

Legislative Council Panel on Economic Services

Follow-up to the Consumer Council's Report on Competition
in the Foodstuffs and Household Necessities Retailing Sector

Consumer Council's Response

1. The Consumer Council welcomes the follow-up actions and measures taken by the Government in response to the Consumer Council (CC)'s *Report on Competition in the Foodstuffs and Household Necessities Retailing Sector* (the Report), the following in particular:

- (a) Maintaining fair market competition thereby safeguarding consumer interests

The Commerce, Industry and Technology Bureau agrees that there is a role for self-regulation to avoid anti-competitive behavior within the trade. The Hong Kong Retail Management Association has responded proactively to Competition Policy Advisory Group's "*Guidelines to maintain a competitive environment and define and tackle anti-competitive practices*" issued in September 2003 and has taken concrete steps to encourage voluntary discipline in the retailing sector, and is in the process of developing a code of conduct for the sector to promote competition.

- (b) The Housing Authority (HA) and the Food and Environmental Hygiene Department (FEHD) has taken various measures in collaboration with their market operators and small retailers to enhance the attractiveness of public wet markets. The Health, Welfare and Food Bureau has earmarked over \$600 million in the next few years for carrying out improvement works to the FEHD markets. Further, FEHD has implemented a Market Manager Scheme in many public wet markets under which qualified and experienced personnel from the private sector are engaged to enhance management of the markets.

In revitalizing public wet markets facilities, HA puts into action the divestment preparatory work that plans to transfer its retail and car parking facilities to the private sector through a real estate investment trust. FEHD is also looking into feasibility of out-sourcing the management of several markets within a geographical cluster to a private property management companies in a bid to improve the cost-effectiveness in running the market premises.

- (c) The Government also stepped up enforcement action against practices which affect market competition and consumer interests such as passing off chilled pork as fresh pork. FEHD officers mounted operations during which a number of meat distribution centres, supermarkets and retail outlets in various districts were raided and prosecutions were subsequently instituted against suspected illicit

operations .

- (d) Regarding CC's proposal to develop specific programs to assist small and medium enterprises (SMEs) in the foodstuffs and household necessities retailing sector, the Government encourages the trade to come up with worthwhile initiatives and seek funding support from the SME Development Fund with a view to promote the development and enhance economic efficiency of the trade.
2. CC is pleased to see initiatives on the part of wet market operators to vigorously compete through improving their operations and engaging in promotional activities. Examples of such initiatives include vegetable stall operators adopting the design of supermarkets and Japanese wet markets, improving illumination and labeling to clearly indicate product types and prices for the benefit of consumers. Some wet market management companies held lucky draws and provide free shuttle bus services to increase the flow of shoppers, and some supply receipts as evidence of purchases.
3. With regard to the data on supermarket price survey in the Report, the supermarket operators are kept informed and consulted of the current methodology and the list of surveyed products CC has adopted for the purpose of the survey. The findings of the survey set out in the Report are in line with those published by the Census and Statistics Department. In view of the electronic processing of supermarket price data, CC is exploring with supermarkets alternative data collection methods with a view to increasing the frequency of data collection. CC expects the new mode of co-operation will take effect later this year.
4. The Report has stimulated discussions by the trade, the mass media, the Legislative Council members, the Government and the public on issues pertinent to the foodstuffs and household necessities retailing sector. CC believes that HK will benefit from a vibrant food retailing market with multiple operators and where competitive choices are available.

20 February 2004