

**For information
20 January 2015**

**Legislative Council Panel on Food Safety and Environmental Hygiene
Subcommittee on Issues Relating to Public Markets**

Measures to improve the operating environment of public markets

PURPOSE

The Administration has commissioned a consultant to assist in developing proposals for improving the operating environment of public markets, thereby enabling them to fulfil the functions expected of them in present-day circumstances. This paper briefs Members on the key findings of the consultancy study and the Administration's preliminary thinking.

BACKGROUND

2. At the beginning of the 2012-13 legislative session, the Legislative Council ("LegCo") Panel on Food Safety and Environmental Hygiene ("Panel") proposed a discussion schedule (i.e. January, April and July 2013) to consider the proposed rental adjustment mechanism and related issues. When we consulted the Panel at the meeting of 8 January 2013 on the latest proposed rental adjustment mechanism for public market stalls, Members requested the Administration to conduct a comprehensive review covering the policy and usage of public markets before the proposed rental adjustment mechanism was put in place. Specifically, Members considered that the Administration should invite experts with experience in retail operations to give advice. In this connection, the Government decided to engage a consultant with expertise in retail operations to assist in coming up with concrete improvement proposals for public markets.

3. At the meetings of the Panel on 16 April 2013¹ and 9 July 2013², we briefed Members on the Administration's plan to commission a consultant. Subsequently on 7 August 2013, we provided an information note to give Members an outline of the consultancy brief³.

¹ LC Paper No. CB(2)944/12-13(09).

² LC Paper No. CB(2)1511/12-13(02).

³ LC Paper No. CB(2)1694/12-13(01).

4. Pursuant to the discussion at the Panel meetings on 8 January and 5 February 2013, Members agreed to form a Subcommittee under the Panel with its terms of reference covering, amongst others, studying and reviewing issues relating to the policy and business environment of public markets and examining the Administration's proposals for the rental adjustment mechanism and air-conditioning charging arrangement for public market stalls. As agreed at the House Committee meeting on 15 November 2013, the Subcommittee on Issues Relating to Public Markets was activated when a vacant slot arose in March 2014. At the Subcommittee meeting on 29 April 2014, Members were briefed by the Administration and the Consultant on the progress and the state of play on the consultancy study. Members' views were taken into account, in finalising the recommendations in the consultancy study.

CONSULTANCY STUDY

Consultant's Recommendation

5. An abstract of the final report of the consultancy study is provided at **Annex**. The key points therein could be grouped under the headings below.

(A) Functions and Positioning

6. The consultant has made the following observations / recommendations regarding the functions and positioning of public markets –

- (a) public markets are positioned and are expected to continue to be one of the major sources of fresh food provisions for the general public;
- (b) public markets should be kept clean and hygienic to provide a decent and comfortable shopping environment accessible to patrons; it may not be necessary for public markets to be upgraded to unduly upmarket shopping venues;
- (c) public markets, in particular those that are situated in well sought-after locations, should generate at least a reasonable degree of patronage in order to make full and effective use of valuable land resources;

- (d) public markets have been providing job opportunities for the grassroots. However, no means tests or assessments have been conducted to judge the eligibility of bidders before letting out market stalls. As such, it is not appropriate to treat markets as social welfare for their tenants;
- (e) market tenants are free to determine the prices of their goods. Since the Government does not control prices, it is not realistic to expect that public markets could take on the function of stabilising the prices of goods or food; and
- (f) a level playing field in renting public market facilities as a use of public resources may help drive continued improvements in services that would enhance customer satisfaction, to the benefit of all stakeholders who have an interest in keeping public markets vibrant. The low rental for many of the stalls may be one of the factors contributing to the inherent problems of the markets.

7. The Administration largely agrees to the consultant's views, in particular the one related to the positioning of public markets as "one of the major sources of fresh food provisions for the general public". As such, public markets should be kept decent, clean and tidy. On the other hand, given their positioning and many existing constraints (e.g. large number of tenants and limited space), we do not see it necessary or practicable to upgrade public markets to unduly upmarket shopping venues.

