

Legislative Council Panel on Housing

Review of Housing Authority's Single-Operator Markets

Purpose

At the Panel meeting on 7 April, Members expressed concern about the allegation that rent concessions recently granted by the Housing Authority to some single-operator markets have not been passed on to individual stallholders in entirety. Members suggested that the existing policy on single-operator markets should be reviewed. The Housing Authority conducted a comprehensive review in January 2002, which has resulted in the implementation of a series of improvements. This paper briefs Members on these newly-introduced measures.

Background

2. The single-operator concept, with Housing Authority letting an entire market to a single tenant who sub-lets the market stalls while taking overall responsibility for market operations, was introduced with a view to bringing the benefits of private sector flexibility, responsiveness to customer demands and innovative management to Housing Authority's markets. Since 1997, the single-operator arrangement has been applied to all new Housing Authority markets. Of the 130 markets owned by the Housing Authority, 31 are managed by Single Operators.

3. For Single Operators to achieve maximum effectiveness and a high standard of services to nearby residents, they have been given flexibility in managing their markets and responding to changing circumstances. However, being ultimately responsible for ensuring adequate services to residents, the Housing Authority holds powers under the tenancy agreement to enable it to assess the performance of the Operator and, if necessary, to intervene in any problems compromising smooth operation of the markets.

Outcome of Comprehensive Review

4. To ensure the effectiveness of single-operator markets and ascertain any scope for further improvement, the Housing Authority conducted a comprehensive review in January 2002. The review covered aspects such as customer satisfaction, efficient use of Housing Authority's market premises, and the working relationship between Single Operators and their stallholders.

5. The review indicated that single-operator markets enjoy greater management flexibility and lower vacancy than the markets under Housing Department's direct management. An opinion survey showed that stallholders, residents and shoppers were generally satisfied with the markets managed by Single Operators in terms of management services, physical design and sufficiency of goods and service mix (with 74% to 97% of respondents rating acceptable or satisfactory, comparing favourably with the satisfaction levels for markets managed by Housing Department at 55% to 92%).

6. Notwithstanding, the Housing Authority noted that conflicts had arisen occasionally between stallholders and their Single Operators over issues such as stall rents, management fees and other miscellaneous charges. To promote cordial working relationship between stallholders and their Operators which underpins the effectiveness of single-operator markets and provision of quality services to residents, the Housing Authority has implemented a series of improvement measures since April 2002, as follows :

(a) *Explicit restrictions on fees and charges*

The main bulk of disputes between Single Operators and their stallholders concerns pecuniary interests. While the rents of individual market stalls are determined and agreed between the Operators and their stallholders and should continue to be so, the Housing Authority has imposed the following controls over miscellaneous charges, which had been main causes of complaints and bitter disputes :

- (i) Single Operators are prohibited from collecting fees other than rents, air-conditioning charges, rates and management fees from their stallholders;
- (ii) air-conditioning charges and rates should be collected on a cost-recovery basis. The amount of air-conditioning charges payable by each stallholder should be derived pro-rata according to stall area. Similarly, rates should be calculated on the basis of Rating and Valuation Department's assessment on individual market stalls; and
- (iii) the levels of management charges should tally with the Single Operator's leasing proposal submitted to the Housing Authority at tender stage. Any subsequent increase has to be proportional to the movement in the Nominal Wage Index published by the Census and Statistics Department.

These measures, applicable to all new contracts and renewals from 1 April 2002 onwards, are aimed to introduce a more rational basis for add-on charges.

(b) *More comprehensive performance appraisal*

We are anxious to ensure that the commercial relationship between Single Operators and their stallholders is buttressed in fairness and mutual respect. To help achieve this objective, stallholders have been asked to assess the performance of their Single Operators in running the market. Their assessment constitutes 15% of the overall appraisal scores on the Single Operator, which will be taken into account in considering his application for tenancy renewal and bidding for new markets. Single Operators with total score of less than 60% will not be considered for renewal. Their past scores would also account for 50% of their marks if they bid for new markets.

(c) *Enhanced transparency*

To enhance transparency and facilitate more effective monitoring of Single Operators' handling of stall charges, the Housing Authority has introduced the following two requirements :

- (i) Single Operators are required to report to the Housing Authority every month the types and amounts of charges collected from individual stallholders; and
- (ii) To ensure Single Operators pass on any rent concessions granted by the Housing Authority to stallholders in entirety, the Housing Authority requires the Operators to inform their stallholders of the amount of rent concessions, thereby allowing individual stallholders to work out the amount of pro rata reductions they can receive. The Housing Authority ascertains compliance by inspecting the amount of rent reductions actually given to stallholders through the Operators' monthly submissions on stall rents.

Lei Yue Mun Plaza

7. The Housing Authority provides rent discounts for tenants in new commercial facilities affected by slow resident intake. In line with the policy on rent concessions described in paragraph 6(c)(ii) above, Single Operators should also pass on such discounts to their stallholders. In February 2003, as a result of delay in resident intake in the nearby Home Ownership Scheme blocks, the Housing Authority granted rent discounts amounting to a complete waiver to the new single-operator market in Lei Yue Mun Plaza. However, the Single Operator has only reduced but not waived the stall rentals. This became a cause of complaint among the stallholders.

8. The Housing Department has looked into the circumstances. The Single Operator explained that to sustain the operation of the market, special large-scale promotional activities have to be organized and free shuttle-bus services to carry residents from nearby estates need to continue. The expenses incurred by these arrangements are normally absorbed in stallholders' rent payments. Therefore, despite the rent "waiver", the Single Operator has to continue to collect some rents from its stallholders to contribute towards these operational overheads.

9. The Housing Department has checked the Single Operator's accounts and is satisfied that the rent concessions have indeed been passed on to the stallholders in entirety. The charge of some residual rents for sharing out operational overheads is justifiable. The Single Operator and the Housing Department have explained these arrangements to the stallholders.

Conclusion

10. The Housing Department is keen to ensure that single-operator markets provide quality service to residents and satisfactory business opportunities for individual stallholders. The new arrangements implemented since April 2002 have helped to rationalize the commercial relationship between Single Operators and stallholders through greater certainty, more comprehensive monitoring and enhanced transparency. We will review the current arrangements continuously to ensure effective and cost-efficient use of Housing Authority's market resources.

Housing Department
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