

20 January, 2014

Council for Sustainable Development
c/o Sustainable Development Division
Environment Bureau
46/F Revenue Tower
5 Gloucester Road
Wanchai, Hong Kong

Attention: Mr Bernard Chan, Chairman

Dear Bernard

Public Engagement Exercise on Municipal Solid Waste Charging

The Hong Kong General Chamber of Commerce welcomes the public engagement exercise of the Council for Sustainable Development on “Implementing Quantity-based Municipal Solid Waste Charging”.

The Chamber fully supports the polluter-pay principle of the charging scheme. As a business association, we would submit our members’ views primarily on charging commercial and industrial waste. Our answers to the questions stated in the Invitation for Response Document are explicated in the attached paper, and we hope our recommendations will contribute to the development of sustainable waste reduction policies.

Thank you.

Sincerely,

A handwritten signature in blue ink, appearing to be 'Shirley Yuen', is written over the typed name and title. The signature is fluid and extends to the right.

Shirley Yuen
CEO

Waste Reduction by Waste Charging – How to Implement?

A Response to the Council for Sustainable Development

by the Hong Kong General Chamber of Commerce

1. **The Hong Kong General Chamber of Commerce (“HKGCC”) has long been a supporter of the polluter-pay principle, and so we support a charging scheme to reduce municipal solid waste (“MSW”).** In our earlier submission to the public consultation on “Introduction of Waste Charging to Strengthen Waste Reduction”, we welcomed the Government’s initiatives to address the issues via the implementation of a waste charging system in Hong Kong as an initial step. In our opinion, the aim of waste charging should be clearly spelt out to reduce waste in the first place by discouraging wasteful habits and promoting the recycling industry.
2. We welcome the Public Engagement Exercise conducted by the Council for Sustainable Development to seek views on how best to implement a waste charging scheme in Hong Kong. As a business association, we would like to contribute our views primarily on charging commercial and industrial (“C&I”) waste producers. Our answers to the questions in the Invitation for Response (“IR”) Document are explicated as follows.

Charging Mechanism

IR Document: How acceptable is it to you to (continue) hiring private waste collectors to collect your commercial and industrial waste, and the private waste collectors will pay the Government the waste charge (e.g. gate fee by weight) which you need to share?

3. **We support a quantity-based system, directly linking the charging scheme with the quantity of waste to create economic incentives for waste minimization.** In view of a gate fee system being adopted for C&I waste in the United States, Canada, most European countries, Japan, South Korea and Singapore, Hong Kong should implement a similar system for the C&I sectors.
4. In consideration of Hong Kong’s unique environment, where the majority of businesses are located in high-rise commercial buildings and most C&I waste is collected by private waste collectors, **it will be simpler, feasible and logical that private waste collectors collect the waste charge from individual waste producers based on the weight of waste, and then pay gate fees collectively for the loads of waste transported to landfills or refuse transfer stations.**
5. Prior to the implementation of the waste charging scheme, **the Government needs to engage building owners, Incorporated Owners/Owners' Committees, business occupants and property management companies in the consultation process, set out the objectives and mechanism clearly, and provide advice and assistance to facilitate an effective operation of the waste charging system.** There should also be additional hardware or devices to support the operation, surveillance systems to prevent fly-tipping, and review/revision on the Deed of Mutual Covenant. The property management companies should be adequately empowered to carry out the mandate and resolve disputes.

Coverage of the Charging Scheme

IR Document: Do you consider that the MSW charging should be implemented to all sectors (i.e. both the domestic and the C&I sectors) in one go, or to be implemented to different sectors by phases?

6. **The MSW charging scheme should be implemented to all sectors in one go, but a dual approach should be adopted for both C&I and domestic waste under a defined timetable, so that businesses and households can plan for the impact.** We believe that the charging scheme should aim for capacity building of general awareness among businesses and households, as well as universal application to maintain fairness in line with the polluter-pay principle, but a manageable start with infrastructure and supporting facilities being made available is crucial for the scheme to be sustainable. In consideration of the current building design of domestic units not facilitating waste separation and the potential danger of fly-tipping to refuse collection points and public litter bins, we have to acknowledge the complexity and technical challenges of collecting waste charges on domestic units. Having said that, it is not an excuse to exclude the levy on domestic waste, and it is the Government's responsibility to design and determine an appropriate mechanism to collect domestic waste from households. The Government should therefore introduce a clear roadmap of implementing two sets of charging schemes either concurrently or consecutively.
7. For the C&I sectors, to avoid never-ending controversies over selective business sectors to be charged, the waste charging scheme should be imposed on all businesses in one go. However, in some 11,000 composite buildings where C&I waste is often mixed with domestic waste, it is unrealistic to require business occupants to separate waste into two categories, and it is also costly to implement two separate waste collection and charging programmes due to the anticipated complex technicality involved. **As the purpose of introducing waste charging is to encourage behavioural change rather than increasing Treasury income, the Government may need to devise a more flexible yet easy to administer scheme based on the existing waste collection mechanism in composite buildings.** To avoid confusion and prevent fly-tipping, the Government should elaborate on how the proposed weight-based C&I scheme compares with the weight/volume-based domestic schemes.

