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Panel on Food Safety and Environmental Hygiene

Updated background brief prepared by the Legislative Council Secretariat for the meeting on 8 June 2010

Development of the poultry slaughtering and processing plant

Purpose

This paper gives an account of the past discussions on the development of the poultry slaughtering and processing plant ("PSPP") held at the meetings of the Panel on Food Safety and Environmental Hygiene (the "FSEH Panel") and its joint meetings with the Panel on Health Services (the "HS Panel") since April 2004.

Background

2. On 2 April 2004, the Administration briefed the FSEH Panel on the public consultation paper on "Prevention of avian influenza: consultation on long term direction to minimise the risk of human infection". The Administration advised members that, to protect public health, the present mode of operation of the live poultry trade would have to be modified. Two possible long-term approaches were proposed in the Consultation Paper, i.e. the "cold chain" (or "central slaughtering") and the "freshly slaughtered chickens" (or "regional slaughtering").

3. The Administration advised the FSEH Panel on 14 March 2006 that, as a practical means to address the avian influenza problem, the Administration had been actively exploring the development of a poultry slaughtering plant in Hong Kong to put together poultry slaughtering activities.

4. On 13 October 2006, the FSEH Panel was advised that the Administration had identified a suitable site at Man Kam To Road in Sheung Shui for developing the PSPP and consulted the North District Council. The PSPP would be developed by the private sector under a Build, Own, Operate and Transfer ("BOOT") arrangement, and would come into operation in 2009-2010. At the joint meeting of the FSEH Panel and the HS Panel on 12 December 2006, the Administration advised that an Invitation for Expression of Interest ("EoI") would be conducted soon, with the deadline for

reply by mid January 2007.

5. On 13 March 2007, the Administration briefed the FSEH Panel on the outcome of the invitation for the EoI exercise for the PSPP. Members noted that six submissions were received from local and overseas prospective operators, which contained proposals for the PSPP to operate as a slaughterhouse cum wholesaler or to be expanded to provide higher-value added products and services and to source live poultry from other provinces on the Mainland apart from Guangdong. The Administration advised that it intended to invite open tenders for developing the PSPP by the end of 2007, following the introduction of the legislation on the PSPP and the completion of the Environmental Impact Assessment. Upon the commissioning of the PSPP, all live poultry would be delivered directly from import and local farms to the PSPP, and the sale of live poultry in retail outlets would be prohibited.

6. On 13 November 2007, the Administration briefed the FSEH Panel on the proposals to amend the Public Health and Municipal Services Ordinance (Cap. 132), followed by the introduction into LegCo the new Poultry Slaughtering and Processing Plant Regulation ("the PSPP Regulation") to be made under Cap. 132 and other related legislative amendments to require all live poultry to be transported to PSPP and ban retail sale of live poultry. It was the Administration's plan to invite open tenders in 2008 from the private sector to develop the PSPP under a BOOT arrangement, after the enactment of the proposed PSPP Regulation and the completion of the Environmental Impact Assessment ("EIA") study on the project. The Administration intended to have the PSPP coming into operation in 2011 at the earliest.

The FSEH Panel's visit to overseas poultry slaughtering plants

7. A delegation of the FSEH Panel conducted a visit to Singapore and Kuala Lumpur to obtain first-hand information about the operation of poultry slaughtering plants in these places in July 2006.

Past discussions

Central slaughtering approach and regional slaughtering approach

8. The FSEH Panel held a special meeting to gauge the views of experts and the trade on the "cold chain" and "freshly slaughtered chickens" approaches. While the medical experts considered the "cold chain" option the most effective approach to prevent avian influenza, most members and representatives from the live poultry trade strongly opposed this option. They were concerned that the proposed "central" slaughtering plant would not be able to compete with the poultry processing plants on the Mainland, and the live poultry trade in Hong Kong would be wiped out eventually, as in the case of live geese and ducks trade after 1997.

9. While the live poultry trade also opposed the "freshly slaughtered chickens" option, some members considered that this approach could be further explored. Under this option, slaughtering of live poultry would be conducted in a few regional slaughtering plants.

10. When the FSEH Panel discussed the proposal for developing a poultry slaughtering plant in Hong Kong, some members considered that the Administration should proceed with the development of the slaughtering plant immediately so as to achieve the objective of segregating humans from live poultry. Some other members, however, held the view that re-configuration of poultry stalls in some markets to segregate live poultry from customers, as advocated by the Administration, was effective in reducing customer contact with live poultry. They doubted the need for developing a "central" poultry slaughtering plant.

11. Some members expressed strong reservations about the proposed establishment of a "central" poultry slaughtering plant and doubted the effectiveness of the plant in reducing the risk of avian influenza outbreak.

