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LCQ4: Hawker licence fee and market stall rental concession

Following is a question by the Hon Vincent Fang Kang and a reply by the Secretary for Food and Health, Dr York Chow, in the Legislative Council today (November 26):

Question:

Being struck by the financial tsunami, the economy is in a downturn and the confidence of consumers is declining, coupled with an increasing number of unlicensed hawkers, small shop tenants and licensed hawkers are operating with greater difficulties. Will the Government inform this Council, in order to assist them in reducing operating difficulties:

(a) whether the Government will, by following the measure of waiving business registration fee for this year as announced in the 2008-09 Budget, immediately waive the hawker licence fee for fixed-pitch hawkers and itinerant hawkers for one year, so as to alleviate their burden; and

(b) as the rentals for Cheung Sha Wan and Western Wholesale Food Markets under the Agriculture, Fisheries and Conservation Department this year have risen, whether it will waive the rentals for one quarter for wholesale food markets under the Department and those for public markets and shopping malls under the Government, or lower such rentals immediately, and in respect of wholesale food markets which are required to pay commission according to their sales turnover, cease to collect commission for one quarter, so as to reduce the operating costs of small shop tenants and lower food prices, as well as take the lead in lowering shop rentals; if it will not, of the reasons for that?

Reply:

President,

(a) The main purposes of business registration are to provide the Inland Revenue Department with information on businesses for it to create tax files and to enable the public to obtain information on businesses for reference. It is applicable to all businesses and does not aim at regulating individual types of business. Nevertheless, the purpose of hawker licensing is to regulate hawking activities. The nature of a hawker licence is similar to that of a licence or permit for certain types of business, such as karaoke establishment permit, restaurant licence and amusement game centre licence.

As such, the hawker licence fee should not be compared to the business registration fee.

On the other hand, the hawker licence fee falls under the category of fees charged under the "user pays" principle, i.e. the Government recovers full costs from users for the provision of goods and services or implementation of regulatory schemes. There has been no adjustment to the hawker licence fee since 1998 and the Government is currently unable to achieve full-

cost recovery for licensing. Further licence fee concessions, if any, will mean more subsidy by the Government, which is in contrary to the "user pays" principle. Hence, the Government has currently no plan to waive hawker licence fee.

(b) The rentals for government wholesale food markets have all along been determined on a cost recovery basis. The costing review completed in 2008 shows an increase in the overall costs for both the Cheung Sha Wan and Western Wholesale Food Markets. Hence, starting from June 2008, the rentals for both markets have been adjusted upward by 11.4% under the established mechanism. However, taking into account the operating environment of the trade, the Government has announced earlier in July a two-month waiver of rentals for government wholesale food markets. In fact, the rentals for both the Cheung Sha Wan and Western Wholesale Food Markets have dropped by about 35% since 1999. As such, even after an increase of 11.4%, the rental level is still slightly lower than the level in 2002-03.

Currently, the overall rental policy for public markets, shopping malls and shops owned by the Government is to charge tenants according to the open market rental (OMR). The rentals of public markets are normally set according to the open auction prices. The upset auction prices of market stalls are determined with reference to the OMR as assessed by the Rating and Valuation Department (RVD). In assessing the rental value of market stalls, the RVD takes into full account the general economic situation of Hong Kong, the actual conditions of individual markets and other relevant factors. In fact, the rentals of public market stalls under the FEHD have been frozen since the rental reduction of 30% in 1998. Earlier in May this year, the Government has announced the extension of the rental freeze to June 30, 2009. Besides, as a result of the past resiting exercises of hawkers or displaced market stallholders, many tenants are paying rentals far lower than the OMR. Generally speaking, the current market stall rentals are prevalently lower than open market level.

For the above reasons, the Government has no plan to waive the rentals of wholesale and public market.

As for the wholesale food markets which are required to pay commission according to the sales turnover, there are the vegetable and fish wholesale markets under the Vegetable Marketing Organisation (VMO) and the Fish Market Organisation (FMO). Both the VMO and FMO are independent and non-profit making statutory organisations operating on commercial and self-financing basis without government subsidies. At present, the VMO collects no more than 10% of the total turnover from wholesalers as fees for the services provided, and no fees are required from purchasers. The FMO also collects 7% of the purchase prices of marine fish or \$5 per 15 cabbies of marine fish from wholesalers as fees.

Such fees are the main source of funding for the VMO and FMO. Any surplus generated will be allocated for the purpose of facilitating the sustainable development of local agriculture and fisheries trade, including establishment of loan funds and scholarship schemes, to provide the trade with low-interest loans, training subsidies and scholarships. They have to balance their books and must not operate on a loss-making basis. If the business of individual wholesalers is affected by external factors, resulting in a drop of wholesale price, the percentage-based fees actually collected by the VMO and FMO

will also decrease correspondingly. Therefore, the existing commission system has taken into adequate account any possible volatility of business in the trade. The commission waiver, if introduced, will severely affect the finance and operation of the VMO and FMO, as well as the quality of support services provided for the trade. Given the above considerations, the Government has currently no plan to waive the commission for one quarter.

The Government will keep in view the business environment and economic development.

Thank you, Mr. President.

Ends/Wednesday, November 26, 2008
Issued at HKT 15:31

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