

Laying of the Report The Report of the Director of Audit on the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 2008 and his Report No. 51 on the results of value for money audits were laid in the Legislative Council on 26 November 2008. The Committee's Report (Report No. 51) was subsequently tabled on 18 February 2009, thereby meeting the requirement of Rule 72 of the Rules of Procedure of the Legislative Council that the Report be tabled within three months of the Director of Audit's Report being laid.

2. **The Government Minute** The Government Minute in response to the Committee's Report No. 51 was laid in the Legislative Council on 20 May 2009. A progress report on matters outstanding in the Government Minute was issued on 12 November 2009. The latest position and the Committee's further comments on these matters are set out in paragraphs 3 to 40 below.

Administration of short term tenancies

(Paragraphs 3 to 4 of Part 3 of P.A.C. Report No. 51)

3. The Committee was informed that the Lands Department ("Lands D") was considering the option of asking tenderers of short term tenancies to provide a bank reference as a simpler and acceptable alternative, instead of requiring them to provide a personal guarantee and a statutory declaration. As regards the sharing of tenants' information, a new clause had been included in the tender notice allowing the Lands D to forward the tenderers' details to other concerned departments. The Lands D was liaising with the concerned departments on the arrangement.

4. The Committee wishes to be kept informed of the progress of the various courses of action taken by the Administration.

Management of government fresh food wholesale markets

(Paragraphs 5 to 7 of Part 3 of P.A.C. Report No. 51)

5. The Committee was informed that:

Letting of market facilities

Poultry market at Western Wholesale Food Market ("Western Market")

- the Government put forward the initiative to enhance and beautify the harbourfront areas, as committed in the 2008-2009 Policy Address and also in the 2009-2010 Budget Speech. This called for a fresh look at the suitability of allowing the Hongkong Post to use the vacant poultry market site at the Western Market as a Speedpost and regional delivery centre. Earlier in 2009,

the Central and Western District Council set up a Working Group on Beautification and Enhancement of the Central and Western District Harbourfront ("the Working Group"). Its major tasks, among other things, were to study whether the under-utilised premises at the Western Market could be put to alternative uses that would complement harbourfront development, and whether the vacant piers at the Western Market could be reused. The Working Group's standing members included representatives from the Planning Department, the Lands Department, the Leisure and Cultural Services Department and the Development Bureau. The Agriculture, Fisheries and Conservation Department ("AFCD") had also been invited to participate in its discussion concerning the Western Market. The Working Group held a meeting on 2 July 2009 and invited stakeholders, including the AFCD, operators of the Western Market and community organisations to express their views. The Development Bureau was studying the different comments received at the meeting. Meanwhile, the Planning Department had initially identified a possible alternative site for the Hongkong Post;

Four unused piers at Western Market

- the Development Bureau would look into the possible re-use of the four vacant piers at the Western Market so that these piers would contribute to the vibrancy of the waterfront. The Working Group discussed the matter at its meeting on 2 July 2009. The Development Bureau was studying the comments received at the meeting;

Collection of rentals

- the overall overdue rental situation had improved. The AFCD was planning to consult wholesalers again in due course with a view to levying surcharge on late payment of rent as soon as possible;

Managing daily market operation

- the AFCD had completed the post-implementation review of the market entry registration system, and was considering the feasibility and cost-effectiveness of introducing further automation to improve the system; and

Reprovisioning of outdated wholesale markets

- the Administration had continued to engage stakeholders in discussion through various channels, including meetings with the fruit wholesalers at the Yau Ma Tei Fruit Market and the Western Market, as well as the Legislative Council and District Council members. Upon further discussion with the fruit wholesalers and the relevant District Councils on the relocation, the Administration would proceed with the development of the new wholesale

fruit market according to the timetable forwarded to the Committee earlier.

6. The Committee wishes to be kept informed of further development on the subject.

Management of the government fleet

(Paragraphs 3 to 4 of Part 4 of P.A.C. Report No. 51)

7. The Committee was informed that in consultation with the relevant departments, the Marine Department ("MD") had finalised a charging scheme for the allocation of workshops at the Government Dockyard for use by contractors. The MD would proceed to consult the contractors on the charging arrangement and prepare tender documents for the implementation. The MD would take into account the wider economic situation before implementing the charging scheme.

