refer to the enclosure of this letter.

Yours sincerely,

(WONG Chi-wah, Steve)
for Director of Environmental Protection

c.c. Secretary for Environment and Ecology (email: see@eeb.gov.hk)
Director of Environmental Protection (email: dep@epd.gov.hk)
Secretary for Financial Services and the Treasury (email: sfst@fstb.gov.hk)
Director of Audit (email: ncylam@aud.gov.hk)

Enclosure

**Chapter 3 of the Director of Audit's Report No. 83
Producer Responsibility Scheme on Waste Electrical and Electronic Equipment**

**Environmental Protection Department's Response to
Public Accounts Committee's Questions**

Part 2: Administration of the Producer Responsibility Scheme on Waste Electrical and Electronic Equipment

- 1) According to paragraph 2.4(b) of the Director of Audit's Report No. 83 (the Audit Report), from October 2020 to March 2024, the Environmental Protection Department (EPD) received 95 applications for registration as registered suppliers of regulated electrical equipment (REE). Among these applications, 4 were rejected by EPD, with 2 taking 16 and 26 working days respectively to process after the submissions were in order. Would EPD please advise:
- (a) according to the time pledge, the department should complete the processing of relevant applications within 10 working days from the date the submissions are in order. Why did it take 16 and 26 working days to process the 2 rejected applications after the submissions were in order;
 - (b) the reasons for rejecting the applications despite the documents being complete; and
 - (c) whether measures have been taken to facilitate applicants in completing their applications; if they have, of the details; if not, the reasons for that?

(a) – (b) Regarding the 2 rejected applications, the submitted documents indicated that the electrical appliances did not fall under the category of regulated electrical appliances (REE). EPD thereafter contacted the applicants who stated they would provide further information. However, EPD did not receive any supplementary information from the applicants before the deadlines. Subsequently, EPD contacted the applicants again to inform them of the reasons for rejecting their applications (reason: their appliances did not fall under the category of REE). As the waiting time for the applicants' responses (14 days and 25 days respectively) were counted, the processing time for these 2 applications was longer than usual.

(c) EPD has established a thematic website for the Producer Responsibility Scheme on Waste Electrical and Electronic Equipment (WPRS), detailing the documents and information required for applying as registered suppliers of REE. "Guidance Notes for Suppliers" and "Information Booklet for Supplier" available on the website outline the relevant statutory requirements and application information under the scheme to facilitate applicants in completing their applications. Applicants may choose to submit applications by using traditional paper forms or the more convenient electronic system, "Regulated Electrical Equipment Information Management System". If applicants have any enquiries, they can seek assistance through EPD's general enquiry hotline, the technical support hotline of the "Regulated Electrical Equipment Information Management System" or via email.

- 2) **According to paragraph 2.4(b) of the Audit Report, from October 2020 to March 2024, EPD received 95 applications for registration as registered suppliers of REE. Among these applications, 24 applications were withdrawn by the applicants, accounting for approximately 25% of the applications. Would EPD please advise:**
- (a) why there was such a high rate (25%) of withdrawn applications;**
 - (b) whether the department has assessed how much resources were used to process these applications before withdrawal; and**
 - (c) whether measures have been taken to reduce the number of withdrawn applications; if they have, of the details; if not, the reasons for that?**

(a) Upon receipt of an application for registration as a registered supplier of REE, EPD would vet and confirm information for each application, and follow up carefully and timely according to the guidelines. During the processing period, applicants can withdraw their applications on their initiative or withdraw after confirmation with EPD. Among the 24 withdrawn applications, the reasons for withdrawal include errors in the applications, the appliances being confirmed as non-REE, or the applicant not being a supplier (i.e. the company was not engaged in distribution of REE).

(b) – (c) EPD actively follows up with applicants on each application to ensure they understand the content of WPRS and are fully aware of the relevant statutory requirements and related information. However, due to a wide variety of cases and enquiries handled by staff daily, EPD does not have data specifically related to the resources in handling applications which were withdrawn by applicants. Besides, EPD promotes WPRS and disseminates information on application through various channels such as the scheme's website and its "Frequently Asked Questions" webpage, and provides trade associations with updates of the WPRS. In complementary with EPD's enquiry hotline, incorrect applications have reduced notably.

