

**立法會**  
**Legislative Council**

LC Paper No. CB(2) 75/04-05(04)

Ref: CB2/PL/FE

**Meeting of Panel on Food Safety and Environmental Hygiene  
on 26 October 2004**

**Background Brief prepared by Legislative Council Secretariat**

**Importation of live poultry and progress of the voluntary scheme for  
surrender of live poultry retail licences or tenancies**

**Purpose**

This paper summarises the discussions by Members on the importation of live poultry and the voluntary scheme to surrender live poultry licences or tenancies.

**Background**

First outbreak of avian flu in 1997

2. The first case of human infection of the H5N1 virus in Hong Kong was confirmed in August 1997. In December 1997, the virus spread among chicken farms and the Cheung Sha Wan Temporary Wholesale Poultry Market. Some 1.5 million chickens were subsequently destroyed. In the outbreak in 1997, 18 persons were infected, of whom six died. Following the outbreak, the Administration introduced a series of control and preventive measures to minimise the risk of recurrence of the virus.

3. Since August 1997, the Department of Health had worked closely with experts from the World Health Organization and the Centre for Disease Control and Prevention in Atlanta to trace the source of the virus and to ascertain the methods of transmission. The experts advised that the H5N1 virus was most likely transmitted from migratory water fowl to live poultry and was then passed on to humans. Pending the investigation outcome of the confirmed infection cases, the import of live ducks and geese from the Mainland was temporarily suspended from 24 December 1997 to avoid cross-infection of H5N1 among live poultry in local farms, wholesale and retail markets.

4. The Administration subsequently worked out in 1998 a quarantine system with the Mainland on the import of live chickens to Hong Kong. Under the system, only chicken farms which were licensed and monitored by the Animal and Plant Quarantine Services in the Mainland were allowed to export live chickens to Hong Kong. Chickens for export to Hong Kong must be segregated from other flocks in the licensed farms for five days and tested negative for H5 infection before they were exported. These chickens must also be clinically examined on the day of export and be issued a health certificate for this purpose. The health certificate was inspected at the entry point and samples were taken from each consignment for blood test. The consignment would be released for distribution into the market only if the sample test results were satisfactory. All birds including water fowls were subject to the same import control arrangements.

5. The Panel on Health Services of the Provisional Legislative Council held three meetings on 31 December 1997, 12 January 1998 and 9 February 1998 to discuss the avian flu incident.

#### Second outbreak of avian flu in 2001

6. In May 2001, there was another outbreak of avian flu in Hong Kong. Subsequently, some 1.2 million chickens, ducks, geese and pigeons in the retail and wholesale markets and local farms were destroyed. The retail outlets were closed for a few weeks to enable thorough cleansing and disinfection to be carried out. During the temporary closure of retail markets, the Mainland authorities were requested to stop sending live poultry to Hong Kong. The trades which were affected by the mass cull and suspension of business were provided with compensation and/or financial assistance.

7. The Panel on Food Safety and Environmental Hygiene held three meetings on 21 May, 18 June and 10 July in 2001 to discuss with the Administration the additional surveillance and control measures for wholesale and retail markets and the compensation for the affected trades. The sale of live chickens at retail outlets resumed on 16 June 2001.

#### Third outbreak of avian flu in 2002

8. In early February 2002, there was an outbreak of avian flu in some chicken farms in Kam Tin area. Some unhealthy chickens were also found in individual stalls in several retail markets. As a result, a total of 25 chicken farms were depopulated, and all live poultry in those retail stalls with unhealthy chickens were destroyed.

9. The Panel on Food Safety and Environmental Hygiene held three meetings on 8 February, 27 May and 15 July in 2002 to discuss with the Administration the reasons for the recurrence of avian flu outbreak in less than 12 months, the estimated economic losses and the effectiveness of control measures in place.

10. To facilitate the discussion on the avian flu outbreaks in 2002 by the Panel on the on Food Safety and Environmental Hygiene, the LegCo Secretariat prepared two background papers, one on "Measures to control avian flu" [LC Paper No. CB(2) 1973/01-02(06) and the other on "Discussion on the Report of the Investigation Team for the 2002 Avian Influenza Incident" [LC Paper No. CB(2) 699/02-03(05)] for Members' reference.

#### Segregation policy for live poultry

##### *Live geese and ducks*

11. In January 1998, the Executive Council decided that, as a matter of public health policy, the farming, transportation, slaughtering and trading of live chickens and of water fowls should be segregated at all levels to minimise the risk of transmission of H5N1 virus from the other water fowls to live chickens and subsequently to humans. To implement the segregation policy at the import and wholesale levels, the Public Health (Animals and Birds) (Amendment) (No. 2) Regulation 1998, the Food Business (Urban Council) (Amendment) Bylaw 1998 and the Food Business (Regional Council) (Amendment) Bylaw 1998 were gazetted and tabled in Council in March 1998.

12. The Public Health (Animals and Birds) (Amendment) (No.2) Regulation 1998 provided that –

- (a) for birds imported to be slaughtered for food, the points of entry were restricted to the Western Wholesale Food Market (for water birds), and Cheung Sha Wan Temporary Wholesale Poultry market (for birds other than water birds) if entering by sea and by air;
- (b) for birds intended to be slaughtered for food, they must be taken directly to the designated places, i.e. Western Wholesale Food Market for water birds and Cheung Sha Wan Temporary Wholesale Poultry Market for other birds; and
- (c) water birds must be transported separately from other birds.

The two amendment bylaws were to implement the segregation policy at the wholesale and retail levels within the jurisdictions of the then Urban Council and Regional Council.

13. A subcommittee was formed in March 1998 to examine these three pieces of subsidiary legislation. While the subcommittee had no objection to the segregation policy, it noted that the poultry trade had serious concerns about the segregation arrangements and the impact on the employment opportunities of the workers in the trade. In view of the trade's concerns, some members of the subcommittee reserved their position on supporting the three pieces of subsidiary legislation. The subsidiary legislation subsequently came into effect in April 1998.

#### *Live quails*

14. Following the second outbreak of avian flu in May 2001, the Administration introduced three pieces of subsidiary legislation in October 2001 to prohibit the transportation and sale of live quails together with live chickens. These three pieces of subsidiary legislation were the Public Health (Animals and Birds) (Amendment) Regulation 2001, the Public Health (Animal and Birds) (Animal Traders) (Amendment) Regulation 2001 and the Food Business (Amendment) Regulation 2001.

15. A subcommittee was formed to examine these three pieces of subsidiary legislation. While agreeing that it was important to take necessary measures to safeguard public health, members of the subcommittee expressed concern about the impact of the segregation measures on the poultry trade and sought clarification from the Administration on the scientific basis for introducing these measures.

