

立法會
Legislative Council

LC Paper No. CB(2)1871/11-12
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Panel on Food Safety and Environmental Hygiene

Minutes of meeting
held on Tuesday, 13 March 2012, at 2:30 pm
in Conference Room 3 of the Legislative Council Complex

Members present : Hon Tommy CHEUNG Yu-yan, SBS, JP (Chairman)
Hon WONG Yung-kan, SBS, JP (Deputy Chairman)
Hon Fred LI Wah-ming, SBS, JP
Hon TAM Yiu-chung, GBS, JP
Hon Vincent FANG Kang, SBS, JP
Dr Hon Joseph LEE Kok-long, SBS, JP
Hon KAM Nai-wai, MH
Dr Hon LEUNG Ka-lau
Hon Alan LEONG Kah-kit, SC
Hon WONG Yuk-man

Member absent : Hon WONG Kwok-hing, MH

Public Officers attending : Item V
Mrs Marion LAI CHAN Chi-kuen, JP
Permanent Secretary for Food and Health (Food)

Ms Kitty CHOI Kit-yu, JP
Deputy Secretary for Food and Health (Food) 1

Dr SO Ping-man
Assistant Director (Fisheries)
Agriculture, Fisheries and Conservation Department

Item VI

Mrs Marion LAI CHAN Chi-kuen, JP
Permanent Secretary for Food and Health (Food)

Ms Kitty CHOI Kit-yu, JP
Deputy Secretary for Food and Health (Food) 1

Dr SO Ping-man
Assistant Director (Fisheries)
Agriculture, Fisheries and Conservation Department

Dr Jim CHU Chun-wa
Senior Fisheries Officer (Aquaculture Fisheries)
Agriculture, Fisheries and Conservation Department

Item VII

Ms Kitty CHOI Kit-yu, JP
Deputy Secretary for Food and Health (Food) 1

Mr CHAN Chi-chiu
Assistant Director (Agriculture) (Acting)
Agriculture, Fisheries and Conservation Department

Mr Peter MA Wai-chung
Senior Market Management Officer
Agriculture, Fisheries and Conservation Department

Clerk in attendance : Mrs Sharon TONG
Principal Council Secretary (2)

Staff in attendance : Mr Jove CHAN
Senior Council Secretary (2) 8

Ms Mina CHAN
Council Secretary (2) 7

Ms Michelle LEE
Legislative Assistant (2) 7

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I. Confirmation of minutes
(LC Paper No. CB(2)1295/11-12)

The minutes of the meeting held on 10 January 2012 were confirmed.

II. Information paper(s) issued since the last meeting
(LC Paper No. CB(2)1119/11-12(01))

2. Members noted that a submission from the Hong Kong Infant and Young Child Nutrition Association on the results of a survey that it jointly conducted with the Public Opinion Programme of the University of Hong Kong on infant and young child feeding had been issued since the last meeting.

III. Report of the delegation of the Panel on Food Safety and Environmental Hygiene to visit Japan in response to an invitation by the Ministry for Foreign Affairs of Japan
(LC Paper No. CB(2)1293/11-12(01))

3. The Chairman said that a delegation of the Panel on Food Safety and Environmental Hygiene ("the Panel") which comprised the Chairman, Mr Fred LI and Mr WONG Yuk-man visited Tokyo, Kumamoto and Miyazaki in Japan from 25 to 30 September 2011 in response to an invitation by the Ministry of Foreign Affairs of Japan to obtain a better understanding of the up-to-date situation in Japan after its earthquake and the Daiichi Nuclear Power Plant incident in March 2011 and to exchange views with the relevant Japanese authorities responsible for food safety measure. The observations and conclusions were detailed in the visit report. Members were advised that the delegation took the view that the measures taken by the Government of Japan following the Daiichi Nuclear Power Plant incident were in right direction to ensure the safety of food. The Chairman further said that the report would be submitted to the House Committee at its meeting on 23 March 2012.

