

**For discussion
on 13 May 2008**

LegCo Panel on Food Safety and Environmental Hygiene

Provision of Public Markets in Hong Kong

PURPOSE

This paper briefs Members on the preliminary findings of the review on the provision of public markets in Hong Kong¹.

BACKGROUND

2. Public markets were provided by the former Municipal Councils to meet the needs of the community and to resite hawkers who would otherwise be trading on-street causing environmental nuisance and congestion to pedestrian and vehicular traffic. Public markets provide convenient places for the public to buy their daily necessities, in particular fresh provisions.

3. In the past, the provision and size of public markets were often determined by hawker resiting needs. Reference was also made to the prevailing Hong Kong Planning Standards and Guidelines (HKPSG) which stipulated that one public market stall should be provided for about

¹ In this paper, public markets refer only to those market facilities under the management of FEHD for the sale of wet and dry goods and do not cover those markets developed and managed by the Housing Authority / Housing Society / The Link and the private sector.

55 – 65 households or approximately 40 – 45 stalls per 10 000 persons.

4. Since the dissolution of the former provisional Municipal Councils in 2000, the Food and Environmental Hygiene Department (FEHD) has taken up the responsibility of managing public markets. The policy on the provision and management of public markets has remained largely the same. At present, FEHD manages 79 such markets providing a total of about 14 000 stalls.

A NEED FOR REVIEW

5. In recent years, fresh provision shops (FPS) and mega size supermarkets have changed some people's shopping habits and posed strong competition to public markets in terms of price and variety of products. At present, there are some 2 700 FPS licensed by FEHD for selling meat, poultry and fish. There are also many shops selling other fresh produce such as vegetables and fruits. Furthermore, the number of supermarkets in Hong Kong has increased substantially by about 40% from some 1 160 in 2001 to over 1 600 in 2007. Due to demographic changes and new development / redevelopment projects, some public markets have also lost their traditional clientele resulting in high vacancy rates. The vacancy rates of the 79 public markets managed by the FEHD as at March 2008 are at Annex. About one-third of these markets had a vacancy rate of 30% or above, of which five had a vacancy rate of 60% or above.

6. As mentioned in paragraph 2 above, in the past one of the objectives of providing public markets was to resite hawkers. To encourage hawkers to surrender their licences and move into public markets, they are allowed to bid for public market stalls at a reduced upset auction price. Under a licence surrender scheme valid until the end of 2008, licensed itinerant hawkers who voluntarily surrender their licences may choose among various options, including the selection of a vacant small stall in public markets. For those who take this option, the annual rental for the first tenancy (usually three years) of the small stall is equivalent to the annual hawker licence fee². Subsequent rental adjustments will be made based on the actual rental paid instead of the Open Market Rental (OMR).

7. In 1998, the rental of public markets was reduced by 30%. In 2001, the Administration submitted a market rental alignment proposal to the Legislative Council (LegCo) for discussion. However, LegCo advised that it was not an opportune time to discuss the proposal due to the then economic climate. Market rental has continued to be frozen since then. According to a recent survey conducted by the Rating and Valuation Department, about 15% of all market tenants are paying full OMR. The average rent paid by tenants is about 60% of the OMR. As a result of the lower-than-market rental and a high vacancy rate, FEHD incurred a deficit of some \$170 million in market management in 2007-08.

² If he selects a large stall, he is required to pay 50% of the Open Market Rental of the stall.

8. In 2003, the Director of Audit published a report and raised a number of issues related to the management of public markets, including high vacancy rates and large operating deficits in some markets. The report recommended that FEHD should conduct a review and identify those public markets that should be closed down.

THE REVIEW

9. The Food and Health Bureau and FEHD are conducting a review on the provision of public markets in Hong Kong to examine -

- (a) whether the existing planning standard for the provision of new public markets is still valid; and
- (b) what actions should be taken to deal with public markets with viability problems.

Our preliminary findings are set out in the following paragraphs.

Provision of new public markets

10. We consider that the population-based planning standard for public markets in the HKPSG should be revised and made more flexible for the following reasons -

- (a) The Government has not issued new hawker licence under normal circumstances since 1970s. With the completion of

numerous hawker resiting exercises over the past years and the scheme to encourage itinerant hawkers to surrender their licences by offering them an ex-gratia payment and resiting opportunities, the number of licensed hawkers has reduced significantly. As at March 2008, there were about 7 200 licensed hawkers, compared with 9 900 ten years ago.

- (b) Separately, since many hawkers selling wet goods have already moved into markets, the majority of the remaining ones sell dry goods and they generally have less impact on environmental hygiene. Coupled with better management of hawking activities, the need to develop public markets for resiting hawkers has diminished.
- (c) Supermarkets and FPS (including chain stores and individual stores that sell fish, meat, vegetables, fruits and grocery items) provide alternative sources of fresh provisions to the public, and the long operating hours of these establishments have changed people's shopping habits. Public markets are no longer the only affordable or preferred option. Improvements to public transport also enable people to shop more easily, and not just in the neighbourhood.
- (d) The Director of Audit has commented that viability should be the overriding consideration in planning markets, and every new market should be justified by a comprehensive review of the demand for such market facilities. From a policy perspective, this is an important planning parameter in the

provision of public markets.