16. These three pieces of subsidiary legislation were subsequently passed, with amendments moved by the Administration and Hon Fred LI, on behalf of the Subcommittee, at the Council meeting on 5 December 2001. These amendments aimed to improve the segregation arrangements, allow more time for the licensed traders to dispose of their stocks of live quails, and to reduce the penalty for the offences in the Regulations.

#### **Suspension and resumption of importation of live poultry in 2004**

17. Since early December 2003, a total of 10 countries or places in Asia had reported outbreaks of avian flu. These countries and places included South Korea, Japan, Vietnam, Thailand, Taiwan, Cambodia, Mainland China, Laos, Indonesia and Pakistan. As at 24 March 2004, a total of 34 cases of H5N1 human infections were confirmed in Thailand and Vietnam, of whom 23 died.

18. The Panel on Food Safety and Environmental Hygiene held a series of meetings from January to May 2004 to discuss with the Administration the preventive and contingency measures to guard against avian flu outbreaks in Hong Kong.

19. In view of the extensive outbreak of avian flu in the region, the Panel passed a motion at its meeting on 30 January 2004 urging the Administration to stop immediately the processing of all applications for the import of live poultry, poultry carcasses and poultry eggs to Hong Kong from countries and places with avian flu cases. The Administration announced the suspension of importation of live poultry and poultry meat in the same evening. However, as Hong Kong did not have any avian flu infection cases at that time, local chicken farms could still supply live chicken to the markets.

20. At the Panel meeting on 10 March 2004, the Administration informed the Panel that as the avian flu outbreak situation in the Mainland had stabilised, processing of applications of chilled and frozen poultry (except the viscera) to Hong Kong could resume. The first batch of chilled/frozen chickens arrived in Hong Kong in the week of 22 March 2004.

21. At the meetings held in February to April 2004, some members of the Panel urged the Administration to also resume importation of live poultry and day-old chickens from the Mainland, as there had not been any new avian flu cases in the Mainland since 12 February 2004, and the stock level in local farms would deplete shortly. The Administration advised that having regard to the recommendation of the World Organization for Animal Health, it was expected that import of live poultry from the Mainland could resume in three months, i.e. on 12 May 2004. Nevertheless, the Administration agreed to explore whether import of live poultry could resume on an earlier date, if certain Mainland farms with no history of avian flu outbreaks could meet the enhanced hygiene requirements of Hong Kong.

22. The Administration informed the Panel on 15 April 2004 that importation of Mainland live chicken would resume on a pilot basis from 20 April 2004, initially at 6 000 chickens a day. The daily import quantity was gradually increased to about 28 000 in early May 2004. The importation of chilled geese and ducks to Hong Kong resumed only recently.

## **Measures to control avian flu**

### Immediate and short-term measures

23. On 2 April 2004, the Administration briefed the Panel on the public consultation paper on “Prevention of Avian Influenza : Consultation on Long Term Direction to Minimise the Risk of Human Infection”. Apart from the enhanced surveillance and monitoring measures put in place to prevent avian flu outbreaks in local farms and wholesale/retail markets, the Administration informed the Panel that for the protection of public health, the present mode of operation of the live poultry trade would have to be modified.

24. The Administration advised that its long-term vision was to sustain the goal of zero infection and transmission of the virus in Hong Kong. To achieve this, it was the policy to separate humans from live poultry and to minimise the contact between the public and live poultry. According to the consultation paper, there was an urgent need for the existing modus operandi of the live poultry trade, especially at the retail end, to change as and when the supply of live poultry from the Mainland was resumed after the outbreak situation in the region had stabilised.

25. Immediate improvement measures to minimise the contact between consumers and live poultry at the retail markets and fresh provision shops were put in place. All cages holding live poultry at retail outlets should either be kept at a minimum distance of one metre or segregated from consumers by means of acrylic panels. At the wholesale level, the Administration planned to separate the wholesale markets for local and Mainland chickens. At the farm level, the biosecurity of local poultry farms would be further enhanced. The Administration would also review the transportation system for the conveyance of live poultry.

26. In the medium term, the Administration proposed to reduce the number and density of market stalls through a voluntary buy-out package (see paragraphs 27 to 30 below). This will provide space in retail markets to facilitate improvements to the market design, in order to further separate the storage and culling areas of live poultry from consumers.

#### Voluntary surrender of live poultry retail licences or tenancies

27. The Administration consulted the Panel at its meeting on 25 May 2004 on the proposed voluntary scheme to encourage live poultry retailers to surrender their fresh provision shop licences (with endorsement to sell live poultry), or live poultry stall tenancies in markets under Food and Environmental Hygiene Department (FEHD), in return for an ex-gratia payment.

28. According to the Administration, the proposed scheme was targeted at those small poultry stalls, which had physical constraints to upgrade their hygiene conditions to meet the new requirements, to surrender their licences or tenancies.

29. Under the original proposal presented to the Panel, an ex-gratia payment equivalent to 39 months' average rental of live poultry stalls at FEHD markets would be payable to those who surrendered their licences/tenancies. Financial assistance of up to \$10,000 and retraining courses would be provided to live poultry workers who would become unemployed after their employers surrendered their licences/tenancies. On the other hand, a loan would be

granted to those retailers who wanted to continue operation and make investment in upgrading the hygiene conditions to meet the new public health requirements. The proposed scheme would be valid for one year.

30. At the Panel meeting on 25 May 2004, Panel members expressed reservations about the proposed scheme, particularly the basis for calculating the ex-gratia payments and the assistance to live poultry workers. The Panel urged the Administration to further discuss with the trade and submit an improved package to increase the attractiveness of the scheme. After further discussion with the trade, the Administration submitted a revised proposal which was approved by the Finance Committee (FC) on 2 July 2004. The relevant FC paper and extract from the minutes of the FC meeting are in **Appendix I**.

#### Long-term strategy

31. At its meeting on 2 April 2004, the Panel was informed that two options were proposed in the Consultation Paper, i.e. the "cold chain" (or central slaughtering) approach, and the "freshly slaughtered chickens" (or regional slaughtering) approach. The Panel held a special meeting on 4 June 2004 to gauge the views of experts and the trade on these two options. The Administration has undertaken to revert to the Panel on the consultation findings in the 2004-05 session.

