



中華人民共和國香港特別行政區政府總部食物及衛生局
Food and Health Bureau, Government Secretariat
The Government of the Hong Kong Special Administrative Region
The People's Republic of China

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11 December 2008

Ms Serena CHU
Clerk to Public Accounts Committee
Legislative Council Building
8 Jackson Road,
Central,
Hong Kong
(Fax: 2537 1204)

Dear Ms CHU,

**The Director of Audit's Report on the
results of value for money audits (Report No. 51)**

Management of public markets (Chapter 6)

Thank you for your letter of 10 December 2008. As requested, supplementary information regarding item (a), details of the actions taken to follow up on the 2003 Audit report, is attached herewith for consideration by the Committee please.

Other supplementary information requested will follow.

Yours sincerely,

(Francis HO)

for Secretary for Food and Health

c.c. Director of Food and Environmental Hygiene (Fax: 2524 1977)
Secretary for Financial Services and the Treasury (Fax: 2147 5239)
Director of Audit (Fax: 2824 2087)

**Recommendations in Audit's Report No. 41
and the follow-up actions taken by the Administration**

Vacant or non-trading market stalls

Recommendation A: Conduct a comprehensive review to ascertain the causes of the high market stall vacancy rate (MSVR) of public markets, especially those commissioned after 1998, and take remedial action to reduce the MSVR of markets.

Follow-up A: Completed. The Food and Environmental Hygiene Department (FEHD) has reviewed the formula for calculating the vacancy rate of public markets in accordance with Audit's recommendation and has presented two overall MSVRs, namely, a gross MSVR which covers all vacant stalls including those set aside for designated purposes and a net MSVR which excludes all stalls frozen for such purposes.

FEHD has also reviewed the reasons for the high MSVR in the few markets commissioned after 1998. In general, the reasons for high vacancy include increasing competition from supermarkets, the presence of a number of fresh provision shops and other retail outlets in the vicinity of these markets, changing shopping habits of the public, over-provision of market stalls, etc.

In view of the above, the Food and Health Bureau (FHB) and FEHD has completed a review on the policy on provision of public markets, and briefed the Legislative Council (LegCo) Panel on Food

Safety and Environmental Hygiene (FSEH) on findings of the review in May and November 2008 respectively. The review has revised the existing planning standards and guidelines for the provision of public markets, which based solely on the ratio for stall provision, population and the number of residing hawkers. The new guideline will be more flexible, taking into account not only the population and the number of hawkers, but also a host of other relevant factors (e.g. demographic mix, community needs, provision of public and private market facilities nearby, the number and distribution of fresh provision retail outlets and public sentiments towards preservation of hawker areas), in deciding whether to build a new public market so as to ensure better use of public resources. The review has also devised a set of criteria for evaluating whether a public market has viability problems, and conducted an in-depth study on four markets with viability problems, examining proposals to improve the occupancy of these markets and the possibility of shutting them down.

- Recommendation B: Review the justifications for allowing:
- (i) stall lessees of public markets previously managed by the Urban Services Department to cease trading for a maximum of 156 days a year; and
 - (ii) stall lessees of markets previously managed by the Regional Services Department to cease trading for a maximum of 84 days a year.

Follow-up B: Completed. FEHD has aligned the tenancy clause for all public market tenants. Under the aligned tenancy clause, a tenant shall not cease or

suspend business at the stall for seven days or more in a calendar month without the prior written consent of FEHD. FEHD has imposed the new tenancy clause on all new tenancies and existing tenancies on 1 February 2005 and 1 April 2005 respectively.

Planning standard for public markets

Recommendation C: In conjunction with the Director of Planning, promptly conduct a comprehensive review of the demand for public market facilities, having regard to the changed circumstances brought about by the proliferation of superstores, supermarkets and fresh provision shops in recent years, and revise the planning standard for the provision of public markets set down in the Hong Kong Planning Standards and Guidelines accordingly.

Follow-up C: Completed. Please refer to Follow-up A.

Operating deficits incurred at some public markets

Recommendation D: Promptly conduct a comprehensive review of public markets with a view to ascertaining whether any of the markets should be closed down.

Follow-up D: Completed. As stated in Follow-up A, FHB and FEHD have reviewed the vacancy situation of public markets. Using the benchmark of vacancy rates exceeding 60% for three consecutive years and with deficits, four public markets were identified to have viability problems, namely the Bridges Street Market in Central, the Mong Kok Market, the Kwong Choi Market in Tuen Mun and

the Tang Lung Chau Market in Wan Chai.

Recommendation E: In the light of the results of the comprehensive review, draw up an action plan to deal with those public markets identified for closure.

Follow-up E: Have followed up actively. On the four markets identified with viability problems, FEHD has consulted the relevant district councils on the possibilities of closing them down. There were divergent views from district councils on closing down markets with high vacancy rates and deficit. Two district councils supported the market closure proposal in respect of the market in their district. They agreed that the market in question had lost its social function and urged the Administration to close down the market to make way for other facilities that better suit the community needs of the district. The other two district councils had reservation or did not support the closure proposal for the market in their district. They considered that public markets were major community facilities which were particularly important to residents in meeting their daily needs and hence should be retained. In the light of the feedback received, we will follow up on the market closure proposal accordingly. With the support of the Yau Tsim Mong District Council, FEHD is discussing with the tenants on the arrangement of closing down the Mong Kong Market.

Recommendation F: Re-examine the feasibility of transferring the entire operation of selected public markets to private operators, and consider carrying out a pilot scheme to test this arrangement.

Follow-up F: Have followed up actively. We have met with other market operators, including some from the private sector, to study various market operation modes. In general, the operating right of a market and the right to adjust market rental have to go hand in hand to the private operator in order to make the proposal attractive to private operators. Some members of the public and tenants are concerned that private operators who operate markets on commercial principles will substantially increase market rental and raise the operating cost of market tenants which will in turn be transferred to customers and push up prices. As such, whether the recommendation is feasible and acceptable to the public needs to be explored further.

Retrofitting of air-conditioning systems

Recommendation G: Critically reassess the need for the retrofitting of air-conditioning systems in public markets.

Follow-up G: Completed. FEHD has completed a review of the need to retrofit air-conditioning system in public markets and cooked food centres, and briefed the LegCo FSEH Panel on 3 March 2004. The Administration has formulated a guideline stipulating that air-conditioning retro-fitting works will be conducted when 85% of the market tenants or more support the project and agree to pay for the recurrent costs (electricity charge and maintenance fee). In the light of this guideline, FEHD has conducted air-conditioning retro-fitting works for two public markets and three cooked food centres (which have been completed), while general improvement works will be implemented for the remaining markets.

Vacant floor space in two public markets

Recommendation H: Draw up an action plan to put the vacant market floor space in the Fa Yuen Street Market and the To Kwa Wan Market to beneficial permanent use.

Follow-up H: Have followed up actively. After consulting the Yau Tsim Mong District Council, FEHD has converted the vacant floor space in the Fa Yuen Street Market into an office for the Centre of Food Safety. As regards the vacant basement floor at the To Kwa Wan Market, the Government Property Agency has advised that despite their repeated efforts, no Government department has indicated interest in using the floor. FEHD is currently making use of the basement floor for storage of tools and cleansing equipment, etc.