8. The Committee wishes to be kept informed of further development on the subject.

Provision of public museum services

(Paragraphs 5 to 6 of Part 4 of P.A.C. Report No. 51)

9. The Committee was informed that:

Acquisition and management of museum collection items

- the Leisure and Cultural Services Department ("LCSD") continued with its best efforts to clear the backlog of collection items pending accession in the Hong Kong Museum of History ("HKMH"), the Hong Kong Heritage Museum ("HKHM") and the Hong Kong Film Archive ("HKFA"). The HKMH had processed most of its 257,780 backlog items, leaving about 855 items to be accessioned. As for the HKHM, by 30 September 2009, a total of 16,480 backlog items were accessioned, leaving 2,270 items to be processed. Both the HKMH and the HKHM aimed to clear the remaining backlog items by 2010 as scheduled. By 30 September 2009, the HKFA had accessioned about 281,000 backlog items. The HKFA would continue to engage temporary staff to assist in the accessioning. It was envisaged that the some 155,000 remaining items would be cleared by 2010. The task force formed to monitor the progress of clearing collection items pending accession conducted six site inspections between September 2008 and August 2009 and would continue to closely monitor the progress of the accessioning every four months;

- as an interim measure to tackle the storage problem, the LCSD was discussing with the Government Property Agency the use of temporary storage space at Yip Shing Street, Kwai Chung by the HKMH;

Performance of LCSD museums

- the LCSD had drawn up action plans to further enhance museum services and was looking for ways to improve the service on an ongoing basis;
- the installation of the new digital planetarium projection system with multi-language and interactive devices in the Space Theatre of the Hong Kong Space Museum was completed in June 2009. The new facility was reopened to the public on 1 July 2009;
- the Astropark in Sai Kung and the Jockey Club Environmental Conservation Gallery at the Hong Kong Science Museum would be opened by the end of 2009; and
- the Hong Kong Museum of Art was planning to provide new guided services with sign language for visitors with special needs starting from December 2009. It had already consulted some sign language interpreters on the arrangement of the new services and would invite quotations shortly.

10. The Committee wishes to be kept informed of further development on the subject.

Provision of aquatic recreational and sports facilities

(Paragraphs 7 to 8 of Part 4 of P.A.C. Report No. 51)

11. The Committee was informed that:

Improving water quality of the gazetted beaches in Tsuen Wan District

- the Administration had advanced the commissioning of part of the disinfection facilities under the Harbour Area Treatment Scheme Stage 2A to early November 2009. The water quality of the gazetted beaches in Tsuen Wan would improve upon the commissioning of the advance disinfection facilities;

De-gazetting of the Kiu Tsui Beach on Sharp Island

- the Lands Department ("Lands D") confirmed that the private developer had commenced the clearing works for the unauthorised structures on Sharp Island in June 2009. The private developer had also consulted the Lands D in April 2009 on the development of the area into a holiday resort but it had yet to submit a proposal to the Lands D. The Lands D would consult other relevant government departments, including the Leisure and Cultural Services Department ("LCSD"), on the matter when a proposal was received;

Alignment of fees and charges of all swimming pool complexes

- the Working Group for fees and charges review for leisure services met in end-July 2009 to discuss the preliminary fee proposals of a number of recreation and sports facilities. In view of the scale and complexity of the review, some categories of leisure services fees (including swimming pool complexes) needed to be further examined and discussed. The LCSD would conduct public consultation when new proposals had been drawn up; and

Swimming training courses

- further to the abovementioned Working Group meeting, a list of recreation and sport programmes had been identified for further review. As it involved hundreds of types of events and different charges, the Working Group needed to examine in detail the relevant criteria to review the fees for all programmes (including swimming training courses) in one go.

