

**For discussion
on 13 March 2007**

LegCo Panel on Food Safety and Environment Hygiene

**Outcome of the invitation for expression of interest exercise
for the poultry slaughtering and processing plant**

PURPOSE

At the joint meeting of the LegCo Panel on Food Safety and Environmental Hygiene and the Panel on Health Services held on 12 December 2006, the Administration was requested to revert to the Panel on the outcome of the invitation for Expression of Interest (EoI) exercise for the proposed poultry slaughtering and processing plant in March 2007. This paper informs Members of the outcome of the invitation for EoI exercise.

BACKGROUND

2. Following a territory-wide consultation exercise in 2004, the Government decided to develop a poultry slaughtering and processing plant (the Plant) as a fundamental and long-term measure to minimize the risk of human infection of avian influenza through complete segregation of live poultry from humans. It is intended that the Plant would be run by a private operator on commercial principles. Upon the commissioning of the Plant, all live poultry will be delivered directly from import and local farms to the Plant, and the sale of live poultry in retail outlets would be prohibited.

3. After taking into account various factors, the Government has identified a site in Sheung Shui for the development of the Plant under a “Build, Own, Operate and Transfer” (BOOT) approach. The Government intends to invite open tenders for developing the Plant from the private sector in end 2007 and to have the Plant coming into operation in 2009/10.

THE INVITATION FOR EoI EXERCISE

4. Prior to the competitive bidding process, the Government issued an invitation for EoI from the private sector from December 2006 to January 2007. We have repeatedly emphasised throughout the exercise that the EoI exercise is not the beginning of a competitive bidding process and is not a pre-qualification exercise for the subsequent competitive bidding for the project.

Objective

5. The objective of the EoI exercise was to obtain up-to-date information and feedback from the private sector on –

- (a) the availability of prospective operators who may be interested in developing the Plant in Sheung Shui; and
- (b) the views of prospective operators on the operational and commercial arrangements for the Project to be delivered under a BOOT arrangement.

Details and Publicity

6. To aid prospective operators to make submissions and consider participating in the exercise, information on the location of the Plant, market information, details of the BOOT arrangement, and minimum requirements and facilities of the proposed Plant were provided in the invitation document.

7. The invitation for EoI was publicized through bilingual press release and Gazette notice, announcement on our homepage, as well as advertisements on six local newspapers.

SUBMISSIONS RECEIVED

8. A total of six EoI submissions were received from local and overseas prospective operators. Some submissions demonstrated experience and knowledge of the local situation and relevant international standards

through putting forward relevant recommendations. Highlights of the submissions are summarized below.

Operation of the Plant

9. Based on data concerning the site identified in Sheung Shui, proposals in the submissions suggested that, depending on the operation hours, the Plant could cater for a daily production capacity up to 80 000 on double shift to meet the market demand. The Plant may work around the clock, 7 days a week, 365 days a year. Proposed staffing in the operation of the Plant range from below 150 staff to over 200 staff in the submissions. As regards the proposed term of operation, it ranges from 15 years to over 30 years.

Business of the Plant

10. It has been suggested that the Plant may function as a mere service slaughterhouse that provides slaughtering, dressing, chilling and packaging services. Chilled, packed and dressed birds will then be returned to wholesalers. Alternatively, the Plant may operate as a slaughterhouse cum wholesaler which buys live poultry for processing and sells chilled, packed and dressed birds to retailers. Moreover, the Plant may consider expanding into the processing of cooked poultry and semi-finished products, etc. The design of the Plant should hence allow reserve capacity for expansion into higher-value added products and services.

Source of Poultry and Slaughtering Services to Local Farms

11. For various reasons such as ensuring a steady supply of live poultry, it has been suggested that the source of live poultry may be diversified and alternative sources explored. Instead of relying on the supply of live poultry from Guangdong, live poultry may be sourced from other provinces in the Mainland. Import of new breeds of chicken and organic chicken meat may be considered.

12. On the provision of slaughtering services to local farms, an information system (e.g. online platform) may be created to match the slaughtering services provided by the Plant with local farms, importers, wholesalers, and buyers of live poultry and to facilitate information exchange.

Food Safety and Hygiene Arrangements

13. Various models of track-and-trace system (e.g. barcodes on packaging, water-tight and rewritable chips to be affixed to farm chickens two months before slaughtering) have been put forward in the submissions. Types of information proposed to be collected through track-and-trace systems include farm origin of poultry, vital information of the poultry (e.g. vaccine and medication records, mortality rate of flock and feed withdrawal time), delivery to vendors and types of carcasses. Moreover, a global positioning system may be put in place to track down vehicles deployed by the Plant, and a system may be created to locate Plant staff in the case of an avian influenza outbreak.

14. On the maintenance of hygiene at the Plant, there have been suggestions relating to the use of self disinfection nanotechnology materials in the wall and floor finishes of the Plant structure. Other proposals include the use of water scrubber system to deodorize exhausted air, solar hot water system for production, temperature control in poultry receiving / packaging rooms and recycling of cardboard used.

NEXT STEP

15. Following the introduction of the legislation on the Poultry Slaughtering and Processing Plant and the completion of the Environmental Impact Assessment, we intend to invite open tenders from the private sector in end 2007 to develop the Plant. A consultant will be engaged to provide consultancy service in drawing up a full suite of tendering documentation by, among other things, making reference to information solicited through the EoI exercise. As the sale of live poultry in retail outlets would be prohibited upon the commissioning of the Plant, we will give consideration in time to making arrangements relating to ex-gratia payments for adversely affected parties. We will keep Members informed of the developments.

ADVICE SOUGHT

16. Members are invited to note the outcome of the invitation for EoI exercise reported above, and the way forward regarding the development of the Plant.

Health, Welfare and Food Bureau
March 2007