

**Funding to Support Non-governmental Organizations to Operate  
Plastic Resources Recycling Centre at EcoPark Phase II in Tuen Mun**

This paper seeks Members' agreement to continue to provide Environment and Conservation Fund (ECF) funding support to facilitate the continuous operation of the Plastic Resources Recycling Centre (PRRC) by a non-governmental organization (NGO) at EcoPark Phase II in Tuen Mun to support the community plastic waste reduction and recovery initiatives.

**The Issue**

2. The 3-year term of funding support by ECF for Yan Oi Tong (YOT) to operate the PRRC will end on 2 March 2013. We need to decide on the future arrangement of the PRRC.

**Summary of Key Recommendations**

3. Upon reviewing the operation of PRRC so far, we would like to recommend to allocate as a ceiling \$10M ECF fund to maintain the PRRC for 36 months after 2 March 2013 as a visible and secure outlet for local source separated waste plastics. An open tendering exercise will be conducted to identify the next operator of PRRC from interested NGOs and the required funding support. Promotion and education will continue to be the main foci of the next PRRC project to support various community waste reduction and recycling initiatives. The approved holistic assessment mechanism will continue to be applied to measure the overall performance of the next PRRC operator and the satisfactory performance indicator on production will be set as about 6 tonnes per day.

**Progress Review**

4. The PRRC was set up by the Government after the 2008 financial tsunami as a market supporting measure to ensure that local source separated plastic waste would not be dumped at landfills due to poor market demand. Since the commencement of operation in March 2010, YOT has been performing satisfactorily in achieving the designated objectives of the project (*Annex I*), in particular in enlisting community participation in plastic waste recovery and recycling. The PRRC has so far received over 16,000 public visitors and organized over 2,000 education, promotion and publicity activities to promote recycling of plastic waste. The community has responded positively to these activities. More than 840 organizations including property management firms, restaurants, logistics companies, shopping malls, hospitals and clinics, social services organizations, schools and theme park have signed up to be partners of the PRRC engaging in daily recovery of plastic waste for recycling at the PRRC. Some of them (e.g. Café De Coral, Bausch+Lomb, Pfizer, Discovery Park and Vocational Training Council) launched publicity activities jointly with the PRRC or make donations to the PRRC to promote plastic waste recycling. In the past three years, YOT organized school competitions to train environmental ambassadors and sponsored about 20 teenagers each year to join expeditions to Antarctica, Arctic and Mt Everest respectively. During the training, YOT has arranged the teenagers to visit PRRC to appreciate the importance of waste reduction and recycling.

The activity is useful in training student leaders on environmental issues.

5. Since the commencement of operation in March 2010, the PRRC has processed over 2,730 tonnes of plastic waste (as at end August 2012) into value-added materials which were sold to the market via open tender. The daily throughput of PRRC has been increased from about 2 tonnes per day in the first year of operation to about 6 tonnes per day in June 2012. Besides, the PRRC has generated over 140 employment and training opportunities to low-skilled workers and the underprivileged, including disabled, new immigrants, single parents and rehabilitated offenders. A summary of the performance of the PRRC is presented in *Annex 2*.

6. The PRRC has served as a visible and secure outlet for the plastic waste collected from the Source Separation of Waste (SSW) Programme as well as many ECF community recycling projects (*Annex 3*). The PRRC is also extending its role in supporting the newly established Community Recycling Network (CRN), a major initiative under the waste management action plan announced by the Government in early 2011. In addition, the PRRC is a useful platform for engaging District Councils (DCs) in promoting waste reduction and recycling at the district level. *It is therefore desirable to maintain the PRRC after 2 March 2013 as we develop and consolidate the new community waste reduction and recycling initiatives.*

### **Funding Support**

7. YOT claimed that it has contributed over \$7M of its own money (which will not be claimed from the ECF fund) to organize territory wide programmes to promote plastic waste recycling, train up student leaders on environmental protection issues through expedition trips, provide green education to students on the importance of waste reduction and plastic waste recycling and develop apps on source separation of waste, etc. YOT has also claimed that it has been deploying its own cash flow to support the daily operation of PRRC amid the fluctuation in the operation environment, e.g. increase in staff wages, transportation costs and insurance premiums; and difficulties in retaining skilled workers, etc. Continuous funding is necessary to support the PRRC in community education and promotion, and processing plastic waste into recycled materials at the PRRC. The revenue from processed plastics is small compared with the high costs of transportation, manual sorting and processing of all kinds of mixed waste plastics collected in the community. This is the reason that commercial recyclers would just bale plastic waste and export to the Mainland or countries in South East Asia rather than engaging in local sorting and processing.

