

立法會
Legislative Council

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LC Paper No. CB(2) 2114/05-06
(These minutes have been seen by
the Administration)

Panel on Food Safety and Environmental Hygiene

Minutes of Meeting
held on Tuesday, 11 April 2006 at 2:30 pm
in Conference Room A of the Legislative Council Building

Members present : Hon Fred LI Wah-ming, JP (Chairman)
Hon WONG Yung-kan, JP (Deputy Chairman)
Hon Bernard CHAN, JP
Hon Andrew CHENG Kar-foo
Hon Vincent FANG Kang, JP
Hon Alan LEONG Kah-kit, SC
Dr Hon KWOK Ka-ki

Members absent : Hon TAM Yiu-chung, GBS, JP
Hon Tommy CHEUNG Yu-yan, JP
Dr Hon Joseph LEE Kok-long

Public officers attending : Item IV

Dr York CHOW
Secretary for Health, Welfare and Food

Mr Vincent LIU
Acting Deputy Secretary (Food & Environmental Hygiene)/
Principal Assistant Secretary (Food & Environmental Hygiene) 2
Health, Welfare and Food Bureau

Mr David PAO
Acting Head
Efficiency Unit

Mr W C CHAN
Assistant Director (1)
Efficiency Unit

Ms Annette LEE
Deputy Director (Environmental Hygiene)
Food and Environmental Hygiene Department

Ms Rhonda LO
Assistant Director (Operations) 3
Food and Environmental Hygiene Department

Mr LAU Sin-pang
Acting Director of Agriculture, Fisheries and Conservation

Dr Thomas SIT Hon-chung
Assistant Director (Inspection and Quarantine)
Agriculture, Fisheries and Conservation Department

Mr C C CHAN
Acting Assistant Director (Agriculture and Administration)
Agriculture, Fisheries and Conservation Department

Item V

Dr York CHOW
Secretary for Health, Welfare and Food

Mr Vincent LIU
Acting Deputy Secretary (Food & Environmental Hygiene)/
Principal Assistant Secretary (Food & Environmental Hygiene) 2
Health, Welfare and Food Bureau

Mr Wallace LAU
Principal Assistant Secretary (Food & Environmental Hygiene) 1
Health, Welfare and Food Bureau

Mr LAU Sin-pang
Acting Director of Agriculture, Fisheries and Conservation

Dr Thomas SIT Hon-chung
Assistant Director (Inspection and Quarantine)
Agriculture, Fisheries and Conservation Department

Mr C C CHAN
Acting Assistant Director (Agriculture and Administration)
Agriculture, Fisheries and Conservation Department

Item VI

Mr Vincent LIU
Acting Deputy Secretary (Food & Environmental Hygiene)/
Principal Assistant Secretary (Food & Environmental Hygiene) 2
Health, Welfare and Food Bureau

Mr Wallace LAU
Principal Assistant Secretary (Food & Environmental Hygiene) 1
Health, Welfare and Food Bureau

Dr Thomas SIT Hon-chung
Assistant Director (Inspection and Quarantine)
Agriculture, Fisheries and Conservation Department

Dr Eric TAI
Senior Veterinary Officer (Animal Management)
Agriculture, Fisheries and Conservation Department

Clerk in Attendance : Mrs Constance LI
Chief Council Secretary (2)5

Staff in Attendance : Miss Betty MA
Senior Council Secretary (2)1

Ms Anna CHEUNG
Legislative Assistant (2)5

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I Confirmation of minutes of meeting
[LC Paper No. CB(2) 1548/05-06]

The minutes of the meeting held on 14 February 2006 were confirmed.

II Date of next meeting and items for discussion

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[LC Paper Nos. CB(2) 1663/05-06(01) and (02)]

Members agreed to discuss the following items proposed by the Administration at the next regular meeting on 9 May 2006 –

- (a) General improvement works to six markets; and
- (b) Ochratoxin A in food.

III Information paper(s) issued since last meeting

[LC Paper No. CB(2) 1534/05-06(01)]

[LC Paper No. CB(2) 1605/05-06(01)]

[LC Paper No. CB(2) 1679/05-06(01)]

3. Members noted the following papers provided by the Administration –

- (a) information paper on “Extension of public market rental freeze” [LC Paper No. CB(2) 1534/05-06(01)];
- (b) information paper on “Proposed Sheung Shui poultry slaughtering plant” [LC Paper No. CB(2) 1605/05-06(01)]; and
- (c) report on “Qualitative risk assessment for avian influenza in Hong Kong” and the relevant Government press release [LC Paper No. CB(2) 1679/05-06(01)].

“One licence for one shop” proposal

4. The Chairman said that at the last meeting, the Administration was urged to expedite introduction of the legislation on “one licence for one shop” arrangement and inform the Panel of the progress at this meeting.

5. Secretary for Health, Welfare and Food (SHWF) informed members that the Administration had already inspected four chilled pork processing plants in the Mainland and found them acceptable for supplying chilled pork to Hong Kong. According to these processing plants, they would be ready for supplying chilled pork to Hong Kong in two to three months’ time. SHWF further informed members that the Administration planned to introduce the relevant legislation on the “one licence for one shop” arrangement into the Legislative Council (LegCo) around June/July 2006. If members agreed that chilled pork could be allowed to be imported before introducing the legislation, the “one licence for one shop” arrangement would be implemented later, if the meat trade would exercise self-discipline and strictly comply with the licensing conditions for the sale of chilled pork.

