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**Meeting of the Panel on Food Safety and Environmental Hygiene
on 13 May 2008**

Background Brief prepared by Legislative Council Secretariat

**Retro-fitting of air-conditioning and general improvement works to
19 existing public markets and/or cooked food centres**

Purpose

This paper summarizes the discussions on the retro-fitting of air-conditioning (A/C) and general improvement works to 19 existing public markets and/or cooked food centres (CFCs) by the Panel on Food Safety and Environmental Hygiene (the Panel) since 2002. It also gives an account of the relevant deliberations made by the Public Accounts Committee (PAC) when it discussed the Director of Audit's Report No. 41 on public markets managed by the Food and Environmental Hygiene Department (FEHD) in 2004.

Background

2. For improving the ventilation of existing market facilities, the two former Provisional Municipal Councils (PMCs) identified a total of 19 public markets and/or CFCs for retro-fitting with A/C systems (including 11 market projects, three CFC projects and five projects with both markets and CFCs). The list of the 19 projects is in **Appendix I**. Upon the dissolution of the two former PMCs in January 2000, a Subcommittee was set up under the House Committee to follow up on the outstanding capital works projects of the former PMCs (the Subcommittee). The Subcommittee had strongly urged that all the 19 projects on retro-fitting of A/C in existing markets and/or CFCs should be taken forward expeditiously in order to improve the hygiene conditions and business environment of these markets.

3. Noting the concern of the Public Works Subcommittee (PWSC) about the high estimated cost (\$79 million) for retro-fitting of A/C systems to Fa Yuen Street Market and CFC, the Subcommittee suggested that the Administration should consider the feasibility of proceeding with the retro-fitting works for Fa Yuen Street Market first, pending re-consideration by the Administration of the policy in respect of CFCs.

4. Separately, PAC discussed the Director of Audit's Report No. 41 on public markets managed by FEHD in 2004. PAC noted that the Director of Audit had reservations about the cost-effectiveness of providing A/C systems to the public markets and commented that the provision of A/C alone could not revitalize a market. PAC had raised various concerns including the market stall vacancy rate (MSVR) and the cost effectiveness of retro-fitting A/C systems to public markets. The Panel subsequently discussed with the Administration the progress of the 19 projects on retro-fitting of A/C systems and/or general improvement works in existing markets and/or CFCs, and the way forward for the projects at its meetings held on 3 March 2004 and 9 May 2006 respectively.

Main concerns and recommendations of PAC on the Director of Audit's report No. 41

5. When discussing the Director of Audit's Report No. 41 on public markets managed by FEHD in 2004, PAC expressed dismay that FEHD had not given a full and frank account of the operating conditions of public markets, including the real demand for the markets and the total amount of tangible and hidden government subsidies, e.g. the use of government land and buildings. PAC also expressed the following concerns -

- (a) the overall MSVR of public markets had increased from 15.7% as at 31 March 2000 to 22.6% as at 31 March 2003;
- (b) FEHD had incurred an operating deficit at 74 public markets in 2002-2003; and
- (c) the planning standard for public markets in the Hong Kong Planning Standards and Guidelines was outdated as a result of the abundant supply of superstores, supermarkets and fresh provision shops in recent years.

6. The Administration advised that FEHD had embarked on a study to identify public markets that might merit closure. Upon completion of this study, rationalization plan including options for terminating the tenancies of incumbent stall lessees would be drawn up.

7. On the retro-fitting of A/C systems to improve the viability of public markets, PAC expressed concern that the Audit's findings did not seem to support the premise that providing A/C systems could improve significantly the viability of public markets. According to the Audit's findings, as at 30 June 2003, the MSVR of some markets which were not provided with A/C systems was very low (as low as 0.5%), while the MSVR of some markets provided with A/C systems was very high (as high as 53.5%). During the period March 2000 to June 2003, the overall MSVR of the three markets retrofitted with A/C systems increased by 9.2% while the overall MSVR of all markets increased by only 6.9%.

