

## **LegCo Panel on Environmental Affairs**

### **Proposed Arrangement for Stallholders in Central Market**

#### **Purpose**

This paper briefs Members on the proposed arrangement for stallholders affected by the redevelopment of the Central Market site.

#### **Background**

2. In 1997, Government and the former Urban Council (UC) set up a working group to discuss the future of Central Market as the use of the site as a public market has been considered a waste of scarce land resources. The Public Accounts Committee (PAC) of the then Provisional Legislative Council also pointed out in the PAC Report No. 29 on “Urban Council Public Markets” dated February 1998 that “the Central Market is located on a prime and valuable site and the use of this premium site for a highly under-utilized bulk sale market is totally unjustified in present day circumstances”.

3. The temporary allocation of the land where Central Market situates will expire on 30 June 2001 and Lands Department has informed the Food and Environmental Hygiene Department (FEHD) that the site would be needed for redevelopment after the expiry of the current allocation. Based on the terms of the tenancy agreement entered between FEHD and the stallholders in Central Market, FEHD determines to give six months’ notice to the stallholders before termination of tenancy. FEHD has accordingly sent termination notices to the stallholders on 11 December 2000.

4. The original plan was to build a new market at the ex-Police Staff Quarters site at Hollywood Road to reprovision Central

Market. The new market would also be used to resite 15 stalls in the Bridges Street Market and some 140 licensed on-street wet-goods fixed pitch hawkers trading in the vicinity. The Hollywood Road site was intended to be disposed of through public tender for residential development. The successful bidder would be required to build a market as a tender condition but the market would be funded and managed by Government upon completion. A copy of the site plan showing the locations of the above facilities is at **Annex A**.

### **Review of the proposed new market at Hollywood Road**

5. We have recently completed a review on the viability of the proposed new market at Hollywood Road, having regard to the Director of Audit's recommendations in his Report No. 29 issued in October 1997 that "viability should be the overriding consideration in planning public markets" and that "every new public market should be justified by a comprehensive review of the demand for such market facilities". These recommendations were made following the Director of Audit's observations of the low utilization rate and viability problem of some public markets as well as the usage of public market facilities for storage or bulk sale purposes. We have grave doubt about the viability of the proposed market for the following reasons:

- a) The relatively inconvenient location and poor accessibility of the new market site would likely affect its long-term viability;
- b) The stallholders in Central Market are expected to be vacated around mid 2001. As there is no suitable site for building any temporary market facilities, there will be a three to four year gap between the clearance of stallholders from Central Market and the opening of the new market. It is far from certain how many stallholders would re-establish their business in the new market after they have started business elsewhere; and
- c) Retail demand within the area is relatively small and the

presence of other market facilities in the vicinity may further affect the viability of the proposed new market. According to FEHD's planning guidelines, markets are preferably located within 10-minute walking distance from areas of population. Based on this standard, 50% of the catchment area of the proposed Hollywood Road Market will overlap with that of Sheung Wan Market. Apart from Sheung Wan Market, consumers may shop in Centre Street Market, Bridges Street Market, Sai Ying Pun Market, 26 fresh provision shops and about 8 supermarkets selling a wide range of fresh food items. The locations of these facilities are also shown on the site plan at **Annex A**.

6. It is Government's responsibility to ensure that any new markets being built will be viable given public funds are involved in the construction and subsequent management of such facilities. In view of the uncertainty over the viability of the proposed new market, we do not think it is prudent to proceed with the construction of the proposed Hollywood Road Market and should instead suggest an alternative arrangement for stallholders in Central Market.

7. In making the proposal, we have assessed the impact of not constructing the new market at Hollywood Road on the bulk sale demand in Central District. Our assessment reveals that only about 71 food premises (12.5%) out of a total of 568 in Central District purchase fresh food in bulk from Central Market for their daily operation and it is the usual practice of most food premises to purchase fresh food from more than one source. Indeed, other than geographical location, factors such as quality of food, price and business relationship, are just as, if not more important considerations for the food premises in choosing their food suppliers. As stallholders will be given at least a six months' notice before the closure of Central market, food premises currently sourcing food supply from Central Market should have sufficient time to secure other sources of fresh food supply. Therefore, the closure of Central Market should have little impact on the operation and business of food premises in Central.

## **Proposed arrangement**

8. Although there is no contractual obligation on the part of Government to reprovision the stallholders upon termination of the tenancy agreements as long as sufficient notice has been given, after considering the impact of disruption of business on the stallholders, we propose to offer eligible stallholders a special package that includes an ex-gratia payment (EGP) and preferential terms for relocating their business to vacant stalls in existing FEHD markets.

