

**For discussion
on 14 July 2009**

**LegCo Panel on Food Safety and Environmental Hygiene
The Positioning, Functions and Usage of Public Markets**

PURPOSE

From March to June this year, the Food and Environmental Hygiene Department (FEHD) conducted utilisation surveys on 79 wet markets under its management and interviewed tenants and patrons in 35 of these markets to collect their views on the usage of and possible improvement measures for the markets. This paper briefs Members on the survey findings and the Administration's preliminary thinking, based on the data collated, in reviewing the positioning, functions and usage of public markets.

BACKGROUND

2. In his Report No. 51 published in November last year, the Director of Audit pointed out that the Administration needed to review individual public markets and collect usage information on individual public markets in order to make an accurate assessment on whether the services of public markets could meet the needs of the community. We informed the Public Accounts Committee (PAC) that FEHD would start conducting utilisation and patron opinion surveys on public markets in March 2009. The data collated would form the basis of our review on the positioning, functions and appropriate level of Government's subsidisation of public market operation. The Administration also undertook to report to the Panel on the usage of public markets and the findings of the first batch of opinion surveys.

Scope and Methodology of the Survey

3. From March to June this year, FEHD conducted utilisation surveys on 79 wet markets under its management to collect information on each individual market's patronage, number of active stalls, number of fresh provision retail outlets and big supermarkets in the vicinity, etc. To better understand the opinions and expectations of the tenants and patrons on public markets, FEHD also selected the first batch of 35 wet markets with an occupancy

rate between 40% and 80% for conducting questionnaire surveys in order to solicit the views of the tenants and patrons on the usage of and possible improvement measures for individual markets. The questionnaire surveys also covered patrons of food retail outlets other than public markets (e.g. supermarkets, fresh provision shops and open bazaars) to find out their choices and shopping habits so that a comparison with those of the market patrons could be made. During the period, a total of over 5 900 public market patrons and more than 5 300 non-public market patrons were interviewed.

USAGE OF PUBLIC MARKETS

4. According to the findings of the surveys, the total patronage of the 79 FEHD wet markets during the seven peak business hours¹ was over 540 000 a day. The average daily patronage of each of these 79 markets was nearly 7 000. The patron opinion surveys conducted in 35 selected wet markets revealed that 78% of the respondents visited the markets every day or at least every other day. Major items they bought at public markets were vegetables and bean curd (75%), followed by seafood (69%) and meat (63%)². For those who chose to shop in places other than public markets, their weekly shopping frequency was relatively lower. Only 39% of them indicated that they visited these shops every day. However, their purchases at these shops were of a greater variety and more balanced, e.g. vegetables and bean curd (55%), fruit (43%), meat (43%), seafood (36%), food-related dry goods (30%) and other dry goods (19%). They said that they preferred one-stop shops where they could buy fresh food as well as dry goods and daily necessities.

5. The survey also followed up on the impact of last year's live poultry trade buyout scheme on public markets. More than 70% of the public market patrons indicated that their decision to shop at public markets had not been affected by the closure of live poultry stalls in these markets.

6. The survey also revealed that most of the public market patrons had an average monthly household income below \$10,000 (44%) and between \$10,000 and \$30,000 (42%), belonged to the age groups of 40 - 59 (45%) and 60 or above (40%), had attained secondary education (45%) and primary education or below (47%), and were non-employed or retired (63%). As for non-public market patrons, they were generally younger and more

¹ Public markets are open from 6 a.m. to 8 p.m. daily. The surveys were conducted during the three peak hours in the morning and the four peak hours in the afternoon (except Sha Tau Kok Market, Tui Min Hoi Market and Lau Fan Shan Market, in which the surveys were conducted during the three peak hours in the morning only).

² The respondents might choose more than one item.

educated and had a slightly higher household income. In other words, public markets served mainly members of the general public by providing them with fresh provision retailing services.

