

**Legislative Council meeting on 6 February 2013**  
**Motion on “Increasing the business floor areas of the retail industry”**

**Progress Report**

**Purpose**

At the Legislative Council (LegCo) meeting on 6 February 2013, the motion on “Increasing the business floor areas of the retail industry” moved by Hon Vincent FANG, as amended by Hon WONG Kwok-hing, Hon Alice MAK, Hon Starry LEE, Hon Alan LEONG and Hon Kenneth LEUNG, was carried. The wording of the motion carried is at Annex. This report sets out the position and follow-up actions taken by the Commerce and Economic Development Bureau, Development Bureau, Food and Health Bureau, Financial Services and the Treasury Bureau, and Transport and Housing Bureau in respect of the motion.

**Initiatives to increase land/floor space for the retail industry**

Over the past few years, the local consumer market has largely remained robust. Together with record numbers of inbound visitors to Hong Kong, the retail industry has maintained strong growth, significantly driving up the sale prices and rents of retail premises. The Government has been keeping a close watch on the relevant market situation. Through providing sufficient land and ensuring flexibility under the current planning system, the market should be able to respond effectively to changes in demand.

As pointed out in the 2013 Policy Address, the Government will continue to adopt a multi-pronged approach to increase land supply. Apart from increasing the housing land supply, we are committed to increasing the supply of commercial land and facilities so as to facilitate the further development of different economic activities in Hong Kong, including the retail industry. For example, we are pressing ahead with the conversion of government office buildings and “Government, Institution or Community” sites in Central and Wan Chai to commercial use, as well as the development of the North Commercial District on the Chek Lap Kok Airport Island.

Since 2001, all industrial land in Kwun Tong and Kowloon Bay has been rezoned to “Other Specified Uses” annotated “Business” use, thereby allowing a mix of office, commercial and non-polluting industrial uses in the same industrial building. We are endeavouring to facilitate the development of the Kowloon East into a core business district so as to supply more commercial floor space. This new core business district has the potential to provide an additional commercial

floor area of 4 000 000 square metres. In addition, we are considering speeding up the release of two clusters of government sites in Kowloon East for comprehensive development of commercial and other uses, including relocating the existing government facilities there. The two clusters of sites could provide a floor area of 500 000 square metres.

Besides, since the implementation of the measures to facilitate the redevelopment and wholesale conversion of older industrial buildings on 1 April 2010, the Lands Department had approved 65 applications up to end February 2013. The projects concerned have a capacity to provide a total gross floor area of about 700 000 square metres of converted or new floor space. Of the approved applications, about half applied for change into “shop and services” use, among other new uses, which could provide suitable premises for the retail industry upon completion of the relevant conversion works.

In 2011-12, the Administration sold seven commercial/business sites capable of providing 320 000 square metres of gross floor area. In 2012-13, we sold two commercial/business sites which could provide about 71 000 square metres of gross floor area. There are nine commercial/business sites in the 2013-14 Land Sale Programme which could provide about 330 000 square metres of gross floor area in total. The Administration will continue its effort in providing commercial/business sites for sale.

Moreover, the long-term development of the New Central Harbourfront can provide a total gross floor area of about 138 000 square metres for retail use. Among the sites, Site 3 can provide a total gross floor area of about 100 000 square metres for retail use. The development on this site is expected to commence after the completion of the construction works for the Central-Wan Chai Bypass in 2015-16. Furthermore, before the full implementation of the New Central Harbourfront, the Administration plans to pursue a number of short-term projects at the formed sites to optimise their uses and add vibrancy to the harbourfront for early public enjoyment. Some of the sites, with a total area of about 36 000 square metres, will be leased out under a short-term tenancy for the use as a temporary event venue which could host a variety of major events, including commercial promotions and exhibitions. An open tender for the above temporary event venue is expected to be invited in the latter half of this year.

We are planning to conduct a pilot study on underground space development in the urban areas of Hong Kong with a view to exploring commercial opportunities and enhancing connectivity with the underground developments of existing and/or planned buildings and MTR stations in the long term. Two representative locations will be chosen for a preliminary pilot study and public consultation.