12. Noting that matters relating to the review of the alignment of fees and charges of swimming pool complexes as well as the fees for swimming training courses had been outstanding for a long time, the Committee asked about the timetable for concluding the review. In reply, the **Director of Leisure and Cultural Services** stated in her letter of 8 January 2010, in **Appendix 3**, that:

- the LCSD attached great importance to the review of fees and charges of swimming pool complexes, the proposed alignment of the relevant fees in the urban areas and the New Territories as well as the setting of fees for swimming training courses. Given that a wide range of recreation/sports venues and programmes were provided by the LCSD, the review involved nearly a thousand items of different fees and charges and was thus a very complex process. The LCSD was unable to single out the fees and charges for swimming pool complexes for consideration as any changes to the fee of a certain type of facility/programme, whatever the rationale and formula, would have implications for other facilities and programmes. The LCSD had thus adopted a holistic and coherent approach to the review, and a Working Group had been set up to review all the fees and charges of leisure services,

including those of the swimming pool complexes and swimming training courses;

- the Working Group had conducted a number of studies to review the fee structures and fee levels for using different types of recreation and sports facilities, including, among other things, studies on the utilisation rates, cost recovery rates and concessionary rates of various sports and leisure facilities. After collecting the necessary information and considering the overall fee-setting principles applicable to leisure services, the LCSD would proceed to formulate the fee proposals for swimming pool complexes, including the proposed alignment of admission fees and hire charges for the urban areas and the New Territories. The Working Group was also studying the feasibility of aligning the principles of setting course fees for swimming training courses and other recreation and sports programmes in one go; and
- the LCSD was making every effort to speed up the process and taking the necessary steps to address the issues involved in the review. The LCSD had accorded the highest priority to completing the review, and would let the Committee have a concrete timetable of the review as soon as it was in a position to do so.

13. The Committee wishes to be kept informed of further development on the subject.

University Grants Committee funded institutions — Governance, strategic planning and financial and performance reporting

(Paragraphs 9 to 10 of Part 4 of P.A.C. Report No. 51)

14. The Committee was informed that the Court of the University of Hong Kong ("HKU") resolved in December 2005 that the University of Hong Kong Ordinance (Cap. 1053) should be amended so that the descriptions of the respective roles of the Council and the Court therein would be consistent with their powers as set out in the relevant statutes. The University of Hong Kong (Amendment) Bill 2009 had been submitted to the Legislative Council ("LegCo") Panel on Education at its meeting on 8 June 2009 for discussion. The HKU would submit the legislative proposal to LegCo in due course.

15. The Committee wishes to be kept informed of further development on the subject.

University Grants Committee funded institutions — General administrative services
(Paragraphs 11 to 12 of Part 4 of P.A.C. Report No. 51)

16. The Committee was informed that the advisory committee which advised the Administration on the operation of the Tertiary Student Finance Scheme — Publicly-funded Programmes had previously recommended, among other things, that needy students should be provided with an accommodation expenses loan. The recommendation was being considered in the context of a consultancy study on the review of the mechanism for setting and adjusting the levels of student financial assistance.

17. The Committee wishes to be kept informed of further development on the subject.

University Grants Committee funded institutions — Staff remuneration packages and stipends
(Paragraphs 13 to 14 of Part 4 of P.A.C. Report No. 51)

18. The Committee was informed that the Hong Kong Polytechnic University ("PolyU") had completed the drafting of The Hong Kong Polytechnic University (Amendment) Bill 2009 to, inter alia, define more clearly the PolyU Council's role in drawing up the University's policy governing the terms and conditions of service of staff. The PolyU submitted the bill to the Legislative Council Panel on Education for discussion at its meeting on 9 November 2009.

19. The Committee wishes to be kept informed of further development on the subject.

Services provided by the Official Receiver's Office
(Paragraphs 15 to 16 of Part 4 of P.A.C. Report No. 51)

20. The Committee was informed that:

- the Official Receiver's Office ("ORO") implemented a two-year pilot scheme to outsource around 15% of the debtor-petition bankruptcy cases with estimated realisable assets of not more than \$200,000 to private sector insolvency practitioners ("PIPs") in May 2008. The support of the Legislative Council Panel on Financial Affairs was obtained at its meeting on 1 June 2009 to extend the pilot scheme in end-2009 for two years and expand the scheme by increasing the 15% outsourcing target to 25%; and

- the ORO had been conducting a comprehensive review of its cost of operation and its impact on fees and charges. The review was expected to be completed in 2010. The ORO would continue to consider the proposed "cab-rank" system and some form of authorisation of PIPs in the context of its regular review of outsourcing schemes.

