

**“A Green Policy Address”  
Submission to the Chief Executive  
Conservancy Association  
August 1999**

**Summary of Recommendations**

**Introduction**

1. 1. As millennium beckons, the Chief Executive’s October 1999 Policy Address should be a Green Policy Address.

**Sustainable development**

2. 2. The concept of a “Sustainable Development Bill” to enshrine the principle of sustainable development in the legal system should be explored. As a first step, the enactment of a Nature Conservation Bill should be seriously considered.
3. 3. A Sustainable Development Strategy, as part of Hong Kong’s Agenda 21, should be developed in a joint effort by Government and the community in addition to the present SusDev 21 Study, which concentrates primarily on development indicators.

**Conservation**

4. 4. To achieve the aim of conservation without jeopardising development rights, the Association advocates the exchange of development rights for conservation, including through more liberal use of offsite compensation.
5. 5. The setting up of a Nature Conservation Trust should be considered. This Trust can be made a statutory body and its contributions could come from developers who are given development rights in exchange for conservation, as well as the government.

**Transport planning**

6. 6. We support the extension of the MTR line to places such as Kennedy Town, as well as a speeding up of the East and West Rail extensions. There should also be a greater degree of rail transport for freight to replace the environmentally unfriendly heavy vehicles.
7. 7. In designing our road network there should be more liberal use of innovation designs such as elevated road, submerged highways and tunnels. Environmentally friendly alternatives such as light rail or trolley buses should also be accorded higher priority. In order to alleviate congestion in busy areas, the development of market-driven traffic control devices such as electronic road pricing should be speeded up.

8. 8. Proposals of strategic projects such as the Lingdingyang Bridge and the Deep Bay Crossing should be discussed by the community in an open and transparent manner.
9. 9. There should be more user-friendly pedestrian walkways.

## **Energy and water**

10. 10. The principle of permitted return on fixed assets for utilities should be abandoned and replaced by a new regime of regulations based on financial incentives for both suppliers and consumers to conserve resources. Government should foster a public debate on appropriate competition policy and regulatory framework for the power sector. Vertical integration in the electricity industry should be broken up, thus introducing more competition in generation while creating a common carrier for distribution.
11. 11. The government should embark on serious discussions with the Guangdong authorities on the question of integration in the power sector.
12. 12. An alternative scheme on demand side management should be designed, to be administered by an independent body other than the utilities themselves.
13. 13. We support the move towards privatisation of water supply so as to achieve less leakage, more efficient use of resources, and more cost-effective management.
14. 14. There is an urgent need to review the resource-wasting long-term water purchase agreement with Guangdong. The government should also help implement water conservation measures across the border, such as by the establishment of a regional water conservation fund to tackle sewage pollution problems along Dongjiang River.
15. 15. Water saving measures are needed as an internal house-keeping measure. Government should consider installing a new progressive water tariff structure that encourages conservation and penalizes wastage.

## **Wastes and recycling**

16. 16. There should be an alternative policy on wastes to enhance private sector participation and recycling as a means of bringing about environmental benefits. Direct subsidy to the recycling industry should not be precluded in such an approach.
17. 17. Government and public agencies should assume a more proactive role, through incentives such as appropriate waste disposal charge, variable waste collection charges, recycling credits, tax credits to the recycling industry and a preferential procurement policy for locally sourced recyclables.

18. 18. Community groups engaged in such educational efforts should receive more support from the government.

## **Air pollution**

19. 19. The SAR government should formulate an action plan together with the Guangdong authorities on combating cross-boundary air pollution.
20. 20. The LPG taxis programme should be speeded up. Besides price intervention, other means of achieving cost competitiveness of cleaner fuel should also be considered, such as lower land premium and operating cost for new LPG stations.
21. 21. Government should actively promote the introduction of other cleaner alternative fuels, such as natural gas, fuel cell or dual-powered engines. The switch to cleaner fuel and maintenance technologies should also be extended to larger vehicles as well as government's own fleet.

## **Role of green groups and the government**

22. 22. While the Association supports the Environment Campaign Committee, we take exception to the role of EPD as its secretariat, and to the arrangement whereby the ECC becomes at the same time a regulator of the green groups and a competitor with green groups on projects of similar nature.
23. 23. The ECC should consider taking up the role of a green "Community Chest" or be replaced by a representative, community-based group.

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**1. Introduction**

8.1 8.1 As millennium beckons, the Chief Executive’s October 1999 Policy Address provides a good opportunity for environment to make its way into the mainstream of government policy. It is particularly timely not only because this is the tenth year after the 1989 White Paper, but also because environment has become a key concern of the community. Indeed, environment is a key to the territory’s competitiveness, and it affects our everyday life.

8.2 8.2 We believe it is in Hong Kong’s overall interest, therefore, for the 1999 Policy Address to be a Green Policy Address.