Great Variations in the Patronage of Individual Markets

7. There were great variations in the patronage of individual markets. The patronage of individual markets during peak business hours ranged from 10 odd to more than 32 000 a day. A significant difference in patronage was observed even in markets located in the same district, such as Chai Wan Market (18 700) and Shau Kei Wan Market (260) in Eastern District, San Hui Market (20 400) and Kwong Choi Market (300) in Tuen Mun, and Yeung Uk Road Market (29 800) and Tsuen King Circuit Market (680) in Tsuen Wan. Overall, there were twelve markets³ with average patronage below 400 a day, seven markets ranged from 400 to 1 000, 34 markets ranged from 1 000 to 7 000, and the remaining 26 markets ranged from 7 000 to 32 000.

Profile of Public Market Stall Tenants

8. At present, there are a total of about 9 000 tenants renting nearly 11 000 FEHD wet market stalls. Among them, more than 7 700 (86%) have rented one market stall while about 930 (10%) have rented two. In other words, over 95% of market stall tenants are small traders operating their own business at one to two stalls in public markets. There are about 370 tenants (4%) renting three market stalls or more at the same time. Generally speaking, most tenants in wet markets are small traders running their own business while some are operating on a larger scale.

POSITIONING AND FUNCTIONS OF PUBLIC MARKETS

9. In early years, public markets were built by the two former Municipal Councils to resite on-street hawkers so as to improve environmental hygiene. As such, the positioning and functions of public markets as well as market layout and stall design were developed, to a large extent, with a view to pursuing the prevailing hawker policy at that time and facilitating the regularisation and resiting of hawkers. Concessionary arrangements were made to encourage and assist hawkers to move into public markets, thus enabling the implementation of measures to improve street hygiene and alleviate street obstruction

³ Four of these markets have been included in the list of markets to be closed down. The circumstances of some of the other markets, such as Sha Tau Kok Market and Tai O Market, are unique as they are located in remote areas.

problems. Since 1970, the Administration had stopped issuing new hawker licences under normal circumstances. With proper management (including setting up rules on the succession and transfer of all types of hawker licences issued), the problems concerning licensed hawkers have largely been resolved. In recent years, there are views from the community to retain and revitalise the hawking trade and open-air hawker bazaars because of their traditional local characteristics. Therefore, since late 1990s, the main positioning and functions of public markets as a means to resiting on-street hawkers and supporting the hawker policy were no longer valid. The design and layout of new public markets are different from markets built in early years in the form of bazaars to resite hawkers. For instance, new markets provide bigger stalls and wider passageways.

Preliminary Conclusion on the Review of the Positioning and Functions of Public Markets

10. As revealed from the daily patronage of and frequency of visits to public markets, the social background of market patrons and the major types of goods purchased, public markets remain one of the major sources of fresh provisions as far as the grassroots people are concerned. This important social function of public markets is unquestionable. The role of public markets as a major avenue for the public to buy fresh provisions has not been replaced by the many modern supermarkets or retail chain stores. Under the free market principle, markets, shops and supermarkets with different positioning operate on a competitive basis and play different roles in catering for the different shopping needs of the public. As only small stocks are kept in market stalls and the turnover is fast, members of the public prefer to buy live and fresh foods, especially vegetables and seafood, in markets. The survey results indicated that markets had an obvious advantage over other retail outlets in this aspect and they fulfilled their functions well.

11. There were views calling for re-positioning of public markets to enhance their viability and competitiveness. It was suggested that markets should be operated as mega-sized supermarkets or shopping arcades to increase their attractiveness. From the survey findings, we could see that the most common reasons for non-market patrons shopping at other places were “location is convenient” (54%), “a wide choice of goods” (45%) and “prices are low” (42%). They did not complain about insufficient hardware and supporting facilities in public markets, such as lack of air-conditioning. We found that 90% of market patrons were satisfied with the overall condition of the markets and rated it as “average”. 95% of patrons indicated that they would continue to shop in the markets even their condition remained unchanged. We are of the view that the community has generally accepted and got used to the current mode of operation of public markets and their traditional and public-at-large oriented positioning. Yet both market and non-market patrons expected

improvement in market management⁴ and diversification of market services. For instance, new trades and services like “light refreshment” (41%), “bread & pastries” (36%), “organic food” (27%), “automatic teller machines” (27%), “pharmacies” (24%) and “Chinese herbalists / bone-setters” (19%) should be introduced in public markets with a view to making better use of vacant stalls and providing more convenience to the public. To this end, FEHD has started introducing to vacant stalls alternative trades such as bakeries, shops selling traditional snacks, and services trade stalls, etc. It is hoped that the provision of more popular and diversified services would enhance the occupancy rate and patronage of public markets.