12. The Administration explained that, under existing modus operandi of the live poultry trade, it would be difficult to achieve human-poultry segregation as there were poultry stalls in markets. The risk of avian influenza would be greatly reduced as the PSPP was situated in Sheung Shui which was only about five-minute's drive from the border. Moreover, the PSPP would adopt an enclosed and nuisance containing system where live chickens would be kept inside and within an entirely enclosed environment. Other safety measures would also be put in place to prevent the infection of avian influenza.

13. Members reiterated their concerns at the meeting of the FSEH Panel on 13 November 2007 that the development of PSPP would not only lead to the monopolisation of live poultry market and the supply of "freshly slaughtered chicken" by the licensee, but also affect adversely the relevant trade including wholesalers, retailers, workers and transporters. The Panel passed a motion urging the Administration to work out compensation proposals and reach a consensus with the affected trade before introducing the relevant legislation. A few members considered that the Administration must devise back-up measures in case PSPP failed to provide slaughtering service to the trade and make preparations against any health risk of "freshly slaughtered chicken". They also queried whether it was appropriate to develop PSPP under a BOOT arrangement and offer a fixed-term contract to the future PSPP licensee for as long as 15 years.

14. The Administration responded that as the main business of PSPP was to provide slaughtering and processing service, the development of PSPP would not give rise to monopolistic situation in the live poultry market. The PSPP licensee would be required to provide poultry slaughtering and dressing to all parties on a fair and equal basis with a standard slaughtering fee. The licensee was also required to seek prior approval from the Administration for engaging other businesses. The Administration further explained that while the

development of PSPP would have a greater impact on the retailers, its impact on the farmers, wholesalers and transporters should be minimal. The affected retailers could consider switching to the business of selling chilled or freshly slaughtered chickens.

Impact on the livelihood of the live poultry trade and related trades

15. Some members pointed out that the "cold chain" approach would drive the live chicken operators out of business and could lead to unemployment of many live poultry workers. They urged the Administration to address the concerns of the trade.

16. According to the Administration, an extra-gratia payment ("EGP") would be provided to those poultry farmers, wholesalers and retailers who chose to surrender their licences/tenancies under the voluntary surrender scheme. Assistance would be provided to those workers of live poultry farms/wholesalers/retailers/transporters who became unemployed as a result of their employers ceasing operation under the voluntary surrender scheme. The Administration's proposals for the voluntary surrender scheme of licences/tenancies for the live poultry retailers and for the live poultry farmers/wholesalers/retailers/transporters were approved by the Finance Committee on 2 July 2004 and 8 July 2005 respectively.

17. Some members considered that the Administration should provide financial assistance to the affected traders and workers to help them switch to other business. They expressed disappointment that the Administration did not have a specific plan to address the concerns and problems of the live poultry trade.

18. Some members reiterated their concern and urged the Administration to provide financial assistance to poultry workers. They expressed strong dissatisfaction that, despite the fact that a motion urging the Government to introduce relief measures and compensation policies to the live poultry trades was carried at the Council Meeting on 29 November 2006, the Administration did not consult the affected trades and work out any proposals to assist the live poultry trade and the affected trades. They pointed out that the change in policy on the live poultry trade would wipe out the whole trade.

19. The Administration explained that when the voluntary surrender scheme was launched, the live poultry trade was fully aware that the fundamental mode of operation of the poultry industry, including production, marketing and sales, would be changed. The Administration also pointed out that the local poultry farms could continue to operate even after the slaughtering plant came into operation. However, given that the sale of live poultry at retail outlets would be prohibited, all live poultry would have to be slaughtered at the proposed poultry slaughtering plant.

20. At the FSEH Panel meeting on 13 March 2007, some members reiterated their view that the Administration should consult the affected trade

including live poultry wholesalers, retailers, workers and transporters on the proposals for EGP/financial assistance prior to the enactment of the relevant legislation and invitation for the tender. Hon Tommy CHEUNG pointed out that, when the Administration consulted the Panel on the proposals for the provision of EGP to the live poultry wholesalers, retailers, workers and transporters under the voluntary surrender scheme for returning the licences/tenancies, the Panel held the view that the EGP was insufficient and unattractive and was not supportive of the proposal.

Financial viability of the PSPP

21. Members expressed concern about the financial viability of the proposed poultry slaughtering plant as it would face keen competition from chilled chicken supplied by the Mainland. Some members considered that the failure experience of the slaughtering plant for ducks and geese at the Western Wholesale Food Market provided valuable reference in making a decision on developing a slaughtering plant for live chickens.

22. Some members pointed out that one of the reasons attributing to the viability of the operation of poultry slaughtering plants in Singapore was the banning of chilled chickens from other places. They were worried that, if there was no response to the Administration's Invitation for EoI, the Administration would consider offering privileged terms to the operator of the plant such as land allocation or interest free loan.