8. In response, the Administration explained that the Director of Food and Environmental Hygiene had undertaken to review the need and cost-effectiveness of the projects for the provision of air-conditioning systems in Yue Wan Market, San Hui Market and Fa Yuen Street Market. FEHD would consult the Panel in early 2004 on whether it should continue to proceed with the project at Yue Wan Market which had already been tendered, and whether it should seek funding approval for the other works.

Recent discussions of the FSEH Panel

High MSVR in public markets

9. On 3 March 2004, the Administration consulted the Panel on the outcome of the re-assessments of the 19 projects on retro-fitting of A/C systems and/or general improvements works in the existing markets and/or CFCs and its proposals for the way forward. On the Director of Audit's reservations about the cost-effectiveness of providing A/C systems for the public markets and his comment that the provision of A/C alone could not revitalize a market, some members considered that the high MSVR in public markets was mainly on account of their poor design and the Administration should review each of these markets to identify possible factors contributing to the high vacancy rate.

10. The Administration advised that, when conducting the overall review of public markets, the Administration would take into consideration the supply and demand of public markets in the areas concerned. However, the review result would not affect the present retro-fitting of A/C projects and the general improvement works to the 19 existing markets and/or CFCs, as they were the outstanding capital works projects of the former MPCs.

11. On 9 May 2006, the Panel discussed with the Administration the latter's proposal for the general improvement works to five markets (i.e. Sheung Wan Market, Tsuen Wan Market, Yeung Uk Road Market, North Kwai Chung Market and Wing Fong Street Market). Mr Fred LI and Mr Vincent FANG were of the view that the Administration should establish a mechanism to assess the cost-effectiveness of the market improvement projects, e.g. conducting opinion surveys on customers and operators, and comparing the stall occupancy rate before and after completion of the improvement projects.

12. The Administration explained that patronage of public markets and the business of individual stalls depended on many factors. According to the Director of Audit's report in 2003, there was no evidence to support that providing A/C systems could improve significantly the viability of public markets. Nonetheless, the overall occupancy rate of public markets had increased from 74.8% in March 2005 to 77% in March 2006. It demonstrated that the improvement works had definitely improved the shopping environment from the customers' perspective. Although it was difficult for the Administration to set targets for occupancy rates and business volume for these

markets, it would consider collecting objective data to assess the cost-effectiveness of the improvement works to public markets.

A/C retro-fitting projects in other markets and/or CFCs with a support rate of 85% or more

13. Members supported the Administration's proposal to proceed with A/C retro-fitting and general improvements works in markets and/or CFCs that had attained a net support rate of 85% or more (including Fa Yuen Street Market & CFC, Shek Wu Hui CFC and San Hui Market) at its meeting on 3 March 2004. Mr Andrew CHENG considered that, for those projects which had already secured a support rate of 85% or more, the projects should be proceeded with as agreed earlier by the Subcommittee. Some members including Miss CHAN Yuen-han and Mr IP Kwok-him expressed reservations about using the 85% support rate as the criterion for taking forward a project.

14. The Administration explained that, at the request of PAC, the Administration had agreed to review the need and cost-effectiveness of the projects for the provision of A/C systems in Yue Wan Market, San Hui Market and Fa Yuen Street Market, and to consult the Panel on whether these and other projects should be proceeded with. The Administration advised that, when the original project of providing A/C for Fa Yuen Street CFC was considered by PWSC in 2003, some PWSC members had expressed strong reservations about providing A/C for Fa Yuen Street CFC at a total cost of \$30.1 million for 15 stalls (i.e. \$2 million for each stall). To address PWSC's concerns, FEHD had considered the option of upgrading fire services installation and kitchen ventilation system without adding A/C system. However, FEHD had not adopted this option because although it was supported by a majority of stall lessees, Yau Tsim Mong District Council had strongly objected to the option. The Panel suggested that, since the new term District Councils had just been formed, the Administration might wish to gauge the views of the new term of YTMDC on the project.

