

Tel No.: (852) 2973 8148
Fax No.: (852) 2136 3281
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7 June 2006

Clerk to Panel on Food Safety and
Environmental Hygiene
Legislative Council Secretariat
(Attn: Mrs Constance Li)
Legislative Council Building
8 Jackson Road, Central
Hong Kong
(Fax: 2509 0775)

Dear Mrs Li,

**Special Meeting of
Panel on Food Safety and Environmental Hygiene
on 26 May 2006**

At the special meeting of the LegCo Panel on Food Safety and Environmental Hygiene on 26 May 2006, some members requested the government to provide further information about the operation of the Fisheries Development Loan Fund (FDLF) and the Fish Marketing Organization Loan Fund (FMOLF).

Operation of FDLF

At present, the FDLF has some \$28 million available. Since the topping up of the fund to \$100 million in 1997, a total of 42 loans have been issued and there is no written off case since then. The tenure of the loan is usually more than 10 years.

Operation of FMOLF

The FMOLF is currently financed by the surplus earning of the Fish Marketing Organization, of which main source of revenue is from the levy of commission and fees for the wholesale services and facilities provided to the fishing community. A sum of \$46 million has been set aside under the FMOLF to provide loans to fishermen affected by the fishing moratorium in the South China Sea, and to date, some \$12 million is available. As at 30 April 2006, 500 loans have been issued. Since 1999, there are only two written off cases involving a total amount of \$80,000.

Details of the estimated five-year loan demand and cash flow for the FDLF and Fishing Moratorium Loan Scheme under the proposals in FCR(2006-07)14 are set out in the enclosure. Grateful if you would circulate it to members before the Finance Committee meeting on 9 June 2006.

Yours sincerely,

(Vincent Liu)
for Secretary for Health, Welfare and Food

Encl.

c.c.

DAFC	(Attn.: Dr. SF Leung)	Fax : 2311 3731
SFST	(Attn: Ms Irene Wong)	2523 0642

Estimated five-year loan demand and cash flow for the Fisheries Development Loan Fund and Fishing Moratorium Loan Scheme

Fisheries Development Loan Fund (FDLF)

(a) Loans for fishermen (Note 1)

Approved commitment required: \$250 million

	2006-07 (\$ million)	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)
Estimated total commitment (and number) of outstanding loans at the beginning of the year (Note 2)	71.2 (41)	95.8(60)	155.5(97)	210.2(134)	214.6(149)
Estimated amount (and number) of new loans issued in the year	40.0 (19) _____	80.0 (37) _____	80.0 (37) _____	32.0 (15) _____	32.0 (15) _____
Estimated total commitment before loan repayments in the year	111.2	175.8	235.5	242.2	246.6
Estimated repayment of loans in the year	(15.4) _____	(20.3) _____	(25.3) _____	(27.6) _____	(29.9) _____
Estimated total commitment at the end of the year	95.8 ====	155.5 =====	210.2 =====	214.6 =====	216.7 =====

Note 1:

It is expected that the loan fund could assist some 20% (280) of trawler operators to switch to other sustainable fisheries operations in the first three years. It is assumed that they will apply in groups each comprising three persons for loans of an average amount of \$2.15 million. There will be, therefore, about 93 applications comprising some 280 fishermen in the first three years. As we anticipate that there would be a continuous need for loan assistance from fishermen to pursue alternative mode of operations, it is estimated that there will be about 30 more loan applications from some 90 fishermen for 2009-10 and 2010-11.

Note 2:

The tenure of the FDLF is usually more than 10 years.

(b) Loans for fish farmers (Note 3)

Approved commitment required: \$40 million

	2006-07 (\$ million)	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)
Estimated total commitment (and number) of outstanding loans at the beginning of the year (Note 4)	--	9.5 (40)	23.3 (100)	36.3 (160)	37.0 (172)
Estimated amount (and number) of new loans issued in the year	10.0 (40)	15.0 (60)	15.0 (60)	3.0 (12)	3.0 (12)
Estimated total commitment before loan repayments in the year	10.0	24.5	38.3	39.3	40.0
Estimated repayment of loans in the year	(0.5)	(1.2)	(2.0)	(2.3)	(2.5)
Estimated total commitment at the end of the year	9.5	23.3	36.3	37.0	37.5

Note 3:

It is expected that the loan fund could assist 10% each of pond fish farmers and mariculture farmers (a total of 160 fish farmers) to develop sustainable aquaculture in the first three years. For 2009-2010 and 2010-2011, it is estimated that there will be 24 loans. It is assumed that they will apply on individual basis for loans each of an average amount of \$0.25 million.

Note 4:

The tenure of the FDLF is usually more than 10 years.

Fishing Moratorium Loan Scheme (Note 5)

Approved commitment required: \$60 million

	2006-07	2007-08	2008-09	2009-10	2010-11
	(\$ million)	(\$ million)	(\$ million)	(\$ million)	(\$ million)
Estimated amount (and number) of loans issued in the year	55.1 (625)	55.1 (625)	55.1 (625)	55.1 (625)	55.1 (625)
Estimated repayment of loans in the year (Note 6)	(41.3)	(55.1)	(55.1)	(55.1)	(55.1)

Note 5:

According to our past experience, about 40% to 50% of the fishing vessel owners affected by the annual fishing moratorium would apply for the moratorium loan amid the difficult operating environment. While some trawler fishermen may pursue alternative modes of operation and hence no longer need to borrow fishing moratorium loans, some fishermen who have not sought assistance from the fishing moratorium loan fund in the past may need to borrow loan if the operating environment does not improve in the coming years. As such, we estimate that the number and amount of loans issued in the next five years would remain stable.

Note 6:

The loan will be repaid by quarterly instalments. For 2006-07, we estimate that about 75% of the loan amount issued would be repaid by 31 March 2007.