21. The Committee wishes to be kept informed of further development on this subject.

Recoverability of the outstanding advances to the UNHCR

(Paragraphs 17 to 19 of Part 4 of P.A.C. Report No. 51)

22. The Committee was informed that:

- the Administration had continued to urge the United Nations High Commissioner for Refugees ("UNHCR") to make efforts to appeal to the international community for donations to allow early repayment of the outstanding advances, which remained at \$1,162 million. Apart from making a telephone enquiry with the Head of Hong Kong Sub-office of the UNHCR in January 2009, the Security Bureau wrote to the Head again in April and August 2009 to reiterate the Administration's stance on the matter; and
- the UNHCR expressed that due to other more pressing refugees and humanitarian issues, it was not optimistic that repayment could be made in the foreseeable future. Nevertheless, the Administration would continue to pursue repayment of the outstanding advances.

23. The Committee wishes to be kept informed of the action taken by the Administration to pursue the repayment of the outstanding advances to the Government of the Hong Kong Special Administrative Region.

Footbridge connections between five commercial buildings in the Central District

(Paragraphs 20 to 21 of Part 4 of P.A.C. Report No. 51)

24. The Committee was informed that the Lands Department was exploring the feasibility of setting up a footbridge support at the pavement of Queen's Road Central by the side of Building I. Concurrently, the Lands Department had contacted the owner of Building II and requested a revised footbridge alignment proposal in order to meet the requirement of the proposed footbridge connection point of Building I.

25. The Committee wishes to be kept informed of further discussions with the owners of the two concerned buildings for any feasible solution to materialise the footbridge proposal.

Small house grants in the New Territories

(Paragraphs 24 to 26 of Part 4 of P.A.C. Report No. 51)

26. The Committee was informed that in taking forward the small house policy review, the Administration had identified and considered a wide range of issues. Some proposals had been formulated and put into implementation. The remaining issues, which were complex in nature, required further and careful deliberations within the Administration.

27. As the position of the small house policy review remained the same as that reported in the Government Minute in May 2009, the Committee enquired about the details of any specific actions that had been taken by the Administration to review the small house policy since the Secretary for Development's letter dated 29 January 2009 reporting to the Committee the progress made on the matter. The Committee also enquired about the Administration's concrete action plan and timetable for concluding the review. In response, the **Secretary for Development** stated in her letter of 11 January 2010, in *Appendix 4*, that:

- the small house policy involved many complicated and sensitive legal, human right, land use and planning issues and the interests of different parties and stakeholders. The review therefore needed to be carried out prudently and completion of the review took time. As indicated in the Secretary for Development's letter of 29 January 2009, the Administration had already identified a number of important aspects of the policy for review, including village layout plans ("VLPs"), small house application procedures, Village Expansion Area ("VEA") projects and unauthorised building works ("UBWs") in New Territories Exempted Houses. Despite the abovementioned complications, the Administration had made progress on various fronts;
- on VLPs, the Administration had reached agreement with the Heung Yee Kuk ("HYK") and put in place a new mechanism since March 2009 to optimise the use of private land within VLPs for small house development. Under this mechanism, after a due review process including consultation with the relevant Rural Committees, amendments would be made to the VLPs to release sites on private land reserved in the VLPs for developing open space for villagers for small house development. So far, six VLPs had been reviewed. Small house applications previously held up because of sites reserved for open space use could now be processed by the Lands Department. Similar arrangement would be extended to other VLPs where appropriate at the request of the HYK, and each case would be considered on its merits;

- over the years, the HYK and small house applicants had expressed concern about the processing time for small house applications. In consultation with the HYK, the Lands Department had simplified a number of application procedures relating to the classification of cases and drainage arrangements and, as a result, the processing time had been shortened;
- the Administration had also explored with the HYK the feasibility of taking forward some of the suitable VEA projects taking account of specific circumstances of each site and the availability of funding resources. The Development Bureau and the HYK had agreed to form a joint working group to further study the feasibility and implementation issues;
- on the handling of UBWs in New Territories Exempted Houses, the Administration was reaching an advanced stage on the details of a rationalisation scheme. The purpose of the scheme was to rationalise existing UBWs that were safe and not serious, and was in line with a previous recommendation of the Ombudsman on this subject. Meanwhile, the Administration would continue to take enforcement action against UBWs under construction to curb the proliferation of UBWs; and
- the Administration would continue to take forward the small house policy review using a practical approach in close liaison with the HYK, and would consult the rural and general community at large when concrete and specific proposals were available.