8.3 8.3 In our submission to the Chief Executive last year, we have made suggestions on conservation strategy, waste reduction, trans-boundary issues, environmental management, sewage strategy and energy. In this paper we shall continue, as a constructive green group, to offer our views on various aspects of the SAR’s environmental policy. Our paper will cover the following areas respectively:

- - sustainable development as guiding principle
- - conservation and development
- - transport planning
- - energy and water
- - wastes and recycling
- - air pollution
- - green groups and government

**2. Sustainable development**

8.4 8.4 The definition of sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”, is well known. Although the concept is vague and may be difficult to apply, considerable progress has been made in the community’s understanding about sustainable development, especially after the government’s endorsement of the term in the Third Review of the 1989 White Paper.

8.5 8.5 We believe the time has come for sustainable development to be established as a guiding principle in policy making, rather than just a concept to be promoted. We have suggested in the past that a “Sustainable Development Bill” be considered so as to enshrine the principle of sustainable development in the legal system. We believe this concept merits further consideration by the SAR government and the community at large.

- 8.6 8.6 The intention of a Sustainable Development Bill is to provide an overall legal basis for sustainable development, so that developments can take place with full regard to the overall sustainability and long term development needs of the territory in an integrated manner. Like the Bill of Rights which provides the legal basis for the protection of human rights, a Sustainable Development Bill will not become another level of legal regulation, but rather a tool to ensure the integral nature of development and the SAR's long term interests. Just as the Bill of Rights uphold rather than limit human rights, a Sustainable Development Bill would uphold rather than stifle development. A Sustainable Development Bill, if successfully crafted, will not only bring about environmentally acceptable development but also ensure that valuable resources of the SAR are conserved.
- 8.7 8.7 We recognise that consideration of a Sustainable Development Bill will take considerable discussion and debate within the community. We recommend that the Policy Address provide an ideal rallying point for the community to begin such a process of discussion. An effective way to do so would be to begin serious consideration of a Nature Conservation Bill, of which there are plenty of experience from abroad. Such a Bill could also be complemented by the creation of a Nature Conservation Trust as its accompanying financial instrument. (See paragraph 3.5 below.)
- 8.8 8.8 For Hong Kong to fulfil the aims of Agenda 21 as decreed in the Earth Summit in Rio de Janeiro in 1992, we believe that joint efforts to develop a Sustainable Development Strategy are needed by both the government and the community. The present SusDev 21 study, while concentrating primarily on development indicators, is grossly inadequate for this purpose. Only a suitably formulated Sustainable Development Strategy can bring closer the prospects of sustainable development Hong Kong deserves in the 21<sup>st</sup> century.

### **3. Conservation**

- 8.9 8.9 An important finding of the biodiversity study by the Hong Kong University is that a substantial amount of biodiversity can be conserved by a mere one per cent extension of the country parks. We realise that this one per cent of land happens to be under private ownership, yet their value to the community must transcend the private interests of the land owners. A way should be found to conserve these lots without adversely affecting the legitimate interests of the owners. In our view, a solution is not difficult to find if there is the determination within government to pursue proactively a policy of conservation.
- 8.10 8.10 Lest we be misunderstood, the Conservancy Association respects private property right as it is the foundation of Hong Kong's market economy. While we champion the conservation of natural and cultural heritage, we do not advocate the arbitrary removal of rights of property owners. We believe there is a case for encouraging development and conservation to go hand in hand. One model which the Association advocates is to exchange development rights for conservation. This means asking the landowner to give up the habitat for

conservation, and in return compensating him by granting some form of development rights. There is no necessity for the development rights to be of the land in question either, in other words, there could be more liberal use of offsite compensation, even to the extent of surrendering some degraded green belt or conservation areas in exchange for private land with genuine conservation value.

8.11 8.11 The key lies not in the compensation but in the conservation. The reality is that many sites of conservation interests will require various degrees of land management. While sometimes it may be fitting for the developer to undertake management of the conservation areas, this is not always possible or desirable since the primary interest of the developer is, after all, not conservation.

8.12 8.12 Conservation being a matter of “public good”, government should have a responsibility towards conservation and should consider itself a party, other than the developers and conservationists, in contributing to sustainable development solutions. It will not be unreasonable therefore to ask government to make a substantial contribution to maintaining sites of conservation interests.

8.13 8.13 As a means of combining government and private sector efforts in conservation, the setting up of a Nature Conservation Trust is well worth considering. This Trust can be made a statutory body (like the Community Chest) so as to ensure that it is really managing public property for the good of the public. Its contributions should come from developers who are given development rights in exchange for conservation, as well as the government. The latter could be required to make a matching contribution in order to discharge its share of the responsibility. The merit of the Trust Fund concept is that it will put our natural and cultural heritage into public ownership, and provide a more sustainable system to conserve the valuable habitat/heritage in question.