8. We should let public markets fully fulfil their functions by making them more attractive to the general public and boost their usage rate. Given the scarcity of land resources in Hong Kong, we should always strive to put valuable land resources to optimal use. Many public markets are located in prime locations with good accessibility. It is not an optimal use of such land resources to allow market stalls to remain in an under-utilised state which hardly help advance the vibrancy of public markets.

9. We also note that the consultant sees the continuously low rental for many of the stalls as an issue that should be duly addressed. Deficits have been recorded in the management of public markets⁴. We need a reasonable rental adjustment mechanism which allows the rent of market stalls to catch up with rents of broadly comparable stalls which are recently allocated through

⁴ For example the deficit in 2012-13 was \$220.1 million and in 2013-14 was \$236.4 million.

open bidding in other public markets. The lack of such a mechanism may likely be at a detriment to the vibrancy of the markets (e.g. tenants may lack motivation for running their business in an active manner). While agreeing to the consultant's point that markets are intrinsically different from welfare services, we are mindful that some tenants were ex-hawkers or ex-tenants of other public markets resited to the existing public markets at a low rent and we need to take into account the arrangement for this group of tenants when considering the rental adjustment mechanism.

10. Depending on the unique situation of each market, for example its location, competitors and clientele, individual markets may develop different characteristics and niches befitting their competitive advantages, ranging from fresh provisions for the ordinary folks to relatively more premium food products (such as organic vegetables and fruits).

(B) Improvement Works

11. The consultant has developed a set of criteria and selected six markets along those criteria for further study on potential improvements. These six markets include Tsuen Wan Market, Yau Ma Tei Market, Ngau Chi Wan Market, Sheung Fung Street Market, Lockhart Road Market and Wing Fong Street Market. These markets will serve as prototypes. The experience gained and lessons learnt from taking the improvements forward at these six markets will provide reference for pursuing improvements to other public markets of similar categories in future.

12. We note that the set of selection criteria adopted by the consultant has taken into account the potential and room for improvement that is open to individual markets. Paying due regard to how likely the positive effect of the improvement proposals could be fully demonstrated is consistent with the principle of putting resources to proper use.

13. The Administration will further study the consultant's physical improvement options in consultation with relevant government departments, such as the Architectural Services Department. Apart from the proposed design option (1) (not involving reduction in the number of occupied stalls), the proposed design option (2) involves major changes in the stall size and layout, with implications on the total number of stalls and the length of the temporary closure that may be necessary during the works period. We will take into account tenants' views and any technical and operational constraints in developing the concrete design proposals. This year, we plan to put forward improvement proposals for some representative markets with a view

to providing reference for the improvement to other public markets. Whether these proposals would be implemented would be subject to availability of funding and the views of stall tenants.

14. The Administration will also further study the consultant's recommendation on non-physical improvement plans which can be implemented in a shorter timeframe. The consultant has prioritised them as core measures, quick win measures, potential measures and optional measures. We will need to review carefully if existing resources are sufficient for implementing the proposed measures, and consider whether greater synergy could be created through combining them with the physical improvement as well as enhanced management.

(C) Management of Public Markets

15. The consultant has made some recommendations on the Food and Environmental Hygiene Department's ("FEHD") management of public markets in order to sustain long term improvement. To fully utilise the improved hardware, the consultant sees a need for introducing changes to the software, including tenants' behaviour and practices in using market facilities, and for tenants to engage in active trading and make markets neat, tidy, vibrant and appealing as a shopping venue. The consultant suggests that the Government needs to step up enforcement and foster a "sense of ownership amongst tenants" by creating an "opportunity for tenants' participation" in the decision-making process of the public markets' daily management.

16. While we will study the consultant's recommendations in more detail, we generally agree that there is a need to explore the various options, including stepping up FEHD's management and enforcement work, strengthening tenants' input in the management of markets, reviewing the market management consultative mechanism etc. The Government needs to consider the issue of resources and priority as we move forward. We are mindful that if any reform in the management model is to be contemplated, we need to address how manpower resources need to be geared up, with a view to smoothening the implementation of improvement projects, stepping up management and enforcement, and strengthening training and inculcating a mindset to strive for standards of decency and sensitive to commercial / business perspectives.