IV. Items for discussion at the next meeting
(LC Paper Nos. CB(2)1293/11-12(02) and (03))

4. Members agreed to discuss the following items at the next meeting to be held on 10 April 2012 -

- (a) Fisheries loans for fishermen;

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- (b) Proposed measures to further enhance regulation of the pet trade; and
- (c) Food surveillance results 2011.

(Post-meeting note: The Deputy Chairman expressed concern about the detection of "Ractopamine" by the Taiwanese authority in beef products imported from the USA in his letter dated 14 March 2012. With the concurrence of the Chairman, the issue will be included in the discussion of item (c) above. The letter of the Deputy Chairman was issued to member vide LC Paper No. CB(2)1409/11-12(01) on 19 March 2012.)

5. The Chairman reminded members that a special meeting was scheduled for 16 March 2012 at 9:00 am to receive views from 49 deputations on "Columbarium - licensing scheme and consultation document". The Chairman suggested and members agreed that the meeting would be held from 9:00 am to 12:30 pm.

V. Review of ex-gratia allowance mechanism for fishermen affected by marine works
(LC Paper Nos. CB(2)1293/11-12(04) and FS20/11-12)

6. Permanent Secretary for Food and Health (Food) ("PSFH(F)") briefed members on the results of a recent review and the proposed enhancement on the ex-gratia allowance ("EGA") package for fishermen affected by marine works projects in Hong Kong waters as detailed in the Administration's paper.

7. The Deputy Chairman said that after long liaison with the Administration for five years on the review of the EGA package, although the proposed increase of EGA to 11 years' notional value of fish catch was piecemeal, it was acceptable to the fisheries industry. He further said that for the 25 marine works projects which would commence in near future, given the exceptionally large scale of certain projects, such as the Hong Kong-Zhuhai-Macao Main Bridge, the new airport runway, and the proposed incinerator at Hei Ling Chau or Shek Kwu Chau, they would probably cause greater losses to the livelihood of fishermen. He urged the Administration to further enhance the EGA mechanism and consider increasing the multiplier to 15 years' notional value of fish catch.

8. The Deputy Chairman commented that the Administration should maintain effective communication and work more closely with the fisheries industry to monitor the water quality. He hoped that the Administration would set up a monitoring team to study and monitor the changes in water

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quality and marine ecology during the marine works. The Deputy Chairman quoted an example of flounder in Fukushima, Japan that the fish catch had been recovered after the restoration of marine environment. He asked whether the Administration had any plan to restore the marine environment after the reclamation projects. He hoped that the Administration would conduct more studies to rehabilitate the marine ecosystem.

9. PSFH(F) affirmed the Panel that the EGA mechanism would move with times and the Administration would continue to monitor the actual situation of the marine works and the fishing operation. She said that, however, it was premature to fix a timetable at this stage to further review the EGA mechanism. PSFH(F) advised members that the Agriculture, Fisheries and Conservation Department ("AFCD") would monitor more closely the water quality when the large-scale marine works projects commenced and it would maintain good communication with the fishermen.

10. PSFH(F) said that the Administration was very concerned about the healthy development of the marine ecosystem, and it was the Government's responsibility to ensure the sustainability of marine environment. She added that the trawl ban in Hong Kong waters to be implemented at the end of 2012 would exert a positive effect on the restoration of fisheries resources. PSFH(F) further said that environmental impact assessment ("EIA") would be necessary if a marine work project was a designated project under the Environment Impact Assessment Ordinance (Cap. 499). If mitigation measures were recommended in an EIA report, these measures must be implemented as a condition of approving the works. She stressed that during the marine works, the water quality would be closely monitored to ensure that it could be maintained at high level, and the fisheries resources would not suffer.