8.14 8.14 In today’s Hong Kong, proactive measures by government in conservation need not be seen as anti-business or anti-development. Indeed, the concern of the business community over the quality of life, the international attraction of eco-tourism, the community’s desire to preserve a local identity in its natural and historical heritage all point to widespread public support for a sensible government conservation policy.

## **4. Transport planning**

8.15 8.15 The transport system plays a crucial part in the environment and quality of life of the SAR. In terms of strategic transport infrastructure, we believe a strong case for mass transit has already been accepted by the community. We therefore support the extension of the MTR line to places such as Kennedy Town, as well as a speeding up of the East and West Rail extensions. There should also be a greater degree of rail transport for freight to replace the large volume of environmentally unfriendly transport by heavy vehicles.

- 8.16 8.16 This is not to ignore the importance of highways. But in designing our road network there should be more liberal use of innovation designs such as elevated road, submerged highways and tunnels. Environmentally friendly alternatives such as light rail or trolley buses should also be accorded higher priority. The guiding principle should be to serve the transport needs of people, rather than vehicles. In order to alleviate congestion in busy areas, the development of market-driven traffic control devices such as electronic road pricing should be speeded up.
- 8.17 8.17 One important aspect in our strategic transport infrastructure is the linkage to Shenzhen and other parts of the Pearl River Delta. Proposals of mammoth projects such as the Lingdingyang Bridge and the Deep Bay Crossing should be discussed by the community in an open and transparent manner. While we suspect there would be a case for the Lingdingyang crossing, we are not convinced of the need for the Deep Bay bridge. The justification for the Deep Bay Crossing seems to come from a projection of immense traffic needs across the Hong Kong-Shenzhen boundary. However, experience over the past two years has demonstrated that the optimistic port cargo forecast might not turn out to be accurate as circumstances change. In any case, the picture of ever growing heavy vehicle traffic between Hong Kong and Shenzhen is not consistent with the SAR's vision as a technology-based high-value-added service centre. It should be Hong Kong's aspiration that e-commerce take off, that truck traffic and air pollution is a thing of the past while the SAR economy surges ahead with the help of technology.
- 8.18 8.18 While strategic infrastructure is critical, there is an important aspect of everyday transport which is often neglected, namely, that all transport users are also pedestrians. From that point of view, our transport system is far from being pedestrian friendly. A successful mass transit system should be based not only on well-planned nodes but also a well-designed and user-friendly network. Put simply, the citizens of the SAR should enjoy walking on the roads. Apart from the obvious environmental benefits, walking is also good for health. Hong Kong should aspire to become a city for pedestrians, not just for roads and cars.

## **5. Energy and water**

### ***Energy policy and regulation***

- 8.19 8.19 The deficiencies in the present energy policy is well reflected in the situation where, on the one hand, China Light and Power has excess capacity while on the other, Hong Kong Electric is in the advanced stages of planning another power plant on Lamma Island. In our view, the principle of permitted return on fixed assets for utilities should be abandoned and replaced by a new regime of regulations based on financial incentives for both suppliers and consumers to conserve resources.
- 8.20 8.20 The government recognised the need for a review of the present mechanism, as reflected in the study on interconnection and competition which it has commissioned. The result of the study should be released by the government for public consultation as early as possible. Our view is that the viability of

interconnection should depend not solely on the short-term economics in making use of current excess capacities, but the need for an open, competitive and more environmentally friendly system of power supply in the long-term.

8.21 8.21 Clearly, the more fundamental question is competition. In the long-term only full competition, with proper safeguards in environmental controls, can make Hong Kong stay competitive and at the same time meet with Hong Kong people' expectations in terms of environmental quality. An urgent task for the government, legislators and other stakeholders alike is to foster a public debate on appropriate competition policy and regulatory framework for the power sector. The Association's view is that the vertical integration in the electricity industry should be broken up, thus introducing more competition in generation while creating a common carrier for distribution. This will have the advantage of opening up the way for environmentally friendly alternative sources of energy, like solar and wind, to be generated on smaller scales.

8.22 8.22 With the removal of political boundary since 1997, there are strong arguments to support a serious effort to integrate the Hong Kong system with those in Guangdong. There are at least two levels of integration that warrant serious consideration: cross-supply and system planning. With regard to cross-supply, Hong Kong might take advantage of the current excess capacity in Guangdong, make full use of the cheaper and more environmentally friendly hydropower from Guangxi and Guizhou (as these grids are being linked up with Guangdong), and enjoy the advantages of a larger system (smaller reserve margins might be required as a result). In terms of system planning, sites for new capacities can be selected from a wider range of potential locations in both Guangdong and Hong Kong. By widening the range of choices, there exists potentials for more rational planning, more efficient land use and less adverse environmental impacts. The government has yet to embark on any serious discussions with the Guangdong authorities on the question of integration. We would like to urge the government to undertake such an exercise as a matter of urgency and in parallel with the review of competition policy in the power sector.