#### **Relevant papers**

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

Council Business Division 2  
Legislative Council Secretariat  
25 October 2004

## Appendix II

### Relevant Papers/Documents

| <u>Meeting</u>   | <u>Meeting Date</u>                            | <u>Papers/Motion Passed/Council Question</u>   |
|--|--|--|
| Provisional Legislative Council                        | 21 January 1998                                | Motion on "Improving the mechanisms for managing infectious diseases and imported livestock quarantine" moved by Hon CHAN Wing-chan  |
| House Committee of the Provisional Legislative Council | <i>(Circulated to Members on 2 April 1998)</i> | Report of the Subcommittee on Food Business (Urban Council) (Amendment) Bylaw 1998, Food Business (Regional Council) (Amendment) Bylaw 1998 and Public Health (Animals and Birds) (Amendment) (No. 2) Regulation 1998 (PLC Paper No. CB(2) 1376) |
| Legislative Council                                    | 6 June 2001                                    | Motion on "The avian flu incident" moved by Hon WONG Yung-kan  |
|  | 5 March 2003                                   | Written question on "Cases of denial of import of live chickens found to have been infected with H5 avian flu virus" moved by Hon Fred LI Wah-ming   |
|  | 3 March 2004                                   | Motion on "Restoring the public's confidence in consuming live poultry" moved by Hon Tommy CHEUNG Yu-yan   |
|  | 9 June 2004                                    | Oral question on "Import of chickens from the Mainland" moved by Hon WONG Yung-kan   |



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|--------------------------|------------------|---|
| House Committee          | 30 November 2001 | Report of the Subcommittee on Public Health (Animals and Birds) (Amendment) Regulation 2001, Public Health (Animals and Birds) (Animal Traders) (Amendment) Regulation 2001 and Food Business (Amendment) Regulation 2001 (LC Paper No. CB(2) 454/01-02)  |
| Finance Committee        | 26 March 2004    | FCR(2003-04)67<br>Subhead 700 General other non-recurrent<br>New Item "Ex-gratia payment to live poultry operators affected by outbreak of avian influenza in the region" (Approved)  |
|                          | 2 July 2004      | FCR(2004-05)25<br><br>Subhead 700 General non-recurrent<br>New Item "Ex-gratia payment to live poultry retailers surrendering their licences with endorsement to sell live poultry or public market tenancies"<br>New Item "Re-training and one-off grants to assist affected live poultry retail workers"<br><br>Loan Fund – Head 262 Primary products<br>New Subhead "Loans to live poultry retailers" (Approved) |
| Panel on Health Services | 31 December 1997 | Administration's paper on "H5N1 virus" (Chinese version only)<br><br>Minutes of meeting (PLC Paper No. CB(2) 1130)  |
|                          | 12 January 1998  | Administration's paper - PLC Paper No. CB(2) 821(03)<br><br>Minutes of meeting (PLC Paper No. CB(2) 1280)   |

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|--|--|---|
|  | 9 February 1998                                    | Minutes of meeting<br>(PLC Paper No. CB(2) 1447)  |
| Panel on Food Safety and Environmental Hygiene | 21 May 2001  | Administration's paper - Paper No. CB(2) 1629/00-01(01)<br><br>Minutes of meeting<br>(LC Paper No. CB(2) 2320/00-01)  |
|  | 18 June 2001<br>(Joint meeting with Housing Panel) | Administration's paper Nos. CB(2) 1852/00-01(01) & (02)<br><br>Minutes of meeting<br>(LC Paper No. CB(2) 333/01-02)   |
|  | 10 July 2001                                       | Administration's paper Nos. CB(2) 2065/00-01(01), (02) & (03)<br><br>Minutes of meeting<br>(LC Paper No. CB(2) 458/01-02)   |
|  | 8 February 2002                                    | Administration's paper - Paper No. CB(2) 1105/01-02(01)<br><br>Report on the Recent Avian Influenza Incident<br>(LC Paper No. CB(2) 1456/01-02(01))<br><br>Supplementary Report on the Recent Avian Influenza Incident<br>(LC Paper No. CB(2) 1538/01-02(01)) |
|  | 27 May 2002  | Report of the investigation team for the 2002 avian influenza incident<br>(LC Paper No. CB(2) 2110/01-02)<br><br>Executive summary provided by the Administration<br>(LC Paper No. CB(2) 1973/01-02(05))  |
|  |  | Background paper prepared by the LegCo Secretariat<br>(LC Paper No. CB(2) 1973/01-02(06))<br><br>Minutes of meeting<br>(LC Paper No. CB(2) 2355/01-02)  |
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|--|-------------------------|--|
|  | <p>15 July 2002</p>     | <p>Administration's paper - Paper No. CB(2) 2532/01-02(07)</p> <p>Submission from Hong Kong Poultry Wholesalers and Retailers Association (LC Paper No. CB(2) 2513/01-02(01))</p> <p>Submission from Hong Kong Poultry Wholesalers Association (LC Paper No. CB(2) 2577/01-02(01))</p> |
|  |                         | <p>Method of calculating the estimated loss of the live chicken trade (wholesalers/retailers/ transporters) if an additional "rest day" is introduced (LC Paper No. CB(2) 2632/01-02(03))</p> <p>Minutes of meeting (LC Paper No. CB(2) 2863/01-02)</p>                                |
|  | <p>20 November 2002</p> | <p>Administration's paper - Paper No. CB(2) 407/02-03(02)</p> <p>Minutes of meeting [LC Paper No. CB(2) 767/02-03]</p>   |
|  | <p>19 December 2002</p> | <p>Administration's paper - Paper No. CB(2) 699/02-03(04)</p> <p>Background paper prepared by the LegCo Secretariat [LC Paper No. CB(2) 699/02-03(05)]</p> <p>Minutes of meeting [LC Paper No. CB(2) 994/02-03]</p>  |
|  | <p>27 May 2003</p>      | <p>Administration's paper - Paper No. CB(2) 2170/02-03(03)</p> <p>Minutes of meeting [LC Paper No. CB(2) 3007/02-03]</p>   |
|  | <p>30 January 2004</p>  | <p>Administration's paper - Paper Nos. CB(2) 986/03-04(01) (English version only) &amp; CB(2) 1138/03-04(01)</p>   |