- 3) **According to paragraph 2.5 of the Audit Report, the Audit Commission considers that EPD needs to take measures to ensure that the processing of applications received for endorsement of the removal service plans (RSPs) and registration as registered suppliers of REE is timely completed in accordance with the stipulated time pledges. The Audit Report paragraph 2.15(a) mentions that EPD will take measures to strengthen the monitoring of the processing of applications received and facilitate application process by adopting a pragmatic approach in the work arrangement. In this regard, would EPD please explain what specific measures and work arrangements were put in place.**

EPD has implemented all recommendations of the Audit Commission to ensure timely completion of applications within the specified time pledges, including:-

- further enhancing administrative management, regularly reporting processing time and progress of applications to senior management, with a view to strengthening the monitoring;
- reviewing and updating internal guidelines to ensure applications are processed within the specified time pledges; and
- updating the electronic information management system to remind staff to follow up on pending applications.

In the fourth quarter of 2024, all applications were processed within the time pledges. EPD will continue monitoring the processing of applications to ensure fulfillment of the service commitments.

4) According to paragraph 2.14(d) of the Audit Report, the Audit Commission recommends that the Director of Environmental Protection should enhance publicity on the obligations of suppliers under the Product Eco-Responsibility Ordinance (Cap. 603) in distributing REE in Hong Kong via cross-border and overseas online sales platforms. Paragraph 2.15(d) of the Audit Report states that EPD will implement the above recommendation. Would EPD please advise:

- (a) the specific measures to enhance publicity; and**
- (b) whether the effectiveness of enhanced publicity has been evaluated; if it has, of the details; if not, the reasons for that?**

(a) EPD has advertised the free removal services under the WPRS through online sales platforms to consumers since mid-December 2024. Messages have also been disseminated through the platforms to merchants about the legal obligations of suppliers and sellers under the WPRS for distributing REE in Hong Kong.

(b) As the publicity work has just begun, there is currently insufficient data to evaluate their effectiveness. EPD will regularly monitor the compliance of suppliers and sellers and step up the inspection work and evaluation of effectiveness.

5) According to paragraph 2.18 of the Audit Report, as of March 2024, out of 331 quarterly reports and 87 annual reports that the licensees of the waste disposal licence for e-waste (e-WDL) were required to submit by their due dates, the Audit Commissions noted that 82 (25%) quarterly reports and 25 (29%) annual reports were not submitted before their due dates. The Audit Report paragraph 2.19 mentions that EPD had not established guidelines on the follow-up procedures for overdue submissions of quarterly and annual reports by licensees of e-WDLs, but had issued warning letters for four overdue annual reports. However, according to paragraph 2.17 note 16 of the Audit Report, under the Waste Disposal Ordinance, any person who contravenes any terms and conditions of e-WDLs commits an offence and is liable to fines and imprisonment. Would EPD please advise:

- (a) whether there were licensees being prosecuted for overdue submission of quarterly and annual reports; if there were, of the details; if not, the reasons for that; and**
- (b) whether EPD's updated guidelines in September 2024 cover under what circumstances prosecution would be considered, as mentioned in paragraph 2.21 of the Audit Report; if they do, of the details; if not, the reasons for that?**

(a) As of September 2024, no licensee had been prosecuted for overdue submission of quarterly and annual reports. The reasons are as follows:-

In coming to a decision whether to take prosecution actions against non-compliance cases, EPD's enforcement officers would take into account all factors and circumstances of the cases, including the seriousness of the non-compliance cases (i.e. the pollution caused to the environment), the sufficiency of the evidence collected, the compliance history of the offenders, whether a prosecution is in the interest of the public, etc. The quarterly/annual reports mainly collect information regarding the methods and quantities of e-waste disposal with a view to monitoring the performance of licensees. For overdue submission of quarterly/annual reports not involving illegal disposal of waste or causing environmental pollution, in general, EPD will not take immediate prosecution actions, but will issue reminders/warning letters to the licensees. Licensees generally submit relevant reports after receiving reminders or warnings.

Regarding the overdue submission of quarterly and annual reports from the licensees of e-WDLs mentioned in the Audit Report, EPD had followed up with the licensees concerned and understood that the main reason for the overdue submission of reports was due to the interruption of normal operation of facilities during the COVID-19 epidemic. Considering the pressure and impact posed by the epidemic on the recycling trade, EPD deemed that it was appropriate to flexibly handle the submission of quarterly/annual reports from licensees as long as no environmental pollution was caused. Other reasons included the fact that some report submission deadlines coincided with general holidays, resulting in slight delays of a few days; the disposal facilities had ceased operation during the reporting period and the disposal facilities had not yet commenced operation as of the end of the reporting period.

