

**Progress Report on the Motion on
“Formulating New Policies on Public and Public Housing Estate Markets”
Moved by Hon Tommy CHEUNG Yu-yan as Amended by Hon Fred LI Wah-ming,
Hon WONG Yung-kan and Hon Alan LEONG Kah-kit
at the Legislative Council Meeting of 3 December 2008**

PURPOSE

This paper sets out the follow-up actions taken by the Administration in response to the captioned motion.

MOTION

2. At the Legislative Council (LegCo) meeting of 3 December 2008, Members passed the motion moved by Hon Tommy CHEUNG as amended by Hon Fred LI, Hon WONG Yung-kan and Hon Alan LEONG:

“That public markets perform the major function of supplying daily necessities to the public, yet the Administration’s approach in planning and managing public and public housing estate markets is very outdated, hence all along it is unable to boost customer flows effectively, and has even resulted in serious vacancy situation in some public and public housing estate markets, this Council urges the Administration to immediately formulate policies on public and public housing estate markets which meet the needs of a modern society, and particularly in view of the recent economic downturn and the worsening trend of the unemployment rate, it is necessary for the Administration to expeditiously enhance the competitiveness of public and public housing estate markets, and assist small traders in these markets in countering monopolization by supermarkets, so as to benefit the grassroots; the measures include:

- (a) prior to the building of new public markets in the future, having to take into account the factor of whether the lack of public markets in the districts concerned may lead to monopolization by supermarkets;
- (b) actively allocating resources to improve the business environment of markets, such as installing additional air-conditioning systems and escalators, improving the drainage design, etc, thereby facilitating the business operation of stall tenants and boosting customer flows to bring about long-term return;

- (c) analyzing in depth, from a market perspective, the needs of the districts to which the markets belong, and planning afresh the sizes of individual markets and installs, and types of commodities sold, layout of stalls and ancillary measures of individual markets;
- (d) adopting proactive letting policies, such as offering short-term rent concessions to improve the situation of low occupancy and striving to assist traders in the markets in introducing new types of commodities or services, so as to inject new elements into the markets and bring into play their characteristics of trade mix;
- (e) appropriately relaxing the tenancy conditions of market stalls so as to facilitate business operations as far as possible and enable traders to provide unique value-added services, thereby enhancing the attractiveness of the markets;
- (f) during times of economic downturn, reducing the rents of public and public housing estate markets by half for a period of one year, so as to relieve the operating difficulties of small traders;
- (g) according priority to small shop operators who are affected by the rent increases of The Link Management Limited and are unable to continue their business to rent public and public housing estate markets at concessionary rent; and
- (h) developing public and public housing estate markets into markets for organic agricultural produce, thereby providing room for the marketing of organic farm products.”

PROGRESS

Revising the planning standards and guidelines for the provision of public markets (Item (a) of the Motion)

3. In the past, the provision of public markets was based on the Hong Kong Planning Standards and Guidelines (HKPSG) and local hawkers resiting needs. According to the HKPSG, 40 to 45 stalls should be provided per 10 000 persons, or one public market stall should be provided per 55 to 65 households.

4. In November 2008, the Food and Health Bureau (FHB) and the Food and Environmental Hygiene Department (FEHD) reported to LegCo Panel on Food Safety and Environmental Hygiene on the findings of the review on the provision of public markets. The review updated the long-standing prevailing planning standards for the provision of public markets which were based on the ratio for stall provision and local population as well as hawkers resiting needs. Future assessment carried out by the Government for the demand for new public markets will be as comprehensive and objective as possible; viability studies will be conducted in assessing the need to construct new public markets; data in relation to the relevant factors, including demographic mix, business environment, residents' opinion, hawkers' sentiments towards resiting, and whether the supporting infrastructure is conducive to the viability of the market, will be collected and analysed, so as to objectively assess the demand for the proposed market facilities. With the support of the Panel, we are now following up with the Planning Department on revising the HKPSG.