11. Mr TAM Yiu-chung said that although there was still a gap between the results of the current review and the aspirations of the fishermen, he welcomed the results since the fishermen group had been duly consulted. He opined that it was necessary for the Administration to further review the EGA package as a number of major projects would commence in the short term which would certainly affect the livelihood of fishermen. He considered it essential for the Administration to maintain good communication with fishermen's groups. Mr TAM further said that as it was getting more difficult to make a living by fishing in the Hong Kong waters, the Administration should have long-term planning and specific measures, including fisheries loans, technical support and training, to help fishermen develop off-shore fishing or switch to recreational fishing.

12. PSFH(F) responded that the Administration was concerned about the all-round development of the fishermen. Assistant Director

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(Fisheries)/AFCD ("AD(F)/AFCD") said that AFCD had been providing training courses on recreational fishing, eco-tourism and mariculture for the fishermen free-of-charge during the fishing moratorium of the South China Sea since 2010 to help them gain practical experience in other sustainable operations. It would further provide training courses on computer skills and Putonghua relating to fisheries during the coming fishing moratorium. There would also be study tours to visit neighbouring regions to study the development of their local fisheries. AD(F)/AFCD added that given some trawler fishermen had expressed interest in venturing further afield to the South China Sea after the trawl ban, the Administration had started liaison with the relevant Mainland authorities and universities with a view to providing training on the development of new fishing operations there.

13. Mr Alan LEONG said that the Civic Party had been concerned about the medium and long-term sustainable development of fisheries in Hong Kong, and it supported the enhanced EGA package as proposed by the Administration.

14. Mr Vincent FANG expressed support for the Administration's proposal of the enhanced EGA package. He commented that it was unfair for the Administration to offer different compensation packages for different industries. He enquired whether the Administration would adopt a uniform scale for the compensation packages for different industries. Mr FANG further said that certain vessel owners had expressed worries about people defrauding the compensation. He hoped that the Administration would look into the issue.

15. PSFH(F) responded said that over the years, the Administration had reviewed different elements of the EGA package according to the latest situation. Since the situations of different industries varied, the problem of different scale for different industries in the provision of EGA did not really exist. PSFH(F) further said that as EGA involved public money, the Administration was cautious of its disbursement and would carefully examine the eligibility of the applicants. AD(F)/AFCD advised members that the applications for EGA were assessed by an inter-departmental working group ("IWG"), which was chaired by the representative of the Lands Department, and comprised representatives of AFCD, the Marine Department and the Home Affairs Department who possessed the knowledge on fisheries and vessels. Where necessary, IWG might request the vessels involved in EGA applications to be inspected to ascertain that they were eligible fishing boats.

16. The Chairman concluded that the members present had expressed support for the Administration's proposal of the enhanced EGA package for fishermen affected by marine works.

VI. Review of ex-gratia allowance mechanism for mariculturists affected by marine works

(LC Paper Nos. CB(2)1293/11-12(06) and FS21/11-12)

17. PSFH(F) briefed members on the results of a recent review and the proposed enhancement on the EGA package for mariculturists affected by marine works projects in Hong Kong waters as detailed in the Administration's paper.

18. The Deputy Chairman said that as the six major marine works projects would last for four to six years, the mariculturists had previously requested the Administration to grant EGA twice during the marine works on an exceptional basis; however, the request was declined by the Administration. The Administration also declined the further request of the mariculturists for lowering the criterion of the concentration of suspended solids ("concentration") of 50 milligrams ("mg") per litre to 25 mg per litre. The Deputy Chairman further said that although certain kind of fish, for example, loach, could live in waters with suspended solids of 50 mg per litre, most of the fish raised in fish farms could not survive in such environment. Since fish raised in fish farms was caged and unable to move away when suspended solids in water increased, it would be dying slowly without significant symptoms. He urged the Administration to reconsider lowering the criterion to 25 mg per litre.