(b) To ensure timely submission of quarterly and annual reports by the licensees of e-WDLs, EPD updated the internal guidelines in September 2024 to require EPD staff to issue reminder to licensees on the last day of each quarter and year, prompting them to submit the reports accordingly. Besides, the updated guidelines had stipulated procedures for EPD staff to follow up overdue submissions of quarterly and annual reports, including issuing reminders to licensees who have not submitted the reports by the due date, and issuing warning letters to licensees who have not submitted the reports one month after the due date. If the licensees still have not submitted the reports three months after the due date, enforcement actions would be considered with due consideration given to the actual circumstances of each case. EPD had also arranged internal training to help our staff understand and adhere to the updated guidelines.

- 6) According to paragraphs 2.30 and 2.31 of the Audit Report, from August 2018 to March 2024, EPD conducted 682 inspections on registered suppliers of REE. According to the EPD's guidelines revised in November 2023, all registered suppliers of REE are targeted to be inspected within a 24 to 36-month cycle. The Audit Commission noted that as of March 2024, among 208 registered suppliers of REE, 22 of them with inspection frequencies not meeting the target, with the last inspection for 7 suppliers conducted between 36.1 months and 3 years ago. Would EPD please advise:**
- (a) why 22 registered suppliers did not meet the inspection frequency target; and**
 - (b) what specific measures will be taken to improve the inspection frequency?**

(a) The EPD enforcement guideline states that “all registered suppliers are targeted to be inspected within a 24 to 36-month cycle”. Due to COVID-19 epidemic, it took more than 36 months to conduct inspections to 22 suppliers. However, amongst 20 of the 22 suppliers, from the commencement of the WPRS on 1 August 2018 till March 2024, 2-4 field inspections had been conducted to each of them. Apart from conducting field inspections to suppliers, EPD will periodically review the quarterly return and annual audit reports submitted by the suppliers, and will follow up and monitor the compliance status of the suppliers by phone calls and email which are part of the enforcement control work. Yet, such compliance monitoring work is not counted as compliance check records.

(b) According to the recommendation made by the Audit Commission, EPD has reviewed the allocation of manpower resources. The relevant enforcement guideline has also been reviewed and updated to ensure that the inspections of registered suppliers are conducted according to the target timeline.

7) According to paragraph 2.32 of the Audit Report, EPD adopts a risk-based approach to inspect sellers of REE. The Audit Commission noted that from August 2018 to March 2024, among 3 617 sellers of REE with RSPs endorsed, 2 022 (56%) were not inspected while 1 595 (44%) were inspected ranged from 1 to 19 times. While a considerable number of sellers of REE had not been inspected by EPD, some were inspected multiple times. However, there was no documentation showing the justifications of selecting the above sellers of REE for inspections. Would EPD please advise:

- (a) why there was such a high proportion (56%) of sellers who have not been inspected;**
- (b) why some sellers were inspected as many as 19 times in less than 6 years;**
- (c) why there was no documented record showing criteria for selecting sellers for inspection; and**
- (d) even with a risk-based approach in place for inspections, whether the public will still perceive this arrangement as biased?**

(a) Due to the vast number of sellers, and taking into consideration the resource allocation for enforcement and/or non-enforcement duties, EPD will perform inspections on a risk-based approach. Factors to be taken into consideration of priority, amongst others, are complaint records, intelligence analysis, non-compliance records of the sellers, whether the seller is a chain store, the types of REE being sold and the geographical locations, etc.

(b) At the beginning of the implementation of the WPRS, apart from publicity work to the public and relevant stakeholders, EPD stepped up inspections to the sellers. Since some of the sellers operated as a chain store, and/or operate under different shop names, the number of inspections performed to individual sellers was higher than others. Besides, for sellers selling both REE and non-REE, EPD needed to perform multiple rounds of inspections so as to successfully conduct interviews with consumers who had bought REE, in order to verify the compliance status of the sellers when selling REE under the WPRS.

(c) EPD has been adopting a risk-based approach for carrying out inspections to sellers, which are selected according to principles listed in the respective enforcement guideline, and for performing duties following the established procedure and guidance. EPD has based on Audit Commission's recommendation to clearly record in the inspection reports the reason for selecting the sellers and collectors for inspection.