12. Another function of the public markets is to provide employment opportunities for the grassroots people. At present, there are about 9 000 public market stall tenants, and they employ a total of nearly 6 000 registered assistants to assist in the daily operation of their market stalls. Most of these tenants and assistants are middle-aged or older. The operation of market stalls involves logistic support services such as supply and sale of goods, transportation, etc. These related trades also provide job opportunities for low-skilled workers.

PUBLIC MARKET OPERATION AND GOVERNMENT SUBSIDY

13. In the past three years, FEHD subsidised about \$160 million a year for the operation of 104 public markets. This is because market management is mainly financed by stall rentals, but more than 80% of the stall tenants are paying rentals lower than the Open Market Rental (OMR). Furthermore, FEHD cannot recover in full the air-conditioning charges and the rates paid on behalf of the tenants (total annual expenditure of about \$33 million). There are also a large number of vacant stalls. To address the problem of vacant stalls, FEHD has embarked on a series of initiatives, including letting out long-standing vacant stalls at discounted upset auction prices, introducing light refreshment stalls and service trade stalls in selected markets and closing down markets with viability problems. As these initiatives are still at the initial stage of implementation, the Administration will need some time to observe the market reaction and to review their effectiveness. Regarding the arrangements for recovering air-conditioning charges and rates payment, we consider that the “user-pays” principle should apply. However, the specific arrangement and implementation timetable will have to be worked out in consultation with various sectors.

⁴ “Wet floor” (44%), “Obstruction to passageways” (40%) and “Too many non-operated stalls” (32%) were priority areas for improvement mentioned by respondents.

14. Stall rentals account for the largest part of Government subsidy on public market operation. Generally speaking, the current market stall rentals paid by tenants are about 60% of the OMR. Only 15% of tenants are paying full OMR, while over 40% are paying rentals lower than 60% of the OMR. This is the outcome of the Administration's previous policy to offer rental concessions to resited hawkers and the rental freeze for more than ten years.

15. Public markets mainly provide traders with a place for business. In assessing the OMR of market stalls, the Rating and Valuation Department has taken into account the actual conditions of individual markets and other relevant factors, such as the size and location of stalls, location of the market etc. Taking Pei Ho Street Market as an example, the monthly rental of a fresh meat stall is \$200 per square metre. However, the rental of an on-street shop selling similar goods is three to four times higher than that of the above stall. As a matter of principle, market stall tenants should pay the OMR without any "subsidy". In fact, when rental concessions were offered to attract hawkers to move into markets in the past, it was specified that the concessions were not long-term arrangements and would be valid only within the first three years after moving into markets. This was to ensure a smooth transition and to assist hawkers in adapting to the mode of operation of public markets. However, it is undeniable that due to historical reasons, some tenants still have the mindset of traditional hawkers and trade their goods in public markets in the old way. As market stall rentals have been frozen for more than ten years, a substantial increase in stall rentals to reduce the disparity between stall rentals and the prevailing OMR may not be acceptable to tenants, both psychologically and operationally.

16. In the long run, we need to progressively align the market stall rentals with OMR. Taking into account that most stall tenants are low-skilled people running their own business in public markets, the rental adjustment mechanism should not be too radical and has to be implemented in a progressive manner, giving due regard to the overall affordability of tenants and the current economic situation, so that the impact upon business operation of tenants can be reduced to an acceptable and bearable level. Our initial thinking is that the market stall rentals should be progressively raised by phases to a certain level of the OMR within a period of time while the Government will continue to provide a certain degree of subsidies for public markets. This period of time will allow the market operation improvement measures to be put in place and bring about the desired results. By the end of the period, the Administration will re-examine the operation and usage of public markets along with other relevant factors, before ascertaining the need for and level of further rental adjustment. The Government's preliminary recommendations are detailed in another paper entitled "Public Market Stall Rentals and Charges".