28. The Committee wishes to be kept informed of further development on the review of the small house policy.

The acquisition and clearance of shipyard sites

(Paragraphs 29 to 31 of Part 4 of P.A.C. Report No. 51)

29. The Committee was informed that:

Resumption and clearance of North Tsing Yi shipyard site

- as some tenants of short term tenancies might have genuine financial and practical difficulties in arranging for the demolition of their structures, there might be a need to exempt certain clearees from the self-demolition requirement on compassionate grounds. The relevant bureaux and departments were examining this matter. Subject to the outcome of the foregoing exercise, the Lands Department would amend the Lands Administration Office Instructions as recommended by the Audit Commission; and

Assessment of contamination at the Penny's Bay shipyard site

- the Court of Appeal heard the ex-lessee's appeal against the Lands Tribunal's judgment on certain points of law as preliminary issues to facilitate the determination of the appropriate valuation basis for assessing compensation for the Penny's Bay shipyard site. The Court of Appeal handed down its judgment on 8 January 2009 and, by majority decision of the Court of Appeal (with two of the three decisions including that of the Vice-President of the Court of Appeal allowing the appeal and one dismissing it), allowed the appeal. The Administration had lodged an application for leave to appeal against the majority decision of the Court of Appeal to the Court of Final Appeal. Leave to appeal to the Court of Final Appeal against the judgment of the Court of Appeal was granted by the Court of Appeal on 8 May 2009. The Administration was preparing for the appeal which was scheduled to be heard by the Court of Final Appeal in April 2010.

30. The Committee wishes to be kept informed of the progress of the various courses of action taken by the Administration.

Grant of land at Discovery Bay and Yi Long Wan
(Paragraphs 39 to 40 of Part 4 of P.A.C. Report No. 51)

31. The Committee was informed that:

Site boundaries of Discovery Bay and Yi Long Wan development

- in view of the complexities of the issues arising from the land encroachment problems of Yi Long Wan development, legal advice on how to tackle the problems from outside counsel had been obtained by the Department of Justice ("D of J"); and
- upon consideration of the legal advice, the Lands Department considered that certain specific and ancillary legal issues needed to be considered and addressed. The D of J was seeking further advice on those issues from the outside counsel. The Lands Department was discussing with the D of J on the next step having regard to the further legal advice.

32. The Committee wishes to be kept informed of the progress of the various courses of action taken by the Administration.

Development of a site at Sai Wan Ho

(Paragraphs 41 to 42 of Part 4 of P.A.C. Report No. 51)

33. The Committee was informed that in June 2009, the Council for Sustainable Development launched a public engagement process on "Building Design to Foster a Quality and Sustainable Built Environment". The review on provision of essential, green and amenity features in buildings and gross floor area concessions was one of the three areas for public consideration. The Administration would carefully assess the findings and recommendations of the Council before deciding on the way forward.

34. The Committee wishes to be kept informed of the progress of the various courses of action taken by the Administration.

Administration of the DesignSmart Initiative

(Chapter 1 of Part 8 of P.A.C. Report No. 51)

35. The Committee was informed that:

Review of the Design Support Programme ("DSP")

- the Create Hong Kong, established by the Government in June 2009 to drive the development of creative industries, had been working on the review of the General Support Scheme and the Professional Continuing Education Scheme under the DSP, and had prepared proposals which would be put up to the DesignSmart Initiative Assessment Panel for consideration and decision in late 2009. The overarching review of the DSP would be conducted after completing the review of these two schemes. The Administration expected that the overarching review would be completed in 2009-2010; and

Further measures taken by the Hong Kong Design Centre ("HKDC") to improve its internal control and accounting systems

- the HKDC had made significant headway in improving its internal control and accounting systems. An Audit Committee comprising four Board directors had been set up to oversee an internal audit programme which covered both financial audit and procedural compliance. An outside audit firm would be appointed to execute the programme.

