

**For Discussion on
14 March 2005**

**LegCo Panel on Food Safety and Environmental Hygiene
LegCo Panel on Health Services**

**COMPREHENSIVE PLAN OF ACTION TO DEAL WITH
THE GLOBAL PROBLEM OF AVIAN INFLUENZA**

PURPOSE

The paper seeks Members' views on the Administration's overall plan to reduce the risk of avian influenza outbreaks in Hong Kong.

BACKGROUND

2. Since 1998, the Administration has put in place a comprehensive preventive and surveillance programme to guard against the occurrence of avian influenza outbreaks. The measures included tightened biosecurity measures at local farms, enhanced import control, market rest days, hygiene requirements on wholesale and retail markets, etc. In 2003, we introduced a vaccination programme for all local chicken farms and we also required all imported live chickens to be vaccinated against the disease. So far, these combined measures have been effective in preventing the spread of the disease to Hong Kong at the height of the outbreak in the entire region during 2004. The World Health Organisation (WHO) has also commented that our preventive and surveillance programme is one of the most advanced systems that they have seen.

3. The recent avian influenza outbreaks in Southeast Asia indicate that the avian influenza viruses are becoming more pathogenic and causing higher fatality. As at 2 February 2005, the WHO reported 55 cases of human infection of H5N1, of which 42 cases were fatal since 28 January 2004. WHO also conducted laboratory studies of H5N1 viruses in domestic ducks in October 2004 which confirmed that the H5N1 viruses found in ducks in Vietnam in 2004 have not only become resistant to some anti-viral drugs, but can also survive at 37°C in the environment for six days, compared with two days for the viruses found in 1997. These facts point to the need for more effective measures to reduce the risk of human infection from the disease and to deal with the possibility of a pandemic outbreak.

4. In October 2004, the newly established Centre for Health Protection (CHP) sent a delegation, comprising university academics specialized in the field of microbiology and local veterinarians, to visit Thailand to obtain first hand information on the severity of the outbreak situation there. In summary, the CHP delegation considers the situation in Thailand worrying. It shares WHO's concern that the virus may reassort its genes with those from the human influenza virus, thus acquiring the ability to move easily from human to human, thus triggering a pandemic. It also considers that, strategically, Thailand's experience of not having live chickens sold in wet markets is particularly instructive and illuminating, as it explains why all human infections occurred in the rural areas, and none in major cities, such as Bangkok.

5. At a recent WHO and ASEAN+3 Health Ministers Meeting held in Bangkok on 26 November 2004, the WHO warned regional Governments that another influenza pandemic will most definitely occur and that it would affect medical services, essential community services and cause social and political disruption and economic losses. Based on the present epidemiological situation, the WHO has expressed grave concern on the matter because the ingredients for a pandemic are abundantly available, the acceleration of events with pandemic potential since 2003, the H5N1 epidemic of 2004 is unprecedented and the increasing pathogenicity of the virus in chicken and mice. It has therefore advocated, among others, that disease control will require profound changes in poultry production systems.

6. In the light of the regional development and, having regard to the recent studies conducted and the warnings issued by the WHO, the Administration considers that there is an urgent need to put in place a comprehensive plan of action to deal with the problem.

COMPREHENSIVE PLAN OF ACTION TO REDUCE THE RISK OF AVIAN INFLUENZA OUTBREAK

Reduce the live poultry population in Hong Kong

7. As the recent avian influenza outbreaks in Southeast Asia indicate that the avian influenza viruses are becoming more pathogenic and causing higher fatality, we have recently reviewed the risk management of live poultry in Hong Kong and concluded that we should reduce the total live chicken population in order to reduce the risk of an epidemic outbreak in Hong Kong through close contact between humans and large numbers of live poultry. In addition, it is important that we should be able to respond swiftly and effectively to a local outbreak situation when we may have to cull live poultry. During the

avian influenza outbreak in 1997, it took about one week to cull 1.2 million chickens. As the chicken population in local farms has now grown to over 3.7 million, it is envisaged that an operation to depopulate all live poultry in Hong Kong would take about three to four weeks to achieve, having regard to the availability of manpower resources, equipment, carbon dioxide, disposal sites, etc. This is unacceptable from the protection of public health perspective and the local community will expect a culling operation to be completed within the shortest possible time, particularly if humans are infected by the disease. We therefore consider it appropriate to maintain the maximum licensing capacity in local chicken farms at half the existing chicken population so that, if past experience is any guide, depopulation may be completed within a week's time.