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6. The Chairman said that at previous meetings when the Panel discussed importation of chilled pork from the Mainland, members had expressed different views on the matter. At those meetings, relatively more members preferred not to wait after the enactment of the legislation on “one licence for one shop” arrangement before allowing importation of chilled pork from the Mainland. Some other members, including Mr TAM Yiu-chung and Mr WONG Yung-kan, however, held the view that importation of chilled pork from the Mainland should start only after the relevant legislation was put in place.

7. Dr KWOK Ka-ki expressed disappointment that the Administration had not yet taken a decision on the matter given that the issue had been discussed for a long time. Dr KWOK said that he saw no reason for not allowing importation of chilled pork from the Mainland, since chilled pork from other places was already sold at retail market. Since the Administration was unable to provide a concrete timetable for introducing the legislation on the “one licence for one shop” arrangement, he considered the importation of chilled pork from the Mainland should not be further delayed.

8. SHWF said that the Administration had been making preparation for the importation of chilled pork from the Mainland. He pointed out that the “one licence for one shop” arrangement was not a food safety issue, but to address the concern of better protection of consumers’ interest. Pending the introduction of the “one licence for one shop” arrangement, he hoped that the meat traders could exercise self-discipline by not selling chilled meat as fresh meat. SHWF further said that importation of chilled pork from the Mainland could commence if local meat traders were ready for the sale of chilled pork from the Mainland.

9. Mr WONG Yung-kan said that he did not object to the importation of chilled pork from the Mainland, but the problem of some retailers selling chilled meat as fresh meat should first be resolved to better protect consumers’ interest. He therefore considered that importation of chilled pork from the Mainland should be allowed after the “one licence for one shop” arrangement was put in place.

10. Mr Vincent FANG said that if the Administration would be able to introduce the “one licence for one shop” arrangement by July 2006, the meat trade had no objection to start importation of chilled pork from the Mainland around that time. Mr FANG further said that the meat trade expressed concern about the additional rental costs if they had to rent different premises for selling chilled meat and fresh meat. He asked whether the Administration would accept permanent partitioning as separate premises so that chilled meat and fresh meat could be sold at separate partitioned areas on the present premises. The proposed arrangements were similar to the current practice in supermarkets where chilled meat and fresh meat were sold at separate counters.

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11. SHWF said that to his understanding, the “one licence for one shop” proposal was put forward by the meat trade. While the Administration was willing to accede to the requests of the trade as far as practicable, the implementation of the “one licence for one shop” arrangement would be further deferred if the trade now put forward a different proposal. He hoped the meat trade could reach consensus on their proposal.

12. Acting Deputy Secretary for Health, Welfare and Food (Food and Environmental Hygiene) (DS(FEH)(Ag)) added that the Administration’s thinking for the “one licence for one shop” arrangement was that chilled meat and fresh meat would be sold at different premises. DS(FEH)(Ag) said that the Administration was aware that some meat traders had suggested to sell fresh meat and chilled meat at separate partitioned sections at the same premises. The Food and Environmental Hygiene Department (FEHD) would further discuss with the meat trade the implementation details of the “one licence for one shop” arrangement.

13. The Chairman said that the Administration should work out with the meat trade the technical details for implementation of the proposal. The Chairman further said that to ensure fair competition, importation of chilled pork from the Mainland should be allowed. He urged the Administration to expedite introduction of the legislation on the “one licence for one shop” arrangement.

IV Follow-up discussion on the progress of comprehensive plan of action to deal with the global problem of avian influenza

[LC Paper Nos. CB(2) 1663/05-06(03)&(04)]

[LC Paper No. CB(2) 1719/05-06(01)]

14. The Chairman said that as requested by members at the last meeting, the Administration had provided the consultancy study report on the commercial viability for private sector involvement in the poultry slaughtering plant at the Western Wholesale Food Market.

15. The Chairman further said that Mr Tommy CHEUNG was unable to attend the meeting but had provided a list of questions which was tabled at the meeting. The Chairman requested the Administration to provide written response to Mr Tommy CHEUNG’s questions after the meeting. The Administration agreed.

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(Post-meeting note : The Administration’s response to Mr Tommy CHEUNG’s written questions was issued to members vide LC Paper No. CB(2) 1895/05-06(01) on 2 May 2006.)

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Development of a poultry slaughtering plant

16. SHWF said that the Administration had agreed to revert to the Panel on the decision to develop a poultry slaughtering plant in Hong Kong. SHWF informed members that the Administration had identified a suitable site in Sheung Shui, and the location had the advantages of being close to the border and local poultry farms, and being well-served by an established transportation network. Basic infrastructure such as water and electricity supply and sewage network was readily available. Moreover, it was not in close proximity to major residential areas. In addition, the identified site would be ready for the development of a slaughtering plant shortly.

17. On the mode of operation of the proposed poultry slaughtering plant, SHWF said that the Administration's intention was to have the plant developed and operated by the private sector through open tender under a Build, Own, Operate and Transfer (BOOT) arrangement. The private operator selected would be responsible for designing, financing, building and operating the plant for 10 years plus five-year optional extension. The plant would be transferred to the Government at no cost. The Government would then conduct a fresh tendering exercise for the operation of the plant. SHWF said that to prevent monopoly and provide opportunities for others to participate in the future poultry supply chain, the plant operator would be required to provide slaughtering service at the same charge for importers of poultry from the Mainland, buyers of local poultry and local poultry farmers.