19. PSFH(F) responded that the Administration had referred to relevant scientific research and considered the variety of local fish and the culture environment when it determined the benchmark of the concentration at 50 mg per litre. According to scientific literature, under normal circumstance, fish would die when the concentration was very high such as exceeding 1 000 mg per litre. When the concentration was a few hundred mg per litre, only the growth and development of the fish would be affected. When the concentration was lower than 100 mg per litre, only slight physiological reaction would be caused to the fish. The benchmark of 50 mg per litre that the Administration proposed was already a very cautious level. It lacked scientific evidence to further lower the benchmark to 25 mg per litre.

20. The Deputy Chairman said that fish would die chronically when the concentration was at a level between 50 and 100 mg per litre. It might die even at a level below 50 mg per litre for non-adaptation if it was used to live in substantially clean water. He suggested that the Administration should record the water quality and the quantity of fish raised at neighbouring fish farms when the marine works commenced, so that it could better understand the loss of mariculturists when the concentration reached 50 mg per litre. The Administration should also conduct a two-year research to monitor such changes. The Deputy Chairman stated that the industry would welcome the

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Administration's proposal if the criterion of concentration was lowered from 50 to 25 mg per litre. In his view, the Administration should not just arrange experts and academics to discuss the matter with the affected mariculturists and did not offer any financial compensation when there was an incident.

21. PSFH(F) advised that the Administration had been monitoring the water quality. In addition to the proximity criterion and the 50 mg per litre concentration criterion, when the concentration reached 100% more than the highest level recorded at the zone during the five years before the commencement of work in the vicinity, EGA payment would be granted to the affected mariculturists. Regarding the Deputy Chairman's suggestions, PSFH(F) said that -

- (a) the Administration had already considered the operation mode of fish farms, i.e. fish was raised in cages, when it set the benchmark of 50 mg per litre;
- (b) EIA and environmental protection measures would be implemented at the waters of the marine works to ensure good quality of water; and
- (c) AFCD would continuously monitor the water quality and observe the health status of fish in the fish culture zones.

22. The Deputy Chairman criticized that the Administration had never announced any information on the water quality of different districts. He urged the Administration to regularly announce such information to the public.

23. PSFH(F) said that the Administration would study the feasibility of making known the information on water quality to the industry and the public. She further said that AFCD could enhance communication with mariculturists to ensure the smoothness and fairness of the procedures for water quality monitoring. However, it was not an appropriate time to revise the proposed enhancement of the EGA package at this stage.

24. The Chairman concluded that the members present had expressed support for the Administration's proposal to enhance the EGA package for mariculturists affected by marine works.

VII. Rental adjustments of Cheung Sha Wan Wholesale Food Market and Western Wholesale Food Market

(LC Paper Nos. CB(2)1293/11-12(08) and (09))

25. Deputy Secretary for Food and Health (Food) 1 ("DSFH(F)1") briefed members on the rental adjustment mechanism of the Cheung Sha Wan Wholesale Food Market ("CSWWFM") and the Western Wholesale Food Market ("WWFM"). She advised members that under the new rates, most of the affected tenants were required to pay \$320 more per month, but only 10 of them would be facing a monthly increase of more than \$1,000. She pointed out that the total market throughput of CSWWFM and WWFM each year amounted to \$5.2 billion. Taking into account the increase in rent this year, the average rent per square foot for the two wholesale food markets was merely \$15, which was considered low under the user pays principle. There had also been a consultation mechanism established for the Administration to communicate with the tenants on matters relating to the operation of the wholesale markets.

26. Noting the worries of the trade about the business environment with the appreciation of Renminbi, DSFH(F)1 said that the Financial Secretary had proposed in the 2012-2013 Budget ("Budget") some relief measures that could benefit the wholesale trade sector and the commercial sector, such as waiving business registration fee for one year, reducing profits tax for 2011-2012 by 75%, subject to a ceiling of \$12,000 and halving the charges for import and export declarations. She advised members that the Administration consulted the trade on the rental adjustment in February 2012, and would continue to explain to wholesalers the operation of the rental adjustment mechanism and the rationale behind its implementation.