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|  |                  | Minutes of meeting<br>[LC Paper No. CB(2) 1761/03-04]   |
|  | 12 February 2004 | Administration's paper - Paper Nos.<br>CB(2) 1306/03-04(01) &<br>CB(2) 1332/03-04(01)<br><br>Minutes of meeting<br>[LC Paper No. CB(2) 2283/03-04]  |
|  | 16 February 2004 | Minutes of meeting<br>[LC Paper No. CB(2) 2947/03-04]   |
|  | 25 February 2004 | Administration's papers - Paper No.<br>CB(2) 1382/03-04(05) &<br>CB(2) 1493/03-04(01)<br><br>Minutes of meeting<br>[LC Paper No. CB(2) 2090/03-04]  |
|  | 10 March 2004    | Minutes of meeting<br>[LC Paper No. CB(2) 2225/03-04]   |
|  | 19 March 2004    | Minutes of meeting<br>[LC Paper No. CB(2) 2114/03-04]   |
|  | 2 April 2004     | Consultation paper provided by the<br>Administration on "Prevention of avian<br>influenza : Consultation on long term<br>direction to minimize the risk of human<br>infection"<br><br>Administration's paper - Paper No.<br>CB(2) 1930/03-04(01)<br><br>Minutes of meeting<br>[LC Paper No. CB(2) 2777/03-04] |
|  | 15 April 2004    | Minutes of meeting<br>[LC Paper No. CB(2) 3040/03-04]   |
|  | 27 April 2004    | Minutes of meeting<br>[LC Paper No. CB(2) 2812/03-04]   |

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|--|-------------|--|
|  | 25 May 2004 | Administration's paper - Paper No. CB(2) 2492/03-04(05)<br><br>Minutes of meeting<br>[LC Paper No. CB(2) 2949/03-04] |
|  | 4 June 2004 | Minutes of meeting<br>[LC Paper No. CB(2) 3243/03-04]  |

(Revised)

For discussion  
on 2 July 2004

FCR(2004-05)25

## ITEM FOR FINANCE COMMITTEE

### GENERAL REVENUE ACCOUNT

#### HEAD 49 – FOOD AND ENVIRONMENTAL HYGIENE DEPARTMENT

##### Subhead 700 General non-recurrent

New Item “Ex-gratia payment to live poultry retailers surrendering their licences with endorsement to sell live poultry or public market tenancies”

New Item “Re-training and one-off grants to assist affected live poultry retail workers”

### LOAN FUND

#### HEAD 262 - PRIMARY PRODUCTS

New Subhead "Loans to live poultry retailers"

Members are invited to approve –

- (a) the creation of a new commitment of **\$236,428,000** for making ex-gratia payment to live poultry retailers who choose to surrender their fresh provision shop licences with endorsement to sell live poultry or public market<sup>1</sup> tenancies, as appropriate;
- (b) the creation of a new commitment of \$83,028,000 for providing up to eight weeks of retraining courses and one-off grants to assist affected live poultry retail workers; and
- (c) the creation of a new subhead “Loans to live poultry retailers” under Loan Fund with a commitment of \$9,000,000 for making loans on an unsecured basis to live poultry retailers holding fresh provision shop licences with endorsement to sell live poultry who wish to continue operating to upgrade their facilities to enhance their sanitary and hygiene conditions.

**/PROBLEM .....**

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<sup>1</sup> Public markets refer to those markets that are under the Food and Environmental Hygiene Department.

## PROBLEM

To implement our policy objective of separating humans from live poultry to further minimize the risk of human infection by avian influenza, we need to formulate an incentive package to encourage live poultry retailers to surrender their licences or tenancies, as appropriate, so that we may introduce fundamental changes to the way in which the live poultry retail trade operates.

## PROPOSAL

2. We propose to –
  - (a) create a new non-recurrent commitment of **\$236,428,000** under Head 49 Food and Environmental Hygiene Department (FEHD) Subhead 700 General non-recurrent for making ex-gratia payment (EGP) to live poultry retailers who choose to surrender their fresh provision shop (FPS) licences with endorsement to sell live poultry or public market tenancies, as appropriate;
  - (b) create a new non-recurrent commitment of \$83,028,000 under Head 49 Food and Environmental Hygiene Department Subhead 700 General non-recurrent for providing retraining and one-off grants to assist affected live poultry retail workers; and
  - (c) create a new subhead “Loans to live poultry operators” under the Loan Fund Head 262 Primary Products with a commitment of \$9,000,000 for providing loans on an unsecured basis to live poultry retailers holding FPS licences with endorsement to sell live poultry who wish to continue operation to enhance the sanitary and hygiene conditions.

## JUSTIFICATION

3. Since 1998, we have put in place a comprehensive preventive and surveillance programme to reduce the risk of avian influenza outbreaks in Hong Kong. However, these measures are not foolproof. Although all our chickens have been vaccinated against H5 avian influenza, vaccination itself cannot eradicate the risk that any H5N1 avian influenza virus may reassort or mutate to the extent that it may pose a serious threat to public health. Moreover, the vaccine that we use would have no effect on other types of avian influenza viruses (such as H7-type which may be highly pathogenic). The H5 virus has been found to be able to jump across species to affect humans. There remains a risk that the virus may reassort with other human influenza virus to produce a lethal human pandemic strain.

/4. ....

4. Past experience has shown that the principal mode of transmission of the virus from poultry to human is through contact with live poultry or their faeces. Hence, the most effective way to minimize the health risk posed by avian influenza is to reduce as much as possible the contact between human and live poultry.

5. In Hong Kong, consumers can come into close contact with live poultry easily because they are sold in the retail outlets. The crowded living environment in Hong Kong further amplifies the risk. It is therefore the Government's policy to separate humans from live poultry as far as practicable so as to minimise the risk of human infection from the disease. To implement this policy, there is a need, among others, to improve the design and layout of live poultry stalls by enlarging the size of individual stalls in retail markets. This would require a significant reduction in the number of live poultry stalls in retail markets in order to enable us to reconfigure the existing live poultry stalls. Some members of the trade who are not able to adapt to the new mode of operation may choose to cease business and may need financial assistance. Some FPS licensees, particularly those operating in private premises, might need financial assistance to change the configuration of their stalls to enhance the sanitary and hygiene conditions.

6. Following the recent avian influenza outbreaks in the region, we have reviewed the risk management of imported live poultry and we concluded that we should maintain the maximum amount of live poultry in our retail markets at a level of half of the existing capacity. We are currently maintaining a level of imports of live poultry at 30 000 per day having regard to the new inspection and quarantine procedures that have been put into place following the trial period of import resumption, our limited laboratory and quarantine capacity in dealing with future outbreak situations in the Mainland and the potential health risk posed by large quantities of live poultry in the retail markets.

7. In our consultation with the Legislative Council (LegCo) Panel on Food Safety and Environmental Hygiene, live poultry trade associations and workers' unions and District Councils, there have been requests for the Government to provide retraining and one-off grants to live poultry retail workers who lose their jobs as a result of their employers ceasing operation by surrendering their licences or tenancies to the Government under the proposed package.

## **THE PROPOSED PACKAGE**

8. We propose to allocate **\$329,000,000** to fund the proposed incentive package for live poultry retailers to surrender their licences or tenancies, loans to live poultry retailers continuing operation and provide retraining and one-off grants to assist affected workers in the live poultry retail trade.

