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Panel on Food Safety and Environmental Hygiene

Report of the Subcommittee on Issues Relating to Public Markets

Purpose

This paper reports on the deliberations of the Subcommittee on Issues Relating to Public Markets ("the Subcommittee").

Background

2. The viability of public markets has been a subject of grave concern of the Panel on Food Safety and Environmental Hygiene ("the Panel"). Since 2009, the Panel has been closely following up on the subject. In July 2009, December 2010 and January 2013, the Administration put forward various proposals and revised proposals to align the different public market tenancy agreements, address the problems of rental disparity and recovery of air-conditioning cost as well as regularize the status of public market stall operators. Members were generally of the view that the Administration had failed to address the fundamental problems of poor business environment, outdated market facilities, under-utilization and low patronage faced by public markets. In members' view, the Administration should comprehensively study ways to revitalize and improve the operating environment of public markets in order to address the problem of under-utilization of public markets. Despite repeated requests for giving a high priority to improving the business environment, some members considered that little progress had been made in this regard. Members considered it high time to review the policy of public markets, in particular, the positioning, functions, usage and promotion of public markets with a view to improving the business environment and patronage of public markets. They also considered it necessary to examine the Administration's

proposals for rental adjustment mechanism and air-conditioning charging arrangement.

The Subcommittee

3. At the Panel meeting on 8 January 2013, members agreed that a subcommittee should be established under the Panel to study issues relating to the policy and business environment of public markets and follow up on issues relating to the installation of air-conditioning facilities in public markets. The terms of reference and membership of the Subcommittee are set out in **Appendices I and II** respectively.

4. Under the chairmanship of Hon Vincent FANG Kang, the Subcommittee held a total of seven meetings since its activation in March 2014. The Subcommittee met with the consultant, BMT Asia Pacific Limited, commissioned by the Food and Health Bureau ("FHB") to conduct the consultancy study on improving the operating environment of public markets ("the consultancy study") at two of these meetings to discuss the progress and key findings of the consultancy study. The Subcommittee also received views from deputations on measures to improve the operating environment of public markets at one of the meetings. A list of the deputations/individuals which have given views to the Subcommittee is in **Appendix III**.

Deliberations of the Subcommittee

5. The Subcommittee has focused its deliberations on the following areas -

- (a) positioning, functions and usage of public markets;
- (b) the consultancy study commissioned by FHB;
- (c) measures to improve the operating environment;
- (d) provision of air-conditioning facilities in public markets and the charging arrangement;
- (e) rental adjustment policy; and
- (f) issues relating to establishing new markets.

Positioning, functions and usage of public markets

6. Members generally agree that despite the proliferation of supermarkets and fresh provision shops in recent years, public markets still serve as a major source of fresh provisions for the general public and provide employment opportunities for the grassroots. Some members consider it desirable for the Government to subsidize the operation of public markets in view of its important social functions. In order to meet present-day shoppers' needs, the Administration should review the types of services/trade permissible in public markets.

7. The Administration agrees that public markets are one of the major sources of fresh provisions for the general public. The consultancy study commissioned by FHB would focus on existing public markets and explore ways to improve their operating environment befitting their functions and positioning. The consultant has also 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.

8. Members are concerned about the high vacancy rates in a number of public markets and the prevalence of non-operating stalls. Some members consider that the Administration should take proactive measures to ensure that all public market stall operators are bona-fide stall operators who are keen to operate the stalls and willing to cooperate to improve the operating environment and patronage of public markets. Some members suggest that the Administration can better utilize a few public markets with very low occupancy rates by converting them into community facilities providing leisure and cultural services and/or other social services. There is also a view that the Administration should make reference to the approach adopted by the Link Asset Management Limited ("the Link") in revitalizing and managing its markets, with a view to increasing the appeal of public markets.

9. Though admitting that there is scope for improvement, the Administration has also informed members of the sustained efforts it had made to enhance the operating environment and competitiveness of public markets. The occupancy of public markets is influenced by many factors, such as competition from retail outlets selling similar commodities in the vicinity and demographic changes in the district. In order to boost the occupancy rate of public markets, the Food and Environmental Hygiene Department ("FEHD") has lowered the upset

auction prices to 80% and 60% of the open market rental for stalls which have been left vacant for six months and eight months respectively since February 2009. It has also widened the trade mix by introducing service trades, light refreshment and bakery stalls since July 2009. In addition, FEHD has started to let out small stalls through short-term tenancies on a trial basis since October 2010. As at 31 December 2014, of a total of 14 443 stalls in the public markets managed by FEHD, 13 178 stalls were let out, representing an occupancy rate of 91%. Of these 13 178 stalls, 78% are let out at a rental lower than the latest available open market rental.

