

For discussion
on 25 February 2002

**Legco Panel on Food Safety and Environmental Hygiene
New Arrangement for Stallholders
Affected by Central Market Redevelopment Plan**

Purpose

This paper briefs Members on the Government's proposed arrangement for stallholders affected by the Central Market redevelopment plan.

Background

2. At the LegCo Panel on Food Safety and Environmental Hygiene meeting held on 8 January 2001, the Environment and Food Bureau and the Food and Environmental Hygiene Department ("FEHD") presented for Members' discussion a paper (LC Paper No. CB(2)485/00-01(01)) on the proposed arrangement for stallholders affected by the Central Market redevelopment plan. The main points of paper are summarized as follows:

- (a) The Central Market site was temporarily allocated by the Director of Lands under the management of the Director of Food and Environmental Hygiene. According to the terms of land allocation, the Central Market site had to be returned to the Lands Department upon the expiry of the allocation on 30 June 2001;
- (b) Based on the Director of Audit's report, we had carefully reviewed the then Provisional Urban Council's proposal to build a new market on Hollywood Road and had grave reservation about its viability. We did not think it was prudent to proceed with the construction of the market and should instead provide an alternative arrangement for stallholders in Central Market; and
- (c) We proposed to offer the following package to eligible Central Market stallholders at that time:
 - (i) Each stallholder would receive an ex-gratia payment ("EGP") equivalent to 15 months' rental as stated on the tenancy agreement. The amount of EGP that they would receive ranged from \$56,000 - \$178,000, with an average payment of

about \$128,000;

- (ii) On top of the EGP mentioned in (i) above, we would give stallholders the right to “restricted auction” of existing vacant stalls at FEHD markets (125 on Hong Kong Island and outlying islands, 117 in Kowloon and 138 in the New Territories, i.e. 380 in total), with upset auction prices set at 50% of the open market rent. Stallholders would also be given a three-month rental waiver; and
- (iii) Stallholders who forewent the right to “restricted auction” mentioned in (ii) would be offered an extra lump sum equivalent to three months' net market rental. Each stallholder would receive a lump sum ranging from \$11,000 - \$35,000, with an average of about \$25,000.

3. At the meeting, Members requested the Government to build a new market to accommodate the affected stallholders and to allow the existing stallholders of Central Market to continue their business in Central Market pending the completion of the new market.

Latest Development

4. FEHD has sought the agreement of the Lands Department to extend the temporary allocation of the Central Market site until 31 December 2002. FEHD has also had frequent discussion with stallholders at Central Market in order to work out an appropriate arrangement before the expiry of the temporary allocation. Further, at the request of the stallholders of fish and meat stalls, FEHD has worked closely with other Government departments on the feasibility of remodelling some of the vacant poultry stalls at the Western Wholesale Food Market into fish, frozen meat and beef and mutton stalls. FEHD has regularly reported latest position regarding the arrangement for Central Market stallholders to the Food and Environmental Hygiene and Works Committee of the Central and Western District Council (“C&W FEHWC”).

Proposal Arrived at

5. Taking into account the views of Members and the result of our intensive discussion with the stallholders of Central Market, we propose the following arrangement for the 101 eligible Central Market stallholders:

(a) EGP

- (i) The EGP will be increased from 15 months' rental proposed

previously to 24 months' rental. The payment will range from \$89,000 to \$286,000 with an average of about \$205,000.

- (ii) As mentioned in paragraphs 2(c)(ii) and (iii), 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. Stallholders who forego the right to "restricted auction" will be offered an extra sum equal to 3 months' rental, ranging from \$11,000 to \$35,000 with an average of about \$25,000.
- (iii) The estimated EGP received by stallholders broken down by type of stalls is at Annex A.

(b) Vacant market stalls available for auction

The number of vacant market stalls available to Central Market stallholders at "restricted auction" has been increased from 380 in December 2000 to the present 470, of which 200 are on Hong Kong Island, 12 on outlying Islands, 157 in Kowloon and 101 in the New Territories. In response to the wish of stallholders to continue their operation in the same district or on Hong Kong Island, we have suspended the renting out of some larger vacant stalls for selling poultry, fish or meat and some small vacant stalls for selling vegetable or fruit on Hong Kong Island. They are now reserved for bidding by the 101 stallholders affected by the demolition of Central Market.

(c) Additional market stalls

The Administration intends to set aside vacant poultry stalls at the Western Wholesale Food Market under the management of the Agriculture, Fisheries and Conservation Department and remodel them into 33 market stalls, thus providing 19 fish stalls and 14 frozen meat stalls for selection by the stallholders. Subject to funding approval, the Architectural Services Department expects that the remodelling work can be completed in December 2002.

(d) Assistants or partners

If stallholders can provide sufficient evidence to prove that their assistants or partners have all along been taking part in their business operation at the Central Market, we may consider allowing such applicants to take the place of the stallholders in the "restricted auction" of vacant market stalls.

6. Based on paragraphs 5(b) and (c) above, there are 71 large and 129 small vacant FEHD market stalls available to the Central Market stallholders. With the additional 19 fish stalls and 14 frozen meat stalls at the Western Wholesale Food Market, there are sufficient stalls for allocation to the 101 stallholders of different trades.

Consultation with the District Council

7. We consulted C&W FEHWC on the proposed arrangement stated in paragraph 5 above on 24 January 2002. C&W FEHWC resolved that the Government should:

- increase the proposed 24-month EGP;
- increase the amount of rental waiver for re-sited stalls;
- consult stallholders on stall location and provide proper relocation arrangements;
- provide sufficient stalls to re-site pork stalls together; and
- provide opportunity for tenants on the Escalator Link to bid vacant stalls in other markets.

Response to the District Council's Resolution

8. We generally consider our proposed arrangement to be a reasonable one. Stallholders will be given an EGP equivalent to 24 months' rental, which represents a 60% increase over the previous proposal. As regards the number and location of stalls, the number of FEHD market stalls to be allocated through "restricted auction" has been increased from 380 to 470, of which 200 are on Hong Kong Island. In response to the wish of some stallholders we will offer them the opportunity to continue their business in the Western Wholesale Food Market.

9. In response to the C&W FEHWC's resolution, we have reserved 12 pork stalls in Sheung Wan Market in the Western District. We will also provide 4 pork stalls in the Western Wholesale Food Market. There should be sufficient number of stalls to re-site affected Central Market pork stallholders.

10. Although stallholders on the Central Market Escalator Link are ineligible for the arrangement mentioned in paragraph 5, we will consider their request to bid for vacant market stalls.

Consultation with Stallholders

11. A meeting was held with the stallholders of Central Market in early February 2002. Most stallholders considered the proposed number and locations of market stalls acceptable. Most of them also found the arrangement on EGP acceptable.

Financial Implication

12. If all stallholders opt for the extra sum in lieu of the right to “restricted auction”, the financial implication to the Government for the proposed EGP mentioned in paragraph 5(a) will amount to \$23,320,000 (including an EGP of 24 months' rental and an extra sum equal to 3 months' rental in lieu of the right to “restricted auction”). The Administration has to seek funding approval from the Finance Committee of the Legislative Council.

Advice Sought

13. Members are invited to comment on the new arrangement.

Food and Environmental Hygiene Department
February 2002

**Summary of Ex-gratia Payment to be Received by
Eligible Stallholders of Central Martket (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
Total	101	89,712	286,080	205,245

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%
Total:	101	100%