

**Extract from the minutes of meeting of the
Panel on Food Safety and Environmental Hygiene
held on 13 November 2007**

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IV. Poultry slaughtering and processing plant
[LC Paper Nos. CB(2)289/07-08(01) and (02)]

Tendering of PSPP

10. Referring to paragraph 3 of the Administration's paper, Mr Andrew CHENG said that, while it was quite common for the Administration to attract the participation of the private sector in the development of infrastructure and transport projects by means of a BOOT arrangement, the Administration should have considered and assessed the viability of other options for the development of PSPP project, for example, building the plant by the Government. He enquired about the pros and cons of different options.

11. SFH responded that, taking into consideration that the future PSPP licensee might have more innovative ideas in regard to the operation of the plant, the Administration considered it more appropriate to develop the plant by the private sector through open tender under a BOOT arrangement. The BOOT arrangement would enhance flexibility for the future licensee to introduce innovative ideas and to procure appropriate or advanced technology and equipment for the provision of slaughtering service.

12. Mr WONG Yung-kan asked whether local live poultry traders would be allowed to resume their slaughtering business if, for whatever reasons, PSPP failed to operate the plant as required by the agreement. In response, SFH said that the Administration had received six submissions from the private sector in response to its invitation for Expressions of Interest (EoI) in early 2007. The positive response from the private sector reflected the interest of the private sector in the project. He further said that the prospective PSPP operators should have considered the financial feasibility of PSPP when they made their submissions in response to the invitations of EoI.

13. Mr Vincent FANG enquired whether the Administration would disclose details of the tender document to the Panel for information. SFH responded that the Administration's plan was to invite tender for the development of PSPP after the enactment of the Bill. In the absence of the relevant legislation for the control of slaughtering activities of live poultry and the operation of PSPP, prospective operators would be discouraged from making bids for the development of PSPP

Action

project. He assured members that members' concerns would be addressed in the tender document.

14. Regarding the Administration's proposal for offering a 15-year contract to the future PSPP licensee, Dr KWOK Ka-ki said that he was worried that the Administration might have difficulties in terminating the licence before the expiry of the contract if the agreement signed between the Administration and the PSPP licensee was a fixed term contract.

15. Noting members' various concerns on the tender document, the Chairman enquired whether the Administration would be willing to consult the Panel on the terms and conditions in the tender document at a closed-door meeting. SFH responded that, if members considered that there was a need to discuss the details of the tender document, the Administration would be willing to do so when the document was available.

Monopoly of the proposed PSPP

16. Noting that the future PSPP licensee might be allowed to engage in other ancillary businesses to ensure the financial viability of PSPP, Mr Andrew CHENG commented that it was very likely that the PSPP licensee would engage in retailing business. He expressed worries that the PSPP licensee would monopolize the live poultry market.

17. In response, SFH said that the future PSPP licensee would obtain the licence of operating the plant through an open tender, which was a fair, open and transparent process. SFH pointed out that the plant operator would be required to provide slaughtering and dressing service to all parties in need of such service on a fair and equal basis. As there were other distributors and retailers in the market, a monopoly situation should not arise in the live poultry supply and distribution chain. Moreover, the future PSPP licensee would be required to obtain prior approval from the Administration for raising the fee. SFH further said that the main business of PSPP was to provide poultry slaughtering and dressing service and PSPP would also provide cutting slaughtered chickens into pieces if requested by the poultry traders. He explained that the purpose of allowing the PSPP licensee to have flexibility and room for engaging in other ancillary businesses was to ensure that the supply of live poultry would not be affected in case many current live poultry traders decided to cease their business.

18. The Deputy Chairman enquired whether the future PSPP licensee would be allowed to engage in the wholesale and retail businesses. He pointed out that, though the Administration could regulate the slaughtering fee through the imposition of licensing conditions and terms and conditions in the agreement, it was quite impossible for the Administration to have control over the administrative

Action

policies implemented by the licensee that could provide flexibility to allow the licensee to provide better and quicker service to its ancillary businesses.

19. The Chairman also expressed doubt as to the effectiveness of the Administration's proposed controlling measures in ensuring that slaughtering and dressing service would be provided on a fair and equal basis. He pointed out that slaughtering time and delivery time were critical to the trade and any delay would cause great impact on the operation of the whole trade.

20. SFH reiterated that, given that the main business of PSPP was to provide slaughtering and processing service, the development of the plant would not give rise to a monopolistic situation in the live poultry market. He stressed again that the PSPP licensee would be required to obtain prior approval from the Administration should they wish to engage in other ancillary businesses. The Administration would take into consideration the market situation and the interests of various parties concerned in deciding on whether to approve PSPP to engage in other businesses.