(D) Preservation of Stalls Selling Traditional Commodities

17. The consultant considers that the role of public markets in preserving stalls selling traditional commodities should be recognised and maintained. The consultant has made some recommendations on how to maintain and enhance the role of public markets in the preservation of traditional stalls. In particular, the consultant suggests that the Government may consider relaxing the existing specified list of tradesman activities in public markets as appropriate. The Administration will further examine the consultant's recommendation.

SUMMARY

18. We agree with the consultant's views about the positioning of public markets as "one of the major sources of fresh food provisions for the general public". As public markets serve the general public, we should not aim to make these markets unduly upmarket. That said, public markets should be kept reasonably decent, clean, neat and tidy. Guided by the principles of putting scarce and valuable land resources to optimal use, we agree that allowing market stalls to remain in an under-utilised state would hardly help advance the vibrancy of public markets. There is a need to carry out stricter enforcement, eliminate inactive stalls and reinforce the tenants' responsibility to keep common areas clear and clean. This requires the concerted efforts of the Government, the tenants and the community.

19. Having listened to the views of the Subcommittee on the consultant's recommendations, we will put up preliminary proposals to implement the relevant improvement plans. At the same time, we will explore the rental adjustment mechanism with the Subcommittee.

ADVICE SOUGHT

20. Members are invited to note the content of this paper.

**Food and Health Bureau
Food and Environmental Hygiene Department
January 2015**

Consultancy Study on Ways to Improve the Operating Environment of Public Markets

Abstract of the Final Report

Preface

1. The main objectives of this consultancy study, commissioned by the Food and Health Bureau, are to:
 - (a) tender views on the present-day functions and positioning of public markets; and
 - (b) develop proposals for improving the operating environment of public markets¹, for the purpose of enhancing their functionality and competitiveness.

Positioning and functions of Public Markets

2. Public markets are expected to continue to serve as one of the major sources of fresh food provisions and goods for the general public in the years to come. For members of the public who patronise public markets, this important function is unquestionable.
3. It is a common aspiration of both the customers and tenants that public markets should provide clean and hygienic environment to facilitate pleasant shopping experience albeit they are not expecting public markets to be upgraded to unduly upmarket shopping venues. Whilst the Government, as the manager of public markets, is responsible for providing facilities and services meeting the aspired standards, one should recognise that the Government is also expected to ensure that the public resources involved in enabling the provision of public markets (including land resources) represent an efficient use. Many public markets are located in prime locations with good accessibility. Allowing market stalls to remain in an under-utilised state would contradict the above-mentioned principle.
4. Public markets, in particular those that are situated in well sought-after locations, should generate at least a reasonable degree of patronage in order to justify their use of scarce and valuable land resources.
5. It is widely accepted that public markets are providing job opportunities for the grassroots. However, no means tests or assessments have been conducted to judge the eligibility of bidders before letting out market stalls. As such, it is not appropriate to treat them as social welfare for their tenants.
6. Tenants of public markets are free to determine the prices of their goods sold. There have been views that public markets are a cheap source of fresh food that helps maintain the stability of food prices. To the extent that consumers also stand to benefit, the proponents of such views go on to cite this as an argument for subsidising public market operations. However, as the Government does not control the prices, public markets do not necessarily sell goods at a lower price.

¹ *Through the study, we have been tasked first to present an overall profile of the public market sector in Hong Kong and the challenges it faces, including aging facilities, changes in customer expectations and habits, as well as competition from other retail outlets, ... etc. Having done that, we are required by the consultancy brief to develop (a) major improvement plans for six selected public markets; and (b) routine and easy to administer minor improvements as well as measures to preserve market stalls selling traditional commodities. The improvement plans and measures thus developed would provide reference for future improvements to other public markets.*

7. A level playing field in renting public market facilities as a use of public resources may help drive continued improvements in services that would enhance customer satisfaction, to the benefit of all stakeholders who have an interest in keeping public markets vibrant. The low rental for many of the stalls may be one of the factors contributing to the inherent problems of the markets. To better manage the markets, the Government should duly address this issue.