8. Besides, we have been maintaining a daily supply of live chickens at a level of no more than 60,000, with an equal split between Mainland and local chickens. This figure is based on our belief that we should reduce the existing retail outlet capacity at least by 50% so that the risk of human infection through contacts in the markets may be reduced correspondingly. In this connection, Members may wish to note that following the implementation of the voluntary surrender scheme for live poultry retailers, a total of 226 retail operators have surrendered/applied to surrender their licences/tenancies, representing a 27.8% reduction in the retail capacity of Food and Environmental Hygiene Department's (FEHD) markets and other retail outlets. As the scheme will continue to run until 12 July 2005, we expect more live poultry retailers would apply to surrender their licences/tenancies in the course of the year.

9. To better protect Hong Kong from an avian influenza outbreak in the coming months, we need to impose better management measures to reduce the live poultry population in Hong Kong. Under section 4 of the Public Health (Animals and Birds) (Licensing of Livestock Keeping) Regulation, Director of Agriculture, Fisheries and Conservation (DAFC) has the power to impose such licence conditions relating to the keeping of livestock and public health as he thinks fit. To achieve the goal of reducing the live poultry population, we will incorporate further conditions in the existing farm licences, imposing a ceiling on the maximum number of live poultry that may be kept in that farm for public health reasons.

10. We will also need to amend the law to empower the DAFC and the Director of Food and Environmental Hygiene to stop issuing new poultry farm licenses and fresh provision shop licences with endorsement to sell live poultry respectively on public health grounds.

Regional slaughtering of live poultry together with a voluntary surrender scheme for live poultry farmers and wholesalers

Regional slaughtering

11. In April 2004, the Administration issued a public consultation document entitled “Prevention of Avian Influenza: Consultation on Long Term Direction to Minimise The Risk of Human Infection”. The consultation document set out the Administration’s proposal to introduce central or regional slaughtering in Hong Kong. The results of the public consultation were reported to the Legislative Council (LegCo) Panel on Food Safety and Environmental Hygiene at its meeting held on 11 January 2005.

12. After considering the views expressed by different sectors of the community, we propose to implement regional slaughtering together with a voluntary surrender scheme for poultry farmers and live poultry wholesalers. Under this proposal, it would be possible for regional slaughterhouses to provide freshly slaughtered chickens because of the shorter traveling time between the slaughterhouses and restaurants and households, in addition to chilled/frozen chickens. We consider that regional slaughtering would be an appropriate compromise as it takes into consideration the need to protect public health on the one hand and the culinary concerns of the catering industry and the public on the other.

13. In our view, regional slaughtering hubs should enjoy some competitive advantages as they would be allowed to provide freshly slaughtered chickens to restaurants and other consumers on their premises. The importation of live poultry from the Mainland should continue to be allowed and the maximum import quantity would be determined by the overall handling capacity of the slaughtering hubs. With the setting up of the regional slaughtering hubs, the sale of live chickens in retail markets and fresh provision shops would have to be phased out over a period of time. Ultimately, all live poultry would be channeled through the regional slaughtering hubs and slaughtered before reaching the retail outlets.

14. The proposed regional slaughterhouses are not expected to entail any significant financial implications for the Government as we intend that they should be funded, built and operated by the private sector if this option is adopted.

15. We have identified a suitable location adjacent to the central slaughtering facilities for live ducks and geese in the Western Wholesale Food Market for the development of a medium sized slaughterhouse on a pilot basis.