/A. ....



*A. EGP to live poultry retailers who choose to surrender their FPS licences with endorsement to sell live poultry or public market tenancies on a voluntary basis*

9. To provide financial relief to those live poultry retailers who choose to surrender their FPS licences with endorsement to sell live poultry or public market tenancies voluntarily, we propose to provide EGP to live poultry retailers. The proposed EGP is calculated on the basis of 39 months' average rental of live poultry stalls at public markets with particular reference to the EGP for the resumption of stalls in the Central Market plus an additional 12-month average rental taking into account that the retailers will not be allowed to re-establish their new business to sell live poultry elsewhere. Because the live poultry stalls in public markets vary in sizes, there is a need to ensure that smaller-sized stalls (i.e. those up to 25 m<sup>2</sup>) are given the appropriate incentive to surrender their licences/tenancies as they are likely to be the most vulnerable to the risk of avian influenza and that there is virtually no scope for any improvements to the design and physical lay-out of the stalls. All stalls are therefore divided into five major categories according to their size and the EGP is based on the maximum size of that particular category. All stalls falling within the same category will receive the same amount of EGP although their actual sizes are smaller than the maximum size of that particular category. The EGP amount, for small-sized outlets are enhanced by applying a 25% and 10% increase for stalls of sizes up to 15 m<sup>2</sup> and sizes between 15 m<sup>2</sup> to 25 m<sup>2</sup> respectively. On the other hand, a maximum ceiling of 55 m<sup>2</sup> has been set for the large-sized outlets, i.e. stalls over 45 m<sup>2</sup>, as unlike small-sized stalls, they should have less difficulties in enhancing their sanitary and hygiene requirements.

10. We consulted the LegCo Panel on Food Safety and Environmental Hygiene on the proposed package for live poultry retailers on 25 May 2004. The majority of Members supported the provision of an incentive package for live poultry retailers to surrender their licences or tenancies. However, some Members requested the Administration to offer a more generous package to the affected workers to alleviate the possible hardship that they might face if their employers chose to surrender the licences or tenancies. Some Members also considered that the proposed EGP amounts were not attractive enough. We also consulted representatives of the live poultry retail trade.

11. Having considered these views and the need for early implementation of our policy to separate humans from live poultry at the retail level, we propose to increase the EGP amounts by about 40% to **62.6%** of the initial offer to make them more attractive.

/12. ....

12. The EGP is only payable to poultry retailers renting live poultry stalls in public markets or holding valid FPS licences with endorsement to sell live poultry. The retailers will be required to surrender their existing tenancies or the FPS licences with endorsement to sell live poultry, as appropriate, before receiving the EGP.

13. The following table shows the EGP for various categories of stalls -

| (a)  | (b)  | (c)                     | (d)   | (e)                  |
|--|--|-------------------------|---|----------------------|
| Size of stalls as assessed by FEHD (m <sup>2</sup> ) | Size for calculating EGP (m <sup>2</sup> ) | Estimated no. of stalls | Proposed EGP per stall (Note) (rounded up to nearest \$'000) (\$) | Total (c) x (d) (\$) |
| Up to 15   | 15   | 91                      | <b>200,000</b>  | <b>18,200,000</b>    |
| Above 15 – 25  | 25   | 425                     | 252,000   | 107,100,000          |
| Above 25 – 35  | 35   | 192                     | 321,000   | 61,632,000           |
| Above 35 – 45  | 45   | 42                      | 412,000   | 17,304,000           |
| Above 45   | 55   | 64                      | 503,000   | 32,192,000           |
| <b>Total:</b>  |  | 814                     |   | <b>236,428,000</b>   |

**Note -** The initial offer of EGP as presented to the LegCo Panel on Food Safety and Environmental Hygiene on 25 May 2004 ranged from \$123,000 to \$359,000. The proposed EGP rate as indicated in column (d) above has been enhanced by about 40% **to 60%**

Encl. 1

Detailed computation of the standard rate is at Enclosure 1.

14. The Government has the absolute discretion not to entertain applications from retailers where the situation warrants.

15. The market tenants/FPS licensees's decision to surrender the market tenancies/FPS licences selling live poultry is binding on them and is irreversible once the tenants/FPS licensees have entered into a contractual agreement with the Government. However, if any market tenant/FPS licensee concerned fails to cease the live poultry retail business so required under the agreement on the termination date, the Government will no longer be bound to pursue the agreement further.

/16. ....

16. To tie in with our policy to reduce the number of live poultry stalls, we will in future limit the transfer of FPS licences to immediate family members (i.e. parents, spouses, children) so as to avoid the sale of such licences by FPS licensees.

17. If the live poultry retailer has owed the Government any outstanding market stall rental or has failed to repay any loan and interest thereon under the loan schemes for retailers affected by the avian influenza outbreaks in 1997 and 2001 or the proposed new loan scheme under paragraph 22 below, the Government will deduct the outstanding market stall rental or unpaid loan and interest thereon from the EGP payable to the retailer.

18. We would also waive the one-month advance notice requirement for the termination of market tenancies for those stallholders leasing live poultry stalls in public markets who submit an EGP application provided they have ceased the live poultry retail business from the EGP application date and the tenancy termination will take effect within 30 days from the application date. Rental, if already paid, for the remaining period after the application date would be refunded.

***B. Retraining and financial assistance for live poultry workers***

19. To assist those live poultry retail workers to find employment in other sectors as a result of their employers ceasing operation under the proposed scheme, we propose to provide up to eight weeks<sup>2</sup> of retraining courses to those affected workers within a six-month period from the date of cessation of business by their former employers. We shall invite the Employee's Retraining Board (ERB) to be the delivery agent of the retraining services under the scheme. Retraining courses will be tailor-made for the affected live poultry workers and ERB will recover the full cost of retraining from the Government. Workers could receive a special allowance of up to \$8,000 if they have attended eight weeks of retraining courses and have attained at least 80% attendance in each of the retraining courses. Where necessary, they can approach the Labour Department for employment assistance. Live poultry operators surrendering their licences or tenancies will not be allowed to attend such tailor-made courses for workers as they have already received EGP.

/20. ....

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<sup>2</sup> In our initial proposal in May 2004, we proposed to provide only six weeks of retraining courses for workers.

20. For those affected workers who continue to remain unemployed after attending at least 80% of these tailor-made retraining courses within a six-month period from the date of cessation of business by their former employers, a one-off grant of \$10,000 per affected worker will be provided to assist them to meet their immediate financial needs. Workers with further financial hardship would then come under the Government's general protection for the unemployed. However, these unemployed live poultry retail workers would be subject to the usual terms and conditions of the Comprehensive Social Security Assistance Scheme if they apply for such assistance. Given that live poultry operators surrendering their licences or tenancies would receive EGP, they would not be eligible for the one-off grant.

