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Panel on Food Safety and Environmental Hygiene

Subcommittee on Issues Relating to Public Markets

**Background brief prepared by the Legislative Council Secretariat
for the meeting on 23 June 2014**

The positioning, functions and usages of public markets

Purpose

1. This paper provides background information on issues relating to the positioning, functions and usages of public market, and highlights major views and concerns of members of the Panel on Food Safety and Environmental Hygiene ("the Panel") and the Subcommittee on Issues Relating to Public Markets ("the Subcommittee") on the subject.

Background

2. According to the Administration, in early years, public markets were built by the former Municipal Councils ("MCs") for resiting hawkers with a view to improving street hygiene and alleviating street obstruction. To pursue this objective, the positioning and functions of public markets as well as market layout and stall design were to a large extent developed in the form of bazaars, while concessionary rental arrangements were made to encourage hawkers to move into public markets. Since the late 1990s, the main positioning and functions of public markets as a means to resiting hawkers and supporting the hawker policy were no longer valid, as the number of licensed hawkers has decreased significantly. Hence, the design and layout of newly built public markets were different from those built in early years in the form of bazaars to resite hawkers. For examples, new public markets provided bigger stalls and wider passageways. Following the dissolution of the former MCs on 1 January 2000, the Food and Environmental Hygiene Department ("FEHD")

has taken over the responsibility for managing public markets. According to the Administration, FEHD is currently managing over 76 public markets that sell wet and dry goods.

Review on public markets in 2008-2009

3. The Director of Audit's Report No. 51 published in November 2008 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. After examining the Director of Audit's Report No. 51, the Public Accounts Committee ("PAC") concluded that (a) public markets must serve the primary purpose of their existence, i.e. providing active market services to the community, otherwise they would not justify the high building and operation costs; and (b) the Administration's policy on the provision of public markets should be conducive to ensuring that the public markets could give full play to their functions to effectively serve the needs of the community. Expressing dissatisfaction about the high vacancy rates, non-trading stalls and large operating deficits at some public markets¹, PAC urged the Administration to put in place a system for collecting usage information on individual public markets, such as the number of patrons visiting the markets and the number stalls actually providing retailing services, to assist in assessing whether a public market could meet the needs of the community.

4. In 2009, the Panel held two meetings to receive the Administration's report on the respective results of utilization surveys conducted by FEHD on wet markets under its management as well as the consultation of the positioning and functions of public markets. The Administration advised that public markets remained one of the major sources of fresh provisions (especially vegetables and seafood) for the grassroots people, and this social function had not been replaced by modern supermarkets or retail chain stores. With a view to enhancing the occupancy rate and patronage of public markets, FEHD undertook to introduce alternative trades in public markets, including bakeries, shops selling traditional snacks and service trade stalls. According to the Administration, another function of the public markets was to provide employment opportunities for the grassroots people. The operation of market stalls involved logistic support services such as supply and sale of goods, transportation, etc. These related trades also provided job opportunities for low-skilled workers.

¹ As of June 2008, 34 of the 104 public markets had a stall vacancy rate of 30% or above, of which 11 had a vacancy rate of 50% or above, as stated in Chapter 3 of Part 8 "Management of public markets" of the PAC Report No. 51.

Consultancy study on improving the operating environment of public markets

5. The Panel had discussed with the Administration various proposals of rental adjustment mechanisms at a number of meetings held between 2010 and 2013. At these meetings, members urged the Administration to first address the fundamental problems faced by stall operators in public markets including poor operating environment, outdated market facilities and low patronage. Members were dissatisfied that little progress had been made in this regard over the years and considered it high time to review the policy of public markets. At the Panel meeting on 5 February 2013, members agreed to form a subcommittee under the Panel to study and review issues relating to public markets with a view to improving the business environment and patronage of public markets.

6. At the Panel meeting in July 2013, members were advised that the Administration would commission a consultancy study on improving the operating environment of public markets. After commencing its work in March 2014, the Subcommittee on Issues Relating to Public Markets requested the Administration to arrange the consultant (i.e. BMT Asia Pacific) commissioned by the Administration to conduct the study to brief members on the scope and progress of the consultancy study. At the Subcommittee meeting held in April 2014, Subcommittee members and the consultant exchanged views on the positioning and functions of public markets.

Deliberations of relevant committees

7. Issues relating to the positioning, functions and usages of public markets were discussed at a number of Panel and Subcommittee meetings between 2009 and 2014. Major views and concerns of members on the subject are highlighted in the ensuing paragraphs.