(d) Considering the allocation of resources for enforcement work and other duties, the most effective way is to adopt a risk-based approach in conducting inspections, including complaint handling, investigation arising from intelligence and arranging for special enforcement action, etc.

8) According to paragraph 2.39(b) of the Audit Report, EPD will document in the inspection reports of sellers of REE the selection criteria for the inspection cases, for example, initiated from intelligence or following up a complaint, etc. Would EPD please advise:

- (a) whether this measure has been implemented; if no, what are the reasons; when will it be implemented; and**
- (b) whether target inspection frequencies will be established; if they will, of the details; if not, the reasons for that?**

(a) EPD has already implemented this measure and plans to incorporate the workflow in the revamped electronic system to enhance management and supervision work.

(b) As mentioned in the above response to question 7, considering the allocation of resources for enforcement work and other duties, the most effective approach is still the risk-based inspections.

Part 3: Design, Construction and Operation of the Waste Electrical and Electronic Equipment Treatment and Recycling Facility

9) According to paragraphs 3.4 and 3.5 of the Audit Report, the Audit Commission found that, from October 2017 to October 2023, while the actual quantity of regulated Waste Electrical and Electronic Equipment (WEEE) treated in WEEE·PARK was below its overall design treatment capacity, the mix of regulated WEEE treated skewed heavily towards washing machines and refrigerators. In order to increase the treatment capacity of a treatment line, Consultant Y issued an Employer's Change under Contract A in January 2019 to instruct Contractor A to carry out related modification works at a cost of \$3.5 million. The Audit Commission noted that while EPD conducted a number of consultations, business impact assessments, feasibility studies and surveys in the early 2010s, there was no specific consultation to assess the demand in using WEEE·PARK and to derive a more accurate estimate on the total quantity and the mix of regulated WEEE processed by WEEE·PARK. Would EPD please advise:

- (a) why there was no consultation to assess the demand in using WEEE·PARK in the early 2010s; and**
- (b) before expanding the scope of regulated appliances to include stand-alone tumble dryers and dehumidifiers starting from 1 July 2024**

(paragraph 1.5 of the Audit Report), whether there was market research and consultation conducted so as to more accurately assess the demand for additional processing capacity; if there was, of the details; if not, the reasons for that?

(a) EPD conducted a number of consultations, business impact assessments, feasibility studies and surveys with various stakeholders in early 2010s, focusing on sellers' obligations, licensing requirements, import and export permit control, and the establishment of WEEE-PARK to underpin the WPRS and to treat about half of the quantity of the regulated WEEE generated in Hong Kong. Though there was no consultation on the treatment demands for WEEE-PARK on individual sub-types of regulated WEEE, EPD appointed a consultant to commission a focused study in 2014 to project the quantity of WEEE (including regulated WEEE and other WEEE) generated annually in Hong Kong in 2014 - 2019. EPD considered the study results to be the latest and best available information at that time and therefore, accepted the treatment capacity proposed by Contractor A, which had made reference to the results of that study, as the design treatment capacity for Contract A. After the implementation of WPRS, however, due to high transportation costs and low recycling values, washing machines and refrigerators had become the majority of the regulated WEEE received by WEEE-PARK, causing deviations from the designed treatment capacity of the facility. In view of the deviation between the projection in the previous study and the actual situations, together with uncertainties in the actual quantity of regulated WEEE generated, EPD agrees with Audit Commission's recommendations that, when considering adding new types of regulated WEEE, EPD would conduct more comprehensive market surveys and consultations with stakeholders with a view to better assessing the treatment demands.

(b) The Government has been maintaining close communication with the trade and industry to gather their views on the implementation of WPRS. In preparing and drafting the bill for expanding the REE, consultations have been held annually with stakeholders to gauge their views since 2022. Members of the general public had also been expressing to EPD their wish on expanding the scope of REE and provision of door-to-door collection service to cover large REE such as refrigerators and washing machines of larger capacities. The enhancement of WPRS has taken into account the views from the trade and the general public, the experiences of implementing WPRS during the past 6 years, the reuse and disposal of WEEE in landfills, market researches on various electrical appliances (including past and projected sales data) as well as developments in recycling technology.