Encl. 2

21. The total amount of funding required for the tailor-made retraining courses inclusive of retraining allowance and one-off grants is estimated to be about \$83,028,000. Detailed criteria for the one-off grant are at Enclosure 2.

***C. Loans to live poultry retailers continuing operation for the purpose of enhancing the sanitary and hygiene conditions***

22. We propose to offer loan facilities to licensees of all existing fresh provision shops selling live poultry who choose to continue with their trading operations to upgrade their facilities so as to avoid human contacts with live poultry. We propose to set the maximum amount of the proposed unsecured loan to \$50,000 or 60%<sup>3</sup> of the refurbishment costs, whichever is less, per licence. The loans, to be released to the applicants in a maximum of two phases, should attract an annual interest at the Government's "no gain, no loss" interest rate<sup>4</sup> and be repayable in 24 equal monthly installments, beginning three months after full draw-down of the loan or six months after the first drawdown, whichever is earlier. Interest will accrue upon draw-down and be paid together with each installment. If a live poultry retailer receiving the loan subsequently decides to accept EGP for the cessation of business, the outstanding loan amount together with the accrued interest would be deducted from the total amount of EGP the retailer would otherwise be eligible to. It is difficult to estimate the number of live poultry retailers who would apply for the loans. For budgetary purpose, we assume that the take up rate for the improvement loans is about 50%. As such, a commitment amounting to \$9,000,000 will be required for this purpose. Licensees operating in public housing estates will not be offered such loans in case Housing Authority (HA)/Housing Society (HS) are to fund the improvement works to upgrade the live poultry stalls. We have informed HA/HS of the proposed renovation works to live poultry stalls in public markets. The detailed criteria for the loan are at Enclosure 3.

Encl. 3

/Mechanism .....

<sup>3</sup> In our initial proposal in May 2004, we proposed to set the maximum amount of the proposed loan to \$50,000 or 40% of the refurbishment costs, whichever is less, per licence.

<sup>4</sup> The Government's "no-gain-no-loss" interest rate is set at 2.174% below the average best lending rate of the note-issuing banks. The current "no-gain-no-loss" rate is 2.826% per annum.

**Mechanism to ensure employers to discharge responsibilities**

23. As a matter of principle, Government considers that it is the responsibility of an employer to meet his obligations towards his employees. Furthermore, the employer has a legal responsibility to pay his employees still in his employment or to pay any laid off employees the wages and other benefits provided for under the Employment Ordinance (Cap. 57) and the employment contract. The Comprehensive Social Security Assistance Scheme provides a further safety net. We expect employers in the poultry trade to discharge their full responsibilities to their employees having regard to EGP made available under the proposed package.

24. To encourage employers to fulfil their obligations to their employees but without interfering in any employer-employee relationship, we propose to retain 30% of the EGP till the employers have discharged their responsibilities towards the employees. The retained portion of EGP would be paid to the retailers concerned when they have met one of the following conditions -

- (a) no labour claim has been lodged with the Labour Department/Labour Tribunal by the applicant's employees within 30 days after signing the EGP agreement; or
- (b) in case there is a labour claim,
  - (i) the worker does not pursue the claim further within 30 days after lodging the claim; or
  - (ii) the claim has been resolved.

25. Subject to funding approval from the Finance Committee, we plan to invite applications from the live poultry retailers as soon as possible and the scheme will last for one year.

**FINANCIAL IMPLICATIONS**

26. We estimate the total amount required for live poultry retailers and the affected workers under the proposed package at about **\$329,000,000** with breakdown as follows –

/EGP .....

|  | <b>\$'000</b>  |
|--|----------------|
| EGP to live poultry retailers surrendering their FPS licences with endorsement to sell live poultry or tenancies   | <b>236,428</b> |
| Retraining and one-off grants to assist affected live poultry retail workers   | 83,028         |
| Loans to live poultry retailers holding FPS licences with endorsements to sell live poultry who choose to continue operation to upgrade their facilities | 9,000          |
| <b>Total</b>   | <b>328,456</b> |
| <b>Say</b>   | <b>329,000</b> |

27. The proposed creation of new commitments of **\$319,457,000** for EGP to live poultry retailers, retraining courses for live poultry workers, grants to affected live poultry workers and a new loan commitment of \$9,000,000 for providing loans to live poultry retailers are one-off commitments. The FEHD will administer the proposed EGP, loan schemes and grants for workers in the live poultry retail trade using its existing staff resources. There are no recurrent implications to the General Revenue.

28. It should be noted that funding had been provided earlier this year to live poultry operators to alleviate their financial difficulties due to the suspension of importation of live poultry from the Mainland. A financial relief package totalling \$8,443,000 for the live poultry trade was announced on 25 February 2004. On 26 March 2004, the LegCo Finance Committee further approved a commitment of \$42,000,000 for making EGPs to the live poultry trade. Rental waivers amounting to \$18,000 were also provided to operators of the crate washers at the Cheung Sha Wan Temporary Wholesale Poultry Market.

## **BACKGROUND INFORMATION**

29. FEHD met with representatives of the retailers' associations on 27 May 2004 to brief them on the details of the proposed package. FEHD also sent a letter to all the 814 live poultry retailers to advise them of the proposed package and arranged discussion sessions with the retailers to seek their views. The Administration also met with the representatives of various sectors of the live poultry trade on 1 June 2004.

/30. ....

30. We consulted the LegCo Panel on Food Safety and Environmental Hygiene on the proposed package for live poultry retailers on 25 May 2004 and their views are listed in paragraph 10 above.

**URGENCY**

31. We have placed this item on the agenda for 2 July 2004, which is the first available Finance Committee meeting after we have sorted out the key issues under the proposed scheme and the last meeting before the close of the current legislative session. This is to ensure that, if the proposals are approved by Members, we can implement the proposals as soon as possible. We apologize for the inconvenience caused to Members by the late issue of the paper.

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Health, Welfare and Food Bureau  
July 2004

**Standard Rate of Ex-gratia Payment (EGP)**

The standard rate of EGP per m<sup>2</sup> is \$6,523 and is calculated as follows -

|   |                      |
|---|----------------------|
| Average monthly rental (excluding separate air-conditioning charges) of public market stalls selling live poultry | \$3,628              |
| EGP based on 39 months' rental  | \$141,492            |
| Average stall area (including share of communal scalding room)  | 21.69 m <sup>2</sup> |
| EGP per m <sup>2</sup>  | \$6,523              |

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## **Retraining and One-off Grants to Affected Live Poultry Retail Workers**

### **Eligibility criteria for retraining**

1. To be eligible for the retraining, the full-time or part-time workers<sup>5</sup> must be working in the live poultry retail trade for at least 90 days during the one-year period immediately before 2 July 2004 and have remained working in the live poultry retail trade until the live poultry retailers have submitted an application to the FEHD for surrendering the market tenancy or FPS licence with endorsement to sell live poultry.