36. The Committee wishes to be kept informed of further development on the subject.

Management of public markets

(Chapter 3 of Part 8 of P.A.C. Report No. 51)

37. The Committee was informed that:

The result of the market surveys to gauge the views of market patrons and stall tenants, and the Administration's policy on the provision of public markets, including the positioning, functions and appropriate level of subsidisation of the operation of public markets, formulated in the light of the survey result

- during the period from March to June 2009, the Food and Environmental Hygiene Department ("FEHD") conducted the utilisation surveys on 79 wet markets under its management and, among these markets, interviewed over 8,800 tenants and patrons in 35 less vibrant ones. Survey findings were presented to the Legislative Council ("LegCo") Panel on Food Safety and Environmental Hygiene ("the FSEH Panel") at its meeting on 14 July 2009. On the basis of those findings, the Administration also put forth its preliminary views on the positioning, functions and usage of public markets at the above Panel meeting. In the relevant LegCo paper, the Administration contended that public markets played an important role as a source of fresh provision and daily commodities for the public, especially the grassroots, and created employment for low-skilled or elderly workers;
- on subsidisation of the operations of public markets, the Administration would take into account the historical development, roles, positioning, functions, usage of public markets and impact on the stall operators to adopt a phased and gradual approach to progressively align market stall rentals with the Open Market Rentals ("OMR");

The result of the FEHD's review on the provision of the cooked food markets ("CFMs")

- the utilisation and patron opinion surveys on 39 cooked food centres ("CFCs") and 25 stand-alone CFMs commenced in July 2009. Upon completion of the review, the Administration planned to present the findings to the FSEH Panel in the first half of 2010 and would keep the Committee informed of the progress;

Details of the mechanism for regularly monitoring changes in the community and the business environment, so as to avoid over-provision of market stalls in public markets

- the FEHD would continue to monitor the provision of public market stalls and take follow-up action on an on-going basis;

The proposed rental adjustment mechanism to deal with the problem of rental disparity and stall tenancy renewal cases

- the Food and Health Bureau ("FHB") and the FEHD presented the proposals on the mechanism for market rental adjustment to the FSEH Panel at its meeting on 14 July 2009. The Administration proposed that a gradual approach be adopted under which market rentals were adjusted in two phases by two three-year term tenancies. Under the first tenancy/phase, market rentals that were below 60% of the OMR were brought up to that level by equal increment over three years and that under the second tenancy/phase, market rentals were further brought up to 80% of the OMR under similar arrangement. A minimum monthly rental of \$600 or the OMR (if it was lower than \$600), and a cap of \$1,500 on the monthly rental as the maximum annual increase were also proposed for this adjustment mechanism;

The Director of Food and Environmental Hygiene's decision on the arrangements for rates payment by stall tenants

- the FEHD was working with the relevant bureaux/departments on the appropriate mechanism for the collection of rates payments from stall tenants of public markets. The FSEH Panel was informed of the progress at its meeting held on 14 July 2009;

The various measures taken by the FEHD to step up controls over stall subletting

- at the FSEH Panel meeting on 2 June 2009, the Administration agreed to Panel members' request to extend by notification the existing tenancy agreements for another year up to 30 June 2010 to allow sufficient time for the FEHD to consult the relevant stakeholders on the new tenancy agreement to be introduced. The FEHD was in the process of consulting the stakeholders;

Details of the FEHD's guidelines on conducting comprehensive viability studies in planning new markets

- the Hong Kong Planning Standards and Guidelines for the provision of public markets were revised in May 2009. Under the revised Guidelines, the future provision of new public markets should be considered on a case-by-case basis, taking into account not only the population, but also a host of other relevant factors, such as demographic mix, community needs, provision of both public and private market facilities nearby, the number of fresh provision retail outlets in the vicinity and public sentiments towards preservation of hawker areas in a particular locality, so as to ensure efficient use of public resources;

Encouraging and assisting traders to introduce new types of goods and services into public markets, thereby increasing market patronage and reducing vacancy rate

- the FEHD launched pilot schemes in six selected public markets in June 2009 by allowing designated vacant stalls in these markets to operate service trades or new types of permitted trades, such as traditional snack shops and bakeries. Eight light refreshment and bakery stalls and 13 service trade stalls had been rented out as at end of August 2009. The FEHD would continue to select suitable markets for the introduction of the scheme;
- since February 2009, the FEHD had implemented a new rental scheme for long-standing vacant stalls by reducing the upset auction prices for these stalls. As at end of August 2009, 960 long-standing vacant stalls had been successfully let out under the new rental scheme;