21. Dr KWOK Ka-ki said that, while he was supportive of the vision of separating humans from live poultry, he was concerned that central slaughtering might give rise to the monopoly of supply of "freshly slaughtered chicken" which would result in higher retail price. He asked whether consideration would be given to providing more slaughtering plants in different locations, as in the case of Singapore, where there were more than 10 slaughtering houses operating in different parts of the country. If regional slaughtering plants were considered not feasible in Hong Kong, he wondered whether the Administration would consider developing the proposed PSPP as a communal facility that would allow several operators to provide slaughtering and dressing service for the trade.

22. SFH responded that, to develop regional slaughtering plants, the Administration would need to search for a few suitable sites that could meet the environmental and transportation requirements and this would be a very difficult task. Having considered the circumstances in Hong Kong, the Administration considered that the current proposal for the development of a PSPP in Sheung Shui was appropriate. Nevertheless, having regard that there was a maximum limit for the daily slaughtering throughput of live poultry by the proposed plant, the Administration would not exclude the possibility that another PSPP would be developed in future should the demand for slaughtering service exceeded the maximum limit for the slaughtering throughput.

23. On Dr Kwok's suggestion of developing PSPP into a communal facility, SFH pointed out that, given that the size of the present piece of land identified for developing the proposed PSPP was not very large, it would not be feasible to allow several slaughtering and processing lines to be operated concurrently by several operators.

Action

24. On the Administration's response, Dr KWOK Ka-ki enquired about the price levels of live chickens in the retail market after PSPP came into operation. SFH responded that, while the Administration would have control over the level of slaughtering fee, the retail prices of live chickens would be determined by the market.

25. The Chairman said that, with the concerted efforts of FEHD, the Agriculture, Fisheries and Conservation Department (AFCD) and the live poultry trade, Hong Kong had put in place all available effective measures to guard against outbreak of avian influenza. He did not see the need to develop a central slaughtering plant in Hong Kong. The Chairman further said that he shared with Dr Kwok Ka-ki's views on the development of regional slaughtering plants. He commented that, despite its difficulty in identifying suitable lands for developing regional slaughtering plants, the Administration should make reference to the experience of Singapore in this respect.

26. The Deputy Chairman said that, when members discussed the issue of environmental nuisances caused by the Tsuen Wan Slaughterhouse (TWSH), the Administration had explained that TWSH should not be closed in order to maintain a stable supply of fresh pork in case the slaughtering service provided by the Sheung Shui Slaughterhouse was disrupted for some reasons. He asked whether there was any back-up measure in case PSPP failed to provide slaughtering service to the trade.

27. On the Chairman's and the Deputy Chairman's views, SFH reiterated that the Administration had practical difficulty in searching sites that were suitable for the development of PSPP and met the requirements on the transportation and environmental needs. With regard to the issue of the operation of TWSH, SFH clarified that TWSH was owned and operated by a private company and the Administration could not close its operation without giving any reason. He pointed out that, given the high and stringent safety standards and requirements of the slaughtering plant, SSSH had not experienced any problems in the past in respect of disruption of slaughtering service.

28. The Chairman criticized that the Administration had double standards towards the issues of the slaughtering of live pigs and live poultry. He said that he was concerned about the impact on the public and food premises if, for whatever reasons, the PSPP could not provide slaughtering and dressing service.

"Freshly slaughtered chicken"

29. As regards the "freshly slaughtered chicken", the Deputy Chairman said that he was told by veterinarians and experts during the Panel's visit to Singapore and Malaysia that the slaughtered chickens had to be kept at 4°C, otherwise the

Action

slaughtered chickens would be contaminated. He doubted whether "freshly slaughtered chicken" would pose any health risk and asked whether members would be invited to visit the laboratory to have a better understanding of the study of "freshly slaughtered chicken" conducted by FEHD.

30. SFH reiterated that the result of the study conducted by FEHD revealed that slaughtered chickens without chilling would be suitable for consumption for up to 24 hours if stored at or below 7°C. FEHD would continue to conduct more tests and studies to assess the health risk of "freshly slaughtered chicken" under different conditions in respect of storage and transportation. SFH said that FEHD would carry out a more comprehensive and detailed study on the food safety of "freshly slaughtered chicken". The Administration would revert to the Panel on the result of the study.

31. Mr Vincent FANG asked whether there were any other places where "freshly slaughtered chicken" were on sale in the market. He said that he was concerned that it was rather difficult to ensure that "freshly slaughtered chicken" was stored at the temperature of 7°C during delivery and at retail outlets.