18. SHWF further said that as the plant operator would have to face keen competition from the Mainland in the supply of chilled chickens, to enhance the financial viability of the project, the Administration would charge the plant operator only a nominal rent of \$1 per year for use of the identified site at Sheung Shui. SHWF added that the Administration was aware that many people in Hong Kong preferred freshly slaughtered chickens to chilled chickens. Hence, favourable consideration would be given to bids which would also provide freshly slaughtered chickens in addition to chilled chickens.

19. SHWF said that upon the operation of the proposed poultry slaughtering plant, the sale of live poultry at retail outlets would be prohibited. Legislative amendments would be necessary to effect the implementation of the ban. SHWF further said that there would inevitably be impact on the live poultry trade under the new operating environment. The Administration would provide appropriate assistance to the affected traders and workers.

20. Mr WONG Yung-kan said that the identified Sheung Shui site was adjacent to the Long Valley wetland where there were many migratory birds. He was concerned about the possible transmission of H5N1 virus by migratory birds to live chickens.

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21. SHWF said that the proposed plant would adopt an enclosed and nuisance containing system, where all chickens would be kept inside an entirely enclosed environment and would not have contact with wild birds.

22. Mr WONG Yung-kan noted from the Administration's paper that the timetable for banning the sale of live poultry at retail outlets might be advanced in the event of an outbreak of avian influenza in the territory. Mr WONG said that if the Administration planned to ban the sale of live poultry on the ground of public health, he could not see the rationale for importing live chickens for slaughtering. Moreover, as the proposed poultry slaughtering plant would be located near the border, poultry traders might simply import slaughtered chicken from across the border as the price was cheaper. Mr WONG further said that some Panel members had visited the new Tai Kok Tsui Market and found the new design of poultry stalls, which was commonly known as "chicken boutique", feasible. He considered that such design could effectively segregate live poultry from customers, and the live poultry traders were willing to comply with this new requirement. He queried why the Administration still wanted to ban the retail sale of live poultry, after the implementation of segregation measures at poultry stalls.

23. SHWF said that even with the new design of poultry stalls in some existing markets, poultry workers still had close contact with live poultry in the markets, and the risk of human infection still existed. He pointed out that recent findings indicated that some chickens infected with H5N1 virus did not necessarily have symptoms of infection at all.

24. Mr Vincent FANG expressed strong reservations with the Administration's proposal. He agreed with Mr WONG Yung-kan that the "chicken boutique" was effective in segregating customers from the live poultry. He commented that the Administration had been wavering in its policy on live poultry. While the Administration advocated the segregation measures at retail markets and continued to provide for "chicken boutique" in new markets, the Administration also planned to ban the sale of live poultry at retail outlets in a few years' time. Mr FANG said that if no live poultry was to be allowed in Hong Kong, then the import of live poultry into Hong Kong would also have to be banned.

25. Mr Vincent FANG considered that the proposed slaughtering plant would not be financially viable. He said that as the slaughtered chickens had to undergo a chilling process, they would have little difference from those imported from the Mainland, and the price for the latter was much cheaper.

26. Mr FANG raised the following queries on the financial analysis of the proposed poultry slaughtering plant –

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- (a) whether it is reasonable for the Administration to allow a subsidised project to obtain a return up to 150% under the best case scenario (i.e. high demand and high price);
- (b) given that the daily slaughtering capacity of the slaughtering plant was capped at 40 000 and the normal daily consumption of live chickens was 60 000, whether the Administration had given thought to the possibility of providing a second slaughtering plant;
- (c) if the plant operator was also a poultry importer, he might set a discriminatory slaughtering fee for other poultry traders; and
- (d) when the plant had to cease operation in the event of an outbreak of avian influenza during the lease period, whether the plant operator would have to shoulder the operation costs during such period.

27. SHWF stressed that the Administration had not been wavering in its policy on live poultry. He pointed out that the H5N1 virus had undergone mutation and live chicken was the major vector for transmitting the virus to humans. It was the policy objective to separate live poultry from humans as a means to prevent human infection of avian influenza. The present segregation measures adopted in retail markets were only interim measures to reduce contact between customers and live chickens. However, under the existing mode of operation in wet markets, over 1 000 poultry workers still had close contact with live poultry.

28. In response to Mr Vincent FANG's queries on the financial analysis, SHWF made the following points –

- (a) the proposed slaughtering plant was considered commercially viable, and several operators had already indicated interest in operating the slaughtering plant when the consultancy study was commissioned. The Administration envisaged it possible to receive more bids as a result of the more favourable terms (e.g. a nominal rent of \$1 per year) and the policy to ban the sale of live poultry at retail markets;
- (b) the operator could decide whether or not to provide freshly slaughtered or "warm" chickens on a limited scale in addition to chilled chickens, provided that the "warm" chickens could be delivered to customers within two hours. The proposed plant would be able to compete with chilled chickens from the Mainland in terms of better quality and stringent control on its hygiene standard;
- (c) if there was sufficient market demand, consideration could be given to the development of a second slaughtering plant;

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- (d) bidders of the slaughtering plant had to indicate the proposed slaughtering fee in their bids and the Administration would give favourable consideration to bidders who proposed a lower fee; and
- (e) the plant operator would have to bear the risks arising from the disruption of supply of live chickens in the event of an outbreak of avian influenza.

29. Dr KWOK Ka-ki expressed support for the policy of separating live poultry from humans to prevent human infection of avian influenza. Dr KWOK said that the Administration should also address the demand for “warm” chickens. Given that “warm” chickens must reach the customers within two hours for hygienic reasons, he asked whether consideration would be given to providing more slaughtering plants in different locations, as in the case of Singapore, where there were more than 15 slaughtering houses operating in different parts of the country.