Improving the business environment (Item (b) of the Motion)

5. With regard to improving the environment of public markets, the Administration is willing to carry out improvement works as long as public resources are put into rational use. FEHD spent an average of more than \$150 million on public market improvement works in each of the three financial years from 2005 to 2008. In 2008-09, general improvement works have been planned for 17 markets (and two cooked food centres (CFCs)) at a total estimated cost of \$250 million. These works, which mainly include upgrading of fire services installation, replacement of wall/floor tiles, upgrading of drainage, ventilation system and general lighting, refurbishment of ceiling and toilets, and provision of new signages, etc., bring about improvement to the business environment, attractiveness and occupancy rate of public markets.

6. Whilst the project costs for installing air-conditioning (A/C) systems in the existing public and public housing estate markets are borne by the Government or Housing Authority (HA), the market tenants are responsible for paying the recurrent cost (such as electricity charges and maintenance fees). Besides, full cooperation from market tenants during the construction period is also needed as partial closure of the market may be required during the installation works. Therefore, the installation of A/C systems in public and public housing estate markets is not only subject to technical feasibility, but also support from the majority of market tenants and their agreement to bear the electricity charges, maintenance fees and other relevant recurrent expenditure. In fact, there are divergent views in the community on whether A/C systems should be installed in public and public housing estate markets. Some opine that installing A/C systems would enhance the

attractiveness of public markets. However, some market tenants are of the view that installing A/C systems would increase their operating cost and this would in turn undermine their competitiveness. In view of the huge amount of project costs involved, when the LegCo considered proposals in the past to install A/C systems in public markets and CFCs, there were comments that due care should be exercised when considering such proposals in view of the substantial amount of public money involved in installing A/C systems.

7. Moreover, FEHD will continue to actively enhance the business environment of public markets by organising various activities. Seminars will be held regularly for stall tenants and the trade to enhance their management, food safety and hygiene standards. Various publicity and promotional activities will be organised jointly with the management consultative committee of individual markets/CFCs from time to time. Public areas of markets/CFCs will be decorated during festive seasons to spice up the atmosphere, so as to attract customers and stimulate spending. Besides, FEHD will continue to keep the markets in good conditions through regular inspection and testing of equipment and units to ensure proper functioning. The work of cleansing contractors will be closely monitored to ensure that the hygiene condition of public areas in the markets meets the required standard, thereby providing customers with a clean, dry and comfortable shopping environment.

8. In his Report No. 51, the Director of Audit opined that to more accurately assess whether a public market was meeting the needs of the community, FEHD needed to put in place a proper system for collecting usage information of individual markets. To better understand the demand for public markets, FEHD will conduct utilisation and patron opinion surveys on public markets by batches. The first round is scheduled for March this year. Moreover, two to three district retreats will be organised in the second half of this year, inviting members of District Councils, their respective committees and Area Committees to discuss, inter alia, measures to improve public market operation and design concepts of new public markets.

Planning of public markets (Item (c) of the Motion)

9. In the past, the main purposes of providing public markets were to resite on-street hawkers to improve environmental hygiene and to cater for the daily shopping needs (fresh provisions in particular) of residents in the vicinity. The constraint of gross floor area available for resiting on-street hawkers has led to problems like narrow passages, small stall sizes and poor ventilation in the markets.

10. As mentioned in paragraph 4 above, FHB and FEHD have recently completed the review on the provision of public markets in Hong Kong, the findings of which were endorsed by the LegCo Panel on Food Safety and Environmental Hygiene in November 2008. To ensure that the assessment for the demand for new public markets in future is as comprehensive and objective as possible, FEHD will formulate internal guidelines on planning of public markets, setting out clearly that viability studies should be conducted in assessing the need to construct new public markets. For the purpose of the viability studies, data in relation to the relevant factors should be collected and analysed so as to objectively assess the demand for the proposed market facilities. Factors to be taken into account in the viability studies include demographic mix, business environment, opinions of residents and tenants concerned, and supporting infrastructure, etc. The aim is to provide new markets that better meet local needs. HA is actively re-planning some old markets in recent year, in view of meeting resident needs in terms of scale, trade combination and supporting facilities, etc. In general, HA will regroup and concentrate separated leased stalls after consulting existing tenants so as to spice up shopping atmosphere and improve competitiveness of public housing estate markets.

