

Tel No. : (852) 2136 3333
Fax No.: (852) 2136 3281
E-mail: edwardlaw@hwfb.gov.hk
Our ref.: HWF(F) (CR) 10/7/5/14 Pt.8

14 July 2003

Ms Anita SIT
Public Works Subcommittee
Legislative Council
Legislative Council Building
8 Jackson Road
Central, Hong Kong
(Fax: 2509 0775)

Dear Ms SIT,

**Public Works Subcommittee (PWSC)
Follow-up to meeting on 21 May 2003**

Thank you for your letter of 22 May 2003 attaching a list of issues requiring follow-up by the Administration on the proposed retro-fitting of air-conditioning and general improvement to Fa Yuen Street (FYS) Market/Cooked Food Centre (CFC). Our responses to these issues are set out as follows.

Separation of cost estimates of market and CFC

We have already presented the cost breakdown in respect of FYS Market/CFC at Annex to the LegCo Sub-committee to Follow-up the Outstanding Capital Works Projects of the former Municipal Councils on 22 May 2003. We will provide similar breakdowns for future PWSC submissions of the same nature.

Review of the Prospect of Public CFCs

Our policy does not preclude the rationalization of public Cooked Food Markets (CFM) or Cooked Food Centres (CFC) with serious viability problems. The Food and Environmental Hygiene Department is conducting a review on its CFM/CFCs. For those non-viable CFM/CFCs which are identified as not warranting further resource commitments by the Government, we will consider options to terminate the tenancies including through buy-out arrangements. We will consult the LegCo Panel on Food Safety and Environmental Hygiene on the way forward upon completion of this review.

Leasing out Public Markets/CFCs to Single Operators

We have no in principle objection to leasing out a public market/CFC to a private single operator provided the following key prerequisites can be met. First, we need to be convinced there would be substantial interest from the private sector in taking over the market/CFC on a commercial basis without government subsidy. This is contingent on whether a single operator will be allowed sufficient flexibility in venue design/layout, selection of tenants, determination of trade mix, stall configuration, stall rentals, etc. Second, in the event of a public market/CFC with incumbent tenants, the Administration has to (i) ensure that the takeover by the single operator is not objectionable to the majority of incumbent tenants and (ii) relocate those who are not agreeable to the takeover. Our experience is that it would be extremely difficult to secure incumbent tenants' agreement to relocate to other markets/CFCs. Given the prevailing conditions and circumstances of FYS Market/CFC, we do not see it as a suitable venue for adopting the 'single operator' model for the three floors that are already occupied by incumbent tenants. Consideration is however being given to awarding a vacant floor of the complex to a single operator to run business that will not pose direct competition to other traders operating there.

Vacating the Whole Premises for Improvement Works

On retro-fitting of air-conditioning and improvement works in CFCs, the venue is normally required to be closed during the works period for hygienic reasons. The stallholders of FYS CFC have indicated no objection to such an arrangement. As for markets, our experience is that in most cases, the stall lessees and residents concerned would object strongly to any works proposals that entail complete market closure. It is also difficult to identify alternative sites/venues for the market lessees to continue business if the whole premises are vacated for improvement works.

(Edward LAW)
for Secretary for Health, Welfare and Food

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|------|------------------------------|----------------|
| c.c. | DFEH (Attn: Mr Donald TONG) | Fax: 2524 8719 |
| | (Attn: Mr S K Yeung) | Fax: 2530 1368 |
| | (Attn: Ms Angel CHOI) | Fax: 3101 0450 |
| | SFST (Attn: Mr Andrew TSANG) | Fax: 2147 5240 |

Annex

Retro-fitting of air-conditioning for Fa Yuen Street Market/CFC Breakdown of Costs

(I) Total estimated project cost is \$79 million. Breakdown as follows:

| | Market \$m | CFC \$m | Sub-total \$m |
|---|---------------|-------------|------------------|
| (a) Essential works (including fire services upgrading works* and provision of barrier-free access, etc) | 3.5 | 1.4 | 4.9 |
| (b) Air-conditioning works | 29.4 | 15.4 | 44.8 |
| (c) Other improvement works (including internal finishes, improvement of lighting, drainage and signages, enlargement and reconfiguration of the CFC layout, etc) | 16.0 | 13.3 | 29.3 |
| Total Cost | 48.9 | 30.1 | 79.0 |

*scope of fire services upgrading works:

upgrading the fire sprinkler system, erection and extension of protected lobbies, provision of emergency lighting, exit signs, portable fire fighting equipment and fire detection system, addition of new fire shutters and modification of hose reel system, etc.