## **Planning efforts in relation to the retail industry**

To support the long-term and diversified economic development of Hong Kong, it has been proposed in the Planning Department's report of the "Hong Kong 2030: Planning Vision and Strategy" that, apart from strengthening the function of the core business districts, it is also necessary to facilitate the economic development of areas outside. We will take into account the demographic characteristics, geographical location, scale and features of the economic activities, as well as the planning preference of the districts concerned, and earmark sufficient land for various development uses, including retail, so as to promote mixed use developments for diversified land uses, thereby promoting employment and revitalising the communities. Therefore, when we plan for a new development area, we will earmark sufficient commercial sites, including those for the retail industry, to meet the market demand and tie in with the overall development of the district. The North East New Territories New Development Areas and the Hung Shui Kiu New Development Area under planning are some cases in point.

Besides, there is sufficient flexibility under the current planning system to allow the market to function effectively and respond to changes in the retail land use demand in a timely manner. On statutory plans, a number of land use zones permit retail development. For example, in the Central Business District and major shopping areas, including Mong Kok, Causeway Bay and Tsim Sha Tsui, the relevant land will be zoned "Commercial" under which retail shops use is one of the uses always permitted. And in the "Residential (Group A)" zones, retail commercial use in the lower three storeys of the concerned buildings is also always permitted.

In recent years, the planning concept of "mixed uses" has been introduced in the Kai Tak Development Area, West Kowloon Cultural District, Wan Chai and Causeway Bay so as to provide flexibility for the development of mixed non-industrial uses, including retail business, or a combination of various types of compatible uses either vertically within a building or horizontally over a spatial area, to meet the changing market needs. Besides, developers could also continue to propose suitable change of land use for retail business development via planning applications.

## **Government Properties**

Government properties are mainly provided for use as government offices, public facilities or other government purposes. According to the Government's accommodation policy, the Government Property Agency (Agency) will let out vacant properties only when no suitable government user can be identified. As government properties are public resources, they should be let out at reasonable market rent. The Agency will let out these properties by open tenders.

## **Public markets, open-air bazaars and hawkers**

Regarding the proposal to establish open-air bazaars, we consider that there will be more flexibility and it would better suit the district's need for open-air bazaars to be planned and managed by district organisations. The Administration stands ready to provide, in collaboration with the relevant departments, appropriate assistance to the proponents if they have identified suitable sites with support of the local districts, and have satisfied the requirements on food safety and environmental hygiene.

The Government reviewed its hawker licensing policy in 2008 and 2009, and decided to issue a limited number of hawker licences without compromising environmental hygiene so as to respond to the views of the community to preserve local culture. However, the Administration currently has no plan to further issue new hawker licences having regard to the environmental hygiene and fire-safety concerns. To further reduce the fire risk of the fixed-pitch hawker areas, we will launch this summer a five-year scheme to provide assistance to the licensed hawkers in the 43 fixed-pitch hawker areas to improve the fire resistance capability of hawker stalls. A funding of \$230 million has been approved by the Finance Committee of LegCo.

On public markets, the Food and Environmental Hygiene Department (FEHD) is committed to enhancing the operating environment and competitiveness of its markets through the implementation of various measures. These measures include carrying out enhancement projects to upgrade their facilities, keeping the markets clean to provide customers with a pleasant environment, and holding promotional activities from time to time to attract patronage. To achieve better utilisation of vacant stalls, FEHD introduced the "concessionary upset prices" arrangement and the "short term tenancy pilot scheme" in 2009 and 2010 respectively to enhance the attractiveness of the vacant stalls.

Indeed, in response to the request of the Panel on Food Safety and Environmental Hygiene of LegCo, the Food and Health Bureau plans to examine the policy, positioning and functions of the public markets in present-day circumstances. The Food and Health Bureau will report the progress to the Panel in due course.

## **Commercial properties of the Hong Kong Housing Authority and the Hong Kong Housing Society**

For properties under the Hong Kong Housing Authority (HA), while HA had divested its retail and car-parking facilities so as to enable it to focus on its role as a provider of public housing in November 2005, it retained a range of commercial and retail facilities in public housing estates. At present, HA has a total of 40 shopping centres or retail facilities in public housing estates. The total

floor area is about 200 000 square metres. HA has no plan to further divest its shopping centres and retail facilities. According to the prevailing policy of HA, the commercial facilities and those provided for the new public housing estates are managed by HA.