23. The Administration advised that according to the report of the financial feasibility study, the plant was considered commercially viable. With better regulatory control over the hygienic conditions of the plant, chilled chickens which were freshly slaughtered in Hong Kong should have an edge over chilled chickens from the Mainland.

Monopoly of the supply and distribution of freshly slaughtered chickens

24. Members expressed concern about the monopoly over the supply of freshly slaughtered chickens, which would result in higher retail prices. Some members pointed out that most chilled chickens were sold at retail outlets operated by the two major supermarket chains. The future market of chilled chickens would be monopolised by one of these supermarket chains if either one of them successfully bid for the operation of the slaughtering plant. Members reiterated their concern about the monopolistic situation of future supply of freshly slaughtered chickens at the joint meetings of the FSEH Panel and the HS Panel on 17 June and 12 December 2006.

25. When the Administration briefed members on the outcome of the invitation for EoI exercise for the PSPP on 13 March 2007, members also expressed concern about the monopolistic situation of the future operator of the PSPP if the PSPP would provide slaughtering, dressing, chilling as well as food processing business.

26. The Administration explained that the plant operator would be selected through open tender and that provisions would be included in the tender documents to require the plant operator to reserve sufficient capacity to meet the demand of local farms and provide slaughtering service at the same charge for the importers of poultry from the Mainland, buyers of local poultry and local poultry farmers.

Supply of freshly slaughtered (or "warm") chickens

27. Hon Tommy CHEUNG pointed out that the public preferred freshly slaughtered or "warm" chickens to chilled chickens. He envisaged that there would be strong objection from the food trade if the Administration failed to honour its previous undertaking that freshly slaughtered chickens would be supplied to licensed food premises by the PSPP. He was strongly of the view that the Administration should specify clearly the daily capacity of the PSPP for chilled chickens and freshly slaughtered chickens in the tendering documentation.

28. At the briefing made by the Secretary for Food and Health on 12 October 2007, the Administration informed the FSEH Panel that the Food and Environmental Hygiene Department had conducted recently a study, the result of which revealed that slaughtered chickens without chilling would be suitable for consumption for up to 24 hours if stored at or below 7°C. In view of the study result, the Administration would allow the poultry slaughtering and processing plant to introduce "freshly slaughtered chickens" for the market. The Administration also advised that it planned to introduce the bill on the development of a poultry slaughtering and processing plant into LegCo by end 2007 or early 2008.

Latest developments

29. Following the detection of H5N1 avian influenza virus in the faecal samples taken from four local retail markets on 3 and 7 June 2008, the Director of Agriculture, Fisheries and Conservation declared on 11 June 2008 all retail outlets where live poultry were sold as infected places and ordered the culling of all live poultry in these retail outlets. To protect public health and further reduce the risk posed by avian influenza, the Director of Food and Environmental Hygiene exercised his power under section 56 of Cap. 132 to make the Food Business (Amendment) Regulation 2008 ("the Amendment Regulation") to require that there should be no live poultry at retail outlets overnight. The Amendment Regulation was gazetted on 27 June 2008 and came into operation on 2 July 2008. A subcommittee to study the Amendment Regulation was formed by the House Committee of LegCo on 10 October 2008.

30. A buyout scheme for the farmers, wholesalers, retailers and transporters of the live poultry trade was launched by the Government following the implementation of the Amendment Regulation. According to the

Administration, the scheme was made in response to a strong wish expressed by a majority of the poultry trade retailers who considered that it would be very difficult to adapt to the "no live poultry overnight" arrangement. By the deadline of application for the scheme on 24 September 2008, 29 applications were received from farmers (including 27 chicken and two pigeon farmers, representing about 56% of the total number of farmers), 50 applications from wholesalers (representing about 70% of the total number of wholesalers), 333 applications from retailers (representing about 72% of the total number of retailers), 199 applications from transporters (representing about 80% cent of the total number of transporters) and 835 applications from affected local workers.

31. The Administration informed the FSEH Panel on 16 October 2009 that given the decreasing trend in the market share of live chickens, and the changes the entire live poultry trade had undergone after the buyout scheme launched in July 2008, it was expected that the previously planned PSPP would operate on a much reduced scale. The Administration had commissioned a consultant to conduct a study to re-assess market interest in operating the slaughtering centre, review the risks of avian influenza after the implementation of the ban on overnight keeping of live chickens at the retail level, as well as balance the impact of the centre on the trade and the public. Upon completion of the viability study, the Administration would consult members after examining the results. For other preparatory work, the relevant EIA report had been endorsed recently, while the work on rezoning application and legislative amendments had also commenced.

Relevant papers

32. Members are invited to access the LegCo website (<http://www.legco.gov.hk>) for details of the relevant papers and minutes of the meetings.

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