The slaughterhouse can provide a wide range of service including chilled/frozen chickens or freshly slaughtered chickens. Initially, the slaughterhouse may provide a bulk service for the restaurant trade, thus ensuring the continued supply of freshly slaughtered chickens to satisfy the demands of the public. It may also provide chilled and frozen chickens to local retail outlets and supermarkets, thus reducing our reliance on the import of chilled and frozen chickens which accounts for about 56% of Hong Kong's total consumption of chickens.

16. In due course, the slaughterhouse can create new business opportunities such as sale of marinated chickens or sale for overseas market. We have consulted the Central and Western District Council (CWDC) on the proposed use of the site in January 2005 and CWDC Members raised no objection to our proposal provided that there will be more than one regional slaughterhouse in Hong Kong. Meanwhile, Health, Welfare and Food Bureau, FEHD and the Efficiency Unit are jointly conducting a financial feasibility study to ascertain the scope for private sector participation.

Voluntary surrender scheme for live poultry farmers and wholesalers

17. As the Administration will proceed to implement regional slaughtering in Hong Kong, the existing modus operandi of live poultry farming and wholesaling will undergo fundamental change. Whilst live poultry farming and trading would continue to be allowed in Hong Kong, it would be appropriate to introduce a voluntary surrender scheme for licensed poultry farmers and live poultry wholesalers, as in the case of live poultry retail operators, if they no longer wish to operate in a new environment. We therefore propose to set aside a provision of about \$264 million for providing ex-gratia payment (EGP) to poultry farmers and live poultry wholesalers and retraining for affected local live poultry farm and wholesale workers in the event that they would wish to surrender their licences/tenancies and cease operation permanently. The voluntary surrender scheme would last for 12 months. The details of the proposed package for poultry farmers and live poultry wholesalers are described below.

(a) Ex-gratia payment to poultry farmers who choose to cease operation permanently on a voluntary basis

18. The objective of the proposed voluntary surrender scheme for poultry farmers is to reduce as much as possible the number of poultry farms in Hong Kong, in particular the very small ones which are unable to implement the required biosecurity measures fully because of physical and other constraints, and allow those poultry farmers who do not wish to operate in new environment

to cease their operation permanently. The major consideration, principles and criteria that we have adopted in arriving at an equitable basis for the EGP are set out as follows -

- (i) The EGP formula will follow the current formulae for public development clearance approved by the Compensation Review Committee and LegCo Finance Committee.
- (ii) There are two major components in the formulation of the EGP, namely the EGP for farm operation and EGP for farm buildings, such as poultry sheds and agricultural stores, etc.
- (iii) Live poultry farmers will have to surrender their Livestock Keeping Licence and cease rearing poultry on a permanent basis if they choose to receive the EGP.
- (iv) To encourage smaller poultry farms in active operation to close down and surrender their licenses, the minimum EGP payable to chicken farms will be set at \$300,000 per licence. For pigeon farms, an enhancement of \$100,000 per licence will be added to the EGP amount derived from the formula provided that the total amount of EGP payable per licence will not exceed \$300,000. For larger chicken or pigeon farms with calculated EGP exceeding \$300,000, the EGP payable will be calculated using the formulae described above. For duck farms, as none of them are in active operation, the EGP will be calculated based on the formulae for public development clearance, but without the farm operation component. A maximum ceiling of \$3,000,000 will be set for the EGP for poultry farmers as larger farms are likely to be able to implement the required biosecurity measures fully.

(b) Ex-gratia payment to live poultry wholesalers who choose to cease operation permanently on a voluntary basis

19. Similar to that of the voluntary surrender scheme for live poultry retailers, the proposed EGP formula for live poultry wholesalers is based on 27 months' average rental of live poultry stalls at the Agriculture, Fisheries and Conservation Department (AFCD) wholesale poultry markets and enhanced by including an additional 12 months rental taking into account the fact that the live poultry wholesalers will have to terminate the tenancies of the stalls at AFCD wholesale poultry markets, cease permanent operation and exit the trade if they choose to receive the EGP. The EGP for wholesalers will be calculated by the size of their stalls in AFCD's wholesale poultry markets. Similar to the

retailers, all wholesale market stalls are divided into five major categories according to their size and the EGP payable is based on the maximum size of that particular category. A minimum amount of EGP payable will be set for the small-sized stalls (i.e. those up to 50 m²) and a maximum ceiling will be set for the large-sized stalls (i.e. those stalls over 200 m²) as the business volume of live poultry wholesalers does not increase proportionately with the increase in stall size.