10) According to paragraphs 3.8 and 3.9 of the Audit Report, the design and construction works of WEEE-PARK commenced in April 2015 and the revised completion date of the construction works was 19 July 2017. The Audit Commission noted that the completion of a substantial part of the works was delayed by 93 days due to the delays in obtaining the approval for a utility service and a statutory licence from relevant authorities, and the substantial completion of works was further delayed by 138 days also due to the delays in obtaining the approvals for a utility service and statutory licences from relevant authorities. In Audit Commission's view, in implementing works projects involving construction of facilities, EPD needs

to take measures to ensure timely commissioning of operation, particularly those works projects involving approvals of utility services and statutory licences by the relevant authorities. According to paragraph 3.14(b) of the Audit Report, EPD will ensure that sufficient time should be taken into account for the approvals of utility services and statutory licences for its future liaison with contractors, with a view to ensuring the timely commissioning of operation. Would EPD please advise:

- (a) since the approvals of utility services and statutory licences is not within EPD's jurisdiction, what measures EPD will take to ensure sufficient time is reserved for their approvals; and**
- (b) if too much time is reserved, it may deviate from the principle of enhancing the speed as well as efficiency. How can a balance be struck in reserving sufficient time for the approval?**

(a) – (b) In implementing works projects involving construction of facilities in the future, EPD will include the relevant detailed requirements for applying all necessary utility services and statutory licences in the tenders, and reserve approval time from relevant government departments and agencies for vetting applications when setting the completion dates of the works contracts, to allow sufficient time for contractors to apply for and obtain the relevant licences and permits. After the commencement of works, EPD will also liaise with relevant government departments and agencies of all necessary licences for the works as early as possible, to better understand the relevant procedures and time requirements for assessment of the reasonableness of the programme submitted by the contractors, so as to refine the programme where appropriate in response to potential delays. During the approval process, EPD will actively liaise with relevant government departments and agencies to monitor the progress and supervise the contractors to submit necessary documents as early as possible, to ensure timely commissioning of the operation of the facilities while avoiding excessive time reserved for the approval process.

- 11) Paragraph 3.15 of the Audit Report states that according to Contract A, monthly operation fee is paid to Contractor A based on the actual quantity of regulated WEEE treated during the month. The amount of operation fee should be ascertained and determined in accordance with the unit rate stipulated in Contract A. With reference to Table 3 in paragraph 3.16 of the Audit Report, the Audit Commission analysed the quantity of regulated WEEE treated from October 2017 to March 2024 and noted that there was a shortfall in yearly average treatment capacity of 32% and 80% for refrigerators and washing machines respectively. According to paragraph 3.17(a) of the Audit Report, top-up operation fee would be paid to Contractor A for treating washing machines and refrigerators beyond their respective sub-type-specific design treatment capacities. From October 2018 to March 2024, a top-up operation fee of \$165.3 million was incurred, representing 13% of the total operation fee of \$1,256 million to Contractor A. In this regard, according to paragraph 3.24(c) of the Audit Report, the Audit Commission has recommended that the Director of Environmental Protection should explore the feasibility to redesign WEEE·PARK with a view to aligning its treatment capacity with the mix of sub-types of regulated WEEE. According to paragraph 3.25(c) of the Audit Report, EPD will explore the**

feasibility of redesigning WEEE·PARK in the next follow-on contract involving capital works. In this regard, would EPD please advise if there has been any progress on exploring the feasibility of redesigning WEEE·PARK; if there has, of the details; if not, the reasons for that?

Currently, after adjustment of the operation, WEEE·PARK's processing capacity is sufficient to handle the regulated WEEE received locally every month. Therefore, there is no immediate need to redesign WEEE·PARK in the coming years till the end of the current contract. When tendering the next follow-on contract involving capital works of WEEE·PARK, EPD will appoint a works consultant to conduct a feasibility study, including exploring the feasibility of redesigning WEEE·PARK, and will incorporate relevant requirements into the contract specifications based on the study's findings.

