

**For discussion
on 9 January 2004**

LegCo Panel on Food Safety and Environmental Hygiene

Incentive Scheme for Hygiene Improvement in Food Premises

PURPOSE

This paper briefs Members on the Administration's proposed incentive scheme to help food business operators improve the hygiene condition of their food premises.

BACKGROUND

2. There are some 16 000 restaurants, factory canteens, food factories, siu mei and lo mei shops and cooked food stalls in Hong Kong. Of these, 12 400 are categorized as in the medium and high risk category having regard to the type of food sold and the hygiene standard of the premises. The common hygiene problems found in these premises include -

- (a) insufficient attention is paid to the hygiene condition and state of repair and maintenance of their kitchens. Scullery (and in some cases food preparation) may be extended to rear lanes;
- (b) washing and drying of eating utensils are mainly carried out manually and sterilization may not be properly done;
- (c) operators, particularly those of retail shops with food factory licence and sui mei and lo mei shops, tend to extend business to outside the shop fronts and expose their food to open air; and
- (d) toilets are often dirty and in a poor state of repair and maintenance.

3. The outbreak of Severe Acute Respiratory Syndrome last year underlines the importance of achieving and sustaining a high level of environmental hygiene standard. In this connection, the Team Clean recommends in its final report published in August 2003 that an incentive scheme be introduced to help food business operators upgrade the hygiene standard of their premises. Paragraphs 4 to 12 provide the details of the proposed scheme.

THE INCENTIVE SCHEME

Objective and Scope

4. The objective of the proposed incentive scheme is to raise the hygiene standard of food premises that sell ready-to-eat food. Specifically, the scheme will offer financial assistance for the following types of upgrading works -

- (a) refurbishment of kitchens and toilets;
- (b) installation of scullery and storage facilities; and
- (c) installation of display panel/chamber at shop front or any other facilities needed to maintain food displayed at shop front in a hygienic condition.

Eligibility

5. The following categories of food premises are eligible for financial assistance under the scheme -

- (a) restaurants;
- (b) factory canteens;
- (c) food factories;
- (d) siu mei and lo mei shops;

- (e) market stalls at public markets managed by the Food and Environmental Hygiene Department (FEHD) that sell cooked food or siu mei and lo mei; and
- (f) cooked food hawker stalls.

Forms of Financial Assistance

Loan

6. Financial assistance will be provided in the form of an interest-bearing loan to eligible applicants. Since it is the responsibility of the operator to meet the relevant hygiene requirements, we consider it fair for the operator to bear a major part of the refurbishment cost. We therefore propose that the loan amount be capped at 40% of the total refurbishment cost or \$50,000, whichever is the lower.

Cash Subsidy for First-Round Borrowers

7. To encourage food business operators to make an early start in refurbishing their premises, we propose to offer a cash subsidy in addition to the loan for successful first-round applicants. The subsidy will be the lower of 8% of the total refurbishment cost or \$10,000. The subsidy will not be available to applicants in subsequent rounds.

Application

8. An applicant can only submit one application in respect of each eligible premises. Each application will be evaluated by FEHD in accordance with a set of criteria, which will take into account such factors as the hygiene facilities of the kitchen, the state of repair of the kitchen and toilet, hygiene condition and facilities at shop front, past inspection records, past records of major renovation works for kitchen and toilet, etc. In support of their applications, applicants will have to provide particulars of the proposed works and quotation for consideration by FEHD. In view of the relatively small size of the loan, applicants will not be required to provide security for the loan. If the applicant is a limited company, however, personal guarantee from a shareholder of the

company will be required.

Release of Loan and Cash Subsidy

9. FEHD will release the loan and/or cash subsidy to successful applicants in two phases -

- (a) up to 30% of the loan – upon presentation of relevant invoices and receipts, together with a declaration from the borrower that refurbishment work has started; and
- (b) balance of the loan and full amount of the subsidy – upon completion of the proposed refurbishment work to the satisfaction of FEHD and presentation of relevant invoices and receipts.

Repayment and Interest

10. All borrowers are required to repay the loan principal and interest by monthly installments within 24 months. Repayment will start three months after full drawdown of the loan or six months after the first loan drawdown, whichever is the earlier. Borrowers may opt for early repayment of the loan.

11. Borrowers will have to pay interest for the loan at the Government's "no-gain-no-loss" rate¹ and interest will accrue from the date of drawdown of the loan. Interest rate on unauthorised overdue payment and/or demands for immediate repayment of the full loan amount in the event of default payment (outstanding loan amount plus interest accrued) would be charged at the average Best Lending Rate of the note-issuing banks plus 2%.

Administration of the Scheme

12. The proposed incentive scheme will be administered by FEHD. The scheme will be of a revolving nature, i.e. loan repayments will be

¹ The 'no-gain-no-loss rate' as at 1 December 2003 was 2.826% p.a. The average best lending rate for the three note-issuing banks on the same date was 5% p.a.

used to finance applications received in subsequent rounds. Initially, we plan to invite six rounds of applications, after which the loan fund will be wound up.

FINANCIAL IMPLICATIONS

13. Assuming that 50% of the 12 400 food premises in the medium and high risk category will apply for a loan in the first round, a loan commitment of \$310 million will be required while the maximum amount of cash subsidy that may be granted to first-round applicants will be \$62 million.

CONSULTATION

14. Trade representatives were consulted on the proposal in November 2003. They generally welcomed the introduction of the scheme.

WAY FORWARD

15. Subject to any comments from Members, we aim to seek funding approval from the Finance Committee of the Legislative Council in February 2004 and invite the first batch of applications in mid-2004. We will review the scheme in the light of our experience in dealing with the first lot of applications and repayments, and consider how best to proceed with the subsequent rounds.

ADVICE SOUGHT

16. Members are invited to comment on the proposed incentive scheme as set out in paragraphs 4 to 12 above.

Health, Welfare and Food Bureau
Food and Environmental Hygiene Department
January 2004