32. SFH responded that the Administration conducted the study of the feasibility of providing "freshly slaughtered chickens" in the market in response to members' request for providing "freshly slaughtered chickens" by PSPP and in consideration of the public's preference to "freshly slaughtered chickens". He said that "freshly slaughtered chicken" was not available in other countries/places. In view that "freshly slaughtered chicken" was a new food product, the Administration would invite experts to conduct more tests and studies on the temperature and duration of storage to ascertain the feasibility of the provision of "freshly slaughtered chicken" in the market.

33. Mr Vincent FANG said that, under the present mode of operation, live chickens not sold at the end of the day would be kept at retail outlets. The wholesalers and retailers were not required to slaughter unsold live chickens at the close of business each day. He asked how the wholesalers and retailers should keep the unsold "freshly slaughtered chicken".

34. SFH reiterated that the result of the study conducted by FEHD revealed that slaughtered chickens without going through a chilling process would be suitable for consumption for up to 24 hours if stored at or below 7°C. He said that the Administration would work out a set of guidelines in respect of the storage, storage time and temperature to assist the trade operators in providing "freshly slaughtered chicken" under the new operating environment.

35. In response to Mr WONG Yung-kan's and Mr Vincent FANG's question on the importation of "freshly slaughtered chicken" from the Mainland, SFH said that the importation of poultry meat was subject to the established inspection and

Action

quarantine procedures. FEHD staff and veterinary officers would carry out appropriate ante-mortem and post-mortem examinations to ensure that live poultry or poultry carcasses were fit for human consumption. SFH further said that, given the storage limit of 24 hours for slaughtered chickens without chilling if stored at or below 7°C, it might be rather difficult for "freshly slaughtered chicken" from other places to comply with the required standards if the cargo containers that carried "freshly slaughtered chicken" had to pass through a number of border control points for customs clearance and inspection by the relevant authorities of the exporting countries/places and Hong Kong.

36. The Chairman said that he wondered how the Administration could impose restriction on the importation of "freshly slaughtered chicken" from the Mainland. He saw no reason for not allowing "freshly slaughtered chicken" to be imported from the Mainland if they could meet Hong Kong's import and hygiene requirements. He pointed out that customs clearance of goods from the Mainland would only take less than 24 hours. Mr WONG Yung-kan echoed the Chairman's views and said that it only took about two and a half hours to travel from Shenzhen to Hong Kong.

37. SFH said that, given that "freshly slaughtered chicken" was a new product, the Administration must ensure that it had undergone all necessary laboratory tests and met all the relevant food safety standards before launching into the market. The Administration would work out a set of food safety requirements for compliance of PSPP and local live poultry trade. When local live poultry trade became familiar with the new requirements and the new mode of operation and subject to the demand for "freshly slaughtered chicken" in Hong Kong, the Administration would then consider allowing the import of "freshly slaughtered chicken" from other sources.

Impact on the live poultry trade

38. The Deputy Chairman asked whether there would be any compensation to the live poultry traders and, if so, whether the compensation proposal would be similar to that of the voluntary surrender scheme. He further asked whether a consensus could be reached with the affected trade on the compensation proposal before July 2008 given that the Administration planned to submit the Bill to LegCo for scrutiny in early 2008.

39. SFH responded that, upon the operation of PSPP, the sale of live poultry at retail outlets would be prohibited. There would inevitably be impact on the live poultry trade under the new operating environment. The Administration would provide appropriate assistance and compensation to the affected traders and workers. However, the affected retailers could consider switching to the business of selling chilled or freshly slaughtered chickens. SFH said that, given that PSPP would not come into operation before 2011, he believed that the Administration

Action

would have sufficient time to discuss with the live poultry trade measures to alleviate the impact of the development of the plant on the trade. He stressed that the Administration would put forward the compensation proposals in an appropriate time and would reach a consensus with the affected trade before the legislation came into operation.

40. On the Administration's response, the Chairman pointed out that, apart from live poultry retailers, local live poultry farmers, wholesalers and transporters would also be affected by the development of PSPP. He asked whether the Administration would submit the compensation proposals to the Panel for discussion before introducing the legislative proposals related to the development of the PSPP.

41. SFH reiterated that FEHD and AFCD had already started consultations with various stakeholders in the trade, including local poultry farmers, importers, wholesalers, retailers and transporters to brief them on the latest development of the proposal and gauge their views and concerns on the proposal. The two departments were also discussing the issues of financial assistance and compensation with them.

