

## LCQ3: Recycling Fund

Following is a question by the Hon Chan Hak-kan and a reply by the Secretary for the Environment, Mr Wong Kam-sing, in the Legislative Council today (May 30):

Question:

To assist the recycling industry in enhancing operational capabilities and efficiency, the Government established the Recycling Fund (the Fund) in October 2015, with an allocation of \$1 billion for application by recyclers for subsidies. In this connection, will the Government inform this Council:

(1) given that as at February this year, a total of 128 projects involving a total funding of about \$94 million was approved under the Fund, but the expenditure incurred by the Hong Kong Productivity Council, the Secretariat of the Fund, on processing applications for the Fund, monitoring the progress of the projects and conducting compliance checks was as high as \$13 million (accounting for 12% of the total amount of approved funding, i.e. such expenditure being as high as \$100,000 for each funded project on average), whether the Government has reviewed if such an expenditure level is on the high side, and whether secretariat support for the Fund will instead be provided by the Government in-house; if so, of the details; if not, the reasons for that;

(2) given that the recovery rates of plastics and food waste in 2016 slightly rose by three percentage points and less than one percentage point respectively and the recovery rate of paper dropped by two percentage points when compared with those in the year before that, whether the Government has studied why the recovery rates of those materials have shown no marked improvement after the Fund was launched; of the measures to further boost the recovery rates, and whether it will formulate more ambitious recovery rate targets; and

(3) given that more than \$30 million has so far been approved under the Industry Support Programme (ISP) under the Fund to provide funding support for relevant organisations to undertake non-profit-making projects with a view to enhancing the capability and productivity of the recycling industry, whether the Government has assessed the effectiveness of ISP; as quite a number of recyclers have relayed that the application procedure of the Fund is complicated, whether the Government will further streamline the relevant procedure; if so, of the details; if not, the reasons for that?

Reply:

President,

The Recycling Fund (the Fund) set up by the Government is one of the initiatives in promoting the development of the recycling industry. By

providing financial support, the Fund aims at facilitating the upgrading of the operational capabilities and efficiency of the recycling sector. In view of the more stringent requirements on the import of recyclables progressively in place in the Mainland, the Fund has been streamlined on various fronts with a focus on helping the recycling industry expedite their upgrading and enhancement of processing capacity, as well as grasp the challenges and opportunities emerged. Regarding the questions raised by the Hon Chan Hak-kan, my responses are as follows:

(1) The work of the Secretariat of the Fund includes assessing all applications received and monitoring the progress of each approved project. Therefore, in addition to providing administration services, the Secretariat has also to be conversant with the operation of the recycling industry and possess a well-established network among the recycling trade. When the Government sought funding approval from the Legislative Council (LegCo) for \$1 billion to set up the Fund, the reasons for engaging the Hong Kong Productivity Council (HKPC) to act as the implementation partner and provide secretariat and administrative management services for the Fund were explained. Details of the work of the Secretariat are at the Annex.

The Secretariat's annual expenditure on processing applications, monitoring approved projects and checking on compliance for the Fund is about \$9 million, of which the HKPC has to shoulder certain additional expenses, including those on the provision of supervisory staff and technical support, the hiring of venues, etc.. As at mid-May this year, the Advisory Committee on Recycling Fund (RFAC) received a total of 386 applications, and a total of 139 funded projects have been or will soon be commenced, involving a total funding of about \$100 million. The expenditure of the Secretariat is within reasonable range. The Environmental Protection Department (EPD) has no plan to change the arrangement of engaging the HKPC to act as the implementation partner to the Fund as well as provide secretariat and administrative management services for the Fund.

(2) In addition to supporting the development of the local recycling industry through the Fund, the Government will continue to strengthen support on various fronts to enhance the operation of the recycling chain.

Regarding food waste, the Organic Resources Recovery Centre (ORRC) Phase 1 will be commissioned around mid-2018. While we are planning the construction of ORRC Phase 2, the "Food Waste / Sewage Sludge Anaerobic Co-digestion Trial Scheme" will be implemented at the Tai Po Sewage Treatment Works to raise Hong Kong's overall food waste treatment capability. We will also continue to support schools and private housing estates to install composters, and will also collaborate with the commercial sector and eateries to collect surplus food for distribution to voluntary organisations.

On recycling of waste paper, our key support includes providing sites in the EcoPark and under short-term tenancy as well as berths in public cargo working areas for bidding and use by the recycling sector. In an open tender held at the end of this March, we invited tenders from recyclers interested in developing waste paper recycling and manufacturing business in the

EcoPark.

As for recycling of waste plastics, we have commenced a consultancy study on how to introduce a producer responsibility scheme for suitable plastic containers so as to strengthen recycling support at the community.

We are actively preparing for the legislation required for municipal solid waste charging, with a view to further promoting waste reduction at source and recycling.

Formulation of the above initiatives is underway. At present, we are unable to set specific recycling targets for individual type of recyclable.

(3) The Fund comprises two aspects, namely the Enterprise Support Programme (ESP) and Industry Support Programme (ISP). The former provides funding support for individual recycling enterprises to upgrade and expand their local waste recycling business. The latter provides funding support for non-profit distributing organisations registered in Hong Kong, such as professional bodies, trade and industry organisations, research institutes and other industrial support organisations to undertake non-profit making projects which can assist the local recycling industry in general or in specific sectors in enhancing their operational standards and productivity.

The \$30 million mentioned by the Hon Chan is mainly for ISP. The currently approved projects include, inter alia, operation guides and trainings for the recycling industry produced and provided by the Hong Kong Baptist University and the Hong Kong Quality Assurance Agency, as well as the Recycling Industry Safety Enhancement Pilot Scheme launched by the Occupational Safety and Health Council (OSHC). The former has held 52 training sessions attended by over 1 200 people so far; while the latter has received applications from more than 160 enterprises. These programmes can facilitate the enhancement of skills, productivity and safety standards of the recycling industry, as well as reduce their expenditure for insurance.

The EPD and the RFAC have been in close dialogues with the recycling sector to continuously optimise the operation of the Fund. At present, a series of facilitation measures have been introduced under the Fund, including the provision of initial grant payments to approved projects before their launch, including the cost for third-party liability insurance and a portion of the rental expenses required by approved projects in fundable items under the Fund, as well as establishing a category of Standard Projects under ESP to streamline application procedures for specific items, such as procuring small-scale equipment, hardware and machinery, making applications under certification or registration schemes, etc.. Besides, the RFAC has waived the condition on opening a designated bank account for Standard Projects, and will provide reimbursement midway through the project period, having regard to the progress of the project. To assist the recycling industry to address the Mainland's progressively tightening requirements on imports of recyclables, the Fund announced in September 2017 that \$20 million had been earmarked to expand the list of fundable items under "Standard Projects" to help upgrade the recyclers' ability in turning waste plastics

into plastic products or raw materials as well as processing waste paper. The Fund also earmarked \$50 million for encouraging recyclers to use compactor trucks for more effective and efficient transportation of waste plastics and waste paper and hence reduce the collection and transportation costs of recyclables. As at end December 2016, a total of 68 applications of Standard Projects have been received in 15 months since the operation of the Fund in October 2015. In respect of the new series of facilitation measures, the Fund has received a total of 169 applications of "Standard Projects" in 17 months from January 2017 to present and 104 applications have been approved.

The Government and the RFAC will continue to review the Fund's operation and roll out various facilitation measures in a timely manner.

Thank you, President.