2. The applicant must make a statutory declaration on his employment status to support his claim in present/former employment in the live poultry retail trade and should as far as practicable provide relevant documentary evidence (e.g. Mandatory Provident Fund records, employment contracts, salary payment records, etc.). His employer(s) will also be asked to make a statutory declaration confirming the applicant's employment record. As regards those workers who are self-employed, they will be required to show documentary evidence from the live poultry retail operators who have purchased their services. The employment information provided by the applicant and the employer(s) might be sent to the relevant Government departments or public organizations for cross-checking purposes. The applicant and the employers concerned will be held responsible for any legal consequences for false declaration and might be liable to prosecution by the Government.

### **Eligibility criteria for one-off grants**

3. To be eligible for the one-off grant, the applicant must provide evidence to show that he –

(a) has attended eight -weeks of tailor-made retraining courses organized by the ERB or its approved agents and has attained at least 80% attendance in each of the courses; and

(b) remains unemployed at the time of application for the one-off grant.

/4. ....

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<sup>5</sup> Part-time workers refer to those workers who have been working in the live poultry retail business for at least 72 hours over a period of four weeks.

4. The applicant must make a statutory declaration that his employment status at the time of his submission of an application for financial assistance. The information provided by the applicant might be sent to the relevant Government departments or public organizations for cross-checking purposes. The applicant will be held responsible for any legal consequences for false declaration and might be liable to prosecution by the Government.

5. Live poultry retail operators who become unemployed after surrendering their licences or tenancies are not eligible for the retraining courses and one-off grants as they have already received EGP when they surrender their market tenancies/FPS licences to sell live poultry.

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## Enclosure 3 to FCR(2004-05)25

### Loans for live poultry retailers

1. Purpose of loan      To assist live poultry retailers holding fresh provision shop (FPS) licences to upgrade their facilities to enhance the sanitary and hygiene conditions.
2. Qualifications of applicants      Applicant must be a live poultry retailer licensed to operate a FPS.
3. Number of loan      No more than one loan per FPS licence.
4. Maximum amounts of loan      Maximum of \$50,000 or 60% of the refurbishment costs, whichever is less, for each licensee. The loans would be released to the applicants in a maximum of two draw-down.
5. Interest      Interest will be charged at Government's "no gain, no loss" interest rate and will accrue upon draw-down.
6. Repayment      Loans to be repaid by 24 monthly installments. Repayment to start three months after full draw-down of the loan or six months after the first draw-down, whichever is earlier.

In case of default in repayment, the Director of Food and Environmental Hygiene (DFEH) may recover the sum outstanding together with the accrued interest from the borrower in such manner as he thinks fit. Additional interest at the average best lending rates of the note-issuing banks plus 2% will also be charged on any overdue amount (including accrued interest in arrears) until it is fully repaid.

If a live poultry retailer receiving the loan subsequently decides to accept EGP for the cessation of business, the outstanding loan amount together with the accrued interest would be deducted from the total amount of EGP the retailer would otherwise be eligible to.

7. Submission of applications      Applications are to be submitted to DFEH.  
  
Applicants must submit their applications in the form specified by DFEH and submit such additional supporting information and documents as may be required by DFEH.

/Applications .....

Applications must be submitted within 12 months from a date to be appointed by DFEH.

8. Authority for approval of loans

DFEH and officers authorized by him may approve any loan up to \$50,000. All the loans are to be administered by FEHD.

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**Extract from the minutes of the Finance Committee meeting on 2.7.2004**

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**Item No. 4 - FCR(2004-05)25**

**GENERAL REVENUE ACCOUNT**

**HEAD 49 – FOOD AND ENVIRONMENTAL HYGIENE DEPARTMENT**

**◆ Subhead 700 General non-recurrent**

**New item “Ex-gratia payment to live poultry retailers surrendering their licences with endorsement to sell live poultry or public market tenancies”**

**New item “Re-training and one-off grants to assist affected live poultry retail workers”**

**LOAN FUND**

**HEAD 262 - PRIMARY PRODUCTS**

**◆ New Subhead “Loans to live poultry retailers”**

1. The Deputy Chairman informed members that the Panel on Food Safety and Environmental Hygiene (FSEH Panel) was consulted on the proposal at its meeting on 25 May 2004.

2. Referring to paragraph 13 of the revised FCR(2004-05)25 tabled at the meeting, the Permanent Secretary for Health, Welfare and Food (PSHWF) said that the Administration had revised the ex gratia payment (EGP) for stalls measuring 15 square metres or less from \$173,000 to \$200,000 per stall which had resulted in an increase in the total commitment for EGP to \$236,428,000. As compared to the initial proposal presented to the FSEH Panel on 25 May 2004, the present EGP for small stalls measuring 15 square metres or less had increased by about 60% while that for medium to large stalls measuring over 15 square metres had increased by about 40%. Mr Tommy CHEUNG recalled that when the proposal was put before the FSEH Panel, members found it difficult to support the level of EGP which was too low. Although the EGP for small-sized stalls had now been increased by \$20,000, this was still considered not adequate by the live poultry retailers who had requested for an extra \$40,000 for each stall.

3. While welcoming the revision of EGP for small-sized stalls, Miss CHAN Yuen-han asked how the date of cessation of business for retraining purposes was determined. She also enquired about the measures which the Administration would take to ensure that the affected live poultry retail workers would be fairly compensated by their employers. The Director of Food and Environmental Hygiene (DFEH) said that the date of cessation of business referred to the date on which the stall operator surrendered the licence. The affected workers would be able to take part in the eight-week training courses tailor-made for them within six months from the date of cessation of business. As for those workers who were out of job since 30 January 2004 when restriction was imposed on the importation of live chickens, they would still be eligible for the retraining after the surrender of the fresh provision shop licences provided that they remained as unpaid employees.