8.23 8.23 We urge the government not to succumb easily to vested interests in the power industry. There is widespread public support for a revamp of the regulatory regime in the industry, both for environmental and economic gains. In considering the result of the interconnection study, public interest should be a paramount consideration, and should be seen to be so, in government policy making.

### ***Demand side management***

8.24 8.24 On energy conservation, we feel it a pity that the demand side management scheme, flawed as it was, has been turned down by the Legislative Council. We would urge the government to design an alternative scheme to be administered by an independent body other than the utilities themselves, so as to enhance cost-effectiveness and avoid conflict of interest.

8.25 8.25 For a demand side management scheme to gain public support, it is important that the benefits of the scheme can be fully passed on to consumers. This means that the power utilities should not be compensated for "lost profits"

because less capital investment will be required (hence less fixed return under the present scheme of control) as a result of the reduction of peak load demand – the objective of a demand side management scheme. This has been one of the flaws in the original scheme proposed by the government.

8.26 8.26 Logically, funding for the demand side management scheme should come from power tariff, but under the present scheme of control that would require consent from the utilities, who would not have an incentive to cooperate. Perhaps that is another justification for a speedy end to the scheme of control arrangement. Just as in the ending of the telecommunications monopoly, the government's buying out of the utilities' interests in the scheme of control may be worth considering.

## **Water**

8.27 8.27 Water being a valuable resource and a daily necessity, it is surprising how little progress has been made in modernising the regulatory system in water supply. The privatisation study undertaken by the government is a good starting point. We support the government's move towards privatisation so long as it leads to less water leakage, more efficient use of resources, and more cost-effective management of the water supply system.

8.28 8.28 With the SAR now developing a closer relationship with its neighbours, it is essential for the government to take a regional perspective in water conservation and efficient use of water. Given its dense population, the Pearl River delta as a whole is acutely short of fresh water. Hong Kong has been protected by a long-term water purchase agreement with Guangdong. Sadly because of the over-projection on water demands by government officials, we have been purchasing much more water than we need over the past decade. In addition to the financial loss suffered by Hong Kong taxpayers, this also means that valuable water quota were wasted for the unrealised needs of the SAR whilst neighbouring cities like Shenzhen were suffering from water shortage. There is clearly an urgent need to review this resource-wasting long-term water purchase agreement with Guangdong.

8.29 8.29 Since over 70% of Hong Kong's water comes from Guangdong, the government has a legitimate interest, and indeed a duty, to help implement water conservation measures across the border. Recent reports of deteriorating raw water quality in Dongjiang River are an alarming sign. It is worthwhile for the government to consider some innovative measures, such as the establishment of a regional water conservation fund to tackle sewage pollution problems along Dongjiang River. It is however important that such funds, when established, must not be drained away by the complex web of bureaucracies on two sides of the border. Overseeing the use of such funds by an independent body with public participation could be a viable alternative. Established practices by multilateral agencies such as World Bank or Asian Development Bank can also be used as references in formulating guidelines for the use of such funds.

8.30 8.30 Despite the present over-supply of water from across the border, water saving measures are needed as an internal house-keeping measure. In our view

Government should consider installing a new progressive water tariff structure that encourages conservation and penalizes wastage, including the removal of free quotas and the adoption of a tiered tariff structure. Enforcement against illegal water tapping should also be stepped up, in particular those in construction sites and in the New Territories.

## **6. Wastes and recycling**

8.31 8.31 We welcome the Waste Reduction Framework Plan, but we do not believe the situation is satisfactory. Although the recycling rate of commercial and industrial wastes is relatively high, recycling rate of domestic waste is still abysmally low at less than 10%. Almost all of our wastes are disposed of in the landfills which together take up around 600 hectares of land, close to the size of the District of Yau Tsim Mong. Every year around 2 million tonnes of municipal wastes that can be potentially recycled are buried in the landfills. Assuming an average value of \$500 per tonne of material, Hong Kong buries nearly \$1 billion worth of recyclable materials. The taxpayers are spending \$2.4 billion every year for collecting and disposing of the municipal wastes. On average, every Hong Kong citizen is paying close to \$400 a year in municipal waste management.

8.32 8.32 We believe there should be a better way to get value out of this \$2.4 billion a year through an alternative policy to enhance private sector participation and recycling as a means of bringing about environmental benefits. If designed well there is a good chance of saving money too. Direct subsidy to the recycling industry should not be precluded in such an approach, on the grounds that recycling is a preferred method of waste management by society.

8.33 8.33 In the process of providing technical and financial assistance, the public agencies (e.g. government, municipal councils, Housing Authority, District Boards) should assume a more proactive and leading roles. It is important that they do not displace any of the existing market driven parties, in particular, the cleaners, the recyclable dealers, exporters and re-processors. An effort should be made to integrate the public effort into the private and informal waste recovery and recycling sector by offering incentives such as appropriate waste disposal charge, variable waste collection charges, recycling credits to non profit making organisations, tax credits to the recycling industry and a preferential procurement policy for products made from locally sourced recyclables.

