

**LegCo Public Accounts Committee
Discussion of the Director of Audit's Report No. 51
on 9 December 2008**

Speaking Notes of the Secretary for Food and Health

Chairman:

First of all, I would like to extend my appreciation to colleagues of the Audit Commission for the various recommendations put forward in the Report.

2. Hong Kong's public markets have a long history. It has already been half a century since they came into existence in the 1950's. The operation of markets is similar to bazaars, with every market stall being run by an individual tenant. As they offer a wide variety of distinctive goods sold at relatively low prices, markets have provided an alternative in meeting the daily shopping needs of local residents. In fact, shopping at markets has become an integral part of many people's daily lives. Generally speaking, there is no doubt about the value of public markets.

3. At the same time, public markets are also places that small traders have to rely on to earn a living. Many of them are lower-skilled workers and some engaged in on-street hawking in the past. They were willing to move into markets to carry on their business mainly because of the concessionary rental arrangements made by the Government. Most of them hope to continue with their small business to maintain their livelihood. This is not only another social function of public markets, but also the fundamental reason for the Government's on-going subsidization of their operation.

4. Currently, only 15% of the public market tenants are paying full Open Market Rentals (OMR), while the rest are paying rental below the open market level. Nearly 50% of the stall tenants are paying 60% or less of the OMR. This is the outcome of the market subsidization policy in previous decades, as well as the rental freeze in the last ten years as demanded by various quarters in the community, including the Legislative Council and many political parties. If all stall tenants were asked to pay the OMR, the overall market operation could certainly achieve fiscal balance without showing any deficit as pointed out in the Director of Audit's Report. However, this would mean that the stall tenants would have to pay an additional \$1,700 on average for monthly rental, and as many as over 9 700 tenants would be affected.

5. For those tenants who are former on-street hawkers and currently paying concessionary rental, the rate of increase will be even greater if they are required to pay the OMR. Take the case of a stall in the Tai Shing Street Market at Wong Tai Sin as an example. The stall tenant is currently paying a monthly rental of \$128, while the OMR is \$9,000. There is a difference of 70 times in rental.

6. Therefore, the core question is whether we should charge tenants the OMR; and if yes, at what pace.

7. Speaking solely from the Government's financial perspective, we certainly hope to reduce substantially the level of subsidization in market management or even to achieve fiscal balance. We must, however, point out that in order to reduce Government subsidy, changes will have to be made to our long-standing policy of subsidization. Are stall tenants prepared to accept the substantial increase in rental? Will the rental increase make business difficult for them? Will it aggravate the stall vacancy situation? Will it push up prices in markets and jeopardize public interests in the end? In view of the current economic downturn, is it still advisable for the Government to implement rental adjustments as soon as possible? These are questions which warrant an in-depth study by this Committee and various sectors in the community.

8. Last Wednesday, the Legislative Council passed a motion to urge the Administration to reduce the rent of public markets by half for a period of one year. This has precisely reflected the difference in the expectations of the Council and the public about market rental policy. Therefore, we must hold detailed discussions with stakeholders before implementing the recommendation in the Audit Report to devise a "suitable and aligned rental adjustment mechanism".

9. The Audit Report has also examined issues such as the usage of public markets, planning of new markets and management of markets, and come up with a number of recommendations. The Food and Health Bureau and the Food and Environmental Hygiene Department will actively follow up on these recommendations. We consider that public markets which have lost their functions due to changes in the times or community environment ought to be closed down. As for other public markets which should be allowed to continue with their operation, the Government will strive to work with the community and stall tenants to help these markets give full play to their functions in serving the community.

10. Chairman, my colleagues and I are ready to respond to any questions and views from Members. Thank you.