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Panel on Food Safety and Environmental Hygiene

**Background Paper prepared by Legislative Council Secretariat for the
meeting on 10 November 2009**

Review on the positioning, functions and usage of public markets

Purpose

This paper gives an account of the past discussions by the Panel on Food Safety and Environmental Hygiene (the Panel) on the review on the positioning, functions and usage of public markets.

Background

2. Public markets were provided by the former Municipal Councils to meet the needs of the community and to resite hawkers who would otherwise be trading on-street causing environmental nuisance and congestion to pedestrians and vehicular traffic. Since the dissolution of the former provisional Municipal Councils in 2000, the Food and Environmental Hygiene Department (FEHD) has taken up the responsibility of managing public markets.

3. 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. The Administration 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 the Administration's 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.

Past discussions

4. The Administration briefed the Panel on 14 July 2009 on its preliminary thinking, based on findings of the utilisation surveys on 79 wet markets under the management of FEHD conducted from March to June 2009, in reviewing the positioning, functions and usage of public markets. The Administration also briefed the Panel on its preliminary recommendations on bringing public market rentals to reach 80% of open market rental (OMR) generally in six years' time and recovering air-conditioning cost and rates from tenants.

5. Hon Alan LEONG pointed out that the fact that the Administration only focused on bringing public market rentals to reach 80% of OMR generally reflected the narrow mindset of the Administration in addressing the problems in managing public markets mainly from a financial perspective. The Administration should place more emphasis on strengthening the social functions of public markets as a means to, say, promote social enterprises and market organic farm products, and provide more choices for consumers.

6. Hon WONG Yuk-man opined that although PAC mainly dealt with value-for-money audit carried out by the Director of Audit relating to the economy, efficiency and effectiveness of any Government department or public body, the Administration should not lose sight of the social functions of public markets in its review of the positioning and usage of public markets, which in turn would impact on the extent to which public market operation should be subsidised.

7. Hon KAM Nai-wai expressed the view that the Government should continue to subsidise public markets, having regard to their important social functions and the need to counter the monopolisation of supermarkets. More work should be carried out by the Administration to change the traditional trade mix of public markets to better meet the needs and aspirations of shoppers.

8. Hon TAM Yiu-chung urged the Administration to be very careful in using market patronage as an indicator in assessing whether a market had served the primary purpose of its existence. A market might have low patronage, but it might be the only convenient place where the local community could buy fresh food as well as dry goods and daily necessities. The Administration should also pay heed to the affordability of those tenants who were former on-street hawkers and currently paying concessionary rental in deciding to introduce a minimum monthly rental of \$600, as the increase rate could be quite high.

9. Hon Vincent FANG was of the view that the Administration should only recover air-conditioning cost from tenants and defer adjusting public market rentals upwards to 80% of OMR, having regard to the prevailing poor

economic climate. Whilst agreeing that public markets had important functions and should be retained, Mr FANG was of the view that those markets with extremely low patronage should be closed down.

10. Hon Fred LI opined that the Government should continue to provide a certain degree of subsidies for public markets. To reduce the annual \$160 million subsidy for the operation of 104 public markets, the Administration should explore ways to generate income, such as renting out the external walls and rooftops of markets for putting up advertisements. Mr LI further opined that the Administration should first tackle the problem of stall subletting to safeguard public money and recover rates and air-conditioning charges from tenants at an opportune time.

11. The Administration advised that the market surveys affirmed that public markets remained one of the major sources of fresh provisions as far as the grassroots people were concerned. Another function of public markets was to provide employment opportunities for the grassroots people. Notwithstanding such, there was a need to determine the appropriate level of Government's subsidisation of public markets. To that end, the Administration considered that a phased approach should be adopted to gradually recover air-conditioning cost and adjust public market rentals. As to how much the existing public market rentals should be adjusted upwards to meet certain level of OMR would depend on the views of the public on the appropriate level of Government's subsidisation of public markets. The rental target of 80% of OMR was merely a suggestion to initiate discussion on the matter. Whilst recognising the historical reasons why some tenants were paying concessionary rental, due regard must be given to the unfair competition that these tenants posed to shops selling similar commodities in the nearby private premises. As a matter of principle, market stall tenants should pay the OMR without any further "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 their moving into markets. This was to ensure a smooth transition and to assist hawkers in adapting to the mode of operation of public markets. As a tenant was not allowed to sublet his stall according to market stall tenancy agreement, top priority would be given to tackling the problem of stall subletting.

12. The Administration further advised that although the proposed rental adjustment mechanism aimed at bringing public market rentals generally reaching 80% of OMR in six years' time, no implementation timetable had been set in this regard. In determining the timing for the implementation of the proposed rental adjustment mechanism, the Administration would keep track of the trend of the local economy and take into account the operating environment of the tenants. The Administration would consult traders' associations and Market Management Consultative Committees after listening

to the views of the Panel. Results of the consultation would be reported to the Panel in due course. As some 34% of tenants were paying rental at 80% or above of OMR, the proposed rental adjustment mechanism, if implemented, would only affect some 66% of tenants.

13. Hon Tommy CHEUNG was of the view that before dwelling on the appropriate level of Government's subsidisation of public markets, it was necessary to first determine whether charging stall tenants with OMR was justified.

14. The Administration advised that OMR was a reference provided by the Rating and Valuation Department for use in rental assessment. It was based on various factors, such as the latest bid price for a similar stall in the same market, the location of the market, the different rating factors attributed to the unique features of the stall concerned (such as its proximity to escalators), and customer flow.

15. Members agreed to invite deputations to give views on the positioning, functions and usage of public markets, including the proposed rental adjustment mechanism in respect of public market stalls and the proposed arrangements to recover the air-conditioning cost and rates from tenants. Members noted that the Administration would be in a position to revert to the Panel on the outcome of its consultation with market traders in November 2009.

Relevant papers

16. Members are invited to access the Legislative Council website (<http://www.legco.gov.hk>) for details of the relevant papers and minutes of the meeting.