Charging Level

IR Document: What level of MSW charge per tonne (\$400-\$499; \$500-\$599, \$600-\$699, others) do you consider appropriate in effecting changes in your waste-reducing and recycling behavior?

8. It is not the Government's intention to achieve cost recovery of waste disposal and treatment by waste charging, but to induce behavioural changes to reduce and recycle waste. **The charging level should therefore be set at a level acceptable to all stakeholders as well as influential in their waste disposal decisions. The calculation methodology of MSW charge per tonne should be transparent to the public, and a review mechanism on the entire scheme should be developed.** Other than that, we do not have a particular view on the exact charging rate ranging from \$400 to \$699.

9. **However, it is unfair to consider charging waste producers as a “penalty” without offering them a choice, i.e. the choice of recycling.** For example, 80% of construction waste contains recyclable materials which could be used for reclamation sites outside the Harbour. The Government should provide sufficient outlets to absorb such recyclable waste.
10. Further, **the charging system should not be applied generically across different waste.** Putrescible wet waste, mainly food waste, for example, is the most problematic waste requiring a targeted approach. In essence, supporting facilities have to be in place to collect food waste for treatment and composting, e.g. digesters among a cluster of eateries and restaurants and organic waste processing facilities, before a charge is imposed on such waste. As such, businesses should separate out dry and wet waste for appropriate recovery or recycling to minimize paying waste charges as well as diverting waste from landfill disposal.
11. The same principle applies to other recyclable waste materials, such as papers, bottles and cans, where waste collection and recycling facilities should be in place to encourage good practices of waste reduction and reduce overall waste charging by weight. **The Government has the responsibility to devise a concrete plan of developing infrastructure and specific facilities in the districts to support recycling volumes.** It is particularly important for businesses to identify available mechanical sorting facilities and recycling channels across Hong Kong prior to the implementation of the charging scheme, to facilitate the planning of delivery of recyclable materials to the collection points.

IR Document: Do you support having a certain threshold for waste disposal under which no MSW charge should need to be paid or that you will be rewarded by any form?

12. If the charging mechanism for C&I waste is to rely on private waste collectors to pay for the loads of waste from their clients collectively, it would be difficult to introduce either threshold or reward for individual waste producers, as all waste is consolidated and charged at gate.

Recycling

IR Document: Do you consider that additional measures and/or resources are needed to support recycling activities/facilities?

13. Currently, the management of MSW is subsidized by the Government. **The waste charging scheme is applauded for shifting the purpose of subsidies from the management of waste to the management of recyclables.** Placing the incentives in the appropriate place will, over time, help facilitate the development of a strong robust and financially sustainable recycling sector.
14. Overseas experience confirms that **fiscal support is necessary if private sector recycling efforts are to reach a financially sustainable critical mass.** Therefore, we welcome the establishment of the Steering Committee to Promote the Sustainable Development of the Recycling Industry to review the Government’s current support

for the recycling industry, and look forward to hearing more details on the use of the \$1 billion Recycling Fund earmarked in the Policy Address.

15. **According to the HKGCC Annual Business Survey conducted in November 2013, 74.9% of our members supported subsidizing the recycling industry.** While direct subsidy may not be widely endorsed in our free market economy, other forms of support from the Government will be essential. These may include targeted land supply at a discounted rate and direct transport services of waste to private recycling facilities. The additional expenses involved could be offset by the income generated from waste charging.
16. **The Government should commit to finding market solutions for recycled products.** To achieve this, the Government should facilitate the development of scalable markets with adequate end-user demands of recycled products, such as building materials and compost, to enhance the sustainability of the recycling industry, and lead by example, i.e. through approving the use of new products with recycled contents in government projects, and incorporating green procurement policies into the tendering exercises to incentivise suppliers and service providers to make use of recycled products.

January 2014