8. As detailed in paragraph 4, the PRRC, being an environmentally sound local outlet for plastic waste, has been very effective in soliciting community support to recovery of waste plastics for recycling at the centre. Moreover, the PRRC has been serving very well as a demonstration facility for dissemination of green messages on waste reduction and plastic waste recycling to the public. The significant contributions of the PRRC in raising public awareness and engaging the community in plastic waste recovery and recycling echo well with the ECF's objective in promoting individual behavioral and lifestyle changes to protect the environment and sustainable development. Hence, *continuous government funding support through ECF is recommended to support the continuous operation of the PRRC.*

9. The ECF Secretariat has consulted the Financial Services and the Treasury Bureau regarding the continuous funding support through ECF for the extended operation of the PRRC. The Bureau has reiterated the principle of accountability for the use of public fund, in particular in relation to the potential public interest over projects receiving sizable funding support. Having regard to the assessment above, *the Secretariat recommends a funding ceiling of \$10 million should continue to be imposed.* In addition, the project should be closely monitored to ensure that there is no overlapping of resources and that this project would not become recurrent and standing item under the ECF.

## **Open Tender**

10. While YOT is gaining experience and making progress in running the PRRC, extending its project term may attract criticism from other NGOs. To ensure fairness to other interested NGOs, *it is recommended that an NGO operator should again be identified through an open tendering exercise. YOT is welcome to bid again together with other interested parties.*

## **Requirements for the Next Operator**

### Promotion and Education

11. *To support the Government's stepped up efforts on waste reduction and recycling, promotion and education will continue to be the main foci of the new PRRC contract.* Under the existing contract, the promotion activities organized by YOT aim primarily at increasing the quantities of waste plastics collected for processing at the PRRC. In the new contract, the next operator shall pay attention to both quantities and qualities. In terms of quantity, the next operator shall continue to source waste plastics through the established community network as well as through extending the current network. In terms of quality, the next operator shall design and organize educational activities to encourage the public to take one step forward in recycling by conducting simple pre-treatment, such as not to mix plastic waste with other refuse, pour out remaining liquids and separate caps and labels from waste plastic bottles before putting them into plastic recyclables collection bins. Through these activities, it is anticipated that the quality of the waste plastics collected by the PRRC will be improved. This will not only help nurture a more responsible green culture in the community, but also help to improve the financial position of the PRRC by lowering the processing costs and raising the selling prices of the processed products.

12. To generate and keep sufficient momentum in the community, the next operator shall organize promotion and education events jointly with different sectors of the community. Apart from mobilizing their staff, logistics and other resources to support these events, commercial and organizational partners may make donations/sponsorships to support the operation of PRRC. The donations/sponsorships will be acknowledged in the promotion publicity materials of these events.

### Production

13. The next operator of PRRC will be responsible for processing collected waste plastics by disinfection, manual sorting, shredding, washing and pelletizing into value added products such as flakes, chips and baled plastics. The products will be sold to recyclers/dealers through open

tendering for recycling into useful products. The revenue generated from the sale of processed plastics materials will be ploughed back to offset the operating costs of PRRC.

14. The production of PRRC has been subject to fluctuating prices and unstable supplies of waste plastics. In view of the market situation and operating environment, the ECF WRPSVC approved in November 2011 an action plan proposed by YOT to divert more resources from production to promotion. At the meeting WRPSVC members also agreed to adopt a holistic approach to measure the overall performance of PRRC using a basket of performance indicators on production, promotion, employment and training, instead of solely based on the daily throughput quantities.

15. To facilitate the next operator to tide over the unstable market environment, we would recommend *to continue to apply the approved mechanism to conduct holistic assessment on the overall performance of the next PRRC operator*. Noting that the throughput of PRRC has reached from about 1 to 2 tonnes per day in the first half year of operation to over 5 tonnes per day in early 2012 and has been maintaining at above 5 tonnes per day steadily afterwards (Annex 2), it is proposed to *set the satisfactory level of the performance of the next PRRC operator on production as about 6 tonnes per day*.

### **Period of the Funding Support**

16. Following the existing arrangement, *the new funding support under ECF will cover 36 months (3 years)* to provide sufficient time for the next operator to adapt itself in the operating environment and further develop the PRRC promotion and operation as per the contract requirements based on the established experiences of YOT. It is expected that the next operator shall continue to be a close partner of the Government, being self motivated, highly devoted and willing to make contributions through mobilizing its own networks and resources to further engage the community in plastic waste recovery and recycling. Contribution of the NGO will be a selection criterion in the open tendering exercise for identifying the next PRRC operator. *A marking scheme for the open tendering exercise is proposed in Annex 4.*

17. In response to the community aspiration, the Government is developing a basketful of waste management programmes and initiatives, including introducing MSW charging and new producer responsibility schemes (PRs), setting up district recycling centres on top of the CRN, enhancing waste reduction promotion and education in the community, etc. In parallel, we will continue to monitor and accumulate experiences on the operation of the PRRC for the next 36 months and gauge its contributions to local plastic waste recovery and recycling, if the recommendations in this paper are supported. The long term role and need of PRRC will be reviewed along the development and implementation of various waste management programmes and initiatives.