17. Besides, we consider that rentals to be paid by a stall tenant should be determined by the value of the stall rather than the background of the tenant (for example, whether a tenant is a trader who has moved into the market as a result of a hawker resiting exercise). With appropriate adjustment of market stall rentals, major rental disparities in the same market and the risk of stall subletting can be reduced.

PUBLIC MARKETS MUST FULFIL THEIR FUNCTIONS TO JUSTIFY THEIR EXISTENCE

18. We agree to the PAC's view that public markets must serve the primary purpose of their existence, i.e. providing active market services to the community, otherwise the high construction and operation costs could not be justified. We would therefore like to reiterate that we would be pleased to listen to the views of District Councils on the operation of local markets in their respective districts. In particular, we will study in detail the reasons why some markets failed to provide active market services (i.e. facing viability problems) and explore with relevant District Councils and other stakeholders feasible improvement measures, such as re-arrangement of floor space and stalls, introduction of light refreshment and service trade stalls, etc. If no other alternative is considered feasible, we would actively explore the option of closing down the markets. As reflected by the survey results, public markets were one of the most frequently used community facilities. To ensure that public markets can give full play to their functions in effectively serving the needs of the community, we would seek the views of District Councils and strive to improve and upgrade the facilities of public markets as appropriate.

19. After the surveys, we found that in addition to the criterion of "consistently high vacancy rate exceeding 60%", market patronage could also be used as an indicator in assessing whether a market had served the primary purpose of its existence. The daily patronage of Bridges Street Market in Central, Mong Kok Market, Kwong Choi Market and Tang Lung Chau Market (the four markets identified to be closed down by FEHD) during peak hours were 10, 260, 300 and 380 respectively, showing that these markets had very low usage and failed to provide active market services in the local community. A market is, in fact, facing a fundamental structural problem if it is not in active operation and has low patronage. There is limited room for improving its usage. The surveys revealed that Shau Kei Wan Market and Kwun Chung Market were probably facing this problem. In dealing with such markets, especially those situated in prime sites in the urban area, District Councils should be consulted when considering the possibility of closing down the markets and using the market sites for other purposes to achieve better use of resources and bring benefits to the

community. We should stop subsidising the operation of markets with a high stall vacancy rate and low patronage.

NEXT STEP

20. Subject to Members' agreement, we will discuss the above recommendations with market trader associations and Market Management Consultation Committees (MMCCs) to listen to their views. Besides, FEHD will continue to conduct opinion surveys in the remaining 44 markets and hold brainstorming sessions with relevant committees under District Councils and Area Committees in the second half of this year in order to have a better understanding of the public's views on individual markets and to work out effective ways to improve the operation, design and development of markets. FEHD will also carry out a review on cooked food centres / cooked food markets, the findings of which will be reported to the Panel in due course. We will continue to make an effort to improve the business environment of individual markets by enhancing the cleanliness of markets, improving market facilities and installations, and revamping the internal design of markets to meet the present needs. We will share the findings of the opinion surveys with market trader associations and the MMCCs concerned, listen to their views and map out measures with them in order to improve the business environment of individual markets and strengthen public market functions.

21. It has to be noted that in the course of collecting tenants' views on improvement of market facilities, tenants gave lukewarm support to the questionnaire surveys at the beginning, as reflected by the low response rate of less than 20%. Despite subsequent efforts by FEHD to actively approach them for the surveys, the overall response rate was still lower than 70%, reflecting that tenants were not keen on improving the overall market environment. In view of this, when exploring market improvement measures in future, we will consider adopting a more proactive approach such as holding seminars or brainstorming sessions for tenants and relaying patrons' views to them. We hope to seek their cooperation by making them aware that improvement in market management and order is important in enhancing the viability of markets and improving the business environment for tenants. We consider that closer communication with market traders to give them a better understanding of the social positioning, advantages of public markets and the needs of patrons will help them improve their services to meet the needs of the community. This is to ensure that market stall operation is viable and public markets can continue to give full play to their functions in the community.

ADVICE SOUGHT

22. Members are invited to give their views on this paper.

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