4. Miss CHAN Yuen-han opined that unlike the younger generation who could learn new skills within a short period of time, most of the live poultry retail workers were middle-aged workers who would require a longer and a more diversified training to enhance their competitiveness in the job market. As such, the proposed six to eight months of retraining might not be adequate for them to learn a new skill. Furthermore, an extended training should be provided to equip these workers with more skills to earn a living. While acknowledging Miss CHAN's concerns, PSHWF pointed out that the retraining courses for the affected workers had already been extended from six to eight weeks as compared to that of the normal two-week period (or 84 hours) for domestic workers/security guards and the four-week period (or 140 hours) for barbecue meat workers. Moreover, there would be financial implications in further extending the courses.

5. As regards the proposed one-off grant of \$10,000 offered to workers who were unable to find employment after retraining, Miss CHAN Yuen-han pointed out that this was not sufficient as some of these workers might not be able to find alternative employment after being forced out of work. In line with the request of the trade associations, consideration should be given to increasing the one-off grant to \$30,000 or \$50,000. She also expressed concern that some of the part-time workers would not be eligible for retraining as well as the one-off grant. PSHWF explained that the one-off grant of \$10,000 was an exceptional arrangement and was not meant to set a precedent given that many workers in other fields were also left unemployed as a result of the changes in the economy.

6. Mr Fred LI said that DP Members were disappointed that the Administration had failed to address the difficulty faced by the live poultry retail workers who were laid off by stall operators as a result of poor business following the restriction on importation of live chickens. These workers would not be eligible for retraining nor the one-off grant if their employers did not surrender their licences. As laid-off workers were no different from the affected live poultry retail workers, he considered it necessary that some assistance should be given to them. PSHWF said that the ex-gratia payment package was meant to encourage stall operators to surrender their licences. Workers who were laid off by stall operators would be offered retraining and other services applicable to the unemployed. Nevertheless, the Administration would liaise with the Employees Retraining Board to explore possible means to assist those out-of-job workers.

7. Mr WONG Yung-kan shared the views of Mr Fred LI on the hardship faced by the laid-off workers. He stressed that the entire poultry trade, including chicken farmers, retailers and transportation workers, was a victim of avian flu as their business was hardest hit by the restriction on importation of live chickens. Given that avian flu in the neighbouring countries had subsided, he queried the need for retaining such a harsh restriction. PSHWF explained that the Administration had been keeping the restriction under review but decided that the number of live chickens to be imported should remain at 30 000 given the recent outbreaks of avian flu in neighbouring countries such as Vietnam. Besides, research studies had indicated that the H5 virus was different from that in 1997. She nevertheless agreed that a balanced consideration between public health and the needs of the trade and the

community for live chickens, particularly during festive seasons, should be taken into account in reviewing the restriction.

8. Mr Tommy CHEUNG opined that if it was the Administration's intention to limit the maximum number of imported live poultry at retail level to half of the consumption rate, the number of live chickens to be imported should be 50 000 instead of 30 000 as the consumption of live chickens in Hong Kong had already reached 100 000. Supply of live chickens from local farms was very limited due to the short of supply of chicks. He was therefore doubtful of the claimed potential health risk arising from the stocking of live poultry in the retail markets since all chickens were sold out almost every day. Mr WONG Yung-kan echoed that the restriction on importation of live chickens had indeed affected other businesses in wet markets which had resulted in a 20% reduction in job opportunities in these markets. He considered it necessary for the Administration to formulate a long-term policy on management of wet markets to prevent monopolization by supermarkets. DFEH said that upon the surrender of the rental tenancies by the live poultry retailers in the FEHD markets, the Administration would work out refurbishment plans to improve the layout of wet markets with a view to upgrading the remaining chicken stalls to enable more thorough separation of consumers from live poultry.

9. Mr Tommy CHEUNG however pointed out that while the overcrowding of chicken stalls was common in wet markets managed by the Food and Environmental Hygiene Department (FEHD), such as the Yeung Uk Market where there were at one time over 40 live chicken stalls, the same problem was not prevalent in markets managed by HA as there were usually only two to four live chicken stalls in each HA market. Therefore, if the Administration were to buy out the fresh provision shop licences from HA markets, there was a possibility that there would not be any chicken stalls left in these markets. This would not only undermine the competitiveness of HA markets, but also cause inconvenience to residents. He enquired how the Administration would deal with the situation where all the live poultry retailers of the same market had surrendered their licences. His views were shared by Mr Andrew WONG. DFEH explained that the proposed EGP was applicable to fresh provision shop licencees/tenancies in markets managed by HA and FEHD respectively. If it was found that all live chicken stall operators in HA markets had surrendered their licences, consideration would be given to allowing stall operators from FEHD markets to remove to HA markets.

10. Mr Andrew WONG noted that unlike retailers in HA markets who had to obtain fresh provision shop licences to sell live chickens, retailers in FEHD markets were only required to secure rental tenancies to sell live chickens. He considered that such an arrangement was unfair and might result in a situation where live chickens were only sold in FEHD markets when all live poultry stall operators in HA markets had surrendered their licences, bearing in mind that no more licenses would be issued. This would not only affect the operation of markets, particularly those single operator markets, but also give rise to a lot of complaints. In this respect, DFEH confirmed that since mid-2003, FEHD had ceased issuing fresh provision shop licences and ceased offering new FEHD market tenancies for live chicken stalls.

11. Mr CHAN Kam-lam remarked that it appeared that the Administration was

trying to encourage the live poultry trade to cease their business by imposing restriction on the importation of live chickens and providing EGP for surrender of licences. He said that if this was the case, and that central slaughtering was the way forward, the Administration should apprise the live poultry trade of the long-term policy. DFEH said that while the long-term policy had yet to be worked out, live poultry retailers would have 12 months to decide on whether to surrender their licences as the ex-gratia payment package was valid for one year.

12. Mr Tommy CHEUNG enquired whether, as part of the long-term policy on management of wet markets, efforts would be made to ensure the availability of live chicken stalls in each market. DFEH said that as the consultation exercise on how to prevent avian flu had only just ended, the Administration needed time to analyze the views collected and to work out a long-term policy on this matter.

13. Mr WONG Yung-kan said that Members of the Democratic Alliance for Betterment of Hong Kong would support the proposal. He however stressed that the compensation package was not at all generous as some retailers/workers who were forced out of business/employment by the Administration would unlikely be able to find alternative employment after receiving the one-off payment.

14. As live poultry retailers would not be able to benefit from EGP if the proposal was rejected, Mr Fred LI said that DP Members would not object to the proposal but would abstain from voting.

15. Mr Tommy CHEUNG said that Members of the Liberal Party would support the proposal as some live poultry retailers were in need of EGP to tide over their financial hardship. He hoped that the proposal would not result in the closing down of all chicken stalls in Hong Kong as cessation of supply of live chickens would have a serious impact on the community and the catering industry.

16. The Deputy Chairman put the item to vote. The Committee approved the proposal.