30. DS(FEH)(Ag) said that the Administration did not have any pre-conceived idea on the number of slaughtering plants in Hong Kong, as long as there was sufficient market demand, and that the sites would be distant from residential areas and served by transportation network. Acting Head/Efficiency Unit (Head/EU(Ag)) pointed out that Singapore did not import chilled chickens from other places.

31. The Chairman said that while the consultancy study found the development of a slaughtering plant commercially viable, the consultant did not recommend a nominal rent of \$1 per year for the use of the site for slaughtering plant. It seemed that the terms proposed by the Administration were too generous. The Administration should reconsider whether it was necessary to charge a nominal rent of \$1 if the operation was commercially viable. The Chairman suggested that the Administration might make ex-gratia payment to the operator should there be an avian influenza outbreak leading to cessation of operation during the lease period.

32. The Chairman further said that there was a substantial difference in the retail price of chilled chickens (i.e. below \$30) and that of live chickens (i.e. over \$50). He asked whether the Administration had taken into account the impact of imported chilled chickens on locally slaughtered chickens in considering the financial viability of the project.

33. The Chairman pointed out that most chilled chickens were currently sold at retail outlets operated by the two major supermarket chains. He expressed concern that the future market of chilled chickens would be monopolised by one of these supermarket chains if either one successfully bid for the operation of the slaughtering plant. It would drive the small-sized retailers out of the market.

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34. Head/EU(Ag) said that the plant operator would be selected through open tender. The Government would include provisions in the tender documents to require the plant operator to treat all importers and buyers on an equal footing.

35. DS(FEH)(Ag) said that to provide opportunities for others to participate in the future poultry supply chain, the plant operator would be required to reserve sufficient capacity for the slaughter of chickens produced by local poultry farms, importers of poultry from the Mainland and buyers of local poultry. The bidders would be required to set out their proposed slaughtering fee to be charged to other importers and buyers. Favourable consideration would be given to bids with lower slaughtering fee. As there were also other distributors and retailers in the market, a monopoly situation should not arise in the poultry supply and distribution chain. DS(FEH)(Ag) stressed that under no circumstance would the operator refuse to provide slaughtering service for other traders in the poultry supply chain.

36. The Chairman asked how the Administration would address the concerns raised by the North District Council (NDC) about developing a poultry slaughtering plant in Sheung Shui. Mr WONG Yung-kan raised a similar concern.

37. SHWF said that NDC had expressed concern about the risks to public health and the environment, and the adverse impact on transport. As some NDC members had suggested alternative sites in the district for consideration, the Administration would consider the counter-proposals and discuss with NDC again. SHWF further said that it was difficult to identify alternative sites in Sheung Shui for the proposed slaughtering plant. The Administration would spend more time to explain to NDC members about the proposal.

38. Mr WONG Yung-kan expressed reservations about the financial viability of the slaughtering plant. He pointed out that the investment environment for the operation of a slaughtering plant in Hong Kong was not attractive as compared to that in Singapore. In Singapore, about 120 000 live chickens were imported daily for slaughtering, while the daily import of live chickens in Hong Kong was capped at 20 000. Mr WONG commented that the Administration should explain clearly to the poultry trade and the public that no more “warm” chicken would be available after the slaughtering plant came into operation, since all slaughtered chickens would have to undergo a chilling process. As the public was not fully informed, the Administration should not claim that the public had expressed support for the development of the proposed slaughtering plant. Moreover, the consultant had not gauged views from the trade and the public.

39. SHWF clarified that paragraph 7 of the Administration’s paper stated that while most of the slaughtered chickens would be chilled, favourable consideration would be given to bids which would provide freshly slaughtered chickens (i.e. “warm” chickens) in addition to chilled chickens. Nevertheless, it would be a matter for the operator to decide whether or not to provide freshly slaughtered chickens.

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40. Mr WONG Yung-kan said that the Administration had estimated that 3 400 poultry workers would be affected as a result of the development of a slaughtering plant. As the plant was expected to have 70 staff, only some of the poultry trade workers could remain in the business if their employers chose to re-structure their business under the new operating environment. He urged the Administration to let the affected workers know what assistance would be provided to them.

41. SHWF said that the 3 400 affected workers included those working in poultry farms, wholesale and retail outlets. If poultry farmers continued to operate, the farm workers would not be affected. EGP would be provided to those poultry farmers, wholesalers and retailers who chose to surrender their licences/tenancies under the voluntary surrender scheme. For those who became unemployed, assistance would be provided to them to find alternative employment.

42. Mr Vincent FANG asked whether the Administration would proceed with the development of a slaughtering plant in Sheung Shui despite opposition from NDC. Mr FANG further asked whether the Administration would consider alternative measures, other than the development of a slaughtering plant in 2009, to segregate humans from live poultry between now and 2009, for example, re-configuration of poultry stalls to “chicken boutique” in all existing markets, as the design was effective in segregating customers from live poultry. Noting that the slaughtering plant operator would be allowed to provide freshly slaughtered chickens, Mr FANG considered that the Administration should include this in the tender specifications.

43. SHWF reiterated that under the “chicken boutique” arrangement, although customers were separated from live poultry, poultry workers still had close contact with live poultry in the markets. He stressed that the arrangement was an interim measure only, and it was by no means an acceptable arrangement in the long term. SHWF said that having regard to the fact that the H5N1 virus had undergone mutation, it was uncertain when the vaccine currently used in chickens would become ineffective in preventing the disease. If vaccine became ineffective before the slaughtering plant came into operation, the ban on the retail sale of live poultry might be advanced in the event of an outbreak of avian influenza. It would have even greater impact on the poultry trade under such scenario.