Public Market Improvements

8. Some public markets possess unique advantages and create special shopping experience for customers. Improvement in facilities and the shopping environment could deliver significant benefits.
9. At the time when most of the existing public markets were built, the top priority then was to re-site as many on-street hawkers as the markets could take in. This had shaped the design and layout of the public markets as how they appear today.
10. The facilities of many public markets are facing the aging issue in the course of time. However, with some entrenched behaviour and practice of tenants, e.g. unauthorised extension of business areas, choking of floor drains on passageways etc., the Government has encountered difficulties in maintaining the hardware in a decent state.
11. A set of high level criteria have been identified to shortlist 15 public markets for further investigation: for example, the selected markets should be (i) of a significant size, (ii) with lower customer flows, (iii) having potential patrons in the catchment area, and (iv) of more urgency in needing improvement.
12. A survey on the 15 markets has been conducted on the level of importance attached to various key factors, including convenience, stall situation, commodities sold, facilities, daily management, promotion and overall situation. Stakeholders' satisfaction for these factors has also been evaluated for the selected public markets.
13. These have subsequently helped identify six markets² (which are of different sizes and located in both urban and suburb areas for demonstrative purpose) and develop specific improvement plan for each of them. The six markets selected are:
 - Tsuen Wan Market (荃灣街市);
 - Yau Ma Tei Market (油麻地街市);
 - Ngau Chi Wan Market (牛池灣街市);
 - Sheung Fung Street Market (雙鳳街街市);
 - Lockhart Road Market (駱克道街市); and
 - Wing Fong Street Market (榮芳街街市).

The New Design

14. For each of the six selected markets, we have drafted one or two improvement plan(s)³ depending on their actual physical conditions. The proposed new designs improve the physical operating environment, which intend to help enhance the functionality and efficiency of operations for tenants as well as to offer comfortable shopping experience for patrons. The essence of individual improvement plans may be summarised as follows:

² *The methodology used for selecting these six markets is set out in detail in the final report.*

³ *For cases where two options have been developed, the proposed design option (1) does not involve reduction in the number of occupied stalls. The proposed design option (2), by contrast, would entail altering the number and changing the position of existing stalls (e.g. from ground floor to first floor, or from the middle of an aisle to the end of it ... etc.). New shopping experience will be created through these new designs.*

To implement the improvement measures, especially those under the proposed design option (2), some foreseeable challenges exist. We will return to this in paragraphs 23 to 27 below.

- Tsuen Wan Market : Re-zoning of stalls
 - Yau Ma Tei Market : Revitalising the under-used space
 - Ngau Chi Wan Market : Reconnecting it with the neighbourhood
 - Sheung Fung Street Market : Refining the market identity
 - Lockhart Road Market : Reprogramming the trade mix
 - Wing Fong Street Market : Reconfiguring the layout
15. Tsuen Wan Market is to be re-zoned such that dry goods stalls will be located on the first floor and the fish stalls will be near the loading / unloading area on the ground floor. Street facing stalls will be created at the entrance facing Chung On Street to become more inviting.
 16. The new design for Yau Ma Tei Market seeks to revitalise the under-utilised space, including the central void. The unique façade is suggested to be preserved.
 17. For Ngau Chi Wan Market, the improvement plan targets to re-connect the market with the vibrant shopping environment nearby. The entrance facing Kam Chi Path, one of the key entrances used by the patrons, is enlarged and street facing stalls are created to attract patronage. The concrete wall facing Lung Cheung Street will be replaced with a glass wall to further enhance visibility.
 18. Sheung Fung Street Market is in a fair condition where relatively slight refinement is required. The height of the walls near the centre of the market is lowered to enhance visibility. The market façade will be modified to be more inviting in order to catch the attention of pedestrians.
 19. Located in a commercial district, the focus of Lockhart Road Market is to modify its trade mix to allow more flexibility. The area in between the escalator and the entrance facing Hennessey Road should be utilised as a flea market zone / pop-up retail area so that tenants can rent and sell their goods on promotion. It is also suggested that flexibility should be allowed in diversifying the trade mix of Lockhart Road Market to include light refreshment and food ready for instant consumption.
 20. Wing Fong Street Market is re-organised in such a way that the existing loading bay and refuse room will switch their location with one of the entrances so as to capture the patronage from the prime shopping area outside the market.
 21. In addition to proposing individual themes for different markets, the consultant has also recommended some general physical improvement items such as lower partition walls, creating storage area for stalls, reconfiguration of floor drain etc. Air conditioning is recommended in some of the markets, e.g. Tsuen Wan Market, Ngau Chi Wan Market and Wing Fong Street Market.
 22. The improvement proposals would provide reference for future improvement of other public markets.

