

*Producer Responsibility Scheme on Waste Electrical and Electronic Equipment*

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The Audit Commission (“Audit”) conducted a review on the work of the Environment and Ecology Bureau and the Environmental Protection Department (“EPD”) in the administration of the Producer Responsibility Scheme on Waste Electrical and Electronic Equipment (“WEEE”) (hereafter referred to as “WPRS”) and monitoring the design, construction and operation of the Waste Electrical and Electronic Equipment Treatment and Recycling Facility (i.e. WEEE·PARK).

2. Hon SHIU Ka-fai declared that he served as an unremunerated honorary adviser/an unremunerated member of some non-governmental organizations or trade associations upon their invitations. The organizations or trade associations concerned, or their members, might have participated in business related to WPRS. He also declared that he was a Legislative Council Member representing the Wholesale and Retail Functional Constituency, and members of that sector might have participated in business related to WPRS.

3. Since 1 August 2018, WPRS has been implemented in phases, which initially covers eight types of regulated electrical equipment (“REE”). Its scope has been expanded to cover two new types of REE starting from 1 July 2024. In March 2015, EPD awarded a design, build and operate contract to Contractor A for the development of WEEE·PARK. The operation stage commenced by phases on 21 October 2017 and 8 March 2018. As of March 2024, the total project cost was \$455.1 million and the total amount of operation fee was \$1,256 million.

4. The Committee noted the following Audit’s findings:

Administration of WPRS

- from October 2020 to March 2024, EPD received 95 applications for registration as registered suppliers of REE. According to EPD guidelines issued in October 2020, EPD should complete the checking and vetting of the applications within 10 working days after the submissions are in order. Audit noted that as of March 2024, of the 95 applications received, 4 were rejected by EPD. The processing of two (50% of four) applications was completed 16 and 26 working days (averaging 21 working days) after the submissions were in order;
- it was stated under the Product Eco-responsibility Ordinance (Cap. 603) that any person, in the course of business, manufacturing or importing REE for distribution in Hong Kong should follow the regulatory

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measures of WPRS, irrespective of whether the sales platforms were online or not, and that there was a successful prosecution case in which an online sales platform importing cross-boundary REE was convicted. EPD needed to enhance the publicity on the obligations of suppliers under Cap. 603 in distributing REE in Hong Kong via cross-boundary and overseas online sales platforms;

- licensees of waste disposal licence for e-waste (“e-WDLs”) should submit quarterly and annual reports to EPD in accordance with the terms and conditions of e-WDLs. As of March 2024: (a) 82 (25%) of 331 quarterly reports and 25 (29%) of 87 annual reports due for submission by the licensees of e-WDLs were not submitted by the due dates; and (b) EPD did not lay down guidelines on the procedures to follow up overdue submission of quarterly and annual reports from the licensees of e-WDLs;
- according to EPD guidelines in November 2023, all registered suppliers of REE were targeted to be inspected within a 24 to 36-month cycle. As of March 2024: (a) the inspections conducted on 22 (11%) of the 208 registered suppliers of REE did not meet the target frequency (i.e. at least once in 36 months) and the periods between any two consecutive inspections on the same supplier ranged from 36.3 months to 5 years (averaging 3.5 years); and (b) last inspections of 7 (3% of 208) suppliers were conducted 36.1 months to 3.7 years (averaging 3.3 years) ago;
- a risk-based approach was adopted to conduct inspections on sellers of REE. From August 2018 to March 2024, of the 3 617 sellers of REE with removal service plans endorsed, 2 022 (56%) had not been inspected and 1 595 (44%) had been inspected for 1 to 19 times (averaging 1.7 times). While a considerable number of sellers of REE had not been inspected by EPD, some were inspected multiple times. There was no documentation showing the justifications of selecting sellers of REE for inspections;

Design, construction and operation of WEEE·PARK

- from October 2017 to October 2023, while the actual quantity of regulated WEEE treated in WEEE·PARK was below the 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

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Employer's Change (valued at a cost of \$3.5 million) under Contract A in January 2019 to carry out the modification works. While EPD conducted a number of consultations, business impact assessment, feasibility studies, etc. in 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 to be processed by WEEE-PARK;

- the design and construction works of WEEE-PARK commenced in April 2015 and the revised completion date was 19 July 2017. The completion of a substantial part of works was delayed by 93 days (i.e. from 20 July 2017 to 20 October 2017) due to the delays in obtaining the approvals for a utility service and a statutory licence from relevant authorities. The substantial completion of works was further delayed by 138 days (i.e. from 21 October 2017 to 7 March 2018) due to similar reasons. EPD needed to take measures to ensure the timely commissioning of operation, particularly those works projects involving approvals of utility services and statutory licences by relevant authorities;
- according to Contract A, monthly operation fee was paid to Contractor A based on the actual quantity of regulated WEEE treated during the month. From October 2017 to March 2024, there was a shortfall in yearly average treatment capacity of 32% and 80% for refrigerators and washing machines respectively. Contractor A was instructed to increase the processing capacity of washing machines and refrigerators of WEEE-PARK (incurring a top-up operation fee of \$165.3 million from October 2018 to March 2024). There was a need to explore the feasibility to redesign WEEE-PARK with a view to aligning its treatment capacity with the mix of sub-types of regulated WEEE;
- Contractor A did not regularly compile detailed records of maintenance work and follow-up actions in relation to instances of failure in facilities and equipment that required frequent maintenance and long repairing time, and did not report such information in the monthly and yearly operational reports;
- from October 2017 to March 2024, site accident record aspect was rated as "poor" in 14 (78%) of the 18 Contractor A's performance reports covering 43 non-fatal work injury accidents. Notwithstanding that Contractor A implemented employee development programs to improve occupational safety and health since November 2020, there was no

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significant improvement to the site and occupational safety of WEEE·PARK. Of the 43 accidents, 25 (58%) happened after the implementation of the programs;

- Contractor A should salvage and refurbish selected items for each of the four sub-types of Type 1 regulated WEEE (i.e. air-conditioner, refrigerator, television and washing machine) collected into repaired products and donate them to non-governmental organizations for beneficial distribution to under-privileged households. From October 2017 to October 2023, there was a shortfall of the actual number of air-conditioners and refrigerators repaired against their respective targets for four operation years, ranging from 9 to 167 items (i.e. 7% to 91%) and 102 to 258 items (i.e. 16% to 40%) respectively;

Other related issues

- as of March 2024, of the 2 997 returns and 719 audit reports due for submission by the registered suppliers of REE from October 2020 to March 2024, 341 (11%) returns and 145 (20%) audit reports were overdue. The Director of Environmental and Protection responded that EPD would enhance the computer system to facilitate the submissions of returns and audit reports by the registered suppliers of REE and strengthen management control in case monitoring to keep track of the processing time; and
- since the implementation of WPRS in August 2018, EPD conducted two costing reviews on the recycling levies of REE under WPRS in May 2022 and May 2024 and decided not to adjust the recycling levies. However, overall cost recovery rate of the period covering 2018-2019 to 2028-2029 dropped from 105.2% (forecasted in May 2022) to 99.8% (forecasted in May 2024). EPD needed to closely monitor the cost recovery position of WPRS with a view to achieving full cost recovery and take actions where appropriate.

5. The Committee did not hold any public hearing on this subject. Instead, it asked for written responses to the issues raised by Audit. The replies from the **Director of Environmental Protection** are in *Appendix 13*.

6. The Committee wishes to be kept informed of the progress in implementing Audit's recommendations.