Consultancy study commissioned by FHB

10. The Subcommittee received a briefing from the consultant on the purpose, scope and progress of the consultancy study at its meeting on 29 April 2014. The Administration has advised that the main objectives of the consultancy study are to (a) tender views on the functions and positioning of public markets; (b) conduct general review of the public markets and come up with concrete improvement proposals; (c) provide some general suggestions for the routine improvement works for public markets; and (d) suggest ways and pragmatic measures to preserve market stalls that are selling traditional commodities or involving traditional specialty.

11. Members are of the view that the study should aim at formulating concrete and pragmatic proposals with a view to (a) enhancing the design of public markets; (b) improving the operating environment of public markets; (c) increasing the patronage of public markets; and (d) ensuring that public markets will provide the public with a clean and hygienic shopping environment and good quality commodities at affordable prices. Issues relating to FEHD's management of public markets, rental adjustment mechanism and provision of air-conditioning facilities in public markets should also be addressed in the study. In its final report, the consultant has made a number of observations and recommendations on the functions and positioning of public markets, improvement works for public markets, management of public markets and the role of public markets in preserving stalls selling traditional commodities. An abstract from the final report of the consultancy study¹ is in **Appendix IV**.

¹ For the full final report of the consultancy study, please refer to LC Paper No. CB(2)1815/14-15(01).

12. The Administration has indicated general agreement with the consultant's views -

- (a) as public markets are positioned as "one of the major sources of fresh food provisions for the general public", public markets should be kept decent, clean and tidy. Given their positioning and many existing constraints (e.g. large number of tenants and limited space), it is not necessary or practicable to upgrade public markets to upmarket shopping venues. Rather, the aim should be to boost the usage of public markets so as to better enable them to fulfil their functions;
- (b) given the scarcity of land in Hong Kong, the Administration should always strive to put valuable land resources to optimal use. It is not an optimal use of land to allow market stalls to remain in an under-utilized state;
- (c) the Administration needs 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 open bidding in other public markets. The lack of such a mechanism would prejudice the vibrancy of the markets as tenants may have less motivation to actively deploy the stalls for running business (e.g. some tenants have instead used the stalls as cheap storage); and
- (d) depending on the unique situation of each market, for example its location, trade-mix in the vicinity, competitors and clientele, individual markets may develop different characteristics and niches befitting their competitive advantages, ranging from fresh provisions for the general public to relatively more premium food products (such as organic vegetables and fruits).

Measures to improve the operating environment of public markets

Operating environment of public markets

13. Members have pointed out that the facilities of some of the public markets have aged with the passage of time, and their design has also fallen short of present-day expectations. There are still some

public markets without air-conditioning and many stalls are small in size. Shoppers' preferences and behaviour, the availability of alternative shopping facilities in the community, as well as the profile of shoppers and market tenants have been evolving in the course of time. Members are of the view that the Administration should take actions to improve the layout design and daily management of public markets, making them more attractive to the general public and boosting their usage rate.

14. The Administration has advised that in early years, public markets were provided by the two former Municipal Councils to resite hawkers who would otherwise be trading on-street and causing environmental nuisance and obstruction to pedestrians and vehicular traffic. Hence, the design of older markets reflects, to a large extent, the then prevailing hawker policy. This in turn constrains the stall size and, for some markets, the feasibility in retrofitting air-conditioning systems. Since the late 1990s, the design and layout of new public markets have evolved to provide bigger stalls with wider passageways. The consultant has been tasked with assisting 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.

Improvement proposals by the consultant

15. Members note that the consultancy study has provided improvement proposals for six selected markets² which are intended to serve as prototypes for reference for other markets. Specifically, the consultant is of the view that the non-physical improvement plans can be generally implemented in public markets in a shorter timeframe. To fully utilize the improved hardware, the consultant considers it necessary to introduce changes to the software, including tenants' behaviour and practices in using market facilities, and in particular, the need for them to engage in active trading and in keeping the markets neat, tidy, vibrant and appealing as a shopping venue.

