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**Meeting of Panel on Food Safety and Environmental Hygiene
on 22 April 2002**

Background Paper prepared by Legislative Council Secretariat

Licensing of non-restaurant food businesses

Purpose

This paper provides a summary of the discussions held by Members of the Legislative Council (LegCo) since the 2000/01 session on the licensing of non-restaurant food businesses.

Background

2. Under the Public Health and Municipal Services Ordinance (Cap.132), a food business licence is required for trades or businesses to engage in food handling. Food business licences cover restaurants, bakeries, cold stores, factory canteens, food factories, fresh provision shops, frozen confection factories, milk factories and siu mei/lo mei shops.

Streamlining the process for restaurant licensing

3. In response to the concern of the restaurant trade about the relatively long time required for the licensing process, the Business Services Promotion Unit of the Financial Secretary's Office engaged PricewaterhouseCoopers in December 1998 to conduct a study with a view to revamping the system and expediting the licensing process. The recommendations of the consultancy study were discussed at the meeting of the former "Subcommittee on matters relating to environmental hygiene" under the Panel on Environmental Affairs on 30 May 2000. Members of the Subcommittee in general supported the recommendations.

4. In January 2001, the Panel on Food Safety and Environmental Hygiene was informed that the Food Safety and Environmental Hygiene Department (FEHD) had implemented a number of measures to expedite the process for restaurant licensing. These included shortening the time for issuing a Letter of Requirements for a

provisional licence, introducing a case manager scheme, shortening the Building Department's retrieval time for building plans and setting up a Resource Centre which provided assistance and up-to-date licensing-related information to applicants. With the implementation of these improvement measures, FEHD was now able to issue a provisional licence in about five weeks and a full licence in four to six months.

Licensing of non-restaurant food premises

Concerns of the trade

5. The non-restaurant food trade has also been calling for FEHD to simplify the licensing regime and streamline the related licensing procedures for the trade. At present, some food business (e.g. supermarkets) may require four to five different types of licences in order to sell a variety of food at the same premises. Moreover, the number of abandoned and unsuccessful applications is high (554 abandoned/unsuccessful applications out of 1 349 applications in 2000). These not only frustrate the trade but also take up valuable resources in FEHD which can otherwise be used for shortening the processing time. Some applicants also complain about the requirement to submit revised plans even for minor alteration works done during the application period, and such a requirement has caused delay.

6. According to the Administration, it would take three to eight weeks under the current system for FEHD to issue a Letter of Requirements. A licence would be issued upon compliance with the stipulated requirements.

Consultancy study on licensing of non-restaurant food premises

7. To address the concern of the trade, the Administration engaged KPMG Consulting Asia Limited (the Consultant) in September 2000 to conduct a study to streamline the procedures and shorten the time for licensing of the non-restaurant food premises. The Consultant delivered its final report in May 2001 with key recommendations in the following three broad areas -

- (a) simplifying the licensing system;
- (b) streamlining the application and renewal process; and
- (c) rationalising enforcement activities.

Details of the recommendations are set out in **Appendix I**.

Discussion with Panel on Food Safety and Environmental Hygiene on consultancy study

8. The Administration briefed the Panel on Food Safety and Environmental Hygiene on the consultancy study at the meeting on 18 June 2001. The Administration informed members that it was considering the recommendations of the

consultancy study, as well as other options, such as by making reference to the improved restaurant licensing system.

9. According to the Administration, it would consult the trade on its proposal in the third quarter of 2001. Subject to the outcome of the consultation, the Administration planned to take forward the recommendations in two phases. For those requiring legislative amendments such as combining different types of licences and rationalising the application of fee structure, the Administration intended to pursue legislative amendments starting in 2001/02. Implementation would be contingent upon the passage of the required legislation.

10. Panel members generally supported the direction of the Consultant's recommendations. Members also expressed support for the suggestion of an Application Vetting Panel to save processing time and resources. Some members asked about the proposed amount of application fee, and the processing time that could be reduced after streamlining. They also sought clarification on the licensing procedures for convenience stores and herbal tea shops, and measures to help applicants understand the proposed licensing requirements.

11. One member suggested that one composite licence should be issued to fresh provision shops for the sale of different types of food. Another member expressed concern that the proposed measures would only facilitate the operation of large-scale supermarkets and consolidate their monopoly over the market. The member urged the Administration to take into account also the interests of small and medium retail outlets when in formulating its policy on the matter.

Views of Wan Chai District Council on regulation of food factories

12. At the meeting with LegCo Members on 5 July 2001, Wan Chai District Council members suggested that the Administration should tighten the licensing and regulatory control of "food factories", as some of them were actually retail outlets and caused much environmental nuisance. The issue has been referred to the Panel for follow-up, and the Administration has provided an information note on the matter [LC Paper No. CB(2) 1629/01-02(01) issued on 17 April 2002].

Relevant papers

13. A list of the relevant papers and documents is in **Appendix II** for members' easy reference. The papers/documents are available on the Research and Library Information System and the Council's website at <http://www.legco.gov.hk>.

**Recommendations of the consultancy study
on streamlining the licensing system for non-restaurant food premises**

(a) Simplifying the Licensing System

- (i) To combine the eight different types of licences into two generic groups: “manufacturing” and “manufacturing/retailing”, thereby allowing food premises with multiple lines to operate under one single licence (e.g. one “manufacturing/retailing” licence to cover the fresh provision shop, bakery, food factory and siu mei and lo mei shop licences for a supermarket); and
- (ii) To standardize and simplify the existing licensing requirements and conditions (e.g. elimination of outdated or duplicated requirements).

(b) Streamlining the Application and Renewal Process

- (i) To charge an application fee which amounted to about 50% of the full cost for issuing a license upon receiving an application (instead of charging the full amount upon issuing a licence) and to improve training for FEHD licensing staff so as to reduce the number of unsuccessful/abandoned/withdrawn cases;
- (ii) To require an accurate “as-built” plan (finalized plan) to be submitted only when construction works was completed, thereby reducing frequent submission of revised plans during the application process without compromising critical licensing requirements;
- (iii) To improve the co-ordination among various Government departments and parties involved regarding application submission and vetting, site inspection, payment procedures and inter-departmental referral process with a view to further cutting the average response time; and
- (iv) To enhance application status monitoring system by using computer systems to facilitate applicants and Government departments to keep track of application process.

(c) Rationalizing Enforcement Activities

- (i) To revise and improve the current demerit points system to give more incentives for the food establishments to improve their hygiene conditions; and
- (ii) To implement a risk-based inspection system to ensure that food establishments with the highest health risk (e.g. the manufacturing of sushi and sashimi) would be subject to more inspections.

Relevant Papers/Documents

<u>Meeting</u>	<u>Meeting Date</u>	<u>Papers/Motion Passed/Council Question</u>
Subcommittee on matters relating to environmental hygiene under the Panel on Environmental Affairs	30 May 2000	Administration's paper - Paper No. CB(2) 2107/99-00(01) Minutes of meeting (LC Paper No. CB(2) 2622/99-00)
Panel on Food Safety and Environmental Hygiene	18 June 2001	Administration's paper - Paper No. CB(2) 1846/00-01(03) Minutes of meeting (LC Paper No. CB(2) 332/01-02)
LegCo Members' Meeting-cum-Luncheon with Wan Chai District Council members	5 July 2001	Information note provided by the Administration (LC Paper No. CB(2) 1629/01-02(01)) Extract of the minutes of meeting (LC Paper No. CB(2) 1629/01-02(02))