15. In January 2008, the Panel considered by circulation the Administration's paper on the revised scope of works for the project of general improvement to Fa Yuen Street Market and CFC (i.e. the project included only the general improvement works but not the A/C retro-fitting works). According to the Administration, FEHD conducted another round of survey among the stall lessees concerned on the proposed A/C retro-fitting works in 2005 and 2006. In this survey, tenants' support for A/C retro-fitting works dropped significantly from 86% in 2002 to 40% in 2005 for market tenants and from 100% in 2002 to 71% in 2006 for CFC tenants. Members did not raise any objection to the submission of the proposal to PWSC. The proposal was subsequently approved by PWSC on 20 February 2008 and the Finance Committee on 25 April 2008.

Market/CFCs with a net support rate below 85%

16. A majority of members in general supported the Administration's proposal that, for those markets and CFCs with a support rate less than 85%, only essential general improvement works should be carried out, and non-essential general improvement works should be carried out subject to the agreement of the majority stall lessees. According to the Administration, "essential general improvement works" were works which were necessary to comply with the present-day building and fire safety requirements. "Non-essential improvement works" referred to works such as upgrading of existing ventilation system, replacement of floor and wall finishes, and lighting improvement.

Assistance to stall lessees during construction period

17. At the Panel meeting on 9 May 2006, some members including Mr WONG Yung-kan, Mr TAM Yiu-chung and Mr Tommy CHEUNG expressed concern about the financial impact of the improvement works on the stall lessees during the construction period. Mr TAM and Mr CHEUNG considered that, apart from granting rental waiver/reduction to the affected tenants, the Administration should consider providing other assistance to these tenants as their business would be affected during the works period.

18. The Administration explained that rental waiver/reduction would be granted to affected tenants in accordance with the established procedures. Generally speaking, about 30% to 50% reduction in rental might be offered depending on the particular location and period of the works. If the affected tenants were required to suspend business for a certain period during the construction period, rental waiver of up to one to two months would be granted to the affected tenants. The Administration also advised that the policy had been explained to the stall lessees and the market management consultation committees of individual markets.

Latest development

19. The Administration will brief the Panel on 13 May 2008 on the review of provisions of public markets.

Relevant papers

20. A list of relevant papers and documents is in **Appendix II** for members' reference. The papers and documents are available on the Council's website at <http://www.legco.gov.hk/english/index.htm>.

Retro-fitting of air-conditioning to existing markets

(A total of 16 projects)

| <u>District</u> | <u>Phase 1</u> |
|--|--|
| Wong Tai Sin Sham Shui Po Kowloon City Tsuen Wan Sai Kung Yau Tsim Mong | Ngau Chi Wan Market & CFC* Po On Road Market & CFC* To Kwa Wan Market Yeung Uk Road Market Sai Kung Market Fa Yuen Street Market & CFC* |
| <u>District</u> | <u>Phase 2</u> |
| Tuen Mun Central & Western Kwun Tong Southern Kwai Tsing Eastern | San Hui Market Sheung Wan Market Ngau Tau Kok Market & CFC* Aberdeen Market & CFC* North Kwai Chung Market Yue Wan Market |
| <u>District</u> | <u>Phase 3</u> |
| Yuen Long Kwai Tsing Tsuen Wan Tsuen Wan | Tung Yick Market Wing Fong Street Market Tsuen Wan Market Tsuen King Circuit Market |

*These projects also involve CFCs.

