

Construction Waste Disposal Charging Scheme
Summary of Consultation with Stakeholders

Between May and November 2003, we attended 11 meetings with the stakeholders and advisory bodies to discuss the detailed arrangements of the proposed construction waste disposal charging scheme. We also received 12 written submissions from various organisations. A list of the organizations consulted is at Appendix I.

2. All the consulted organisations supported the proposed charging scheme in principle. However, the waste haulers continued to object to the charging scheme, reiterating that they were not waste producers and therefore should not be responsible for the charges. A summary of the stakeholders' views on specific issues and the Administration's responses is provided at Appendix II.

**List of organizations consulted on the
proposed construction waste disposal charging scheme**

a. Statutory/Advisory Bodies

- LegCo Panel on Environmental Affairs
- Advisory Council on the Environment (ACE)
- Business Advisory Group – Subgroup on Cutting Red Tape and Elimination of Over Regulation (BAG)
- Provisional Construction Industry Coordination Board (PCICB)
- Waste Reduction Committee (WRC)
- Waste Reduction Task Force for the Construction Industry

b. Professional Organisations

- Hong Kong Institution of Engineers (HKIE)
- Hong Kong Waste Management Association (HKWMA)

c. Green Groups

- Friends of the Earth (FoE)
- Conservancy Association (CA)
- Green Power (GP)

d. Business Sector

- The Real Estates Developers Association of Hong Kong (REDA)
- Hong Kong General Chamber of Commerce (HKGCC)
- Business Environment Council (BEC)
- The Hong Kong Construction Association (HKCA)
- The Hong Kong Association of Property Management Companies Limited (HKAPMC)
- The Hong Kong Construction Sub-Contractors Association

e. Waste Haulers Associations

- 香港廢物處理業協會（簡稱「廢物處理業協會」）
- 香港泥頭車司機協會（簡稱「泥車協會」）
- 汽車交通運輸業總工會（簡稱「交運總工會」）
- 香港九龍的士貨車商會有限公司（簡稱「貨車商會」）
- 港九及新界夾斗車商會有限公司（簡稱「夾斗車商會」）

**Summary of the stakeholders' views on specific issues
and the Administration's responses**

Stakeholders' views

The Administration's responses

Charging level of \$125/tonne at landfills

BAG suggested to increase the landfill charge to \$200/tonne to provide financial incentive for the industry to use alternative construction methods.

The proposed charging level aims to recover the full capital and recurrent costs. We do not agree to set a charge arbitrarily.

Some BAG and ACE members suggested that the landfill charge should also reflect the costs of land and the replacement costs for the existing landfills i.e. the cost to build new landfills.

It is very difficult to include the land cost, which always fluctuates, in the charge.

The notion of replacement cost does not tie in with the User Pays Principle as it requires existing users to subsidize future users. Any replacement cost is only an arbitrary figure with no basis.

HKCA suggested lowering the landfill charge to \$60/tonne to cover only the operating cost, as the proposed charge was too high. It also commented that the capital cost should be borne by Government as infrastuctural investment.

The contractors should have included the waste disposal charges in the construction cost. Such charges should only constitute some 1-2% of the total construction cost and should not create financial burden to the construction industry.

Mandatory requirement for contractors with contracts costing over \$1 million to set up a billing account to pay charges direct

Some members of BAG and representatives of waste haulers associations commented that waste producers could abuse the \$1 million threshold by splitting contracts into multiple contracts costing below \$1 million to get around the mandatory requirement.

The \$1 million threshold follows the levies under the Industrial Training (Construction Industry) Ordinance and the Pneumoconiosis (Compensation) Ordinance. We are not aware of any splitting of contracts to avoid payment in those cases. Even if the contractors do split contracts, they can only avoid setting up of accounts, not paying the charges.

The waste haulers may request upfront payment of waste disposal charges before providing services for such suspicious cases.

Some waste haulers commented that the \$1 million threshold was too high for most renovation waste disposal contracts in private and public housing estates.

The threshold is for construction contracts, not waste disposal contracts, as construction works generate most construction waste.

On-site payment at the waste disposal facilities

Some waste haulers opposed to the on-site payment arrangement because this would increase the likelihood for the contractors to ask them to pay the charges upfront.

It is necessary to allow on-site payment to enable users with no billing account (e.g. infrequent users) to pay charges.

The waste haulers may ask for upfront payment of the disposal charges from waste producers before providing transportation services.

30-day payment period for account holders

HKCA and the waste haulers associations asked for longer payment period. HKCA wanted the payment period to be 42 days to tie in with the time for receiving interim payments in public works contracts. Waste haulers suggested a 3-month credit period.

As the invoice would be issued at the end of a month, this will give waste producers/haulers some 30-to 60-day credit period after the disposal of waste. This period should be sufficiently long to help ease the waste haulers' cash flow problem and allow them more time to recover the charges from the waste producers/clients.

Suspension of payment for waste haulers with proof of the waste producers' default in payment

BAG, REDA and HKWMA doubted the need for such a provision as they considered bad debts as part of the commercial risks encountered by all businesses.

