

## **ITEM FOR FINANCE COMMITTEE**

### **GENERAL REVENUE ACCOUNT**

### **HEAD 49 - FOOD AND ENVIRONMENTAL HYGIENE DEPARTMENT**

### **Subhead 700 General other non-recurrent**

### **New item "Ex-gratia payment to stallholders affected by the redevelopment of Central Market site"**

Members are invited to approve the creation of a new commitment of \$23,321,000 for making ex-gratia payment as applicable to eligible stallholders affected by the redevelopment of the Central Market site.

### **PROBLEM**

The current use of the Central Market (CM) site is not optimal from a land resource angle. The tenancies for CM stallholders will expire on 31 December 2002. To ensure smooth and timely recovery of the CM site, we need to provide an appropriate ex-gratia payment (EGG) to eligible stallholders affected by the redevelopment of the CM site.

### **PROPOSAL**

2. We propose to create a new non-recurrent commitment of \$23,321,000 under Head 49 Food and Environmental Hygiene Department (FEHD) Subhead 700 General other non-recurrent for providing an EGG to eligible stallholders affected by the redevelopment of the CM site.

**/JUSTIFICATION .....**

## JUSTIFICATION

3. Contractually, there is no obligation on the part of the Government to either re-provision the stallholders or offer them any compensation or EGP upon termination of the tenancy agreement, as long as sufficient notice has been given. However, having considered the wider community interest of redeveloping the CM site to achieve optimum use of the land which is located at the centre of the business district, we propose to offer eligible stallholders a package that includes an EGP and preferential terms for relocating their business to vacant stalls in existing FEHD markets or to vacant stalls in the Western Wholesale Food Market (WWFM) managed by the Agriculture, Fisheries and Conservation Department (AFCD). If the stallholders choose to forego their right to restricted auction of vacant stalls in FEHD markets and/or balloting of vacant stalls in AFCD's WWFM, an extra lump sum payment will be provided. In formulating the package, we have taken into account the practice of the former Municipal Councils, as well as the arrangements of the Housing Authority and that of Urban Renewal Authority in redevelopment cases.

## THE PROPOSED PACKAGE

### Eligibility

4. We propose that stallholders who had a valid tenancy agreement with FEHD on the date of announcement of termination of tenancy, i.e. 11 December 2000, should be eligible for the package, except those tenants whose tenancy agreements explicitly stated that no re-provisioning would be offered upon termination of the tenancies. Based on this, there are 101 eligible stallholders.

### Details of the Package

5. The package to be offered to the 101 eligible CM stallholders includes :

(a) EGP

Each stallholder will receive an EGP equivalent to 24 months' rental.<sup>(Note)</sup> The payment will range from \$89,000 to \$286,000 with an average of about \$205,000. The estimated EGP to be received by eligible stallholders is set out in Enclosure.

/(b) .....

Encl.

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<sup>(Note)</sup> The rental refers to the market rent on 11.12.2000 and will form the basis of EGP calculation.

(b) Vacant market stalls available for restricted auction/balloting

Stallholders will be given the right to “restricted auction” of existing vacant stalls at FEHD markets, with upset auction prices set at 50% of the open market rent. Successful bidders will be given a three-month rental waiver. Currently, there are 476 vacant market stalls available to CM stallholders for “restricted auction”, of which 206 are on Hong Kong Island, 12 on outlying Islands, 157 in Kowloon and 101 in the New Territories.

In addition to the vacant stalls in FEHD markets, the Administration has set aside vacant poultry stalls at WWFM under the management of AFCD and is remodeling them into 37 market stalls in order to make available 19 fish stalls, 14 frozen meat/beef and mutton stalls and 4 pork stalls for balloting following AFCD’s practice. The Architectural Services Department anticipates that the remodelling work will complete in December 2002. The CM stallholders moving into WWFM will also be given a three-month rental waiver.

The stallholders at CM are only allowed to select one stall either from FEHD markets or WWFM for relocation. If the stallholders forego the right to “restricted auction” of vacant stalls in FEHD markets and/or balloting of vacant stalls in WWFM, they will be offered an extra sum equal to 3 months’ rental at CM, ranging from \$11,000 to \$35,000 with an average of about \$25,000.

(c) Assistants or partners

If stallholders can provide sufficient evidence to prove that their assistants or partners have been taking part in their business operation at CM, we may consider allowing such applicants to take the place of the stallholders in the “restricted auction” of vacant market stalls at FEHD markets or balloting of vacant stalls at AFCD’s WWFM and, if successful, they will also be entitled to the three-month rental waiver. The possible transfer of the right to “restricted auction” or balloting from stallholders to their assistants or partners with sufficient evidence is provided in this case under special consideration with regard to the strong request from some old stallholders at CM, as they have operated in CM for many years and their stalls are essentially run by their assistants or partners. Where stallholders are allowed to pass their right of “restricted auction” or balloting to their assistants or partners, the stallholders will not be entitled to the extra sum equal to 3 months’ rental as mentioned in the paragraph 5(b) above.

