

立法會
Legislative Council

LC Paper No. CB(1) 2545/01-02
(These minutes have been seen
by the Administration)

Ref : CB1/PS/1/01/1

LegCo Panel on Housing

**Subcommittee to study the letting and rent policies of non-domestic premises
of the Housing Authority and the Housing Society**

**Minutes of meeting held on
Wednesday, 17 July 2002 at 10:45 am
in Conference Room B of the Legislative Council Building**

- Members present** : Hon Abraham SHEK Lai-him, JP (Chairman)
Dr Hon David CHU Yu-lin, JP
Dr Hon LO Wing-lok
Hon WONG Sing-chi
- Members absent** : Hon Andrew WONG Wang-fat, JP (Deputy Chairman)
Hon CHAN Yuen-han, JP
Hon LEUNG Yiu-chung
Hon LAU Ping-cheung
- Public officers attending** : Housing, Planning and Works Bureau

Miss Joey LAM
Representative

Housing Department

Mr Deryk YIM
Acting Assistant Director/Commercial Properties

Mr K F CHEUNG
Chief Manager/Commercial Properties (Management)

Hong Kong Housing Society

Miss YU Chun
General Manager
(Property Management-Business Development)

Mr Kenneth AU
Marketing Manager

Clerk in attendance : Miss Becky YU
Chief Assistant Secretary (1)1

Staff in attendance : Mr S C TSANG
Senior Assistant Secretary (1)7

I Confirmation of minutes of previous meeting

(LC Paper No. CB(1) 1910/01-02 — Minutes of the meeting held on 25 April 2002)

The minutes of the meeting held on 25 April 2002 were confirmed.

II Meeting with the Administration

(LC Paper No. CB(1) 1613/01-02 — A letter dated 22 April 2002 from the Hong Kong Medical Association expressing its views on the letting policy on medical/dental clinics in public housing estates)

Discussion with the Housing Authority

(LC Paper No. CB(1) 1573/01-02(01) — List of follow-up actions arising from the discussion on 14 March 2002

LC Paper No. CB(1) 1573/01-02(03) — Response to CB(1) 1573/01-02(01) provided by the Housing Authority (HA)

LC Paper No. CB(1) 1911/01-02(01) — List of follow-up actions arising from the discussion on 25 April 2002

LC Paper No. CB(1) 1911/01-02(02) — Administration's response to CB(1) 1911/01-02(01))

2. On *letting policy*, the Assistant Director of Housing/Commercial Properties

(Acting) (AD of H/CP (Ag)) advised that HA remained of the view that it should not disclose the upset rent since bidders were more experienced as operators and should have in their mind the rent which could be sustained from the anticipated level of profit. Nevertheless, HA was reviewing its tender arrangements and consideration would be given to disclosing general rental information for reference of bidders. Members would be informed of the outcome of the review in due course.

3. Referring to paragraph 5 of LC Paper No. CB(1) 1911/01-02(02) regarding letting arrangement for public housing clinics, Dr LO Wing-lok requested to put on record that the Hong Kong Medical Association (HKMA) did not support HA's proposal of replacing the ballot system with an open tender system for the letting of clinic premises in 2000. The letter of 25 November 1999 from HKMA was tabled at the meeting for members' reference. In response, AD of H/CP (Ag) confirmed that HKMA was one of the external parties which had expressed views on the proposed switch from ballot system to open tender for the letting of clinic premises in 2000. While many of the parties concerned specifically supported the switch, HKMA was not in favour of the proposal. Pursuant to HA's request, the Housing Department (HD) was conducting a review of how the tendering system was working over the past two years. It was expected that the findings of the review together with comments from various medical associations would be presented to the Commercial Properties Committee of HA for deliberation.

4. Dr David CHU opined that apart from rental return, HA should put more emphasis on the need for continuity in the provision of health care service in the letting of clinic premises. In this connection, consideration should be given to offering rent concession to medical practitioners with a view to encouraging them to provide continuous health care service to residents at a reduced price. This would not only help foster the development of "family doctors" as in the case of overseas countries but also help relieve the pressure on the public health care service sector. The use of open tender system in the letting of clinical premises would however force medical practitioners to tender a higher bid in order to secure the tenure of clinic premises, which would in turn push up the health care bill of patients concerned.

5. While acknowledging the valuable service which residents received from doctors, representative of HPLB pointed out that under current arrangements, HA did not exercise any control over the level of consultation fees charged by medical practitioners operating in public housing estates. Therefore, there was little rational ground for providing rent concessions to them. She added that HA recognized the need for continuity of health care service. As such, clinic premises would not be re-tendered if sitting tenants agreed to the rent adjustments proposed by HD upon renewal of tenancies. Dr LO Wing-lok clarified that doctors had never asked for subsidy from HA but a fair rent-setting mechanism for clinical premises. He reiterated that the tender price would not be able to reflect the market rent as bidders might tend to raise their bids in order to secure the tender. The situation would be further aggravated if the higher bids were adopted for assessing market rent upon renewal of existing

tenancies. To this end, consideration should be given to excluding the extreme bids in the determination of rent for clinic premises.

6. AD of H/CP (Ag) explained that the average rent would be used in determining new rents for clinic premises. HD would continue to monitor the situation to ensure that the rent level was in line with the market trend. In fact, rents for clinic premises had been reduced up to 70% consequent upon the recent rent reassessment exercise. Noting the higher rentals of clinic premises, such as those under HS which were 30% higher than that for other commercial premises, the Chairman considered that there was still room for downward rent adjustment. He urged the Administration to review the situation taking into account the need for continuity for health care service. To this end, Dr David CHU suggested that consideration should be given to offering rent concession to medical practitioners who had been serving the same public housing estates for a certain period of time.