- 12) According to paragraph 3.28 of the Audit Report, the Audit Commission noted that Contractor A did not regularly compile detailed records of maintenance works and follow-up actions in relation to instances of failure in facilities and equipment that required frequent maintenance and long repairing time, and report such information in the monthly and yearly operational reports. Paragraph 3.30(b) of the Audit Report suggests that EPD needs to take measures to ensure Contractor A maintains records on the above-mentioned matters and reports them in operational reports. Paragraph 3.35(c) of the Audit Report mentions that the Director of Environmental Protection said that Contractor A is required to promptly report any maintenance works potentially affecting the normal operation of WEEE·PARK to EPD and record such work in its monthly reports. EPD will also continue to enhance the monitoring of maintenance and repair works which may lead to serious disruption to any facility operation and impact on the handling capacity of WEEE·PARK, and request Contractor A to include detailed records of such works in the monthly and yearly operational reports. In this regard, please advise if EPD has taken any other measures to enhance the monitoring of Contractor A's maintenance and repair works records apart from requiring timely reporting and recording above-mentioned above maintenance and repair works; if it has, of the details; if not, the reasons for that?**

EPD has requested Contractor A to report and compile detailed records of maintenance and repair works, and the Contractor A now reports such records in the monthly operational reports. In addition, EPD staff conduct daily inspections at the facility to monitor the operational conditions of WEEE·PARK's facilities and equipment. During monthly progress meetings with Contractor A, EPD discusses the arrangement of major maintenance works that are in progress, completed, under planning or may affect the normal operation with a view to ensuring the smooth operation of the WEEE treatment process.

13) According to paragraph 3.32 of the Audit Report, since the commissioning of WEEE·PARK in October 2017 and up to March 2024, the site accident record aspect was rated as “poor” in 14 of the 18 Contractor A’s performance reports, involving 43 non-fatal work injury accidents. The Audit Commission noted that notwithstanding that Contractor A has implemented employee development programmes to improve occupational safety and health since November 2020, there was no significant improvement to the site and occupational safety of WEEE·PARK. Of 43 accidents, 25 happened after the programmes were implemented. According to paragraph 3.35(d) of the Audit Report, the Director of Environmental Protection said that the department has been making relentless efforts in reminding Contractor A to enhance site and occupational safety and will certainly continue to do so. Would EPD please advise:

- (a) apart from reminding Contractor A, the specific measures put in place to ensure Contractor A enhances site and occupational safety; and**
- (b) the effectiveness of these measures?**

(a) – (b) EPD has requested Contractor A to timely report all accidents and provide EPD with the relevant investigation reports, and avoid recurrence of similar incidents through accident root cause analysis and formulation of remedial measures, including provision of more suitable personal protective equipment and improvement of working procedures and environment. Furthermore, EPD reviews and discusses each accident with Contractor A in the monthly progress meetings to ensure that the remedial measures are implemented properly. Since 2022, Contractor A has implemented various programmes on improving occupational safety and health, including employment of an external consultant to review the site and management of occupational safety of WEEE·PARK in 2022. In 2023, based on the consultant’s recommendations, Contractor A set work and safety related training targets and code of practices for all employees, strengthened employees’ safety awareness through enhanced training based on the training targets and code of practices, increased the frequency of safety committee meetings to enhance monitoring on the effectiveness of the implemented measures and integrated safety performance into the work indicator of supervisors and managers. These measures have been effective. The number of accidents to employees resulting incapacity (for a period of 3 days or more) decreased in 2023 and 2024 comparing with that of 2022. EPD will regularly review the effectiveness of these measures, with a view to improving the site and occupational safety of WEEE·PARK.

14) According to paragraphs 3.44 to 3.45 of the Audit Report, under Contract A, Contractor A should salvage and refurbish selected items from each of the 4 sub-types of Type 1 regulated WEEE (i.e. air conditioner, refrigerator, television, and washing machine) collected into repaired products, and donate these repaired products to non-governmental organisations through the network of registered social workers in Hong Kong for beneficial distribution to under-privileged households. With reference to paragraph 3.45 and Table 4 of the Audit Report, the Audit Commission examined the number of products repaired for donation for the 6 operation years from October 2017 to October 2023 and found that number of products repaired for certain sub-types was below respective target. In particular, there was a shortfall of the

actual number of air conditioners and refrigerators against their respective targets for 4 operation years, while that for refrigerators ranges from 16% to 40% below the targets. Would EPD please advise:

- (a) the reasons for Contractor A's failure to meet the targets for refurbishing air conditioners and refrigerators; and**
- (b) what measures will be taken to encourage Contractor A to meet the targets for refurbishing air conditioners and refrigerators?**

(a) – (b) Under Contract A, the target of repaired products refurbished and donated in every operation year was set on the basis of the overall number. Contractor A fulfilled the contract requirements and achieved the respective target for every operation year in the past. However, the actual number of repaired products donated for certain sub-types deviated from the respective targets, mainly due to external factors such as public demand for repaired products of each sub-type, application status, the condition and number of regulated WEEE Contractor A collected from the public, and the suitability of these items for repair and donation. Additionally, whether the recipients' needs can be matched with suitable repaired products (e.g. size, type and function of electrical appliance fit for the use and home environment of the recipients) can affect these quantities. Despite this, EPD will review the demand trends with a view to refining and setting a target for each sub-type of repaired products as commensurate with the market demand as practicable for the remaining operation years of Contract A.