/As .....

As set out above, the total number of FEHD market stalls on the Hong Kong Island and the additional stalls at WWFM should be sufficient to reprovision the 101 eligible stallholders of different trades at CM.

## **CONSULTATION**

6. We have consulted the CM market stallholders, the Food and Environmental Hygiene and Works Committee of the Central and Western District Council (C&W FEHWC) and the Legislative Council Panel on Food Safety and Environmental Hygiene (the Panel) on the proposed package. While C&W FEHWC requested the Government to increase the proposed 24-month EGP at its meeting held on 24 January 2002, most stallholders considered the proposed EGP arrangement and the number and the location of the available vacant market stalls acceptable. The Panel also supported the proposal in paragraph 5 above at its meeting held on 25 February 2002.

## **FINANCIAL IMPLICATIONS**

7. The EGP equivalent to 24 months' rental payable to the 101 stallholders amounts to \$20,730,000. If all the stallholders opt for the extra sum in lieu of the right to "restricted auction" or balloting, an extra sum of payment at \$2,591,000 will be required. The total financial implication to the Government would then amount to \$23,321,000.

8. Subject to Members' approval of the creation of the new commitment of \$23,321,000, we will arrange payments to the eligible CM stallholders as soon as they hand over the possession of the stalls to FEHD. We shall offset any supplementary provision required in 2002-03 by deleting an equivalent amount under Head 106 Miscellaneous Services Subhead 789 Additional Commitments.

9. Upon closure of the CM by end of 2002, annual savings in recurrent cost of \$3,698,000 will be realised, partly offset by the additional annual recurrent cost arising from the increased number of stalls at WWFM and other FEHD markets. The quantum of such additional recurrent cost will depend on how many such stalls are taken up by the stallholders in question.

**/BACKGROUND .....**

**BACKGROUND INFORMATION**

10. In 1997, the Administration and the former UC set up a working group to discuss the future of CM as the use of the site as a public market has been considered a waste of scarce land resources. There was a suggestion to build a new market at the ex-Police Staff Quarters site at Hollywood Road to reprovision CM stallholders. The Public Accounts Committee of the then Provisional Legislative Council in its Report No. 29 considered that CM was located on a prime and valuable site and the use of this premium site for a highly under-utilized bulk sale market was totally unjustified in present-day circumstances. The Committee also urged the then UC to review the public markets which were non-viable and take prompt remedial action to put the vacant market stalls to good use. The Administration carefully reviewed the proposed Hollywood Road market and expressed grave concern about the viability of such a new market. It was subsequently decided that alternative arrangement should be made for the CM stallholders.

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Environment and Food Bureau  
April 2002

**Ex-gratia Payment to be Received by  
Eligible Stallholders of Central Market (for reference only)**

**(No. of Stalls : 101)**

**Table 1 : Breakdown by type of stall**

Type of stall	No. of stalls	Amount		
		Minimum	Maximum	Average
<i>Poultry</i>	16	210,000	250,968	222,993
<i>Fish</i>	34	228,000	286,080	230,061
<i>Pork</i>	21	143,054	187,104	178,688
<i>Beef/Mutton</i>	13	173,424	225,312	215,994
<i>Vegetable</i>	8	157,128	182,064	161,736
<i>Fruit</i>	7	167,424	192,144	183,802
<i>Storage</i>	2	89,712	109,200	99,456
<b><i>Total</i></b>	<b>101</b>	<b>89,712</b>	<b>286,080</b>	<b>205,245</b>

**Table 2 : Breakdown by amount received**

Amount	No. of stalls	Percentage
<i>\$50,000-\$100,000</i>	1	0.99%
<i>\$100,001-\$150,000</i>	3	2.97%
<i>\$150,001-\$200,000</i>	35	34.65%
<i>\$200,001-\$250,000</i>	59	58.42%
<i>\$250,001-\$300,000</i>	3	2.97%
<b><i>Total</i></b>	<b>101</b>	<b>100%</b>

**Financial implications**

- |   |              |
|---|--------------|
| (i) Total payment <b>excluding</b> payment in lieu of restricted auction and/or balloting   | \$20,729,760 |
| (ii) Total payment <b>including</b> payment in lieu of restricted auction and/or balloting that equals three months' average rent | \$23,320,980 |