44. Mr Vincent FANG commented that the proposal to charge the plant operator a nominal rent of \$1 per year for use of the plant site showed that the Administration did not have confidence that the project was attractive to the business sector. Moreover, the Administration had not addressed the concern about a monopolistic situation since there would be only one single operator providing poultry slaughtering service.

45. SHWF responded that the purpose of charging a nominal rent was to enhance the competitiveness of the operator so that lower slaughtering fee could be offered.

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46. Dr KWOK Ka-ki reiterated that he supported the policy objective of segregating humans from live chickens. He agreed that the “chicken boutique” arrangement was not an effective measure in the long-term. He also agreed that it was reasonable to charge a nominal rent for the use of the site in order to enhance the financial viability of the project. However, he shared the concern that the development of only one slaughtering plant in Hong Kong would give rise to a monopolistic market of chilled chickens. He asked whether the consultancy study had examined the impact of having a single operator on the chilled chicken market. He commented that if the supply of chilled and/or frozen poultry was monopolised by the supermarket chains, it would be impossible for existing live poultry retailers to switch to sell chilled and/or frozen poultry.

47. Head/EU(Ag) said that the consultancy study welcomed more than one operator for providing poultry slaughtering service in Hong Kong. The study had also examined ways to prevent monopoly. Although there would only be one slaughtering plant at the beginning, potential poultry importers and buyers were allowed to participate in the future poultry supply chain. Under the proposed mode of operation, the plant operator would be required to reserve sufficient capacity for the slaughter of chickens produced by local poultry farms. The plant operator would also be required to provide poultry slaughtering service for importers of poultry from the Mainland or buyers of local poultry. The slaughtered chickens would be delivered to retail outlets by the wholesalers or the operator.

48. Responding to Dr KWOK Ka-ki’s suggestion of providing more slaughtering plants in Hong Kong in order to enable delivery of freshly slaughtered chickens to different parts in Hong Kong within two hours, SHWF said that it was difficult to identify suitable sites for providing such plants in different parts of Hong Kong. Moreover, the transportation of live poultry to slaughtering plants throughout the territory would also pose risk of transmission of H5N1 virus.

49. In response to the Chairman, SHWF said that while Finance Committee (FC)’s approval was not required for the plan to develop a slaughtering plant, legislation would be necessary to put in place a licensing regime for the operation of the slaughtering plant. SHWF appealed to members’ support for introducing the relevant legislation.

50. Mr WONG Yung-kan said that he would need to consider all relevant information, and also the findings of the Panel’s proposed visit to Singapore to study its central slaughtering operation, before taking a decision on whether to support the Administration’s proposal.

51. The Chairman said that Members belonging to the Democratic Party (DP) supported the policy of segregating live poultry from humans. However, these Members were concerned that the proposal might give rise to monopoly of

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slaughtering service. They were also concerned that the investment for the development of a slaughtering plant might be wasted if the project turned out to be not financially viable because of keen competition from Mainland chilled chickens. The Chairman further said that Members belonging to DP would support the plan to develop a slaughtering plant if the Administration could provide more information that it had fully assessed these concerns.

52. Dr KWOK Ka-ki said that he would support the proposal provided that it would not give rise to a monopolist situation in the supply of local chilled chickens. Dr KWOK urged the Administration to consider the viability of providing freshly slaughtered chickens through a number of regional slaughtering plants.

53. SHWF said that as Hong Kong practised free trade, food from different sources would be allowed to be imported into Hong Kong provided that they met the safety standards. He believed that the variety of choices for imported food would enhance competition and prevent the emergence of a monopolistic market.

Consultancy study on the commercial viability for private sector involvement in the poultry slaughtering plant at the Western Wholesale Food Market

54. Mr WONG Yung-kan commented that the consultancy study commissioned by EU was conducted in 2003 and some statistics used in the study were outdated. Referring to the Executive Summary of the consultancy study, Mr WONG pointed out that due to keen competition from the Mainland in the supply of chilled chickens, the current retail price of chilled chickens was about \$20 to \$25, which was far lower than \$33 as estimated in the consultancy study.

55. Head/EU(Ag) said that the consultancy study had examined the local poultry market, the overseas experience in live poultry slaughtering business, and the potential business models of the poultry slaughtering plant. While some assumptions were made in the financial analysis and the retail prices of chilled chickens and fresh chickens were subject to changes, the assessment made in the study was still applicable to present-day circumstances. Head/EU(Ag) further said that there was a strong market demand for high quality freshly slaughtered chickens, such as Ka Mei chickens. The slaughtering plant was financially viable if the plant operator could establish a market niche and a brand name for good quality chicken products.

56. Mr Alan LEONG noted that the consultancy study had examined two business models (i.e. the concession model and BOOT mode), and conducted financial analysis of six scenarios. Mr LEONG asked about the details of the financial analysis and how the ex-factory selling price to retailers was set.

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57. Head/EU(Ag) explained that under different options, potential revenues, cost of operations and capital investment necessary for the slaughtering plant had been estimated. The consultancy study had also assessed the viability of the pilot plant against those price scenarios for slaughterhouse chickens (i.e. low, medium and high price scenarios) in which a low unit selling price to retailers at \$35 and a high price unit at \$45 were assumed. As for the demand scenarios under the financial analysis, the forecast daily demand for slaughterhouse chickens per slaughterhouse ranged from 24 000 to 60 000.

