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12 April 2006

Mrs Constance LI
Clerk to LegCo Panel on Food Safety and Environmental Hygiene,
Legislative Council Secretariat,
8 Jackson Road, Central,
Hong Kong.

Dear Mrs LI,

At the meeting of the Panel on Food Safety and Environmental Hygiene held yesterday, the Administration agreed to provide supplementary information on the proposed calculation formula for Ex-gratia payment (EPG) to pig farmers who voluntarily surrender their licences and to compare the proposed formula with the current EPG formula for chicken farmers. The supplementary information is set out at the Annex for Members' reference.

Further details of the voluntary surrender scheme for pig farm licences will be submitted in a paper to be tabled at the Finance Committee.

Yours sincerely,

(Wallace LAU)
for Secretary for Health, Welfare and Food

Comparison Between the Proposed EPG Formula for Pig Farmers who Surrender Their Licences and the Current EPG Formula for Live Poultry Farmers

Current EPG Formula for Chicken Farmers	Proposed EPG Formula for Pig Farmers
1. Offer EPG for farm operation and farm structures. Assume that all farm structures are fully enclosed and new to ensure that a higher rate is used in calculating EPG.	1. Offer EPG for farm operation and farm buildings. We will also propose to the Finance Committee to assume all farm structures to be fully enclosed and new to ensure that a higher rate is used in calculating EPG.
2. Add an EPG component to the formula to account for the average installation cost of metallic chicken-rearing cages, which are devices required by the Government to facilitate cage disinfection and prevent the harbouring of pathogens in chicken farms.	2. Add an extra EPG component to the formula to account for pig farmers' capital investment in "wet-muck-out" waste treatment facilities, which are capital intensive. But any capital grant previously granted by the Government for such facilities will be deducted from the EPG.
3. Offer an additional lump sum payment of \$150,000 to chicken farmers to account for their investment in biosecurity facilities.	3. Offer an additional lump sum of \$150,000, \$300,000 or \$450,000, depending on the licensing capacity, in consideration for the fact that most licensees are relatively elderly and may not wish or be able to change to other businesses.
4. The minimum and maximum EPG per licence is \$450,000 and \$4.15 million respectively.	4. The minimum and maximum EPG per licence is \$450,000 and \$25.45 million respectively.