Potential Challenges

23. Some of the proposed improved designs entail (a) reduction in the number of stalls and/or (b) changes to the physical position/alignment of existing stalls. In the options with reduced number of stalls, while all tenants can potentially rent at least one stall, the thorny issue will be to determine which tenant(s) should give up any of their stalls if they have more than one at present. The challenges inherent in bringing about such changes should not be under-estimated. Where changes to the position / alignment of stalls are involved, the thorny issue is for the redesigned stalls to be reallocated to the tenants, in addition to the question of whether the relocation should entail a consequential change in rent.
24. To implement fundamental changes to the existing layout, temporary closure of the market is likely to become inevitable. Possible demands from tenants include minimising the impact of the improvement works on their business which would require prudent and delicate handling.

25. Taking full advantage of the proposed new features (such as lower stall walls, additional storage space away from their own stalls, reconfigured floor drains, etc.) can lead to a gradual change in tenants' behaviour for maintaining a better operating environment. Tenants' cooperation in adopting new behaviour and practices is also important, bearing in mind that keeping the common areas of public markets clean and tidy is also beneficial to tenants.
26. Implementation of the improvement measures will entail substantial costs on the part of the Government and may also mean additional operating costs for tenants. In some of the selected markets, the installation of air-conditioning system is recommended. It is suggested that the tenants will have to bear the air-conditioning charges⁴ on a cost-recovery basis.
27. Other constraints may come to light during the detailed design stage, such as the need for additional space to house enhanced electricity equipment; air-conditioning plants; or reconfigured floor drains linking to public sewers etc. There may also be a lack of space to accommodate barrier free access facilities built inside or outside the public markets to up-to-date standards.

Non-physical Improvement Measures

28. It may take time for the physical improvement plans to be fully implemented, as it requires further discussion with affected tenants. Meanwhile, a number of non-physical measures have been identified. These measures are related to the management, hygiene, marketing and promotion of public markets. They are prioritised as follows:

| Priority | Measures |
|-----------|---|
| Core | Strengthening of Routine Management and Enforcement Work |
| Quick Win | Enabling Octopus Payment Diversifying / Allowing Flexibility in the Trade Mix Provision of ATM Services Short Term Lease of Promotional Areas Creating a Dedicated Market Website / App Creating a New Icon or Mascot Representing Public Markets |
| Potential | Organising Skills Upgrade Programme for Tenants Launching Market Membership Scheme Organising Voluntary Price Discount Programmes Creating Notice Boards Dedicated to Promotion and Discount Information Organising Seasonal / Festive Promotion Installation of MTR Saver |
| Optional | Provision of Washbasins for Hand Washing Publishing a Public Market Photo-book Organising an Exhibition of Public Market Installation of TV Screens Recognising Famous Stalls and Public Markets Promoting Recycling of Food Waste |

29. Some of the non-physical improvement measures will incur additional costs and require additional resources for management on the part of the Government. The Government will need to review carefully if existing resources are sufficient to implement the proposed measures. Wherever appropriate, deployment of additional human resources should be considered.
30. Whilst some of the non-physical measures outlined in paragraph 28 above may be implemented separately, greater synergy could be created if these non-physical measures would be combined with changes to physical design/layout as well as enhanced management.

