

**For information  
on 8 May 2012**

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

**Tendering Arrangement for the Provision of Services  
at Hung Hom Public Funeral Parlour**

**Purpose**

This paper briefs members on the tendering arrangement for the right to provide services at Hung Hom Public Funeral Parlour (HHPFP).

**Background**

2. HHPFP, at No. 6 Cheong Hang Road, Hung Hom, Kowloon, was commissioned by the former Urban Council (UC) in 1978 to provide funeral halls to the public. Since 1980, as the usage rate of HHPFP started to decline, the former UC decided to close it down in 1982. Upon the request of the funeral service trade, two service halls were re-opened in 1983 and a further one in 1994 to provide free funeral halls to the public. However, the usage rates remained low at 9% and 10% in 1998 and 1999 respectively.

**Proposal to grant the Right to Provide Services at HHPFP**

3. In 2000, the Food and Environmental Hygiene Department (FEHD) was established upon the disbandment of the former UC. Having considered that the very low usage rate of HHPFP had resulted in ineffective use of resources, private funeral parlour services would be better received by the public, and the fact that the private sector and different organisations had expressed interest to lease the HHPFP to provide private funeral services, the former Environment and Food Bureau and FEHD decided in mid-2000 to grant HHPFP to the private sector through open tender for five years. Provided that

the above rental proposal could ensure the provision of low cost funeral package service for the needy, the Administration considered that the leasing out of HHPFP could take the form of a revenue tender.

### **Tendering arrangement**

4. FEHD required tenderers to comply with a number of mandatory requirements, including the demonstration of proven experience in operating funeral parlour and the completion of the amount of fee to be paid to the Government. Only tenderers who complied with the specified mandatory requirements would be considered, and the proposals would be assessed solely based on the amount of fee to be paid to the Government as proposed by the tenderers.

5. In 2002, the right to provide services at HHPFP was granted to the Perpetual Funeral Limited for a period of five years from 1 February 2002 to 31 January 2007 at a fee of HK\$19 million. In 2007, the right to provide services at HHPFP was granted to the Universal Funeral Parlour Company Limited for five years from 1 March 2007 to 29 February 2012 at a fee of HK\$91.2 million. The Government did not set any upset price for the two tenders.

6. Since the outsourcing of the operations of HHPFP to the private sector, its utilisation rate has increased significantly. In 2011, the utilisation rate of HHPFP stood at 86.8%, ranked second to International Funeral Parlour with utilisation rate of 89.9%, among the seven private funeral parlours.

#### *To provide low-cost funeral services to specific groups of people*

7. To ensure the provision of low cost funeral package service to the needy, the successful tenderers in the first and second tenders were required to provide to specific groups of people referred by the Social Welfare Department (SWD) or FEHD at a specified fee as advised by SWD. The fee was to cover all expenses and outgoings of a basic but complete service for the disposal of a dead body, including the collection of the dead body from a hospital or mortuary to a funeral parlour, procurement of a coffin, conduct of a funeral ceremony at the funeral parlour, delivery of the dead body from the funeral parlour to a crematorium and the cremation fee. According to FEHD's observations, the previous two operators had fulfilled the above requirements satisfactorily. Based on FEHD's understanding, the previous operator had

provided such services for 400 cases.

## **Tendering arrangement for the current tender in 2012**

8. As in the previous two tendering exercises, FEHD has clearly set out the assessment criteria in the tender in 2011. The criteria include the minimum assessment parameters on the experience of senior managerial staff and on the operating experience in funeral parlour or undertaker business. FEHD has also included two additional requirements stating that no proposal for sub-contracting of any parts of the Agreement should be made and that the amount of the fee proposal shall not be less than HK\$6 million for each quarter<sup>1</sup> to ensure that the government would reserve the estimated market rental value of the premise. The relevant level was determined by the Rating and Valuation Department. At the same time, in accordance with the requirements in the tender document, the successful tenderer has to submit to FEHD the Plan for Implementation of Services, Operation Plan, Environmental Protection Plan, Maintenance Plan and Contingency Plan. In the Operation Plan, the operator has to provide details on the low-cost funeral services offered including the funeral services offered to people of different religions such as Buddhism, Taoism, Tantrism, Christianity and Catholicism and to non-religious people, etc.

9. FEHD invited submissions for the open tender on 18 November 2011 and the tender period closed on 6 January 2012. A total of seven tender proposals were received in which six were in compliance with the mandatory tender requirements. Given the fee proposal offered by the South China Memorial Park & Funeral Service Limited was the highest among the six tender proposals, the tender was awarded to the company on 10 February 2012.

10. The Architectural Services Department and the Electrical & Mechanical Services Department carried out repair and maintenance to HHPFP in March 2012 and the new agreement commenced on 1 April 2012. To allow time for carrying out refurbishment of HHPFP by the new operator but to ensure that disruption of funeral services at HHPFP are kept to a minimum, the operator is required to commence operation no later than 1 July 2012.

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<sup>1</sup> FEHD obtained the professional assessment from the Rating and Valuation Department of the estimated market rental of the premise, and the Rating and Valuation Department advised an annual market rental at HK\$24 million, i.e. a total rental of HK\$120 million for 5 years.

11. For provision of low cost funeral package service for the needy, FEHD has continued to require the new operator to provide such a package to specific groups of people referred to HHPFP by SWD or FEHD at the specified fee as advised by SWD, which is set at \$12,120 per case as at 1 April 2012. The operator is required to display the availability of low-cost funeral service with details at a conspicuous location of the funeral parlour, and maintain records of low-cost funeral service during the agreement period. Such records shall be readily made available for inspection by FEHD on demand at all times. Such arrangements are the same as in the previous two tenders. FEHD would conduct monthly inspection to ensure that the operator has complied with the licensing conditions and the provisions of the Agreement, etc. FEHD reserves the right to direct the operator to upgrade the standard of low-cost funeral service at no extra charge if such service is found to be unsatisfactory or inadequate.

12. The award of HHPFP has achieved the purposes of maximising the utilisation of the premises, ensuring more effective use of resources, widening the choice of private funeral services to the general public and ensuring the provision of low cost funeral package service to the needy. FEHD will closely monitor the performance of the new operator, in particular the provision of low cost funeral package service to the needy.

### **Advice sought**

13. Members are invited to note the tendering arrangement for the provision of services at HHPFP.

**Food and Health Bureau**  
**Food and Environmental Department**  
**May 2012**