

ITEM FOR FINANCE COMMITTEE

LOAN FUND

NEW HEAD “Hygiene Improvement”

New Subhead “Incentive Scheme for Hygiene Improvement in Food Premises”

Members are invited to approve the creation of –

- (a) a new Head “Hygiene Improvement” under the Loan Fund; and
- (b) a new Subhead “Incentive Scheme for Hygiene Improvement in Food Premises” under the new Head, with a commitment of \$310 million to provide funding for making loans to food business operators to improve the hygienic conditions of their food premises.

PROBLEM

Food business operators in general meet the minimum legal hygiene requirements but many of them may be reluctant because of financial considerations to raise further the hygiene standard of their food premises.

PROPOSAL

2. We propose to create a new Head “Hygiene Improvement” under the Loan Fund and, under the new Head, a new Subhead “Incentive Scheme for Hygiene Improvement in Food Premises” with a commitment of \$310 million for making loans to food business operators to improve the hygienic conditions of their food premises. The proposed incentive scheme will be administered by the Director of Food and Environmental Hygiene.

/JUSTIFICATION

JUSTIFICATION

3. There are some 16 000 restaurants, factory canteens, food factories, siu mei/lo mei shops and cooked food stalls that sell ready-to-eat food in Hong Kong. Of these, 12 400 belong to the medium and high risk categories having regard to factors like the type of food sold, the number of patrons, and the hygiene standard of the premises. Although these medium/high risk food premises do by and large meet our minimum hygiene requirements, the following hygiene problems are quite commonly found in some food premises, particularly among small/medium-sized ones -

- (a) insufficient attention is paid to the hygienic conditions and state of repair and maintenance of their kitchens, with the scullery (and in some cases food preparation) extended to rear lanes;
- (b) washing and drying of eating utensils are mainly carried out manually and sterilization may not be properly done;
- (c) many operators, particularly of small food factories and siu mei/lo mei shops, tend to extend business to outside the shop fronts and expose their food to open air; and
- (d) toilets are dirty and in a poor state of repair and maintenance.

4. The outbreak of Severe Acute Respiratory Syndrome (SARS) in Hong Kong last year underlines the importance of achieving and sustaining a high level of environmental hygiene standard. In this connection, the Team Clean recommended in its final report in August 2003 that an incentive scheme be introduced to help food business operators upgrade the hygiene standard of their premises, in parallel with the stepping up of inspections and enforcement actions.

5. Details of the administration of the proposed incentive scheme are set out in Enclosure.

Encl.

FINANCIAL IMPLICATIONS

6. A loan commitment of \$310 million is required to accommodate about 6 200 applications in the first round. The scheme will be of a revolving nature, with loan repayments to be used to finance applications received in subsequent rounds. Initially, we plan to invite up to six rounds of applications, after which the loan scheme will stop receiving new applications.

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7. Recurrent costs relating to the administration of the scheme will be absorbed through internal deployment of resources within the Food and Environmental Hygiene Department.

CONSULTATION

8. Trade representatives were consulted on the proposal in November 2003 and they generally welcomed the introduction of the scheme. The Legislative Council Panel on Food Safety and Environmental Hygiene gave support to the scheme at its meeting held on 9 January 2004. In view of the Panel's views that it should be the operators' full responsibility to meet/improve hygiene requirements as they will benefit from such improvements in their premises, the original proposal of offering a cash subsidy to successful applicants in the first round of applications has been dropped.

WAY FORWARD

9. Subject to funding approval by the Finance Committee, we aim to invite the first round of applications between April and June 2004. We will review the scheme in the light of our experience in dealing with the first round of applications and repayments, and consider how best to proceed with the subsequent rounds.

BACKGROUND INFORMATION

10. In the wake of SARS, the Chief Secretary for Administration set up Team Clean in early May 2003 to develop and take forward proposals for entrenching a high level of public and environmental hygiene in Hong Kong. The Team announced its Interim Report in end May, outlining short-term measures that could be implemented immediately and the long-term issues being examined. On 9 August 2003, Team Clean released its final report, entitled "Report on Measures to Improve Environmental Hygiene in Hong Kong", setting out, amongst other things, recommendations and way forward on longer-term measures to improve cleanliness in Hong Kong. One of the key proposals contained in the Report is the introduction of an incentive scheme to help food business operators upgrade the hygiene standard of their food premises.

**Details of the
Incentive Scheme for Hygiene Improvement in Food Premises**

Objective and Scope

The objective of the proposed incentive scheme is to raise the hygiene standard of food premises that sell ready-to-eat food. The scheme will offer financial assistance for the following types of improvement works -

- (a) refurbishment of kitchens, food preparation rooms, scullery and toilets;
- (b) installation of scullery and storage facilities; and
- (c) installation of display panel/chamber at shop fronts or any other facilities needed to maintain food displayed at shop fronts in hygienic conditions.

Eligibility

2. The following categories of food premises are eligible for financial assistance under the scheme -

- (a) restaurants;
- (b) factory canteens;
- (c) food factories;
- (d) siu mei/lo mei shops;
- (e) stalls selling cooked food or siu mei/lo mei at public markets managed by the Food and Environmental Hygiene Department (FEHD);
- (f) cooked food hawker stalls; and
- (g) premises selling sushi and sashimi.

Form of Financial Assistance

3. Financial assistance will be provided in the form of an interest-bearing loan to eligible applicants. The loan amount would be capped at 40% of the approved refurbishment cost or \$50,000, whichever is the lower.

Application

4. An applicant can only submit one application in respect of each eligible premises. In support of their applications, applicants would be asked to provide particulars of the proposed works and quotation from contractors. FEHD officers will visit the premises concerned and take into account a range of factors (e.g. the state of repair of kitchens/toilets, hygienic conditions and facilities at kitchens and shop fronts, past inspection records, past records of major renovation works) in evaluating the applications.

Release of Loan

5. FEHD will release the loan to successful applicants by two phases -
- (a) up to 30% of the loan – upon presentation of relevant supporting documents (e.g. invoices and receipts) together with a confirmation from the borrower that refurbishment work has started; and
 - (b) balance of the loan – upon completion of the proposed refurbishment work to the satisfaction of FEHD and presentation of relevant supporting documents.

Repayment and Interest

6. Borrowers are required to repay the loan principal and interest by 24 monthly installments. Repayment will start three months after full drawdown of the loan or six months after the first drawdown, whichever is earlier. Borrowers may opt for early repayment of the full outstanding loan.

7. Borrowers will have to pay interest for the loan at the Government's "no-gain-no-loss" rate^{Note} and interest will accrue from the date of drawdown of the loan. Additional interest at the average best lending rates of the note-issuing banks plus 2% will be charged on any overdue amount (including accrued interest in arrears) until it is fully repaid i.e. from the scheduled repayment date to the actual date of receipt of payment.

^{Note} The "no-gain-no-loss" rate as at 1 February 2004 was 2.826% p.a. The average best lending rate for the three note-issuing banks on the same date was 5% p.a.