Working out an appropriate arrangement for the recovery of air-conditioning cost from stall tenants in the long term, including separating the air-conditioning charges from the stall rentals, and revising the tenancy conditions to allow for annual revision of the air-conditioning charges

- the FHB and the FEHD presented proposals for the recovery of air-conditioning cost from stall tenants to the FSEH Panel at its meeting on 14 July 2009. In gist, the Administration proposed to apply separate charging of air-conditioning charges, which had already been adopted for the majority of public market stalls and, for the remaining stalls, to recover the additional charges over a two-year period;

Assessing the need for the continued operation of the identified Market A in Kowloon, particularly the stalls at the basement

- Market A was closed on 18 April 2009. It had been removed from the list of public markets stipulated in the Schedule under section 79(1) of the Public Health and Municipal Services Ordinance (Cap.132);

Monitoring closely the usage of newly commissioned markets, particularly the Tai Kok Tsui Market and, if necessary, taking measures to improve their viability and usage

- for Tai Kok Tsui Market, under the new rental scheme, the market's occupancy rate further increased from 71% in March to 79% in July 2009. The FEHD would take follow-up action on an on-going basis;

Injecting innovative thinking in the design and layout of new market and making reference to successful overseas examples as appropriate

- the FEHD would organise three regional workshops in December 2009 to collate district views on market improvement measures and design concepts of new public markets; and

Consultation conclusions and way forward

- in September and October 2009, the Administration consulted Market Management Consultative Committees, market trader organisations and trade associations on the positioning, functions and usage of public markets, as well as the proposals relating to the public market rental adjustment mechanism and arrangements to recover air-conditioning charges and rates. On 10 November 2009, the Administration informed the FSEH Panel of the consultation conclusions and the way forward, as follows:
 - (a) tenant and trader representatives generally viewed that the current operating environment was difficult and that their businesses were facing intense competition. Therefore, instead of discussing the rental adjustment mechanism at this stage, the Administration should further upgrade market facilities in order to enhance the competitiveness of public markets. Moreover, they held strong views about the assessment of the OMR as the basis for determining stall rentals. The Administration would, in conjunction with the relevant government departments, re-examine the proposed rental adjustment mechanism with reference to these views. Upon completion of the review, the Administration would report to the FSEH Panel at a suitable juncture;
 - (b) regarding the recovery of air-conditioning charges, the Administration considered that since over 70% of the stall tenants of air-conditioned markets were already paying such charges under the separate charging mechanism, the same charging arrangement should be applied to the remaining stall tenants. In accordance with the mechanism as detailed in the LegCo paper entitled "Public Market Stall Rentals and Charges" discussed by the FSEH Panel on 14 July 2009, the Administration proposed to gradually recover air-conditioning charges over a two-year period under the "user-pays" principle. As regards the view that air-conditioning charges should not include maintenance costs, it should be noted that the capital costs as well as the costs of major maintenance works for air-conditioning systems of public markets were fully borne by the Government under the current practice. Tenants were only responsible for the recurrent costs, including electricity charges and the costs of daily general maintenance;

- (c) as for the recovery of rates, it was stipulated in the tenancy agreement that tenants were responsible for the payment of rates. The Administration considered that market tenants should pay rates of their stalls. The FEHD had been in discussion with the Rating and Valuation Department on the specific arrangements for assessing the rates of individual market stalls. As the assessment would involve lots of administrative work and human resources, the Administration estimated that the required work would take more than a year to complete. The Administration would proceed to consider the specific arrangements for the recovery of rates when the details of rates assessment were finalised; and
- (d) regarding tenants' comments and recommendations on the improvement of market management and facilities, the FEHD was planning to organise retreats for District Council members, Area Committee members and Market Management Consultative Committee representatives in December 2009 to gauge their views on market design and planning. The FEHD would also share with the participants views of market patrons collected in the opinion surveys conducted earlier and jointly explore with them the feasible plans for upgrading the overall operation of public markets.

38. The Committee wishes to be kept informed of further development on the subject.

Reduction and recovery of municipal solid waste
(Chapter 4 of Part 8 of P.A.C. Report No. 51)

39. The Committee was informed that the Administration had implemented measures in response to 15 improvement items recommended by the Director of Audit. The progress of the improvement measures were set out in **Appendix 5**.

40. The Committee wishes to be kept informed of the progress of the various courses of action taken by the Administration.