16. Members are concerned about the representativeness of the six public markets selected as well as the extent to which these six markets can provide reference to other public markets. Some members have queried whether the implementation of the consultant's improvement proposals can significantly improve the operating environment and increase the patronage of public markets. These members consider the

² The 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.

identification of the right trade mix as more crucial. Members have also stressed that the Administration should ensure that there would be adequate consultation with stall tenants before implementing the consultant's proposals on the physical design and layout of public markets. The Administration should avoid causing disruption to stall tenants' business as far as possible during the implementation of the improvement works.

17. As regards the management model for public markets, many members have expressed objection to the consultant's proposal for subletting the management of public markets to a single operator, given the experience of privatizing the commercial facilities (including markets) of the Housing Authority ("HA"). They also objected a suggestion made by a member that the Administration should consider setting up a self-financing statutory body to take over the responsibility of managing public markets. In their view, the Administration should devise a new management model which could enhance the partnership between FEHD and stall tenants and could cultivate a sense of ownership and responsibilities among stall tenants.

18. According to the Administration, it is open to any proposals for improving the management of public markets. The Administration agrees that there is a need to explore various options conducive to better management of public markets including, for example, stepping up FEHD's management and enforcement work, enhancing tenants' input in the management of markets, and reviewing the market management consultative mechanism, etc. Nevertheless, the Administration needs to prioritize the reforms in line with the availability of resources and readiness of major stakeholders.

Timetable for improving the operating environment of public markets

19. According to the Administration, the six selected markets will be included in the first batch of markets for which the Administration will flesh out the details of improvement in consultation with affected tenants, the Market Management Consultative Committees ("MMCCs") and relevant works departments. Based on the results of the consultation, the Administration will proceed with the improvement works (which may include all or some of the consultant's recommendations, and/or some new ideas not discussed by the consultant) in accordance with the established rules and procedures relating to resource procurement as well as preparation and scrutiny of works projects. Apart from the six selected markets, the Administration will also consider suggestions, if any,

made by other public markets where tenants are generally in support of taking forward the consultant's recommendations. Members hope that the Administration will provide the Panel with information on the outcomes of the consultation with the tenants and MMCCs of the six selected markets (and other markets, if any) and the finalized improvement plans.

20. As regards the implementation timetable, the Administration has advised that it plans to propose tailor-made improvement plans for at least one or two markets in 2016. The Administration also hopes that concrete progress in the operating environment of a few markets would encourage the general public and market tenants to support similar plans for other public markets.

21. Members are concerned that as it may take time for the physical improvement proposals by the consultant to be fully implemented, improvement works in other public markets may be delayed. The Administration has assured members that it has consistently endeavoured to enhance the operating environment and competitiveness of public markets. In the past three financial years, apart from regular maintenance works, the Administration conducted improvement works in 13 markets, including improvements to the drainage, ventilation, lighting, fire services equipment, signage, as well as the replacement of floor tiles, refurbishment of toilets and provision of barrier free access. In 2015-2016 financial year, the Administration has earmarked \$58.6 million to conduct improvement works in five markets³. The Administration also has plans to replace by phase the escalators which are over 20 years old. In 2015-2016, \$87.5 million has been earmarked for the replacement of 35 escalators in 13 markets. The replacement works are expected to be completed by 2017.

Provision of air-conditioning facilities in public markets

22. Provision of air-conditioning facilities in public markets is of great concern to members and deputations. According to the Administration, a request for installation of air-conditioning facilities at a public market will first be discussed at the meeting of the relevant MMCC. Where there is a consensus among members of MMCC that the request should be further explored, FEHD will conduct a questionnaire survey to gauge the extent of support from market tenants for the request. If 85% or more of the tenants support the proposal, the

³ The five markets are namely, Kwun Chung Market, Haiphong Road Temporary Market, Pei Ho Street Market, Smithfield Market and Tai Wai Market.

Administration will conduct a detailed technical feasibility study. Taking into consideration the findings of the study, the extent of works required, cost effectiveness, length of business disruption and tenants' views, the Administration will decide whether there is a case for bidding resources for the installation of air-conditioning facilities.