27. DSFH(F)1 said that the Administration pledged to consider whether there was room for further discussion with the trade. To be in line with the users pay principle, the Administration would study possible areas where more savings could be made. For example, reducing the operating cost of wholesale markets by streamlining the manpower, and modifying the terms and conditions of tender in order to lower the tender prices. She pointed out that the rental adjustment mechanism of the two wholesale food markets had been in operation for nearly two decades, and was proven to be effective in determining the rentals. While understanding that the macro-economic environment in Hong Kong was undergoing an inflationary cycle, the Administration did not consider it justified in departing from the mechanism and implementing the rental freeze.

28. Mr Vincent FANG said that the rentals for stalls in CSWWFM and WWFM had been increased in 2008 by 11.42%. The trade was experiencing a deteriorating operating environment. A series of food safety measures,

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such as the import control of poultry eggs and the registration scheme for food importers and food distributors, implemented by the Administration had placed extra burdens on wholesalers. He failed to understand why DSFH(F)1 associated the rental increase with the relief measures, which benefited all business sectors, proposed in the Budget. He queried whether the Administration attempted to make up for the amount of such relief measures by raising the rents of the two wholesale food markets.

29. Mr Vincent FANG doubted the effectiveness of adopting the user pays principle in the rental adjustment mechanism of the two wholesale food markets. During a recent visit to CSWWFM, he found that there were two security guards performing entrance checks at the market. He enquired whether the patronage of the market justified its existing security manpower. The tenants had asked whether they could hire cleansing services on their own when the Administration increased their rentals in 2008 on the grounds of the rise in the costs of cleansing and security services. Given that rental freeze had been offered to public market stalls, Mr FANG questioned why the same arrangement could not be made for wholesale food markets. If a consensus had been reached during the discussion between the Administration and the trade in February 2012, the trade would not have petitioned outside the Legislative Council Complex. The Administration had offered one month's rental waiver to the tenants of CSWWFM and WWFM during the last rental rise. However, he considered that such measure had failed to address their operating difficulties as the base amount of the rent had been increased. Mr FANG strongly called for a rental freeze on the two wholesale food markets and participation of representatives of the trade in the market consultation mechanism.

30. DSFH(F)1 clarified that the rental increase for the two wholesale food markets was an entirely separate issue from the Budget. The relief measures proposed by the Financial Secretary were mentioned to address the wholesalers' concern over their operating situation. On the enquiry about the engagement of security manpower for the wholesale food markets, DSFH(F)1 stressed that the costing review for CSWWFM and WWFM had excluded those costs related to the improvement of public order and public health, such as the market entry registration and control of house crows, which were borne by the Administration. The increase in the operating cost of the two wholesale food markets was mainly due to the upward movement in the contract prices for cleansing and security services as well as facilities maintenance.

31. DSFH(F)1 explained that in the light of the historical background of public market stalls in the days of the two former Municipal Councils and the recommendations of the Audit Commission, the Administration was still in discussion with the trade and the Panel on drawing up a sustainable rental

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adjustment mechanism in respect of public market stalls. Unlike CSWWFM and WWFM which had a well-established rental adjustment mechanism, a rental freeze was thus implemented for public market stalls at present. Given the differences in the scale of operation between public market stalls and wholesale food markets, a direct comparison of their rental adjustment mechanisms should not be drawn.

32. DSFH(F)1 confirmed that there had been trade participation in the Market Management Consultation Committees. To ensure a transparent process that involved trade participation, tenants would be consulted whenever there was tendering for contracts relating to large improvement works in their markets. The Administration considered it unreasonable that taxpayers should bear the extra operating cost arising from such as the increase in the electricity tariff and the installation of closed circuit televisions ("CCTV").

33. Mr TAM Yiu-chung pointed out that it was the Government's policy to assist small enterprises, and a series of relief measures had also been announced in the Budget to support the business sector. The last rental increase in 2008 had caused a great deal of conflict and confrontation with tenants, and the same situation happened again this time. In view of the tenants' query about the principle of full cost recovery, he asked how the rental adjustment mechanism of the two wholesale food markets proved to be effective, and whether consideration should be given to reviewing the existing rental policy.

