

November 8 2018

Ms. HINNY LAM
Assistant Director
Environmental Protection Department
16/F, East Wing, Central Government Offices
2 Tim Mei Avenue,
Tamar, Hong Kong

Dear Ms. Lam,

First of all, thank you very much for meeting up with the industry and providing us an update Glass Recycling Scheme. Last Tuesday proves to be a very fruitful meeting with a good exchange of ideas.

Per your suggestion, the Hong Kong Food, Drink & Grocery Association (FDGA) and the Hong Kong Beverage Association (HKBA) should write to EPD on its recommendations or divergences based on the latest update. Below are our suggestions based on the following objectives:

1. Improve environmental benefits
2. Ensure level-playing field
3. Provide practical and doable solutions

Below are enhancements FDGA and HKBA would like to advocate:

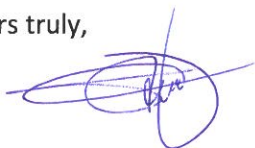
1. Pro-rata Recovery Levy
 - A. The scheme should provide importers and manufacturers a system wherein they will pay the levy for glass beverage containers that they were not able to recover and do not need to pay the levy for those they were able to recover and reuse.
 - B. This scheme will benefit the environment by encouraging companies to give recycling a try. Recovering and reusing containers will incur costs, and by requiring companies to pay the levy and at the same time pay the cost of recovery will not only discourage any trial but also run against the principle of environmental protection.
 - C. This scheme has been proposed repeatedly, and yet EPD has not taken it into consideration. The justification EPD has provided is that the current scheme is able to respond to this need as a company can choose to apply exemption based on a predefined subgroup by especially marking those glass containers.
 - D. However, the above justification is not practical for below reasons:
 - Most companies carry different brands; and likewise, retailers would carry different brands. To mark a small group of products that goes to a pre-identified group of retailers is not practical at all due to the high cost of implementation.

- Setting 80% as the goal for every company is not practical because not all equipment and resources e.g. warehouse, glass design, etc. were originally put in place for 80% threshold. In most cases, to be able to reach 80% may need a change of logistical model, moving the factory to a bigger location, buying new equipments with higher capacity and/or interruption in operations.
 - E. In conclusion, being able to achieve 20% or 70% reuse rate is way more environmentally friendly than recycling; and the government should encourage if not incentivize companies.
2. Social awareness
- A. The scheme should require retailers (or a substantial portion of it) to separately detail out the recycling levy in receipts or invoices so that:
 - To create public awareness of the government's effort in tackling glass container.
 - To raise public awareness of the environmental impact they have on their choices.
 - To ensure transparency of the levy so that the cost of the levy will not increase or snowball as it passes through the different layers of the supply chain. It is to the interest of the government, consumers, importers and manufacturers that the levy doesn't unnecessarily or negatively impact retail prices and public consumption.
 - B. EPD has mentioned that the reason why the government is not considering this is that some companies or retailers may want to absorb the cost of levy and not pass the cost to consumers. Also, that to require indicating the recycling levy in receipts or invoices may add administration burden to retailers.
 - C. However, the industry believes that the above justifications have not considered that companies or retailers who are willing to absorb the cost of levy have the option and flexibility of lowering their price to offset the levy and therefore can detail the recycling levy in receipts or invoices. Also, there is no administration cost as retailers are already currently doing it with by detailing plastic bag costs, lunch box cost for take-out; and even the Waste Electrical and Electronic Equipment (WEEE) recycling levy.
3. Registered Company Transparency
- A. The scheme should provide registered companies of the scheme the ability to check which other companies are registered so as to ensure level playing field.
 - B. The nature and amount of information to be provided in the search should be the same as the result in the search services provided by Company Registry provided by the Hong Kong government.
4. Short-Term Registration and Audit Report Exemption
- A. Current scheme set the level for short-term registration (vs. ordinary registration) and audit report exemption at the level of trading not more than HK\$20,000 levy per year.
 - B. The industry believes that the level should be 20,000 liters per year rather than HK\$20,000 levy per year. By doing this, the scheme would not need revision every time there is a change of levy cost.
5. Periodical Returns
- A. Current proposed periodical returns would require information including volume imported, manufactured and volume distributed and/or consumed by the importers and manufacturers.

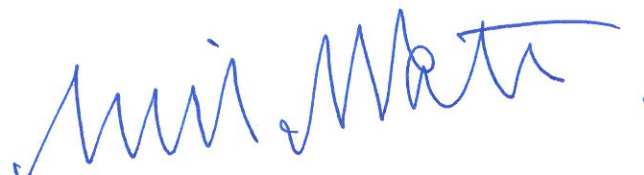
- B. The industry believes that only the volume distributed and/or consumed by the importers and manufacturers are needed as those are the ONLY basis for levy calculation; and that EPD ensures that data submitted are kept confidential and used strictly for levy calculation.
6. Implementation Timetable
- A. Current timetable indicates that the collection of levy shall immediately start on the quarter after registration of suppliers.
- B. The industry believes that collection of levy one quarter after registration of suppliers is not practical as the industry would need to align operational realities e.g. reconfiguration of accounting system to reflect the levy, the adjustments in invoicing to reflect the levy, the need to communicate to trade the adjustments made; and to engage auditors for the new requirement.
- C. The industry recommends four quarters after registration.
7. Glass Recycling Scheme Expansion
- A. Current scheme only considers glass beverage containers.
- B. The industry believes that this scheme should extend to all the other glass containers including, but not limited to, jam & sauce jars, soy sauce & oil bottles, etc., so as to:
- Improve environmental benefit
 - Ensure level-playing field
 - Safeguard consistency of environmental message and mission to the public
 - Increase operational efficiency through economy of scale
 - Avoid other glass containers free-riding on this cost-recovery scheme supported by glass beverage containers
8. Scheme Performance Transparency
- A. EPD should endeavour to be transparent in its operations and performance by letting the industry know the following:
- Amount of glass collected
 - Amount of beverage glass collected
 - Amount of glass recycled, e.g. turned into eco-bricks
 - Amount of glass not recycled, e.g. used for reclamation
 - General income statement that shows the scheme's revenues and expenses during a particular period

Once again, both FDGA and HKBA thank you very much for engaging the industry and we sincerely hope that EPD would seriously consider the enhancements we have provided. We look forward to further working with EPD.

Yours truly,



Steven Co
Chairman
The Hong Kong Food Drink & Grocery Association



Neil Waters
President
The Hong Kong Beverage Association Limited