8.34 8.34 Of prime importance is education of the public, such as in simple things like separating and sorting recyclables. Community groups engaged in such educational efforts should receive more support from the government. In our view, there are very few activities like recycling which provides a way to mobilise the whole community collectively in a meaningful activity that is good for the community itself.

## **7. Air pollution**

8.35 8.35 It is now widely acknowledged that Hong Kong suffers from air pollution from across the border, especially during the winter months when pollutants are carried by winds blowing from the north. Although it is difficult to quantify, a significant amount of pollutants must have come from factories controlled by Hong Kong investors - one of the less desirable aspects of the economic integration between Hong Kong and Guangdong. We believe therefore that Hong Kong should have a very strong interest in cleaner air in Guangdong, not only in improving our own air quality, but also as a matter of course for a responsible investor. We urge the SAR government to work together with the Guangdong authorities to combat cross-boundary air pollution. Appropriate action plans should be formulated and communicated to the public accordingly.

8.36 8.36 On the local scene, we wish to emphasise that there is a very strong consensus within the community to combat the air pollution from vehicle exhausts. The LPG taxis programme is a right step towards reducing air pollution, but its progress is not satisfactory. In our view, five years is too long a period for the switch; it should be cut down substantially. Furthermore, to make the switch from diesel successful, the overriding issue of cost competitiveness has to be addressed. While price intervention has been government's preferred tool, other means such as lowering the land premium and operating cost for new LPG stations should be considered too.

8.37 8.37 At the same time Government should actively promote the introduction of other cleaner alternative fuels, such as natural gas, fuel cell or dual-powered engines. We also urge Government to implement similar programmes to cut emissions from large vehicles, especially public light buses, buses and goods vehicles. As the SAR Government runs a fleet of considerable size itself, we urge the government to set an example by pioneering the adoption of cleaner fuel, cleaner engine and cleaner after-treatment technologies.

## **8. Role of green groups and the government**

8.38 8.38 An important ingredient in the success of the environmental movement is the cooperation between government and the community, the latter as represented by the green groups. While the relationship between the two has always been a good and fruitful one, we would draw attention to a potentially disturbing development, namely, that of government squeezing out the green groups, perhaps unintentionally.

8.39 8.39 The Environmental Protection Department will be well aware of the disagreement between green groups and the Environment Campaign Committee, of which the EPD is secretariat. We wish to state at the outset that the Association supports the Environment Campaign Committee. However, we take exception to the role of EPD as its secretariat, and to the arrangement whereby the ECC becomes at the same time a regulator of the green groups - by retaining the authority to approve green group applications for funding - and a competitor with green groups on projects of similar nature.

8.40 8.40 Our view is that if the ECC is to become a green group to compete with other green groups, the competition will be welcomed but the playing field has to be level. But with the government as secretariat, the playing field will not be level. One recommendation for consideration on the way forward is that the ECC takes up the role of a green “Community Chest” which supports, rather than competes with, the agencies it services. It will truly enhance the ECC’s mandate, that of supporting the community (green groups and other community groups) in their work. Alternatively, the idea of a high-ranking coordinating committee comprising all environmental groups in the community to replace the ECC could also be considered.

## **9. Conclusion**

As a constructive green group, the Conservancy Association supports the SAR Government’s vision of a modern Hong Kong with a quality of life that befits a world-class cosmopolitan city. We firmly believe that environment plays a key part in the policy making process that aims to bring that about. It is with that in mind that we have formulated this paper. We hope these views will be taken into consideration when the Chief Executive prepares for his third Policy Address. The Conservancy Association will be more than happy to follow up the ideas as set out in this paper with the Chief Executive and officials of the SAR Government.

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## 2. Sustainable development

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formulated Sustainable Development Strategy can bring closer the prospects of sustainable development Hong Kong deserves in the 21<sup>st</sup> century.

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8.52 8.52 Conservation being a matter of "public good", government should have a responsibility towards conservation and should consider itself a party, other than the developers and conservationists, in contributing to sustainable development solutions. It will not be unreasonable therefore to ask government to make a substantial contribution to maintaining sites of conservation interests.

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that it will put our natural and cultural heritage into public ownership, and provide a more sustainable system to conserve the valuable habitat/heritage in question.

8.54 8.54 In today's Hong Kong, proactive measures by government in conservation need not be seen as anti-business or anti-development. Indeed, the concern of the business community over the quality of life, the international attraction of eco-tourism, the community's desire to preserve a local identity in its natural and historical heritage all point to widespread public support for a sensible government conservation policy.

## **4. Transport planning**

8.55 8.55 The transport system plays a crucial part in the environment and quality of life of the SAR. In terms of strategic transport infrastructure, we believe a strong case for mass transit has already been accepted by the community. We therefore support the extension of the MTR line to places such as Kennedy Town, as well as a speeding up of the East and West Rail extensions. There should also be a greater degree of rail transport for freight to replace the large volume of environmentally unfriendly transport by heavy vehicles.