23. Members share the views of deputations which have given views to the Subcommittee that the provision of air-conditioning facilities in public markets is one of the most direct ways to improve the operating environment of public markets, and the provision of air-conditioning facilities⁴ is a basic requirement of today's shoppers in Hong Kong. It can also improve public hygiene and food safety, particularly for shops selling fresh meat. The Subcommittee has passed a motion urging the Administration to remove the threshold of tenants' support at 85% as the requirement for the retrofitting of air-conditioning systems in public markets, and comprehensively review the criteria adopted in the retrofitting of air-conditioning systems.

24. In response to members' urge for lowering the threshold of 85% as the requirement for the retrofitting of air-conditioning facilities in public markets, the Administration has advised that it has decided to, with effect from 1 July 2015, lower the threshold of tenants' support from 85% to 80%. While welcoming the Administration's decision, members remain of the view that the Administration should further revise and lower the threshold. In members' view, it is more reasonable to set the threshold between 60% and 70%. Some members have also requested the Administration to take a more responsive and flexible approach in taking forward proposals for retrofitting air-conditioning facilities in both public markets and cooked food centres, for example, accepting floor-by-floor proposals for retrofitting of air-conditioning facilities.

25. The Administration has explained that when a public market is installed with the air-conditioning facilities, all tenants will have to pay for the recurrent expenses, including the electricity charges and general maintenance costs. The additional operating cost related to the air-conditioning facilities is a factor that existing tenants may not have taken into account when they bid for their public market stalls. Tenants who do not wish to pay these charges will have to move out of the public market. The installation work of air-conditioning facilities often involves partial or complete closure of the public market for a certain

⁴ According to the Administration's paper provided for the Subcommittee meeting on 18 November 2014 (LC Paper No. CB(2)266/14-15(01)), as at 30 July 2014, 19 out of the 76 public markets was fully equipped with air-conditioning.

period of time, thus disrupting business and affecting the livelihood of tenants. If the threshold is set too low, it may give rise to strong discontent and grievances among those stall tenants who do not support the proposal to install air-conditioning facilities in the market.

26. At the Subcommittee's request, the Administration has agreed to keep the 80% threshold under regular review. Members have also requested the Administration to notify stall operators in all public markets about the adjustment of the threshold from 85% to 80% with effect from 1 July 2015, and collect views of stall operators in markets without air-conditioning facilities on whether to take forward the retrofitting of air conditioning facilities in their respective markets. The Administration has also been requested to provide the Panel with the results (including the percentage of tenants who are in support of the retrofitting of air-conditioning facilities in each of the public markets without air-conditioning facilities) in the fourth quarter of 2015.

Air-conditioning charging arrangement

27. Many members are of the view that market stall operators should not be required to pay the air-conditioning charges for common areas in public markets such as the passageways. They have suggested that air-conditioning charges attributable to public areas of markets should be borne by the Government and tenants should only pay charges on the basis of the actual size of their stall areas. Some members take the view that if stall operators are required to pay air-conditioning charges only for their actual stall areas, more stall operators will support the proposals for retrofitting air-conditioning facilities in public markets. The Administration has been urged to review the existing air-conditioning charging arrangement.

28. The Administration has advised that the high capital costs of retrofitting air-conditioning facilities are borne entirely by the Government. Unlike landlords in private commercial venues, who seek to recover the capital costs of retrofitting of air-conditioning facilities through rental adjustments, the Government does not recover the capital costs. As tenants in public markets are commercial operators, further Government subsidy in the form of air-conditioning charges may give rise to unfair competition between stalls in public markets and similar retail operators in private commercial retail premises, especially those in areas nearby, and inconsistency in the cost sharing methods applicable to stalls in public markets and other Government rental properties.

29. The Administration has further advised that it is not appropriate to draw a direct comparison between commercial shopping arcades and public markets as there are fundamental differences between the two though they are both retail outlets. The common area in public markets is in reality part of the trading environment, as customers in public markets stay in the corridor (i.e. the common area) when choosing and purchasing the goods. Also, tenants in commercial shopping arcade are generally required to pay management fees. In contrast, public market tenants are not required to pay any management fees. The proposal to exclude public areas of markets from the amount of air-conditioning charges payable by tenants will be a deviation from the existing practice in all Government rental properties. Since public areas are integral parts of the market trading environment and are used by the patrons of the stalls, the Administration considers it reasonable for tenants to pay for the relevant air-conditioning charges.