58. Mr Alan LEONG requested for details of the approach of and assumptions made in the financial analysis. DS(FEH)(Ag) said that a copy of the final report of the consultancy study (with some sections such as commercially sensitive information removed) had been deposited with the LegCo Secretariat. The Chairman requested the LegCo Secretariat to reproduce the final report and provide each member with a copy.

(Post-meeting note : A copy of the final report of the consultancy study was issued to members vide LC Paper No. CB(2) 1694/05-06(01) on 12 April 2006.)

59. Mr Alan LEONG asked whether the bidders had to specify in their bids the ex-factory selling price to retailers of chickens slaughtered. Head/EU(Ag) replied that bidders would be required to set out their proposed slaughtering fee to be charged to the poultry importers and buyers. The ex-factory selling price to retailers of chickens slaughtered and processed by the slaughtering plant would be determined by the market.

Re-opening of Mai Po Nature Reserve

60. The Chairman said that a number of birdwatchers had expressed concern when Mai Po Nature Reserve would be re-opened to the public. SHWF explained that in the light of the discovery of dead birds tested positive for H5N1 virus in the vicinity of Mai Po Nature Reserve, the Reserve was closed temporarily for protecting public health. AFCD was discussing with the management of the Reserve the reopening of the Reserve for birdwatchers and the development of criteria for temporary closure and re-opening of the Reserve.

61. In concluding the discussion, the Chairman requested the Administration to take into account members' views in taking forward its proposal. SHWF said that the Administration was fully aware that the development of a poultry slaughtering plant would involve a change in the consumption pattern of the community and this was not an easy task. Apart from appealing to members' support, the Administration would continue to liaise with the trade and explain to NDC to secure its support for the project.

V Voluntary surrender of pig farming licences

[LC Paper Nos. CB(2) 1663/05-06(05)&(06)]

[LC Paper Nos. CB(2) 1704/05-06(01)&(02)]

62. With the aid of powerpoint, Principal Assistant Secretary for Health, Welfare and Food (Food and Environmental Hygiene)1 (PAS(FEH)1) briefed members on the proposed package to encourage pig farmers to surrender voluntarily their pig farm licences and cease operation in Hong Kong on a permanent basis. The Administration expected that about 60% to 70% of the local pig farms would choose to surrender their licences and cease operation permanently. The Administration would seek the approval of the Finance Committee (FC) for the creation of a new commitment of \$941.7 million for making ex-gratia payment (EGP) to pig farmers, providing one-off grants to affected local workers, and providing loans to pig transporters.

63. PAS(FEH)1 said that apart from introducing the voluntary surrender scheme for pig farm licences, the Administration also proposed to introduce legislation to stop issuing new pig farm licences in order to freeze the number of pig farms. In addition, the Administration would re-examine the existing licensing conditions one year after the commencement of the scheme, to ensure that those pig farms which remained in business had adopted standards and practices to minimise risks to public health and the environment.

(Post-meeting note : The powerpoint presentation materials tabled at the meeting were issued to members vide LC Paper No. CB(2) 1719/05-06(02) on 12 April 2006.)

64. In response to the Chairman, SHWF replied that the voluntary surrender scheme for pig farm licensees would be open for applications for 12 months. The pig farmers could sell all their pigs before making applications. PAS(FEH)1 added that the estimated commitment of \$941.7 million was calculated on the assumption that all the existing pig farmers would join the voluntary surrender scheme.

65. Dr KWOK Ka-ki said that he did not object to the proposed voluntary surrender scheme for pig farm licensees, which aimed to improve the environmental hygiene problem associated with pig farming. Noting the high level of EGP payable to pig farmers under this scheme, Dr KWOK asked how the proposed amounts of EGP payable to pig farm licensees compared with those for chicken farmers. Dr KWOK also expressed concern about the problem in monitoring the remaining 30% of the local pig farms which would remain in operation, and the estimated costs for taking mitigating measures to reduce the public health and environmental hygiene problems caused by these remaining pig farms.

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66. PAS(FEH)1 responded that the EGP currently payable to chicken farms ranged from \$450,000 to \$4.15 million per licence. As for pig farmers, the proposed EGP would range from \$450,000 to \$25.45 million depending on the size of the farm. PAS(FEH)1 explained that the components for calculating the EGP for pig farmers were similar to those for chicken farmers. There were two major components in the formula, i.e. the EGP for farm buildings and the EGP for farm operation. To provide sufficient incentive for poultry and pig farmers to surrender their licences, more lenient factors for calculating EGP had been adopted. For chicken farms, an extra EGP component accounting for the average installation cost of metallic chicken-rearing cages was added to the formula, and there was also an additional lump sum payment to account for the investment in biosecurity facilities. For pig farmers, the Administration proposed to include in EGP a component taking into account the farmers' intensive capital investment in the "wet-muck-out" waste treatment method, plus an extra lump sum calculated on the basis of the scale of operation. At the request of Dr KWOK Ka-ki, PAS(FEH)1 agreed to provide a comparison of the EGP payable to poultry farmers with that proposed for pig farmers after the meeting.

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(Post-meeting note : The Administration has subsequently provided the supplementary information which was issued to members vide LC Paper No. CB(2) 1731/05-06(01) on 13 April 2006.)

67. Regarding the environmental control measures for those pig farms which continued operation after the voluntary surrender scheme, PAS(FEH)1 said that the Administration would review the licensing regime for pig farmers one year after commencement of the scheme, with a view to drawing up specific measures to minimise the environmental problems and the risks to public health, having regard to the number of pig farms remaining and their scale/mode of operation. It was therefore not possible for him to provide the estimated costs at this point in time.