9. In formulating the package, we have considered both the practice of the former Municipal Councils and the existing arrangement of the Housing Authority (HA) in redevelopment cases. The details are provided in the following paragraphs.

### Former Municipal Councils

10. Over the years, there was only one redevelopment case in 1995 (the Tong Mei Road Temporary Market) under the auspices of the former UC in which the affected market stalls could not be reprovisioned. In this particular case, the former UC offered affected stallholders the options of either relocating to existing vacant stalls in other markets within the district, or receiving an EGP of \$22,000 in lieu of reprovisioning. Stallholders who chose to be resited to existing markets in the same district could receive concessionary rental arrangements, comprising a six-month rental waiver and the setting of the upset auction price of the stalls concerned at 50% of the open market rent instead of the then UC's norm of 75%.

### HA

11. HA's existing policy is to offer commercial tenants affected by redevelopment an ex-gratia allowance equivalent to 15 months' rent (exclusive of rates) plus the right to participate in restricted tendering for commercial premises in HA markets. Tenants who choose not to take part in restricted tendering will be

paid a lump sum of \$73,000 in lieu. This payment was introduced in 1989 at an initial rate of \$24,000 based on the average three-month rent-free amount granted to commercial tenants who obtained their premises by restricted tender over the preceding two years. It was subsequently adjusted biennially, taking into account other relevant factors.

12. Drawing reference from both the practice of the former UC and the existing arrangement of HA, we propose the following package for eligible stallholders of Central Market:

- a) A stallholder will receive an EGP equivalent to 15 months' net current market rent as stated on the tenancy agreement, exclusive of rates. The amount of EGP that they will receive ranges from about \$56,000 to \$178,000, with an average payment of about \$128,000;
- b) On top of the EGP in a) above, we will give the stallholders a right to restricted auction of existing vacant stalls in FEHD markets, with upset auction price of the stalls concerned set at 50% of the open market rent. The stallholders will also be given a three-month rental waiver;
- c) We will also offer a stallholder who choose to forgo their right to restricted auction under b) above an extra lump sum payment equivalent to three months' net current market rent. The stallholder will receive a lump sum ranges from \$11,000 to \$35,000, with an average of about \$25,000.

13. 168 stalls in Central Market are at present let. 101 stalls will be eligible for the package. Ineligible stallholders are those whose tenancy agreements have explicitly stated that no reprovisioning will be offered upon termination of the tenancies. These stalls are either used for pure storage purpose or are located within the Central Escalator Link Alley. The estimated ex-gratia payment received by stallholders broken down by the type of stalls is at **Annex B**.

14. We believe that our proposed package is a reasonable one. In addition to receiving the ex-gratia payment, stallholders can still continue their business by bidding vacant stalls in other FEHD markets through restricted auction. There are now 380 vacant stalls in all FEHD markets (125 on Hong Kong and Islands, 117 in Kowloon, and 138 in the New Territories). Even if stallholders choose to opt for the extra lump sum payment in lieu of restricted auction, they can still continue their business by bidding the market stalls through open auction. The proposed package is designed to minimize as far as possible the disruption and inconvenience to the stallholders as a result of the closure of Central Market.