Rental adjustment policy

30. Members do not subscribe to the consultant's view that the continuation of low rental of many of the stalls is an inducement for the sub-optimal use of market stalls which in turn dampens the vibrancy of public markets. In some members' view, any increase in the public market rentals will have an adverse impact on the social functions of public markets, which include serving as the major sources of fresh provisions for the public at large and providing employment opportunities for the grassroots. Some members have stressed that the Administration should not put forward any proposal for rental increase unless there has been substantial improvement in the current operating environment of public markets. Members have urged the Administration to allow sufficient time for the implementation of improvement measures in public markets before consulting the Subcommittee and the Panel on its rental adjustment proposals.

31. After considering members' views, the Administration informed the Subcommittee that it would continue to freeze the public market rental until 30 June 2017 so as to allow sufficient time for deliberating the rental adjustment mechanism. The Administration has undertaken to consult the Panel on its proposals, if any, for rental adjustment mechanism in the first quarter of 2017 at the latest. Should all relevant works and procedure proceed as planned, funds for implementing the improvement plans will have been earmarked by early 2017.

Provision of new markets

32. Many members are gravely concerned that owing to the lack of public markets in newly developed districts, such as Tin Shui Wai and Tung Chung, consumer choices are limited and the food prices therein are comparatively higher than other districts. Members consider that while the Hong Kong Planning Standards and Guidelines have set out the factors pertaining to the provision of public markets, community needs should be an overriding factor in deciding whether a new market should be established. The Subcommittee has passed a motion urging the Administration to expeditiously take forward the planning for building new markets in Tin Shui Wai and Tung Chung, so as to respond to the needs of the community; and to comprehensively review its policy in regard to the provision of new markets in newly developed districts.

33. The Administration has advised that at present, FEHD manages 101 public markets, including 76 public markets which mainly sell fresh provisions and other dry and wet goods, as well as 25 free-standing cooked food markets. The Link and HA manage about 90 and 20 market venues respectively, and their market facilities are often located in or near public housing estates⁵. In addition, there are currently around 2 700 licensed fresh provision shops (including those in supermarkets) which offer choices to consumers.

34. The Administration has further advised that in 2009, the Planning Department had made revisions to that part of the Hong Kong Planning Standards and Guidelines pertaining to the provision of public markets. Under the revised guidelines, it is suggested that apart from the population in the district concerned, other relevant factors should also be taken into account, including demographic mix, community needs, the availability of public and private market facilities nearby, the number of fresh provision retail outlets in the vicinity, and public sentiment towards the preservation of hawker areas, etc. When considering any proposal to establish a new market in a certain district, FEHD will, on a case-by-case basis, take into consideration various relevant factors. The Administration has emphasized that tenants of public markets are free to determine and adjust the prices of their goods and the Government does not have control over the prices of the goods sold in public markets.

⁵ The Administration has provided information on the distribution of markets managed by FEHD, the Link and HA and licensed fresh provision shops in various districts (see Annex to LC Paper No. CB(2)266/14-15(03)).

Follow-up actions by the Administration

35. The Subcommittee has requested the Administration to collect views of stall operators in markets without air-conditioning facilities on whether to take forward the retrofitting of air conditioning facilities in their respective markets after the lowering of the threshold of tenants' support from 85% to 80% with effect from 1 July 2015, and provide the Panel with the results in the fourth quarter of 2015 (paragraph 26 refers). The Administration has also undertaken to consult the Panel on its proposals, if any, for rental adjustment mechanism in the first quarter of 2017 at the latest (paragraph 31 refers).

Recommendations

36. The Subcommittee urges the Administration to take into account the views and concerns expressed by members on various issues as set out above in considering and implementing the consultant's recommendations on improving the operating environment of public markets. The Subcommittee recommends that the Administration should -

- (a) take proactive measures to ensure that public markets are kept clean and hygienic so as to provide a decent and comfortable shopping environment accessible to patrons, and that stall tenants are willing to provide good quality commodities at affordable prices so as to increase the patronage of public markets;
- (b) consider how to better utilize public markets with very low occupancy rates, for example, by converting them into community facilities providing leisure and cultural services and/or other social services;
- (c) ensure that there will be adequate consultation with the concerned stall tenants and representatives of MMCCs before implementing the consultant's improvement proposals for the physical design and layout of the six selected public markets and/or other markets;
- (d) provide the Panel with information on the outcomes of the consultation with the tenants and MMCCs of the six selected markets (and other markets, if any) and the

finalized improvement plans;