68. Mr WONG Yung-kan said that the environmental pollution caused by pig farming had been discussed for more than two decades. The Administration should review the Waste Disposal Ordinance to step up environmental control measures and assist pig farmers to improve waste control in livestock production, instead of putting the blame on pig farmers. Mr WONG pointed out that many pig farmers had lost the incentive to continue pig farming and would opt out of the industry. Mr WONG asked whether the Administration would issue pig farming licences to newcomers if they could meet the stringent licensing conditions for pig farming in Hong Kong.

69. SHWF responded that he had discussed with some pig farmers on previous occasions about the prospect of pig farming in Hong Kong. As a result of urbanisation, pig farming activities had caused much pollution to the environment and led to complaints from nearby residents. There was little room for pig farming in

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Hong Kong as such activities required much space for installing livestock waste treatment facilities, and they needed to be located away from residential areas. SHWF pointed out that the Mainland also discouraged small-scale pig farming. The present mode of operation for pig farming in Hong Kong was already outdated. Due to the environmental and technical constraints for waste treatment, there was not much room for improvements despite efforts made by local pig farmers. SHWF said that there was no viable option other than cessation of pig farming in Hong Kong. AFCD would provide technical advice and support to those pig farm licensees who wished to change to other agricultural businesses or to operate farming in the Mainland.

70. Mr Vincent FANG expressed support for the Administration's proposals. He noted that there were only 265 pig farmers remaining and 70% of them would surrender their licences. He also found the proposed EGP package acceptable. However, he pointed out that the local fresh meat buyers and live pig transporters were not included in the EGP package, although a low-interest loan would be provided to pig transporters. He also expressed concern about the possibility of increased pork "smuggling" activities from across the border as a result of shrinking supply of pork from local pig farms.

71. PAS(FEH)1 explained that although the supply of pork from local pig farms would reduce after the introduction of the voluntary surrender scheme, it was envisaged that the supply of live pigs from the Mainland would increase if local demand for fresh pork remained unchanged. The fresh meat buyers could continue to represent retailers to select live pigs at the slaughterhouses. As their skills were still required, their livelihood should not be affected.

72. Regarding assistance to pig transporters, PAS(FEH)1 said that the Administration proposed to provide a low-interest loan of \$50,000 per vehicle to live pig transporters whose business would be severely affected by the proposed voluntary surrender scheme. The loan was to assist them to upgrade or convert their vehicles for other alternative business opportunities that they might seek to pursue. The loan amount was in line with that provided under the voluntary surrender scheme to live chicken transporters. PAS(FEH)1 further said that FEHD and Customs and Excise Department would continue to take enforcement actions against pork smuggling activities.

73. The Chairman said that the two submissions from the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) (LC Paper No. CB(2)1704/05-06(01)) and "一班弱小的豬農" (LC Paper No. CB(2)1704/05-06(02)) pointed out that some affected parties considered the proposal unfair. He asked whether the Administration had taken into account the views of all parties affected and struck a balance of all these interests.

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74. The Chairman said that he supported introducing the voluntary surrender scheme as there was little room for development of pig farming, given the rapid pace of urbanisation in the New Territories. However, he commented that the EGP amount appeared rather high. He pointed out that the proposed creation of a commitment of \$920.8 million for EGP to pig farmers would mean a payout of \$2,100 for each pig, as there were about 330 000 pigs in local farms. The amount was much higher than the price of a live pig sold at market. Moreover, those pig farmers who chose to surrender their licences could still buy new pigs and sell all of them before the expiry of the 12-month application period. In his view, the compensation package was rather generous. While he did not object to the proposed compensation package as the livelihood of pig farmers and workers would be adversely affected by the voluntary surrender of licence scheme, the Administration should be prudent in spending public money. The Chairman added that the Administration should assist the affected farmers and workers to change to other businesses.

75. The Chairman further said that if 60% of local pig farmers would surrender their licences, about 90% of the fresh pork supply in Hong Kong would come from the Mainland in future. The Chairman expressed concern that the fresh pork market might be monopolised by Ng Fung Hong Limited which was the sole importer of live pigs from the Mainland. He considered that the Administration should expedite the importation of chilled pork from the Mainland with a view to increasing competition in the pork market and preventing the soaring of retail prices of pork.

76. Responding to the Chairman, SHWF said that the Administration had discussed with pig farmers many times the compensation packages for surrendering their livestock keeping licences. The present proposals should be acceptable to most of the pig farmers. SHWF explained that calculation of EGP was based on the capital investment in infrastructure and facilities, instead of the number of pigs reared. He envisaged that many pig farmers would surrender their licences under the voluntary surrender scheme shortly. SHWF further said that the proposed EGP was not over-generous as the pig farmers had made substantial investments in pig farming which was an obnoxious trade.

77. PAS(FEH)1 supplemented that the voluntary surrender scheme for pig farm licensees would be open for applications for 12 months. After an application was approved, the pig farmer concerned would be allowed six months to wind up their business, including selling their pigs and making severance payments to their workers. To safeguard the interests of their workers, partial EGP would be payable to pig farm licensees upon production of evidence that the pig farms would cease operation permanently, and the remaining EGP would only be made after the licensees had fully paid outstanding wages and severance payment to their workers. PAS(FEH)1 added that the Administration planned to seek funding approval from FC on 28 April 2006.