34. While understanding the unwillingness of the tenants to accept the rental increase, DSFH(F)1 explained that the different backgrounds and historical developments of the four wholesale food markets gave rise to their own rental adjustment mechanisms. Rental freeze granted to one might have read-across implication on the rental policies of the others, and cause the Administration to deviate from its prudent fiscal policy and principles of sound financial management. She pointed out that the overall economic environment of Hong Kong was very different four years ago, and a lot more one-off relief measures had been introduced at that time. In view of the changing economic environment of Hong Kong over the years, the Administration had offered the tenants of the wholesale food markets rental freeze in the past two years and rental reduction/waiver up to four times. DSFH(F)1 stressed that the Administration was bound to formulate a long-term and sustainable rental adjustment mechanism, which could provide a flexible framework to effectively reflect the operating costs of the wholesale food markets. The Administration pledged to explore ways to achieve more savings and reduce the tender prices so that the tenants of the two wholesale food markets could enjoy the resulting benefits.

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35. Regarding the administrative overheads of the wholesale food markets, Assistant Director (Agriculture) (Acting)/AFCD ("AD(A)(Atg)/AFCD") advised members that between 2000-2001 and 2007-2008, the Administration had streamlined the manpower by outsourcing the management services of CSWWFM and WWFM, contributing to the rental reductions of the two wholesale food markets during the period. The Electrical and Mechanical Services Department provided technical support to the wholesale food markets, and had outsourced the repair and maintenance services to contractors in order to achieve efficiency and value for money. AD(A)(Atg)/AFCD pointed out that such arrangement could greatly lower the operating costs of the wholesale food markets. The rental charges for CSWWFM and WWFM had been cumulatively reduced by 30% from 2000-2001 to 2007-2008.

36. Mr TAM Yiu-chung said that the rentals of the two wholesale food markets appeared to be on the rise, though they had been substantially decreased in the past. Given that wholesale food markets and public market stalls were similar in nature, he took the view that the Administration should align their rental adjustment mechanisms to minimize future disputes. The wholesalers had indicated that their business was experiencing a deteriorating operating environment with the continuous appreciation of Renminbi and the increasing competition from supermarkets. Direct sale of goods at the retail level had made retailers reap most profits, leading to a substantial decrease in the turnover of the wholesale trade. Under such circumstances, the rental increase for the two wholesale food markets, though only a few hundred dollars in amount, would place huge burdens on the tenants. In view of the changing market situations, Mr TAM considered that adjustment should be made to the existing rental policies/mechanisms for wholesale food markets.

37. DSFH(F)1 reiterated that different wholesale markets had their own rental adjustment mechanisms. Some of the wholesale markets were managed by the Vegetable Marketing Organization ("VMO") and the Fish Marketing Organization ("FMO"). The two organizations were statutory bodies established under the relevant ordinances. The wholesale markets run by VMO and FMO operated on a self-financing basis and under an entirely different rent adjustment mechanism. The two organizations charged a commission, instead of a fixed monthly rent, on the food produce sold by wholesalers. If the Administration acceded to the request for rental freeze for CSWWFM and WWFM tenants, it could bring significant impact on the current operating mechanisms of the wholesale markets under the management of VMO and FMO. DSFH(F)1 said that in view of the recommendations of the Audit Commission, the Administration had put forward a few proposals regarding the rental adjustment mechanisms for public market stalls as well as the payment of rates and air-conditioning charges. If the proposed measures were implemented, a market rental

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adjustment mechanism would likely be adopted for public market stalls. Alignment of rental adjustment mechanisms for public market stalls and wholesale food markets as suggested by Mr Vincent FANG might not be favourable to the tenants of the latter.