8.56 8.56 This is not to ignore the importance of highways. But in designing our road network there should be more liberal use of innovation designs such as elevated road, submerged highways and tunnels. Environmentally friendly alternatives such as light rail or trolley buses should also be accorded higher priority. The guiding principle should be to serve the transport needs of people, rather than vehicles. In order to alleviate congestion in busy areas, the development of market-driven traffic control devices such as electronic road pricing should be speeded up.

8.57 8.57 One important aspect in our strategic transport infrastructure is the linkage to Shenzhen and other parts of the Pearl River Delta. Proposals of mammoth projects such as the Lingdingyang Bridge and the Deep Bay Crossing should be discussed by the community in an open and transparent manner. While we suspect there would be a case for the Lingdingyang crossing, we are not convinced of the need for the Deep Bay bridge. The justification for the Deep Bay Crossing seems to come from a projection of immense traffic needs across the Hong Kong-Shenzhen boundary. However, experience over the past two years has demonstrated that the optimistic port cargo forecast might not turn out to be accurate as circumstances change. In any case, the picture of ever growing heavy vehicle traffic between Hong Kong and Shenzhen is not consistent with the SAR's vision as a technology-based high-value-added service centre. It should be Hong Kong's aspiration that e-commerce take off, that truck traffic and air pollution is a thing of the past while the SAR economy surges ahead with the help of technology.

8.58 8.58 While strategic infrastructure is critical, there is an important aspect of everyday transport which is often neglected, namely, that all transport users are also pedestrians. From that point of view, our transport system is far from

being pedestrian friendly. A successful mass transit system should be based not only on well-planned nodes but also a well-designed and user-friendly network. Put simply, the citizens of the SAR should enjoy walking on the roads. Apart from the obvious environmental benefits, walking is also good for health. Hong Kong should aspire to become a city for pedestrians, not just for roads and cars.

## **5. Energy and water**

### ***Energy policy and regulation***

8.59 8.59 The deficiencies in the present energy policy is well reflected in the situation where, on the one hand, China Light and Power has excess capacity while on the other, Hong Kong Electric is in the advanced stages of planning another power plant on Lamma Island. In our view, the principle of permitted return on fixed assets for utilities should be abandoned and replaced by a new regime of regulations based on financial incentives for both suppliers and consumers to conserve resources.

8.60 8.60 The government recognised the need for a review of the present mechanism, as reflected in the study on interconnection and competition which it has commissioned. The result of the study should be released by the government for public consultation as early as possible. Our view is that the viability of interconnection should depend not solely on the short-term economics in making use of current excess capacities, but the need for an open, competitive and more environmentally friendly system of power supply in the long-term.

8.61 8.61 Clearly, the more fundamental question is competition. In the long-term only full competition, with proper safeguards in environmental controls, can make Hong Kong stay competitive and at the same time meet with Hong Kong people' expectations in terms of environmental quality. An urgent task for the government, legislators and other stakeholders alike is to foster a public debate on appropriate competition policy and regulatory framework for the power sector. The Association's view is that the vertical integration in the electricity industry should be broken up, thus introducing more competition in generation while creating a common carrier for distribution. This will have the advantage of opening up the way for environmentally friendly alternative sources of energy, like solar and wind, to be generated on smaller scales.

8.62 8.62 With the removal of political boundary since 1997, there are strong arguments to support a serious effort to integrate the Hong Kong system with those in Guangdong. There are at least two levels of integration that warrant serious consideration: cross-supply and system planning. With regard to cross-supply, Hong Kong might take advantage of the current excess capacity in Guangdong, make full use of the cheaper and more environmentally friendly hydropower from Guangxi and Guizhou (as these grids are being linked up with Guangdong), and enjoy the advantages of a larger system (smaller reserve margins might be required as a result). In terms of system planning, sites for new capacities can be selected from a wider range of potential locations in both Guangdong and Hong Kong. By widening the range of choices, there exists potentials for more rational planning, more efficient land use and less adverse

environmental impacts. The government has yet to embark on any serious discussions with the Guangdong authorities on the question of integration. We would like to urge the government to undertake such an exercise as a matter of urgency and in parallel with the review of competition policy in the power sector.

8.63 8.63 We urge the government not to succumb easily to vested interests in the power industry. There is widespread public support for a revamp of the regulatory regime in the industry, both for environmental and economic gains. In considering the result of the interconnection study, public interest should be a paramount consideration, and should be seen to be so, in government policy making.

### ***Demand side management***

8.64 8.64 On energy conservation, we feel it a pity that the demand side management scheme, flawed as it was, has been turned down by the Legislative Council. We would urge the government to design an alternative scheme to be administered by an independent body other than the utilities themselves, so as to enhance cost-effectiveness and avoid conflict of interest.