78. Mr Vincent FANG agreed that the Administration should adopt more lenient factors for calculating EGP, as the livelihood of pig farmers would be affected by the

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proposed voluntary surrender scheme. He hoped that similar lenient factors would be extended to live poultry traders.

79. Mr WONG Yung-kan said that he would support the funding proposal. He pointed out that 800 households, instead of 800 workers, would be affected by the proposed voluntary surrender scheme. He urged the Administration to formulate a policy for sustainable development of agriculture and fisheries industries.

80. SHWF said that in formulating the agriculture and fisheries policy, the Administration would need to examine which type of farming activities would be sustainable. In this connection, the Administration would explore ways to facilitate sustainable development of organic crop production and offshore fishing. As for chicken farming, the Administration's policy was to limit the maximum capacity of local chicken farms to 2 million. Given that geese and ducks were natural carriers of H5N1 virus, the Administration had no intention to promote development of geese and ducks farming. It was also not practicable to pursue pig farming in Hong Kong.

81. In concluding the discussion, the Chairman said that the Panel generally supported the Administration's funding proposal for introducing the proposed voluntary surrender scheme.

VI Proposed amendments to the Prevention of Cruelty to Animals Ordinance (Cap. 169)

[LC Paper Nos. CB(2) 1663/05-06(07)&(08)]

[LC Paper No. CB(2) 1695/05-06(01)]

82. With the aid of powerpoint, Assistant Director (Inspection and Quarantine)/AFCD (AD/AFCD) briefed members on the existing work of AFCD on animal welfare. AD/AFCD said that the Administration proposed to raise the maximum fine for violating the Prevention of Cruelty to Animals Ordinance from \$5,000 to a fine at level 6 (i.e. \$10,000), and to increase the maximum sentence from six months to 12 months. The Administration also proposed to increase the maximum penalty in the Prevention of Cruelty to Animals Regulations to level 4 (i.e. \$25,000).

(Post-meeting note : The powerpoint presentation materials were issued to members vide LC Paper No. CB(2) 1719/05-06(03) on 12 April 2006.)

83. Dr KWOK Ka-ki welcomed the Administration's legislative proposals. Dr KWOK asked about the scope of act of cruelty to animals and whether negligence in taking care of the animal would amount to an offence under the legislation. Dr KWOK considered that AFCD staff should conduct periodic patrols in urban areas in addition to rural areas as many pets/animals were kept in urban areas.

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84. AD/AFCD responded that the Prevention of Cruelty to Animals Ordinance provided a definition on acts of cruelty against animals. Such acts included “cruelly beat, kick, ill-treat, torture, cause, procure or assist at the fighting or baiting of any animal, being in charge of any animal in captivity but neglect to supply the animal with sufficient food and sufficient fresh water, and transport any animal in any way which may cause any unnecessary suffering to any animal”. AD/AFCD added that the Administration had successfully prosecuted some pet shop owners and animal owners for not providing proper care to animals such as insufficient fresh water or poor cage design.

85. AD/AFCD said that in enforcing the legislation on animal welfare, AFCD staff patrolled all areas in Hong Kong, in particular the pet shops and Animal Management Centres in both urban areas and rural areas.

86. Mr WONG Yung-kan said that Members belonging to DAB supported the legislative proposal and their views were given in DAB’s submission (LC Paper No. CB(2)1663/05-06(08)). Mr WONG expressed concern that pet owners would abandon their pets in the event that there was an outbreak of animal-to-human infectious diseases. He urged the Administration to introduce legislation to prohibit abandoning animals and step up educational publicity in this respect.

87. AD/AFCD said that under the Rabies Ordinance (Cap. 421), abandonment of animals could lead to a fine of \$10,000 and imprisonment for six months. If pet owners decided not to keep their pets, they should hand their pets to AFCD’s Animal Management Centres or other animal charity organisations such as Hong Kong Society for Prevention of Cruelty to Animals.

88. Mr WONG Yung-kan said that the Administration should convey a clear message to those intended to keep pets that they should provide adequate care to their pets and not to abandon them. AD/AFCD responded that two sets of Announcements in Public Interest for television and radio had recently been produced to promote responsible pet ownership and to advise those intended to keep pets to think carefully whether they could provide proper care to the pets. AD/AFCD added that in the light of a recent overseas case where a cat was tested positive for H5N1 virus, AFCD had appealed to the public not to abandon their pet cats as there was little chance for animals to be infected if they were properly cared.

89. In response to the Chairman, PAS(FEH)1 said that amendments would need to be made to the Prevention of Cruelty to Animals Ordinance to implement the proposals in the paper. Subject to members’ views, the drafting of the legislative amendments would commence, and the legislative proposals would be introduced before June 2006.

90. The Chairman concluded that the Panel supported the legislative proposal.

VII Any other business

Proposed overseas duty visit to Singapore [LC Paper No. CB(2) 1663/05-06(09)]

91. The Chairman said that he had discussed with some Panel members the proposal of the Panel undertaking a duty visit to Singapore to study its operation of central poultry slaughtering and sale of chickens at retail outlets. The Chairman further said that the Panel on Health Services (HS) also planned to conduct a duty visit to Singapore and Australia in July 2006, and many members of the HS Panel were also members of this Panel. He proposed that the visit to Singapore be conducted in July 2006, to enable Members to join the visits of both Panels.

92. Members supported the proposed visit and agreed that the Secretariat should proceed with the preparatory work.

93. There being no other business, the meeting ended at 5:10 pm

Council Business Division 2
Legislative Council Secretariat
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