- (e) ensure that the new management model to be devised for public markets will be able to develop a partnership between FEHD and stall tenants, and provide stall tenants with opportunities to participate in the decision-making process of the daily management of public markets to sustain improvement;
- (f) review comprehensively the criteria adopted in the retrofitting of air-conditioning facilities and consider further lowering the threshold of tenants' support at 80% as the requirement for the retrofitting of air-conditioning facilities in public markets;
- (g) consider measures to facilitate stall operators to reach a consensus on proposals for retrofitting air-conditioning facilities in public markets, and giving consideration to the suggestion of allowing the retrofitting of air-conditioning facilities in public markets on a floor-by-floor basis;
- (h) review the existing air-conditioning charging arrangement for public market stalls and give consideration to the suggestion of excluding common areas of markets from the amount of air-conditioning charges payable by stall tenants; and
- (i) review comprehensively its policy on the provision of new markets and consider ways to respond to the community needs for public markets in new districts.

37. The Subcommittee also recommends that the Panel should follow up the above issues with the Administration.

Advice sought

38. Members are invited to note the deliberations and recommendations of the Subcommittee.

Appendix I

Panel on Food Safety and Environmental Hygiene

Subcommittee on Issues Relating to Public Markets

Terms of Reference

To study and review issues relating to the policy and business environment of public markets; assess the demand for public markets according to the district-based principle; examine the Administration's proposals for the rental adjustment mechanism and air-conditioning charging arrangement for public market stalls; and make timely recommendations.

Appendix II

Panel on Food Safety and Environmental Hygiene

Subcommittee on Issues Relating to Public Markets

Membership list

| | |
|------------------------|--|
| Chairman | Hon Vincent FANG Kang, SBS, JP |
| Deputy Chairman | Hon Alan LEONG Kah-kit, SC |
| Members | Hon WONG Kwok-hing, BBS, MH Hon Cyd HO Sau-lan, JP Hon WONG Yuk-man (up to 25 March 2014) Hon Michael TIEN Puk-sun, BBS, JP Hon Steven HO Chun-yin, BBS Hon WU Chi-wai, MH (up to 7 October 2014) Hon CHAN Chi-chuen Hon CHAN Han-pan, JP Hon Alice MAK Mei-kuen, BBS, JP Dr Hon KWOK Ka-ki (up to 22 October 2014) Dr Hon Helena WONG Pik-wan (up to 23 September 2014) Hon Christopher CHUNG Shu-kun, BBS, MH, JP |
| Clerk | Ms Alice LEUNG |
| Legal Adviser | Miss Carrie WONG |

Appendix III

List of the deputations/individuals which/who have given views to the Subcommittee on Issues Relating to Public Markets

Deputations

1. Association of Yue Wan Market Stall Holder
2. Civil Force
3. Federation of Hong Kong Kowloon New Territories Hawker Associations
4. Labour Party
5. Liberal Party
6. The Association of Aberdeen Complex Merchandiser and Hawkers
7. The Committee of Stall Keepers at Tai Shing Street Market
8. The Lion Rock Institute
9. Tai Wai Market Mutual Aid Committee
10. Yeung Uk Road Market Shop Tenants Association
11. 小販政策關注組
12. 西營盤正街街市枱商協會
13. 柴灣街市商會

Individuals

14. Ms Nixie LAM, Tsuen Wan District Council member
15. Mr LI Ka-leung, Sai Kung District Council member
16. Mr NGAN Man-yu, Kwun Tong District Council member
17. Miss TUNG Kin-lei, Sha Tin District Council member

Written submissions only

1. 一名坪洲居民
2. 爭取天水圍食環街市關注組及天水圍社區發展陣線

Extract from the Final Report of the Consultancy Study on Ways to Improve the Operating Environment of Public Markets

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Food and Health Bureau

Ways to Improve the Operating
Environment of Public Markets
Final Report

Abstract

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 markets', 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.

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.

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.
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)

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

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:

- | | |
|-----------------------------|--|
| • 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

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.

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 underestimated. 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

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

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.

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.

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