8.65 8.65 For a demand side management scheme to gain public support, it is important that the benefits of the scheme can be fully passed on to consumers. This means that the power utilities should not be compensated for “lost profits” because less capital investment will be required (hence less fixed return under the present scheme of control) as a result of the reduction of peak load demand – the objective of a demand side management scheme. This has been one of the flaws in the original scheme proposed by the government.

8.66 8.66 Logically, funding for the demand side management scheme should come from power tariff, but under the present scheme of control that would require consent from the utilities, who would not have an incentive to cooperate. Perhaps that is another justification for a speedy end to the scheme of control arrangement. Just as in the ending of the telecommunications monopoly, the government’s buying out of the utilities’ interests in the scheme of control may be worth considering.

### ***Water***

8.67 8.67 Water being a valuable resource and a daily necessity, it is surprising how little progress has been made in modernising the regulatory system in water supply. The privatisation study undertaken by the government is a good starting point. We support the government’s move towards privatisation so long as it leads to less water leakage, more efficient use of resources, and more cost-effective management of the water supply system.

8.68 8.68 With the SAR now developing a closer relationship with its neighbours, it is essential for the government to take a regional perspective in water conservation and efficient use of water. Given its dense population, the Pearl River delta as a whole is acutely short of fresh water. Hong Kong has been protected by a long-term water purchase agreement with Guangdong. Sadly because of the over-projection on water demands by government officials, we

have been purchasing much more water than we need over the past decade. In addition to the financial loss suffered by Hong Kong taxpayers, this also means that valuable water quota were wasted for the unrealised needs of the SAR whilst neighbouring cities like Shenzhen were suffering from water shortage. There is clearly an urgent need to review this resource-wasting long-term water purchase agreement with Guangdong.

8.69 8.69 Since over 70% of Hong Kong's water comes from Guangdong, the government has a legitimate interest, and indeed a duty, to help implement water conservation measures across the border. Recent reports of deteriorating raw water quality in Dongjiang River are an alarming sign. It is worthwhile for the government to consider some innovative measures, such as the establishment of a regional water conservation fund to tackle sewage pollution problems along Dongjiang River. It is however important that such funds, when established, must not be drained away by the complex web of bureaucracies on two sides of the border. Overseeing the use of such funds by an independent body with public participation could be a viable alternative. Established practices by multilateral agencies such as World Bank or Asian Development Bank can also be used as references in formulating guidelines for the use of such funds.

8.70 8.70 Despite the present over-supply of water from across the border, water saving measures are needed as an internal house-keeping measure. In our view Government should consider installing a new progressive water tariff structure that encourages conservation and penalizes wastage, including the removal of free quotas and the adoption of a tiered tariff structure. Enforcement against illegal water tapping should also be stepped up, in particular those in construction sites and in the New Territories.

## **6. Wastes and recycling**

8.71 8.71 We welcome the Waste Reduction Framework Plan, but we do not believe the situation is satisfactory. Although the recycling rate of commercial and industrial wastes is relatively high, recycling rate of domestic waste is still abysmally low at less than 10%. Almost all of our wastes are disposed of in the landfills which together take up around 600 hectares of land, close to the size of the District of Yau Tsim Mong. Every year around 2 million tonnes of municipal wastes that can be potentially recycled are buried in the landfills. Assuming an average value of \$500 per tonne of material, Hong Kong buries nearly \$1 billion worth of recyclable materials. The taxpayers are spending \$2.4 billion every year for collecting and disposing of the municipal wastes. On average, every Hong Kong citizen is paying close to \$400 a year in municipal waste management.

8.72 8.72 We believe there should be a better way to get value out of this \$2.4 billion a year through an alternative policy to enhance private sector participation and recycling as a means of bringing about environmental benefits. If designed well there is a good chance of saving money too. Direct subsidy to the recycling industry should not be precluded in such an approach, on the grounds that recycling is a preferred method of waste management by society.

8.73 8.73 In the process of providing technical and financial assistance, the public agencies (e.g. government, municipal councils, Housing Authority, District Boards) should assume a more proactive and leading roles. It is important that they do not displace any of the existing market driven parties, in particular, the cleaners, the recyclable dealers, exporters and re-processors. An effort should be made to integrate the public effort into the private and informal waste recovery and recycling sector by offering incentives such as appropriate waste disposal charge, variable waste collection charges, recycling credits to non profit making organisations, tax credits to the recycling industry and a preferential procurement policy for products made from locally sourced recyclables.

8.74 8.74 Of prime importance is education of the public, such as in simple things like separating and sorting recyclables. Community groups engaged in such educational efforts should receive more support from the government. In our view, there are very few activities like recycling which provides a way to mobilise the whole community collectively in a meaningful activity that is good for the community itself.