(c) Retraining and financial assistance to affected live poultry farm and wholesale workers

20. To assist those local live poultry farm and wholesale workers who become unemployed as a result of their employers ceasing permanent operation under the voluntary surrender schemes, we propose to follow the retraining and financial assistance package currently offered to live poultry retail workers who become unemployed in relation to the voluntary surrender scheme for live poultry retailers, and provide up to eight weeks of retraining courses to those affected local workers, with a view to assisting them in finding employment in other sectors. Affected 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. For those affected workers who continue to remain unemployed after completion of the 8-week retraining, a one-off grant of \$10,000 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 and be subject to the usual terms and conditions.

(d) Loans to live poultry transporters

21. To assist live poultry transporters to transform their business from transporting live poultry to chilled/frozen poultry/meat, we propose to provide loans up to \$50,000 per vehicle on an unsecured basis to live poultry transporters to assist them in upgrading/converting their vehicles.

Compulsory termination of the live poultry trade in the event of an outbreak of avian influenza in Hong Kong

22. Since 1998, we have put in place a comprehensive preventive and surveillance programme to guard against the occurrence of avian influenza outbreaks. The measures included tightened biosecurity measures at local farms, enhanced import control, market rest days, hygiene requirements on wholesale and retail markets, etc. In 2003, we introduced a vaccination programme for all local chicken farms and we also required all imported live

chickens to be vaccinated against the disease. Given that all live chickens available for sale in the local market are vaccinated against H5 avian influenza, if there is a local H5N1 avian influenza outbreak which entails the culling of all live poultry in the territory, there is a strong reason to suggest that either the vaccine currently used in live chickens has ceased to be effective or that the virus has undergone mutation or re-assortment to become more pathogenic than before, or that the virus is already circulating in the local community. Under such circumstances, there is a real danger that the measures that we have so far adopted are no longer effective in protecting public health. Whilst the affected live poultry operators would receive the standard statutory compensation for the live poultry culled in an outbreak situation, there is an added need to consider whether live poultry farmers and traders should be allowed to resume normal operations following the outbreak.

23. Hong Kong is a densely populated cosmopolitan city with limited land resources, thus posing considerable constraints for the sustainable development of livestock farming including poultry farming. Given the heightened public concern on the increasing risk of the H5N1 virus mutating and re-assorting to a strain that would result in human-to-human transmission, thus triggering a possible pandemic situation, particularly following the occurrence of a local outbreak, we consider it appropriate to introduce a compulsory termination scheme for all existing live poultry farmers, wholesalers and retailers following a local avian influenza outbreak which entails the culling of all live poultry in the territory, subject to the necessary legislative amendments.

24. The compulsory termination package would reduce considerably the public health risk involved but it would also result in a very drastic change to our eating culture and the total demise of the live poultry trade. However, the disadvantages of this proposal should be considered in the light of the lessons learnt from the SARS incident when the economy experienced a 3.7% decline of our GDP in real terms over the first quarter of 2003, on a seasonally adjusted quarter-to-quarter comparison. As the community would substitute the consumption of live poultry with chilled/frozen poultry, we expect that there would be some additional investment opportunities in the chilled/frozen poultry sector available across the border. Some local employment in the chilled/frozen poultry sector would also be created as a result.

ADVICE SOUGHT

25. Members are invited to provide their views on the Administration's proposal as noted in paragraphs 17 to 24 above. We will meet with the live poultry trade to explain the necessity of changing the current mode of operation. We will also consult the poultry farmers and live poultry wholesalers on the

terms of the voluntary surrender scheme before seeking funding approval from the Finance Committee in the current legislative session.

Health, Welfare and Food Bureau
Agriculture, Fisheries and Conservation Department
Food and Environmental Hygiene Department
Department of Health
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