Positioning and functions of public markets

8. When discussing various proposals of rental adjustment mechanisms at the Panel meetings between 2010 and 2013, members repeatedly urged the Administration to review the positioning and functions of public markets and improve the operating environment of public markets before considering rental adjustment. Most members were of the view that, despite the proliferation of supermarkets and chain stores, public markets could fulfill major social functions including serving as major sources of fresh provisions for the public at large and providing employment opportunities for the grassroots.

9. At the meeting with the Administration and the consultant in April 2014, Subcommittee members were advised that the consultant would focus on existing public markets and explore ways to improve their operating environment befitting their functions and positioning. The scope of the consultancy study covered four areas including (a) tendering views on functions and positioning of public markets; (b) surveying the public markets and formulating concrete improvement proposals for five or six representative ones; (c) providing some general suggestions for the routine improvement works for public markets; and (d) suggesting ways and pragmatic measures to preserve market stalls that were selling traditional commodities or involving traditional specialty. Subcommittee members reminded the consultant that the improvement measures should ensure the maintenance of a clean and hygienic shopping environment and the provision of good quality commodities at affordable prices in public markets.

10. There was a view that the Administration should cease to subsidize stall operators in the form of concessionary rental arrangement. Stall operators in public markets should be selected on their ability to attract patronage and their business turnover. There was, however, another view that any change to rental arrangement would be tantamount to a breach of the Administration's promise made in the past, as concessionary arrangements were made to attract hawkers to move into public markets for operation and compensate for their loss arising from surrendering the right to trade legally on street.

11. The Administration advised that the social function of public market as a major source of fresh provisions for the grassroots was beyond doubt, and the consultancy study was expected to explore ways to improve the operating environment of public markets befitting their functions and positioning. The consultant further advised that the study would include a review of the historical development of public markets so as to give advice on the updated positioning and functions of public markets.

12. There was also a view that consideration should be given to expand the functions of public markets so that they could serve as centres for food waste management and recycling in the community and provide space for local creative arts and cultural workers to operate. The Administration responded that members' suggestions would be taken into consideration, and FEHD would collaborate with the Environmental Protection Department to enhance support measures for waste recovery and recycling with a view to improving waste management.

13. Some Subcommittee members questioned whether public markets were underutilized because of poor management of FEHD and urged the consultant

to review issues relating to management of public markets, including the tender system, opening hours and hygiene-related services. There was a view that the Administration should review whether public markets should continue to be managed by FEHD, or a statutory body could be set up to take up the role of management of public markets. The Administration advised that management issues had been included in the scope of the consultancy study, and the Administration would take members' view into consideration.

Usages of public markets

14. There was a view that it was of utmost importance to revitalize and improve the operating environment of public markets in order to address the problem of high vacancy rates of public markets. The Administration was called on to introduce new promotional strategies or new designs to enhance the operating environment of public markets. Some Subcommittee members considered that the Administration should take into account town planning issues such as transport and provision of parking spaces in order to increase the patronage and better utilize public markets. In the light of persistently high vacancy rates in some public markets, some Subcommittee members expressed concern about the measures taken by the Administration to improve the vacancy rates of these public markets.

15. The Administration advised that in order to boost the occupancy rate of public markets, FEHD had since October 2010 let small stalls through short-term tenancies on a trial basis. As at February 2014, a total of 114 stalls had been let out for service trades, light refreshment and bakery stalls. In addition, with effect from February 2009, the upset auction prices were lowered from 80% to 60% of the open market rental for stalls which had been left vacant for six months and eight months respectively. For individual public markets with very high vacancy rates, the Administration would consider relocating stall operators that were previously scattered on different floors to the same floor so as to increase the patronage.

Latest developments

16. The Subcommittee will discuss with the Administration the positioning, functions and usages of public markets at the meeting on 23 June 2014.

Relevant papers

17. A list of relevant papers on the Legislative Council's website is in the **Appendix**.

Council Business Division 2
Legislative Council Secretariat
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Appendix

Relevant papers on the positioning, functions and usages of public markets

Committee	Date of meeting	Paper
Panel on Food Safety and Environmental Hygiene	14.7.2009 (Items IV)	Agenda Minutes
	10.11.2009 (Item IV)	Agenda Minutes
	3.5.2010 (Item I)	Agenda Minutes
	22.2.2011 (Item I)	Agenda Minutes
	8.1.2013 (Item IV)	Agenda Minutes
	16.4.2013 (Item VI)	Agenda Minutes
	9.7.2013 (Item III)	Agenda Minutes
Subcommittee on Issues Relating to Public Markets	25.3.2014 (Item II)	Agenda Minutes
	29.4.2014 (Item II)	Agenda