⁴ Air-conditioning charges include electricity charges and general maintenance costs.

Need for Changes beyond Hardware Improvements

31. Mere improvements to the physical design and layout of public markets would not bring about lasting changes.
32. There is a need for the Government to help foster a “sense of ownership amongst tenants” by creating an “opportunity for tenants’ participation” in the decision-making process of the public markets’ daily management.

Mindset Change

33. As the landlord of the markets, the Food and Environmental Hygiene Department (FEHD) de jure possesses the power to take enforcement actions, terminate tenancies and adjust rentals. However, the powers that FEHD has been exercising are de facto limited. Not all the tenants take ownership of the responsibility to keep the operating environment of public markets decent, clean and tidy. For example, FEHD encountered some difficult cases in which individual tenants consistently ignored the tenancy conditions and extended their business areas without proper authorisation.
34. In taking forward improvement measures such as routine maintenance and consolidation of stalls, FEHD more often than not meets with resistance from tenants with the excuse of disruption to business or potential loss of clientele. In some cases, individual tenants simply refused to allow repair and maintenance works to take place during the operating hours of public markets.
35. FEHD, being a government department, is often expected to be more than a landlord. Frontline staff are for instance expected to show sympathy for tenants (who are perceived to be largely from the grassroots) apart from being fair and open. FEHD’s experience has also shown that enforcement actions were subject to appeals and legal challenges, resulting in formidable workload.
36. Past attempts to adjust rent have not been successful and the rents of public market stalls have been frozen for more than a decade. The disproportionately low rent for some stalls may be one of the factors contributing to the inherent problems of the markets. Some under-utilised stalls are being operated more like a store house.
37. FEHD should take effective enforcement actions stringently. The public should understand the importance of stringent enforcement actions on the part of FEHD as a means to help ensure that public markets are managed in a sustainable manner. In this regard, the provision of clearer conditions in the tenancy agreements for tackling inactive stalls is necessary and should be implemented.
38. In view of the historical background of public markets, it is fully recognised that the above preferred changes to FEHD’s management role may be difficult to achieve. Some fundamental mind-set changes are needed.

Management Model

39. For many years, the focus of daily management in public markets lies with maintaining hygiene and basic order for operation, rather than attracting patrons or boosting commercial utilisation. In terms of manpower and expertise, the existing management teams of public markets are less than well placed to serve the function of enhancing the competitiveness of public markets and sustaining further development.
40. We suggest that the Government should look into the feasibility of introducing a new management model for public markets. We have identified a few models for consideration. They include empowering the Market Management Consultative Committee; exploring the use of a Community Management Corporation; or subletting to a single operator.

Preservation of Stalls Selling Traditional Commodities

41. Traditionally, public markets serve as venues for a number of individuals to craft their own traditional trades. The collective heritage value of these individual stalls may be significant albeit intangible and hard to quantify. The role of public markets in preserving stalls selling traditional commodities should be recognised and maintained.
42. To maintain and enhance the role in the preservation of traditional stalls, the Government may consider conducting more promotion and creating and encouraging tradesman stalls in the market. For example, reopening the third floor at Sai Ying Pun Market for selling traditional commodities can be considered as a pilot scheme. Apart from the specified list of tradesman activities, the Government may consider relaxing such list of trades on a case by case basis. To cultivate traditional trades and help preserve the collective heritage value, the Government should give thoughts to the means of achieving this goal in a sustainable manner.

Support from Tenants and the Community

43. Keeping the common areas of public markets clean, tidy and in good order is beneficial to tenants - in fact, tenants are the direct beneficiaries. The successful implementation of physical, non-physical and managerial changes requires the concerted contributions of all stakeholders, including the tenants. The benefits brought about by having improved public markets should be communicated to the community through engaging more promotional and public relations activities.