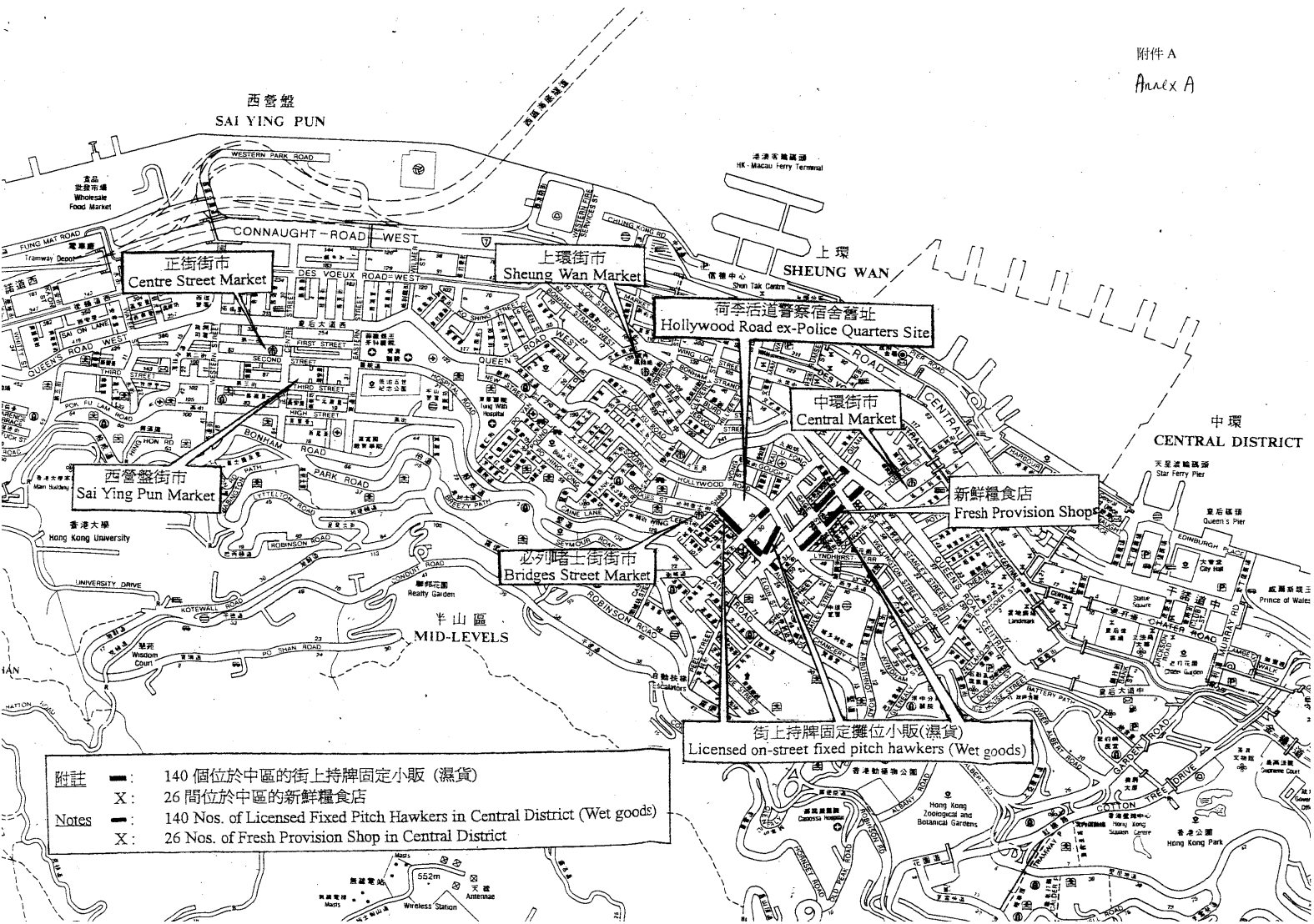
### **Financial implications**

15. Assuming all stallholders forgo the right to restricted auction and choose the extra lump sum payment, the estimated financial implication of this package is about \$15.5 million and the approval of the Finance Committee will be required.

### **Consultation**

16. We are in discussion with the stallholders of Central Market on the proposed arrangement. We will also consult the Food, Environment, Hygiene and Works Committee of the Central and Western District Council (C&W DC).

Environment and Food Bureau  
Food and Environmental Hygiene Department  
11 December 2000



**Analysis of ex-gratia payment to eligible stall operators in Central Market**  
**(For indicative purpose)**  
**(Total number of stalls: 101)**

**Table A**

<b>Type of stalls</b>	<b>No. of stalls</b>	<b>Payment</b>		
		<b>Min</b>	<b>Max</b>	<b>Average</b>
<i>Poultry</i>	16	\$131,250	\$156,855	\$139,371
<i>Fish</i>	34	\$142,500	\$178,800	\$143,788
<i>Pork</i>	21	\$89,415	\$116,940	\$111,680
<i>Beef/Mutton</i>	13	\$108,390	\$140,820	\$134,997
<i>Vegetable</i>	8	\$98,205	\$113,790	\$101,085
<i>Fruit</i>	7	\$104,640	\$120,090	\$114,876
<i>Store rooms</i>	2	\$56,070	\$68,250	\$62,160
<b><i>Overall</i></b>	<b>101</b>	<b>\$56,070</b>	<b>\$178,800</b>	<b>\$128,278</b>

**Table B**

<b>Range of payment</b>	<b>No. of stalls</b>	<b>% of stalls</b>
<i>\$50,000 - \$100,000</i>	10	9.90%
<i>\$100,001 - \$125,000</i>	29	28.71%
<i>\$125,001 - \$150,000</i>	59	58.42%
<i>\$150,001 - \$175,000</i>	2	1.98%
<i>\$175,001 - \$200,000</i>	<u>1</u>	<u>0.99%</u>
Total:	101	100.0%