11. As mentioned in paragraph 8 above, FEHD will conduct utilisation and patron opinion surveys on public markets and organise district retreats to better grasp the local demand for public markets and operation of individual public markets with a view to improving their competitiveness and attractiveness.

Proactive letting policies (Item (d) of the Motion)

12. To improve the business environment of public markets and put long-standing vacant stalls to more effective use, FEHD has launched a trial scheme in nine markets since 2004 to lower the upset price of stalls that have been left vacant for a certain period of time. After review, the scheme will be extended to all 80 public markets in the territory starting from February this year with a view to improving the situation of low occupancy. Stalls vacant for a consecutive period of six months will be put up for auction with the upset price fixed at 80% of the open market rent (OMR), while stalls vacant for a consecutive period of eight months or more will be put up for auction with the upset price fixed at 60% of the OMR.

13. FEHD is also actively exploring the feasibility of entering into short term tenancies with tenants; introducing to vacant stalls of public markets alternative trades such as bakeries and shops selling traditional snacks and desserts, etc.; introducing to individual

public markets service trades such as beauty care / massage, real estate agency, Chinese medicine / bone-setting and domestic helper agency, etc.; and identifying suitable public markets for the aforementioned trial scheme. Besides, FEHD will continue its efforts to merge some small stalls to form larger ones and lease stalls that can be used for storage purpose to existing tenants to provide additional operating space.

Relaxing tenancy conditions of public market stalls (Item (e) of the Motion)

14. FEHD will continue to review and appropriately relaxed from time to time the tenancy conditions of public market stalls so as to facilitate business operations. In line with the surge in public demand for chilled and frozen meat, FEHD allows tenants of fresh meat stalls to apply for conversion to sell chilled and frozen meat, so as to satisfy the increasing public demand. With the launch of a scheme in July 2008 through which live poultry retailers can apply for cancellation of permission to sell live poultry endorsed on their Fresh Provision Shop Licences or public market tenancies permanently, tenants of live poultry stalls are allowed to opt to sell chilled poultry with the endorsement of FEHD. FEHD will facilitate such conversion to meet the changing needs of the community.

15. Other relevant measures include leasing long-standing vacant stalls and stalls in poor location to existing tenants for storage purpose to address the problem of small stall sizes.

Rental policy of public markets (Items (f) and (g) of the Motion)

16. The existing overall policy for public markets is to charge tenants according to the OMR. The rentals of public markets are normally set according to the open auction prices. The upset auction prices of market stalls are determined with reference to the OMR as assessed by the Rating and Valuation Department (RVD). In assessing the rental value of market stalls, the RVD takes into account the general economic situation of Hong Kong, the actual conditions of individual markets and other relevant factors. Actually, in the past, one of the main purposes of building public markets is to resite on-street hawkers. The Administration therefore offers rental concessions to attract hawkers to move into markets. The rentals of public market stalls under FEHD have been frozen since the 30% rental reduction in 1998. Therefore, many tenants are paying rentals far lower than the OMR. In his report published in November 2008, the Director of Audit pointed out that about 85% of the stall tenants were paying rentals lower than the OMR, 48% of the stall tenants were paying rental at 60% or less of the OMR. As the rentals are lower than the OMR, the Government has to subsidise to a certain extent. In the 2007-08 fiscal year, FEHD

subsidised \$160 million on market operation. Nonetheless, earlier in May 2008, the Government has announced the extension of the rental freeze to 30 June 2009. The Government will keep in view the business environment and economic development and review the rentals when necessary.

Markets for organic agricultural produce (Item (h) of the Motion)

17. The Administration is open-minded towards the proposal of developing vacant stalls in public markets into markets for organic agricultural produce and thereby providing room for the marketing of organic farm products.

Food and Hygiene Bureau
Food and Environmental Hygiene Department
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