- 15) According to paragraph 3.49(c) of the Audit Report, the Director of Environmental Protection said that EPD will review the trend of the demand more comprehensively with a view to setting realistic target for each sub-type of repaired products as commensurate with the market demand as practicable for the remaining operation years of Contract A. Would EPD please advise whether the response from the Director of Environmental Protection reflect that the targets set for the past 6 operation years were not practicable?**

Under Contract A, the target of repaired products refurbished and donated in every operation year was set on the basis of the overall number. The overall number of products refurbished and donated by Contractor A fulfilled the contract requirements in every operational year in the past. Therefore, the overall refurbishment and donation target is practicable. However, there were deviations when comparing the actual donation quantities of repaired products in individual sub-types to their targets. In light of this, EPD will review the demand trends annually with a view to refining and setting a target for each sub-type of repaired products for the remaining operation years of Contract A.

Part 4: Other Related Issues

16) According to paragraph 4.18 of the Audit Report, EPD will upgrade the computer system to facilitate the submissions of returns and audit reports by registered suppliers of REE and to strengthen management control on case monitoring for tracking the processing time. Would EPD please advise:

- (a) the differences or improvements in functionality of the computer system before and after the upgrade;**
- (b) the budget and actual expenditure involved in the upgrade; and**
- (c) the timeline for the computer system upgrade.**

(a) The computer system of the WPRS has been in operation since 2018. After the upgrade, it will optimise existing functionalities and add more convenient features, including automatic reminders for suppliers to submit relevant returns and audit reports within deadlines, easy access to past submissions, preliminary data verification and alerts, and exploring the feasibility of connecting with the "iAM Smart" system, etc. to meet registered suppliers' expectations for more stable, secure and efficient services. Additionally, the computer system will enhance the internal management functions, such as data processing and process tracking of case, real-time statistic summary and new database indexing technologies, etc. to strengthen management and supervisory work.

(b) – (c) Preparatory work for the computer system upgrade has begun, and the service contract is expected to be awarded in mid-2025, targeting for completion within 24 months. As the upgrade work is still in the preparatory stages, there are no budget expenditure figures available at this moment.

17) According to paragraph 4.21 of the Audit Report, since the implementation of WPRS in August 2018, EPD has conducted two costing reviews on the recycling levies of REE under WPRS in May 2022 and May 2024 respectively, and decided not to adjust the recycling levies. However, according to the forecast in the May 2024 review, the Audit Commission noted that the cost recovery rate for 2024-25 to 2028-29 would follow a downward trend and decreased from 96.2% for 2024-25 to 89.5% for 2028-29. Would EPD please advise:

- (a) how EPD responds to the downward trend in cost recovery rate in the May 2024 review; and**
- (b) why the Director of Environmental Protection still stated in paragraph 4.29(a) of the Audit Report that the revenue of WPRS is broadly in line with the expenditure?**

(a) The recycling levy for REE under WPRS was determined based on the “polluter-pays” principle, and by making reference to the various costs involved in WEEE-PARK’s construction and its operation within the ten-year contractual period, in addition to other manpower and administrative expenditures for the PRS, with a view to eventually achieving full cost recovery over the ten-year period.

Owing to the timing difference between the collection of recycling levies for REE from the registered suppliers by EPD and the treatment of relevant REE as regulated e-waste

with the latter lagging behind, coupled with various factors that may affect the cost recovery rate such as inflation rate, proportions of the various types of REE treated, fluctuations in the sales volume of REE, etc., the projected cost recovery rate for 2024-25 to 2028-29 will be relatively volatile, and may show a downward trend. However, the overall cost for WPRS is expected to be recovered in the 10-year period.

(b) According to the EPD's latest costing review, the overall cost recovery rate over the 10-year period (i.e., from 2018-19 to 2028-29) is 99.8%, which is close to full cost recovery level. In other words, the revenue of the Scheme is broadly in line with the expenditure.