Retro-fitting of air-conditioning to CFCs

| <u>District</u> | <u>CFCs</u> |
|-----------------------------------|--|
| Wanchai North Yau Tsim Mong | Bowrington Road CFC Shek Wu Hui CFC Kwun Chung CFC |

Relevant Papers/Documents

| <u>Meeting</u> | <u>Meeting Date</u> | <u>Papers/Documents</u> |
|--|---------------------|---|
| Subcommittee to follow up on the Outstanding Capital Works Projects of the Former Provisional Municipal Councils | 3 May 2001 | Administration's paper on "Retro-fitting of air-conditioning to existing markets and cooked food centres" [LC Paper No. CB(2) 1216/00-01(01)] Minutes of meeting [LC Paper No. CB(2) 2372/00-01] |
| | 22 May 2003 | Administration's paper on "Retro-fitting of air-conditioning and general improvement works to 19 existing markets and/or cooked food centres" [LC Paper No. CB(2) 2107/02-03(01)] Minutes of meeting [LC Paper No. CB(2) 3073/02-03] |
| Public Works Subcommittee | 21 May 2003 | PWSC(2003-2004)23 Head703 – Buildings Item 27NM “Retro-fitting of air-conditioning to Fa Yuen Street Market and Cooked Food Centre” (withdrawn by the Administration) Minutes of the meeting LC Paper No. PWSC136/02-03 |
| | 19 May 2004 | PWSC(2004-05)12 Head 703 - Buildings Item 28NM “General improvement works at Aberdeen Market and Cooked Food Centre, Aberdeen” (Endorsed) |
| | 23 June 2004 | PWSC(2004-05)30 Head 703 - Buildings Item 23NM “General improvement |

| | | |
|--|------------------|---|
| | | <p>works at Ngau Tau Kok Market and Cooked Food Centre” (Endorsed)</p> <p>PWSC(2004-05)31</p> <p>Head 703 - Buildings Item 31NM “General improvement works at Ngau Chi Wan Market and Cooked Food Centre” (Endorsed)</p> <p>PSWC(2004-05)34</p> <p>Head 703 - Buildings Item 25NM “Retro-fitting of air-conditioning and general improvement works at Shek Wu Hui Cooked Food Centre, Sheung Shui” (Endorsed)</p> |
| | 26 January 2005 | <p>PWSC(2004-05)53</p> <p>Head 703 - Buildings Item 26NM “Retro-fitting of air-conditioning and general improvement works at San Hui Market, Tuen Mun” (Endorsed)</p> |
| | 21 June 2006 | <p>PWSC (2006-07)31</p> <p>Head 703 - Buildings Item 33NM “General improvement to five markets” (Endorsed)</p> |
| | 20 June 2007 | <p>PWSC(2007-08)37</p> <p>Head 703 – Buildings Item 14NM “ General improvement works to Po On Market and Cooked Food Centre” (Endorsed)</p> |
| | 20 February 2008 | <p>PWSC(2007-08)78</p> <p>Head 703-Buildings Item 27NM “General improvement to Fa Yuen Street Market and Cooked</p> |

| | | |
|--|--------------|---|
| | | food Centre” (Endorsed) |
| Panel on Food Safety and Environmental Hygiene | 3 March 2004 | <p>Administration's paper on "Retro-fitting of air-conditioning and/or general improvement works to 19 existing markets and/or cooked food centres" [LC Paper No. CB(2) 1500/03-04(01)]</p> <p>Referral from the Complaints Division concerning retro-fitting of air-conditioning systems in Yue Wan Market [LC Paper No. CB(2) 1500/03-04(02)]</p> <p>Chapter One of Public Accounts Committee (PAC) Report No. 41 and extract from the speech of PAC Chairman at the Council meeting on 25 February 2004 on "Public markets managed by the Food and Environmental Hygiene Department" [LC Paper No. CB(2) 1500/03-04(03)]</p> <p>Minutes of meeting [LC Paper No. CB(2) 2069/03-04]</p> |
| | 9 May 2006 | <p>Administration's paper on "General improvement works to five markets" [LC Paper No. CB(2) 1905/05-06(03)]</p> <p>Minutes of meeting [LC Paper No. CB(2) 2304/05-06]</p> |
| | --- | <p>Administration's paper on "General improvement to the Fa Yuen Street Market and Cooked Food Centre" [LC Paper No. CB(2)790/07-08(01) issued on 11 January 2008]</p> |