

Your Ref: FEHD/K (CR) 2/3/105 Pt.4
Our Ref : CB(3)/PAC/R51

24 December 2008

Clerk to Public Accounts Committee
Legislative Council Building,
8 Jackson Road,
Central,
Hong Kong
(Attn: Ms Serena CHU) (Fax No.: 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)

I refer to your letter dated 19 December 2008 and provide the following additional information requested by the Public Accounts Committee:

- (a) **The Committee notes that the public market policy review currently undertaken by the Food and Health Bureau (FHB) and the Food and Environmental Hygiene Department (FEHD) excludes cooked food markets (CFMs), and a separate review on CFMs would be conducted on completion of the above review (paragraphs 2.21 and 2.24(g) of the Audit Report refer). Please explain the reasons for conducting the review of the provision of CFMs and the public market policy review separately instead of concurrently.**

The objective of the review on the provision of public markets that FHB and FEHD reported to the Legislative Council Panel on Food Safety and Environmental Hygiene in May and November 2008 was to examine whether the long adopted planning standards and guidelines for the provision of public markets were still applicable, with regard to the fact that they were based on the ratio between

population of the area and number of stalls as well as the hawker residing needs. The review also aimed to formulate guidelines for assessing public markets with viability problems, so as to devise improvement measures or examine the possibility of closing down these markets. Since problems of high vacancy rates and operating deficit are more common for the “wet market” section, which sells mainly fresh provisions and daily necessities, of a public market, the review has first focused on the provision of “wet markets”.

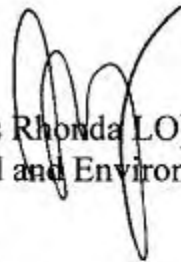
CFMs are quite different from “wet markets” in their overall operation. In the past two years, the average let-out rate of the 39 cooked food centres (CFCs) and 25 CFMs exceeded 85%. Among them, 40% were fully let out. Moreover, according to the 2006-07 financial costing analysis, 10 out of the 25 CFMs recorded an operating surplus. Consideration was also given to the fact that CFCs/CFMs mainly provide cooked food for consumption at the premises, which provide rather different services to the public as compared to general “wet markets” where customers purchase foods and daily necessities. Recognising the differences between the “wet market” and CFM section of public markets in terms of their nature, vacancy position and other related issues, FHB and FEHD decided to first focus on the section that provides fresh provisions and daily necessities, while a review on CFMs will be conducted separately.

- (b) **Whether the concessionary rentals for ex-licensed itinerant hawkers, referred to in paragraph 3.4(a) of the Audit Report, would expire after the first tenancies (usually three years); if so, the rental adjustment mechanism thereafter; if not, whether there was an expiry date for the concessionary rentals.**

The concessionary rentals for ex-licensed itinerant hawkers who surrender their licences for market stalls are applicable to the first tenancy (usually for a period of three years). The policy was first implemented in the urban area in 1993, and was later extended in 2003 to cover the licensed itinerant hawkers in the New Territories (NT). In the urban area, if the tenant continued to rent the public market stall upon expiry of the first tenancy before mid-1998 (i.e. before the rentals of all public market stalls were reduced by 30% and subsequently frozen), the rental would be determined by the

rental adjustment mechanism of the former Urban Council (UC) and Provisional UC. For market stalls in NT, the rentals have not been adjusted so far as they have been frozen since the concessionary policy came into effect in 2003.

Yours sincerely,



(Ms Rhonda LO)
for Director of Food and Environmental Hygiene

c.c. Secretary for Financial Services and the Treasury

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