- (e) The public has a rising aspiration for heritage conservation. Some members of the public regard on-street hawking as an integral part of Hong Kong's local culture and heritage that should be preserved. They consider that the Government should take account of the intrinsic value of the existing establishments before considering any hawker resiting exercise or new market development. These factors could not be reflected by a quantitative planning standard.

11. Having considered the reasons set out in paragraph 10 above, we consider that the future provision of new public markets should not be based solely on the ratio for stalls provision and population as stipulated in the HKPSG. We suggest that future planning of new markets could be considered on a case-by-case basis, taking into account not only the population of the area, but also a host of other relevant factors, such as demographic mix, community needs, provision of both public and private market facilities nearby, the number of fresh provision retail outlets in the vicinity, and public sentiments towards preservation of hawker areas in the particular locality. This should help ensure a better use of public resources than adherence to a rigid population threshold for public markets in the HKPSG.

Public markets with viability problems

12. As mentioned in paragraph 5, due to demographic changes,

new development/redevelopment projects and competition from other fresh provision outlets, some public markets have lost their traditional clientele resulting in high vacancy rates. We suggest using the following factors to assess the viability of such markets -

- (a) vacancy rate – whether the public market has had a high vacancy rate, say of more than 60%, for three consecutive years;
 - (b) prospects for improvement – whether measures could be taken within reasons to overcome adverse circumstantial factors so as to enhance the market's viability;
 - (c) availability of alternative sources for fresh provisions – whether there are other public markets, supermarkets or fresh provision retail outlets in the vicinity to meet public demands in the locality; and
 - (d) cost-effectiveness – whether the public market shows a high deficit and the cost for infrastructural upgrading is substantial.
13. We are mindful that for historical reasons, quite a number of the tenants operating in public markets are paying rental that is significantly lower than the OMR. As a result, depending on the mix of tenants in the markets, some markets may show high deficits but are in reality vibrant markets with high patronage; whereas some small markets with high vacancy rate may not necessarily be the ones with the largest

deficit. For a number of public markets with very high deficits, all have an occupancy rate over 60% and some over 90%. In addition, many belong to the larger markets, that is, having over 100 leased stalls. In other words, these markets are well-patronised, which strongly reflects the need for their continued operation to meet local demand and the potential to explore further means to enhance the cost-effectiveness of their operation. Therefore, for markets with high deficits, we propose that cost-reducing measures (such as streamlining market management and / or outsourcing) should first be explored to enhance the cost-effectiveness of the operation of these markets; whereas for markets with high vacancy rates, we propose that in-depth investigation should be conducted to explore the potential for improving the situation and revitalise the market(s). In the event that appropriate measures cannot be identified or that the viability of the market(s) is unlikely to be enhanced significantly through various means, we would look into the possibility of closing down the market(s). It is also considered that the assessment on the viability of a market should take into account the various factors as listed in paragraph 12 above, as occupancy rate or cost-effectiveness alone may not be able to reflect the practical value of a market fully.

14. FEHD takes heed of the cost-effectiveness of public markets and has adopted measures to cut down the operating costs and to raise revenue. Such measures include contracting out the management of markets and lowering the upset auction prices of long-standing vacant stalls in selected markets to attract potential bidders so as to reduce the vacancy rate. Other measures to enhance the attractiveness of markets are set out in paragraph 16 below.

Proposed way forward

15. Subject to Members' views on the criteria above, we intend to conduct a more in-depth review of public markets so as to identify those with consistently high vacancy rate exceeding 60% and with high deficits. On the basis of such findings, we will -

- (a) inform the District Council(s) concerned and the tenants of the market(s) identified to have viability problems;
- (b) ascertain if there are prospects for improvement, and whether there are alternative sources for fresh provisions according to the criteria set out in paragraph 12 above;
- (c) explore in depth appropriate expenditure-cutting and revenue-raising measures as well as improvement works to deal with each of the markets identified with viability problem, such as consolidation of stalls onto a single floor if the market has more than one floor so that the vacant floor can be put to other use; and
- (d) consult the relevant District Council and the affected tenants on the possibility of closing down the market if no other alternative is considered feasible.

We will report to this Panel our discussions with the District Councils within the next six months.

16. We will also continue to introduce measures to improve the viability and attractiveness of the existing public markets, such as market improvement works, promotional activities especially at festive seasons, maintaining cleanliness in markets and the enforcement of the monthly market cleansing day, maintaining flexibility in determining and changing the trade of individual stalls (e.g. switch between sale of fresh and frozen meat), and where feasible, merging selected vacant small stalls to form larger ones to attract potential bidders.

ADVICE SOUGHT

17. Members are invited to offer views on the preliminary findings of the review and the proposed way forward.

Food and Health Bureau

Food and Environmental Hygiene Department

May 2008

Annex

Market Stall Vacancy Rate of Public Markets
(as at March 2008)

<u>Gross Market Stall Vacancy Rate</u>	<u>No. of Markets</u>
Over 60%	5
50% – 59%	4
40% – 49%	6
30% – 39%	12
20% – 29%	22
10% – 19%	19
0% – 9%	11
<hr/> Total	79