42. Mr WONG Yung-kan said that he personally objected the idea of the development of PSPP. He commented that the proposal would have great impact on the livelihood of the wholesalers, retailers and transporters and the workers engaging in slaughtering service. He wondered whether the Administration had assessed the impact on the trade and asked whether the Administration had any data on the number of the affected traders and workers who would become unemployed. He held a strong view that the Administration should work out the compensation proposals to help them to tide over financial difficulties.

43. Regarding the data on the number of the affected operators and workers, SFH advised that there were presently 50 live poultry farmers, 71 wholesalers, 471 retailers. The number of affected workers employed by live poultry farmers, wholesalers and retailers were about 60, 450 and 1 400 respectively. There were some 160 vehicles operated by live poultry transporters and about 500 transport workers were employed by the transporters. The total number of the affected farmers, wholesalers, retailers and workers would be about 2 400. SFH said that the development of PSPP would entail a fundamental change in the way the live poultry business operated in Hong Kong as no more live poultry would be sold at retail markets. However, the impact on the farmers, wholesalers and transporters should be minimal. Though there would be a greater impact on the retailers, the Administration would work out a reasonable financial/compensation proposal on the basis of the ex-gratia payment under the voluntary surrender scheme with reference to other factors.

44. Dr Joseph LEE said that the Administration's paper failed to address the concern over the assistance to the live poultry trade including farmers, wholesalers,

Action

retailers and transporters to help them continue their businesses after PSPP came into operation.

45. SFH explained that the Administration's paper was to brief the Panel on the proposed legislative amendments related to the development of the PSPP and a brief outline on the operation of PSPP. He reiterated that FEHD and AFCD were communicating with the stakeholders to seek their views on the new mode of operation and to understand their preference. The Administration would revert to the Panel on the views of the trade.

46. Noting that the Administration planned to submit the Bill to LegCo in early 2008, Dr Joseph LEE asked whether the Administration had a timetable for reaching a consensus on the compensation proposal with the trade.

47. SFH said that, as the legislation would take effect in 2011 the earliest, there would be sufficient time for the Administration and the trade to reach a consensus on the financial/compensation proposal. He added that discussions with the trade and the scrutiny for the legislative proposals could take place concurrently.

48. Mr Alan LEONG asked why there was an imminent need for the Administration to introduce the relevant legislation before working out any compensation proposals and reaching a consensus with the affected trade. Noting that most members considered that the Administration should reach a consensus with the affected trade before enacting the legislation, he further asked how the Administration would address members' concern in this respect.

49. SFH explained that the Administration's plan was to invite tender after the enactment of the Bill and no prospective operators in the private sector would be willing to submit responses to tender without proper protection under the law. He said that it would take some time to draft and scrutinize the legislation and some time was also needed for construction of PSPP. In view of this, there would be sufficient time for the Administration to discuss with the affected traders as well as workers and to reach a consensus with them before the legislation came into operation.

50. On the Administration's explanation, Mr Alan LEONG suggested the Administration to consider either deferring commencement date of the relevant legislation until a consensus had been reached with the trade or including a condition in the tender document stating that the validity of the tender would be conditioned upon the enactment of the relevant bill. SFH responded that the Administration would take note of Mr LEONG's suggestions.

51. Mr WONG Yung-kan moved the following motion which was seconded by Mr Vincent FANG -

Action

"本委員會反對政府在未能與整個活雞養殖及銷售行業包括養殖、批發、零售和運輸從業員等部分，就收回牌照和妥善保障從業員的日後生計的方案達成共識之前，提交任何與興建家禽及加工廠有關的法例到立法會審議。"

[English translation

"That this Panel opposes the introduction of any legislation related to the construction of the poultry slaughtering and processing plant to the Legislative Council for scrutiny before a consensus has been reached between the Government and the whole live poultry trade, including farmers, wholesalers, retailers and transporters, on the surrender of licence and measures to safeguard properly the future livelihood of those people in the trade."]

52. The Chairman invited members to vote on the motion. Seven members voted for the motion. The Deputy Chairman voted against the motion. He expressed concern that the passage of the motion would likely cause a delay in the submission of the relevant bill for scrutiny.

53. SFH said that the Administration would proceed with the introduction of the Bill and the related legislative amendments into the LegCo as planned while making every endeavour to devise a suitable ex-gratia package in consultation with the trade. He expressed that any undue delay to the development of the poultry slaughtering and processing plant would adversely affect the implementation of the policy of separating humans from live poultry to minimize the risk of human infection of avian influenza in Hong Kong. As a result, the community would continue to be subject to such risk for a longer time.

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