### **Invitation of NGOs**

18. The PRRC project has contributed to the promotion of YOT. Through various promotion and publicity activities organized for the PRRC, YOT has not only established a highly visible profile, but also cast a positive image in the community, which is essential for YOT as a charitable organization. With these contributions and improving operation of PRRC as summarized in Annex

2, YOT has expressed an interest in continuing to operate PRRC after the existing ECF contract.

19. The performance and contributions of YOT as well as its high profile and visibility are witnessed by the whole community. It is believed that other NGOs would take these intangible benefits into account in deciding whether to place a bid in the open tendering exercise for identifying the next PRRC operator.

20. Upon approval by the ECF Committee, we intend to arrange a pre-tender briefing cum site visit for NGOs in late October or early November 2012 and kick off the open tendering afterwards. Our target is to award the services in January 2013 so that there will be about a month's time to ensure smooth handover of the PRRC to the selected NGO. If everything goes well as planned, the PRRC will be able to operate without a break after 2 March 2013 when the existing contract will end.

### **Machinery**

21. Under the existing contract, YOT is required to provide maintenance and repair on the machinery of PRRC provided by the Government and to return them in good conditions to the Government at the end of the contract. EPD is engaging an expert to conduct an independent assessment on the conditions of the existing machinery. The expert will offer guidance to YOT to ensure that the PRRC machinery will be returned to the Government in good functioning conditions for use by the next operator. If necessary, EPD will consider replacing parts which are confirmed to be no longer cost effective to repair.

### **Action Time Table**

22. A tentative action time table for the PRRC project is shown below:

<b>Task</b>	<b>Action Party</b>	<b>Target Date</b>
ECF WRPVSC meeting to discuss the future of PRRC	ECF WRPVSC /EPD	September 2012
Condition survey on the machinery of PRRC	EPD and its consultant	September 2012
Seeking approval from the ECF Committee	EPD	mid October 2012
Pre-tender briefing to interested NGOs (with report from EPD's consultant on the machinery conditions) and site visit to PRRC	EPD and its consultant	late October 2012 or early November 2012
Submission of ECF application	Interested NGOs	November to mid December 2012
Vetting and approval by ECF Waste Recovery Projects Sub-committee/ECF Committee	ECF secretariat	January 2013
Handover of PRRC to the next Operator	YOT/EPD	February 2013
Training of operational personnel	Selected NGO	February 2013
YOT to inform and transfer the existing partners to the next Operator	YOT and the selected NGO	February 2013
Commencement of the next PRRC project	NGO/EPD	3 March 2013

## Advice Sought

23. The WRPVSC discussed this paper in the meeting on 18 September 2012 and recommended the ECF Committee to support the proposal in paragraph 24.
24. Members are invited to approve the following:
  - a) the PRRC should be maintained after 2 March 2013 as a visible and secure outlet for local source separated waste plastics (paragraph 6);
  - b) government funding support of not more than \$10M should be provided through ECF to support the operation of PRRC (paragraphs 8 and 9);
  - c) an NGO should again be identified through an open tendering exercise to run the PRRC (paragraph 10);
  - d) promotion and education should continue to be the main foci in the new PRRC contract to support the CRN, district promotion programmes on community participation and other community waste reduction and recycling initiatives (paragraphs 11 & 12);
  - e) the holistic assessment mechanism approved by ECF WRPVSC in November 2011 should continue to be adopted to measure the overall performance of the next PRRC operator, with the satisfactory performance indicator on production set as about 6 tonnes per day (paragraph 15);
  - f) the contract period of the next PRRC project should be 36 months (paragraph 16);
  - g) the proposed marking scheme for the open tendering exercise for identifying the next operator PRRC as discussed in paragraph 16 (Annex 4);
  - h) the action items proposed in the action time table (paragraph 22).

## Environmental Protection Department September 2012

Annex 1 – Background and objectives of the existing PRRC project

Annex 2 – Summary of the performance of the PRRC

Annex 3 – List of ECF projects contributing waste plastics to the PRRC

Annex 4 – Proposed marking scheme for the open tender exercise for identifying the next PRRC operator