38. The Deputy Chairman said that the Chief Executive had expressed worry about the global economic prospects this year when delivering his Policy Address. In the circumstances, the rental increase of 8.04% was considered enormously large. Given the cost of goods sold, it was unreasonable for the Administration to raise the rent on the grounds of the market throughput of government wholesale food markets. It was likely that the cost arising from the rental increase would be ultimately shifted to members of the public. The Deputy Chairman pointed out that the Administration granted rental freeze to the retailers of public market stalls on the one hand, but increased the rental charges for wholesale food markets on the other. It seemed to the trade that the Administration was adopting double standards in handling rental matters in respect of food supply markets. As the rental adjustments of wholesale food markets were closely related to people's livelihood, he opined that changes should be made to the existing mechanisms, and hoped that due consideration could be given to offering rental freeze to the tenants of the two wholesale food markets.

39. While noting members' suggestion about freezing the rents of CSWWFM and WWFM, DSFH(F)1 stressed that the Administration could not make changes to the rental adjustment mechanism of CWSSF and WWFM as it could have extensive implications on the other wholesale food markets. She pointed out that the average rent per square foot for CWSSF and WWFM was merely about \$15 even after the rental increase. She did not consider that such increase would bring a significant impact on food prices. She assured members that the Administration would review the rental increase of 8.04%, and study whether there could be a reduction in the rentals of the two wholesale food markets in future. The Administration would also make every effort to communicate with the trade and strive towards reaching a consensus.

40. The Deputy Chairman urged the Administration to suspend the rental increase, which would come into effect on 1 April 2012, during its review. He requested the Administration to keep the Panel informed of its final decision on the rental adjustment for the two wholesale food markets.

41. Mr WONG Yuk-man strongly requested the Administration to offer rental freeze to the tenants of the two wholesale food markets, given the dreadful economic situation and the Government's fiscal surplus. He said that the relief measures announced by the Financial Secretary were introduced on a one-off basis only, but rent increase had a long-term effect on

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the business of wholesalers. Taxpayers should pay for the costs of public facilities and services.

42. The Chairman said that no members at the meeting expressed support for the rental increase. He asserted that the rise in rent would definitely have an impact on food prices. Noting that the excess revenue to be generated by the rental increase was about \$15 million, which was minimal compared to the expenditure incurred on the relief measures, the Chairman took the view that the Administration should grant rental freeze to the wholesalers. Given the worrying future economic and market situations, the Chairman queried whether the Administration had to insist on adhering to its principles and mechanisms.

43. Mr Vincent FANG pointed out that the operation of wholesale markets was experiencing a significant change over the years. Traders increasingly imported goods directly from the Mainland rather than sourcing from wholesalers. The rental increase, which raised the operating costs of wholesalers, would encourage the trend in trading towards direct dealing with manufacturers. The user-pays model for public service provision, which failed to address uneven allocation of resources, was proven to be infeasible, leading to simmering discontent among the public. He said that the rental increase of 8.04% was even higher than the inflation rate. If the Administration proceeded with increasing the rentals of the two wholesale food markets, he did not deny the possibility that the trade would demonstrate against the rental adjustment. Mr FANG asked whether the Administration could put on hold the rental increase, which would take effect from 1 April 2012.

44. DSFH(F)1 clarified that the rental review for CSWWFM and WWFM was based on a costing exercise and the rental increase was due to the rise in the tender prices for the cleansing and security services as well as the installation of CCTV. In view of members' grave concerns over the rental adjustments of the two wholesale food markets, the Administration would put on hold the effective date of the new rentals which was originally scheduled for 1 April 2012. The Administration was also committed to reviewing the rental increase and striving for a consensus on the issue in communication with the trade.

45. The Chairman welcomed DSFH(F)1's decision, and said that the Panel expressed unanimous support for the rental freeze on the two wholesale food markets this year.

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VIII. Any other business

46. There being no other business, the meeting ended at 4:18 pm.

Council Business Division 2
Legislative Council Secretariat
3 May 2012