

**For discussion
on 11 November 2008**

LegCo Panel on Food Safety and Environmental Hygiene

Review on the Provision of Public Markets in Hong Kong

Purpose

This paper reports that district consultation on the review of the provision of public markets under the management of the Food and Environmental Hygiene Department (FEHD) has been completed, and seeks members' views on the proposed way forward on the basis of feedback obtained in the consultation.

Background

2. Members were briefed on the preliminary findings of the review on the provision of public markets in Hong Kong at the Panel meeting in May 2008 (paper reference: LC Paper No. CB(2) 1849/07-08(01)) (the Paper). Major recommendations therein include –

- (a) revising the existing planning standard for the provision of public markets, which based solely on the ratio for stall provision and population as stipulated in the Hong Kong Planning Standards and Guidelines (HKPSG), having regard to the socio-economic developments in Hong Kong in recent years. It was further suggested that future planning of new public markets could be considered on a case-by-case basis, taking into account not only the population, 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) so as to ensure better use of public resources; and

- (b) conducting a more in-depth review of public markets so as to identify those with consistently high vacancy rates exceeding 60% and with high deficits and to consult the relevant district councils on the possibility of improving the vacancy rates; if no other alternative be considered feasible, to consult the district councils and the affected tenants on the possibility of closing down the markets.

We undertook to report our discussions with the district councils to the Panel.

3. We have consulted 18 district councils on the above issues between July and October 2008. Their views are summarized in the ensuing paragraphs.

Planning Standard for Provision of Public Markets

4. The vast majority of the district councils have no in-principle objection to our proposal to revise the existing planning standards. Among them, 16 district councils have raised no additional comment on the proposal. With overwhelming support from district councils, we will proceed to liaising with the Planning Department on the revision of the existing standards for provision of public markets under the HKPSG as set out in paragraph 2(a) above.

5. Furthermore, to ensure that the assessment for the demand for new public markets in future is as comprehensive and objective as possible, FEHD will formulate internal guidelines on planning of public markets, setting out clearly that viability studies should be conducted in assessing the need to construct new public markets. For the purpose of the viability studies, data in relation to the relevant factors should be collected and analysed so as to objectively assess the demand for the proposed market facilities. We consider that viability studies should take into account the following factors -

- (a) demographic mix: an analysis of the number and structure of population in the catchment area of the selected market site and their purchasing patterns so that the demand for market facilities and services in the district may be ascertained;
- (b) business environment: in order to ascertain whether there is overlapping of target clientele and the extent of competition, the number and distribution of public and private markets or fresh provision retail outlets in the vicinity of the selected market site will be examined;

- (c) opinion survey: opinion surveys might be conducted, if necessary, to find out the demand of local residents towards market services; and if resiting of hawkers is involved, surveys could also be conducted to ascertain the hawkers' sentiments towards resitment; and
- (d) supporting infrastructure : consideration could be given to the geographical location of the selected market site, surrounding transportation network, direction of pedestrian flows, planning and development of the district and other support facilities so as to ascertain whether they are conducive to the viability of the market.

In addition, as it takes considerable lead time to carry out a public market project from planning, design to the implementation of construction works, there could be changes in the community or business environment during the course. That being the case, we consider it necessary to build in suitable flexibility in the design of a new public market to cater for changes in the retail environment with a view to sustaining the market viability.

Public Markets with Viability Problems

6. In pursuit of our other recommendation in the Paper, we have further reviewed the situation of public markets having vacancy rates exceeding 60% for three consecutive years and with deficits. On this basis, we have identified four public markets with such problems, including the Bridges Street Market¹ in Central and Western District, the Mong Kok Market in Yau Tsim Mong District, the Kwong Choi Market in Tuen Mun District and the Tang Lung Chau Market in Wan Chai District.

7. We have consulted the relevant district councils on suggestions to improve/close down these markets with viability problems. Broadly speaking, 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. In the light of feedback received, we will follow up on the market closure proposal for these two

¹ The Market has been included in the H19 redevelopment project of the Urban Renewal Authority. The district council agreed that re-provisioning of the Market in the district was not required.

districts accordingly. 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 response, district council members had put forth various improvement measures. On the one hand, they hoped that the Administration could revitalize the market such as to develop it into a place for promoting organic farming produces. On the other hand, there were suggestions to make use of the vacated floor or vacant stalls to provide for other community facilities or social services, e.g. using the vacant space for post office or leased it to social enterprises. Depending on the nature of the proposals, we will prudently examine these proposals in conjunction with the relevant parties, such as district councils, market management consultation committees, other government departments and organizations to ascertain the feasibility and cost-effectiveness of these ideas. We will further discuss with the district councils on the outcome.