7. On *rent reassessment*, AD of H/CP (Ag) advised that HD had conducted two rent reassessment exercises in 1998 and 2001. About 92% of the 13 000 commercial tenants had applied for rent assessment in the rent reassessment exercise in November 2001 which had resulted in an average rent reduction of 19%. The new rents would apply to the residual period of the tenancy agreements. Meanwhile, HD was processing requests from tenants who were not satisfied with the reassessment result. As to why the remaining tenants had not applied for rent reassessment, AD of H/CP (Ag) explained that this was mainly due to the imminent expiry of their existing tenancies.

8. On the *impact of large chain stores on market stalls*, the Chairman enquired about the number of market stalls which had been forced out of business as a result of competition from supermarkets. AD of H/CP (Ag) advised that it was a normal practice for HA to make available both wet market and supermarket within a public housing estate to meet the different needs of residents. According to past experience, the closing down of market stalls was usually attributed to the aging, retirement or emigration of the operators concerned rather than competition from supermarkets. The Chief Manager of Housing/Commercial Properties (Management) (CM of H/CP (M)) added that according to the findings of a survey conducted by a broadcasting limited, market stalls still had room for survival, despite the competition from supermarkets and superstores, probably due to their personalized service. Besides, HD would endeavour to enhance the competitiveness of market stalls. Measures such as installation of air-conditioning and reorganization of market layout would be taken as far as practicable to improve customer flow in some older wet markets. To encourage the use of air-conditioning, stall operators would be given fee waivers of 2/3 and 1/3 of the air-conditioning charges in the first and second years respectively after the installation of the system. At members' request, the Administration undertook to provide the findings of the said survey.

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9. Given that similar products were sold at both supermarkets and wet markets,

Mr WONG Sing-chi asked if HD would limit the number of supermarket within a public housing estate to avoid undue competition. CM of H/CP (M) explained that the number of supermarket within a public housing estate was determined by size of population. He added that while there had been pressure for supermarkets to develop “service-style” fresh food provision, this was permitted only for supermarkets exceeding 800 square metres and subject to a limitation of 20% of the total area for fresh food. Besides, the possible impact of superstore to market stall operators was put under consideration in the recent rental assessment. The closing down of some market stalls might not necessarily due to the competition from supermarkets or superstores but to the general unfavourable economic environment.

10. Mr WONG was not convinced of the Administration’s response. He pointed out that the conversion of an existing supermarket to superstore, together with the opening of a new supermarket in Choi Yuen Estate had forced many stall operators out of business, resulting in a high vacancy rate of over 60% of the wet market. He stressed that while customers should be given the choice of supermarkets or superstores, HA should take into account the plight of small stall operators. CM of H/CP (M) explained that the business of the wet market in Choi Yuen Estate had started to decline before the introduction of the superstore. The loss was due to competition from the nearby Shek Wu Hui Market. To this end, consideration was being given to reorganizing the remaining stalls so that they would cluster together for the convenience of customers. Effort would also be made to convert vacant market stalls for other constructive purposes. Similar arrangements would apply to other wet markets with a high vacancy rate.

11. Dr LO Wing-lok asked if HD had conducted an assessment on the impact of the introduction of supermarkets or superstores within a public housing estate on the local employment market. CM of H/CP (M) advised that HD had not conducted any assessment in this respect. Given that the proposed assessment would help members to ascertain the impact of supermarkets or superstores on market stalls, the Chairman opined that HD should proceed with such an assessment and report back to the Subcommittee on its findings. While acknowledging the trend that supermarkets were more welcomed by the public at large, Dr David CHU noted that there was no change in their expenditure pattern. In this connection, an explicit policy to enhance the competitiveness of wet markets would help to sustain the business of stall operators. He cautioned that as many stall operators were older persons, they might not be able to find another job if they were forced out of business. They might have to rely on Comprehensive Social Security Assistance, which would in turn increase the financial burden of the Government.

12. In response to the Chairman’s question, AD of H/CP (Ag) confirmed that the higher unit rent of 50% for supermarkets than that of market stalls in the same estate was to reflect the difference in their volume of business.

13. On *vacancy rate*, the Chairman noted that markets managed by single-operators

had a lower vacancy rate than that by HD. CM of H/CP (M) explained that unlike older markets managed by HD, single-operator markets were mainly new markets with air-conditioning and hence the lower vacancy rate. The Chairman considered it necessary for HA to adopt a proactive approach in inviting suggestions from interested parties on how best vacant premises could be used for other purposes.

Discussion with the Housing Society
(LC Paper No. CB(1) 1573/01-02(02))

14. On the *request for rent reduction by market stall operators of Jat Ming Chuen*, the General Manager (Property Management-Business Development) (GM(PM-BD)) advised that an average rent reduction of 8% was offered to the stall operators concerned consequent upon a recent rent reassessment exercise. Moreover, the majority of stall operators were allowed to continue their business in the same location. HS had also earmarked vacant stalls on the upper floor for application of those who wished to change their business location. It was noted that the stall operators were generally satisfied with such arrangements.

15. On the *impact of large chain stores on market stalls*, GM(PM-BD) said that HS had so far not received any complaint of such nature. Notwithstanding, there had been concern that the introduction of a superstore in Kai Tak Garden might pose serious competition to the market stall operators of the Tai Shing Market. In this connection, HS had taken the decision that only a supermarket would be made available in Kai Tak Garden. Such an arrangement was welcomed by the stall operators of the Tai Shing Market.

III Any other business

16. There being no other business, the meeting ended at 11:55 am.

Legislative Council Secretariat
18 September 2002