



The Hong Kong General Chamber of Commerce

香 港 總 商 會

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Subcommittee on Waste Disposal (Charges
for Disposal of Chemical Waste)
(Amendment) Regulation 1996

Legislative Council
Legislative Council Building
8 Jackson Road
Hong Kong

Attn: Ms Estella Chan
Clerk to the Subcommittee

Dear Ms Chan

Chamber's Position on the Review of Charges for the Disposal of Chemical Waste at the Chemical Waste Treatment Centre

- It has been a long standing position of the Chamber to support, under the Polluters Pay Principle, full cost recovery in waste treatment in order to encourage industry to minimize pollution, if any.
- However, the PPP should be applied under two critical conditions:
 - (1) transparency of the various charges,
 - (2) the recovery scheme must strike a balance between environmental protection and survival of industry.
- In the case of the proposed charge increases in chemical waste treatment at CWTC, there are three main concerns:
 - The calculation of the variable operating cost (VOC) is not transparent while industry is asked to pay for it.
 - The linking of VOC increase to CPI (B) has no sound justification.

- The absence of a scheme of control for the profits made by the CWTC would encourage little improvement in efficiency or productivity at the CWTC.
- These concerns are particularly relevant when we were told that
 - the CWTC was operating at almost full capacity (92.2%) in 1995.
 - the VOC of CWTC has increased by 184% from \$101.5 million in 1993/94 to \$288.2 million in 1994/95 and then by 17% to \$337.5 million in 1995/96, i.e. more than triple since the CWTC's inception.
 - the CWTC, in reality, is in a monopolistic market position: 89% of all the chemical waste generated are treated by CWTC. Yet, there is no scheme of control on its profits and its VOC is linked to CPI (B) without any sound justification.
 - the seemingly unalarming increase of VOC recovery from 20% in 1995/96 to 25% in 1996/97 represents, in fact, a 25% (not 5%!) increase in rate. But when this increased VOC recovery rate is translated into the itemized charges to industry, it could be as high as 35% per item.
 - Moreover, under the proposed 100% recovery schedule by 2003/04, the VOC recovery percentage will be increased by bigger steps year-on-year until 2003/04. The estimated itemized charges during these years would increase by 20% to 24%, plus adjustments according to CPI (B), year-on-year.
- The conclusion we have is that the proposed Review is not acceptable as it does not conform with the two critical conditions on which the PPP applies.
- The Chamber, taking into consideration of our long standing policy on environmental protection and a fair and equitable operating environment for our industry, recommends:
 - (1) The VOC recovery rate, taking 20% in 1995/96 as the base line, be increased by 10% per annum, i.e. 22% for 96/97, 24.2% for 97/98 etc. (It will take about 17 years to reach full recovery.)
 - (2) The VOC calculation must be made transparent and its CPI (B) linking must be reviewed and justified.

- (3) A scheme of control on CWTC should be put in place in line with similar schemes on public utility companies.
- (4) A liaison committee be formally established with membership from EPD, CWTC and user representatives. The committee should be empowered to review and approve the charges for disposal of special chemical waste and to monitor the VOC of the CWTC.

Yours sincerely



Y S Cheung
Assistant Director
Industrial and Corporate Affairs

cc: The Hon James Tien - Chairman, HKGCC
 The Hon Paul Cheng - Legco Representative, HKGCC
 Mr Barrie Cook - Chairman, Environment Committee
 Mr Alessandro Serpetti - Vice-Chairman, Environment Committee
 Mr Guy Clayton - ACE Representative, HKGCC
 Mr Ian Christie - Director, HKGCC