The proposed suspension of payment aims to address waste haulers' concern over possible bad debt problems.

Some BAG members suggested that there should be a time limit on such a provision, as waste haulers should get to know and avoid dealing with waste producers/clients that might default. In general, they considered that the government's proposal had adequately addressed the bad debt issue.

Waste haulers felt that the charging scheme would worsen their cashflow problem and increase the risk of bad debt by waste producers/clients because the waste disposal charges are much higher than their

We have already revised the charging scheme to incorporate measures to address waste haulers' concerns. For example, there will be a direct settlement system for major waste producers so that the latter will settle the bill with

transportation cost.

Government direct. Also, to allay their concern about cashflow problems, waste haulers would be billed on an accrual basis and be given a credit period of 30 days.

Some (medium size companies with several trucks) were concerned that if waste producers did not pay, the outstanding sum could easily exceed the ceiling handled by the Small Claims Tribunal. The time and expenses for taking legal actions would be much higher.

Small waste haulers do not consider this a problem. Hence, this problem only applies to the large waste hauling / transportation companies, which should be able to secure pre-payment of all or part of the charges, or seek reimbursement from the waste producers.

One waste hauler association supported statutory declaration as a form of proof that they could not recover the charges from the waste producers. Another association objected to this suggestion. However, three other waste haulers associations considered that they should not be responsible for the charges under any circumstances. They would not wish to commit their position with regard to statutory declaration.

We have already agreed to accept a claim lodged against the waste producers at the Small Claims Tribunal. We maintain an open mind regarding the use of statutory declaration as a form of proof for suspension of payment, but the waste haulers associations have split views over this matter.

One waste hauler association suggested collecting personal information of the waste producers and passing them on to the Environmental Protection Department to collect the charges direct from the waste producers.

We consider it not appropriate to collect waste producers' personal data through a third party i.e. waste haulers.

The waste haulers associations proposed a territory-wide registration by street number/lot number and suggested that the management companies, owners' incorporations, owners or developers setting up billing accounts for direct settlement of charges.

We consider it not appropriate to impose such statutory obligations on these parties as they may not be directly involved in the delivery of waste.

A meeting had been arranged for HKAPMC to meet with the waste haulers associations. HKAPMC stated that property management companies had no right to check whether any renovation works had taken place in the owners/residents' premises. Moreover, it was not fair to use the management fees collected from all owners/residents to cover the administrative expenses for operating the billing account.

Exemption of contracts awarded before the commencement of the charging scheme

BAG is concerned that developers and contractors might cooperate and evade the charges by having long-term contracts. It therefore suggested limiting the exemption period to 2 years.

Agreed. A time limit will be set for such exempted contracts. It is therefore not possible for developers and contractors to have long-term contracts to evade the charges.

HKCA considered that exemptions should also be granted to projects tendered before the commencement of the charging scheme.

We do not agree with the need to extend the exemption since there would be several months between the enactment of the legislation and commencement of the charging scheme to allow contractors to factor in the disposal costs in tenders.

Power to determine the acceptance of waste at different facilities by visual inspection

HKCA and BEC were concerned that visual inspection to determine the acceptance of waste at different facilities could lead to confrontation between the staff and the waste haulers.

We agree that such problems might arise during the initial period of implementing the charging scheme. However, as it is not practicable in terms of time, space, logistical and cost requirements to carry out detailed inspection and weighing of the detailed content of each vehicle at the gate of facilities, there are no other practicable means but to ask site staff to make an immediate judgment based on visual inspection.

We plan to set up a tripartite working group with representatives from the construction industry, waste haulers and the facilities operators to resolve possible teething problems prior to the implementation of the scheme.

Other related issues

Reusing inert construction waste in Mainland reclamation projects

Since the charging scheme will add to the cost of projects, the PCICB and HKGCC suggested that the Government should consider exporting inert construction waste to other places.

We are actively exploring with Mainland authorities the feasibility of reusing the inert public fill generated from local construction activities in Mainland reclamation projects. However, it must be noted that even if this is viable, there will still be a cost involved, and this would be reflected in the public fill reception charge.

Promoting waste management plan in construction industry

FOE, CA, REDA, HKCA suggested that the Government should promote waste management/ recycling.

We have taken the lead in implementing waste management plans in public works projects and have recently introduced the 'Pay for Safety and Environment' scheme to provide financial incentive for contractors to do more in waste management and reduction. We are also developing waste management plans for use in the private sector.

Promoting the use of recycled aggregates

FoE, REDA and HKCA urged the Government to encourage building professionals to use recycled construction materials.

We are committed to promoting the use of recycled aggregates in Government projects so as to set an example for others to follow. We have amended the materials specifications to allow the use of recycled aggregates in public works. In July 2002, we set up a temporary recycling plant at Tuen Mun to process hard materials into recycled aggregates for use in public works. We are also collaborating with universities in researches to expand the use of recycled aggregates.