Ex-gratia Payments for The Affected Tenants

8. As regards the affected tenants, FEHD has conducted opinion surveys to ascertain their preferences. The survey result revealed that some tenants supported proposals for closing down the markets while some objected. A small number of tenants had no specific view. At a meeting with a number of affected tenants, they were generally concerned about the ex-gratia payment arrangements. Since payments to tenants is ex-gratia in nature and involves public money, it is necessary that such consideration be made in a prudent manner on a case-by-case basis with reference to the situation of individual markets. In fact, there were past cases in which ex-gratia payments were offered to affected tenants in some market closures and there were also cases in which such payments had not been offered.

9. With regard to the Mong Kok Market, in order to provide assistance to the affected tenants on moving out arrangements, the Administration would provide ex-gratia payments equivalent to 24 months of rental (calculated based on the monthly rental of the stall set out in the current tenancy agreement) for tenants who choose to continue business in other FEHD markets. They would also enjoy 3-month rental waiver and be allowed to bid for a new stall in other existing public markets at 50% of the Open Market Rental as upset auction price. For those who choose to cease business, the Administration will provide ex-gratia payments equivalent to 27 months of rental (also calculated based on the monthly rental of the stall set out in the current tenancy agreement). With the support of the district council on the market closure proposal, we are discussing with the tenants concerned

on the moving out arrangements.

Way Forward

10. We consider that the criteria being used, i.e. vacancy rate at 60% and above for three consecutive years and with deficit, have proven to be effective indicators in identifying markets with viability problems. The fact that a market with the majority of stalls not being able to be let out for a considerably long time and with low patronage reflects that its role as a market is gradually diminishing in the local context. Under such circumstances, it is necessary for the Government to review whether the operation of such a market should continue to be subsidized, and to see whether the market site could be better utilized for other purposes so as to put the land to more gainful use for the benefit of the community. In addition, the district consultation process, individual district council had raised that there were other markets in the district, though not to the extent of poor viability, did encounter vibrancy problem instead. We will approach the relevant tenants to understand the reasons leading to such situation and will encourage them to, say, introduce more variety of commodities and be more proactive in their business operations. We will endeavour to facilitate the tenants in revitalizing the market with a view to enabling the market to play its role in the best possible manner in the district.

11. We appreciate that each market has a unique development and possesses its social value in the community. As such, in the process of our review of public markets with viability problems, we will fully listen to the views at the district level, discuss with the relevant district councils on possible improvement proposals and consider the feasibility and cost-effectiveness of those proposals. Where practicable, we will facilitate the implementation of the improvement proposals. If there are no viable options to improve the viability of the markets, we would pursue the possibility of market closure in consultation with the district councils and returning the vacated building structures and land to the Government for other uses. We will maintain dialogue with the affected tenants and seek their full cooperation if we were to implement market improvement measures and providing assistance as best we could in case the market is to be closed. We will adopt flexibility in our arrangements to ensure that the entire process would be carried out smoothly.

Recent Development

12. To minimize the risk of avian flu outbreak, the Administration launched a scheme in July 2008 through which live poultry retailers can apply for cancellation of permission to sell live poultry endorsed on their Fresh Provision Shop Licences or public market tenancies permanently. After expiry of the scheme, a total of 174 poultry stalls ceased selling live poultry, among which 106 opted to sell chilled poultry at the original stalls while the remaining 68 stalls, located in 40 different public markets, have been returned to FEHD for disposal. As we currently observe, the scheme has not caused significant adverse impact to the viability of public markets, nor have the vacancy rates of public markets increased markedly. We will continue to monitor the situation closely. In addition, depending on the circumstances of vacant poultry stalls in individual markets, we are exploring the feasibility of converting vacant stalls to other retail uses, e.g. sale of light refreshment or snacks so that market services can be further diversified and that the viability of the markets be improved.

13. In addition, in line with the surge in public demand for chilled and frozen meat, there has been a rising trend in applications from tenants of fresh meat stalls for conversion to sell chilled and frozen meat. We consider that, so far as tenants are willing to pay for the corresponding rental, FEHD should facilitate such conversion to meet the changing needs of the community. We will inform the respective market management consultation committees in a timely manner so that other tenants of the market are aware of any such change of trades.

Advice Sought

14. Members' views are invited on the above proposal.

Food and Health Bureau
Food and Environmental Hygiene Department
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