## **7. Air pollution**

8.75 8.75 It is now widely acknowledged that Hong Kong suffers from air pollution from across the border, especially during the winter months when pollutants are carried by winds blowing from the north. Although it is difficult to quantify, a significant amount of pollutants must have come from factories controlled by Hong Kong investors - one of the less desirable aspects of the economic integration between Hong Kong and Guangdong. We believe therefore that Hong Kong should have a very strong interest in cleaner air in Guangdong, not only in improving our own air quality, but also as a matter of course for a responsible investor. We urge the SAR government to work together with the Guangdong authorities to combat cross-boundary air pollution. Appropriate action plans should be formulated and communicated to the public accordingly.

8.76 8.76 On the local scene, we wish to emphasise that there is a very strong consensus within the community to combat the air pollution from vehicle exhausts. The LPG taxis programme is a right step towards reducing air pollution, but its progress is not satisfactory. In our view, five years is too long a period for the switch; it should be cut down substantially. Furthermore, to make the switch from diesel successful, the overriding issue of cost competitiveness has to be addressed. While price intervention has been government's preferred tool, other means such as lowering the land premium and operating cost for new LPG stations should be considered too.

8.77 8.77 At the same time Government should actively promote the introduction of other cleaner alternative fuels, such as natural gas, fuel cell or dual-powered engines. We also urge Government to implement similar programmes to cut emissions from large vehicles, especially public light buses, buses and goods vehicles. As the SAR Government runs a fleet of considerable size itself, we

urge the government to set an example by pioneering the adoption of cleaner fuel, cleaner engine and cleaner after-treatment technologies.

## **8. Role of green groups and the government**

8.78 8.78 An important ingredient in the success of the environmental movement is the cooperation between government and the community, the latter as represented by the green groups. While the relationship between the two has always been a good and fruitful one, we would draw attention to a potentially disturbing development, namely, that of government squeezing out the green groups, perhaps unintentionally.

8.79 8.79 The Environmental Protection Department will be well aware of the disagreement between green groups and the Environment Campaign Committee, of which the EPD is secretariat. We wish to state at the outset that the Association supports the Environment Campaign Committee. However, we take exception to the role of EPD as its secretariat, and to the arrangement whereby the ECC becomes at the same time a regulator of the green groups – by retaining the authority to approve green group applications for funding – and a competitor with green groups on projects of similar nature.

8.80 8.80 Our view is that if the ECC is to become a green group to compete with other green groups, the competition will be welcomed but the playing field has to be level. But with the government as secretariat, the playing field will not be level. One recommendation for consideration on the way forward is that the ECC takes up the role of a green “Community Chest” which supports, rather than competes with, the agencies it services. It will truly enhance the ECC’s mandate, that of supporting the community (green groups and other community groups) in their work. Alternatively, the idea of a high-ranking coordinating committee comprising all environmental groups in the community to replace the ECC could also be considered.

## **9. Conclusion**

As a constructive green group, the Conservancy Association supports the SAR Government’s vision of a modern Hong Kong with a quality of life that befits a world-class cosmopolitan city. We firmly believe that environment plays a key part in the policy making process that aims to bring that about. It is with that in mind that we have formulated this paper. We hope these views will be taken into consideration when the Chief Executive prepares for his third Policy Address. The Conservancy Association will be more than happy to follow up the ideas as set out in this paper with the Chief Executive and officials of the SAR Government.

The Hon Tung Chee Hwa  
1 September 1999  
Chief Executive  
Hong Kong SAR Government  
Central Government Office  
Lower Albert Rd., Hong Kong

Dear Mr Tung

## **The Chief Executive's October Policy Address**

Once again, the Conservancy Association wishes to contribute our thoughts on the government's environment policy which we hope you will take into consideration when preparing for your coming policy address.

We believe that your October 1999 Policy Address provides a good opportunity for environment to make its way into the mainstream of government policy. It is particularly timely not only because this is the tenth year after the 1989 White Paper, that the next Millennium is around the corner, but also because environment has become a key concern of the community. Indeed, environment is a key to the territory's competitiveness, and it affects our everyday life. We believe it is in Hong Kong's overall interest, therefore, for the 1999 Policy Address to be a Green Policy Address.

In our submission last year, we have made suggestions on conservation strategy, waste reduction, trans-boundary issues, environmental management, sewage strategy and energy. In this paper we shall continue, as a constructive green group, to offer our views on various aspects of the SAR's environmental policy. Our views are detailed in the attached paper and cover the following aspects: sustainable development as guiding principle, conservation and development, transport planning, energy and water, wastes and recycling, air pollution, and green groups and government.

The Conservancy Association supports your vision of a modern Hong Kong with a quality of life that befits a world-class cosmopolitan city. We firmly believe that environment plays a key part in the policy making process that aims to bring that about. It is with that in mind that we have formulated our paper, and we very much hope that these views will be of help. Thank you for your attention.

Yours sincerely

Gordon Ng  
Chairman