HA operates its commercial properties under prudent commercial principles to provide various retail facilities such as eateries, clothing outlets, supermarkets and wet markets, etc. for the residents of its estates. Flexible leasing arrangements are made in response to market demands. HA is committed to maintaining close contact with tenants of commercial properties and estate residents, optimising tenants' business environment when appropriate, and providing daily necessities to the public housing residents. Apart from the shopping centre "Domain" in Yau Tong, HA's retail facilities completed in 2012-13 also include shops in Shek Kip Mei Estate Phases 2 and 5 and in Lower Ngau Tau Kok Estate.

According to the prevailing rental policy of HA's commercial properties, when the tenancies of commercial tenants are due to expire and pending renewal, HA will fix the rental levels of individual commercial facilities by taking into account various factors such as the overall market operating environment, the demographic structure of the public housing estate and the estate-specific features, etc. When determining the relevant rental levels, HA will closely monitor the local economic conditions and relevant statistics, and fix the rental levels with reference to their respective locations, the trade under operation and other relevant factors.

At present, HA has a total of 40 shopping centres and retail facilities in public housing estates. The total floor area is about 200 000 square metres. To widen the shopping choice of tenants, HA will enhance retail facilities in suitable location of the existing shopping centres by adding shop premises in accordance with local circumstances. Apart from Domain, there are a total of 28 projects with commercial and retail facilities with a total floor area of about 49 000 square metres under construction or planning by HA.

As regards the proposal to convert those shopping centres and carparks with low occupancy rates into small shop premises, HA has all along been taking an active approach to improve and convert shopping centres and carparks under its management into other uses for better utilization of resources. Currently, the letting rates of HA's retail and carpark facilities are 97% and 82% respectively.

The Hong Kong Housing Society (HKHS) provides subsidised housing for those in need in Hong Kong, including rental housing units and subsidised sale units. HKHS provides non-domestic facilities, including commercial facilities and community facilities for welfare uses, in some of its rental estates and subsidised sale estates to meet the daily needs of the residents. The commercial

premises are operated on prudent commercial principles, with rentals determined with reference to the market value. This is similar to the leasing policy of HA. According to HKHS, the commercial properties have a total internal floor area of about 70 000 square metres, whereas that of the community facilities for welfare uses is about 30 000 square metres.

Regarding the suggestion for HA and HKHS to let part of the retail floor areas to individual and specialty retail businesses, HA has set up a Small Retail Zone in the “Domain”, with a floor area of about 700 square metres, as a business start-up platform for the youth and small retailers, and reserved several shops for social enterprises so as to create business opportunities for the community.

### **Manpower of the Retail Industry**

The Financial Secretary announced the setting up of the Task Force on Manpower Development of the Retail Industry in his 2013-14 Budget Speech. The terms of reference of the Task Force are to study the business outlook of the retail industry and its manpower demand and supply, and to advise the Government on matters relating to the overall manpower development of the industry in order to sustain its long-term growth. Members of the Task Force are drawn from a wide range of background and interests, including persons connected with different sectors within the industry, representatives of relevant Government Bureaux and the Vocational Training Council, as well as academics and individuals from outside the industry. The Task Force will complete its work within 2013 and put forward appropriate and concrete recommendations to the Government.

### **Studying the impact of the “Individual Visit Scheme” and the spending pattern of Mainland visitors on Hong Kong**

The Government is assessing the overall capacity of Hong Kong to receive tourists. The areas taken into account include the handling capacity of boundary control points, receiving capacity of tourist attractions and the public transport system, supply of hotel rooms, economic effects of the Individual Visit Scheme, and its impact on the livelihood of the community, etc. Upon completion of the assessment, the Hong Kong SAR Government will commence liaison with the relevant Mainland authorities to exchange views in this aspect. The result of the assessment will facilitate the orderly and sustainable development of inbound tourism in Hong Kong.

### **Reviewing Hong Kong’s tourism policy**

We believe that the participation of the trade and other relevant stakeholders are essential in maintaining and promoting the development of Hong Kong’s tourism industry in a sustainable and healthy manner. In his Policy Address, the Chief Executive announced the establishment of the Economic

Development Commission (EDC), which will explore ways to make good use of our long-standing advantages and the opportunities offered by the Mainland from a high level, cross-departmental and cross-sectoral perspective. It will also focus on efforts to broaden our economic base. The Working Group on Convention and Exhibition Industries and Tourism set up under the EDC will help look into the development of Hong Kong's tourism industry.

**Commerce and Economic Development Bureau**  
**Development Bureau**  
**Food and Health Bureau**  
**Transport and Housing Bureau**  
**Financial Services and the Treasury Bureau**  
**April 2013**

**Motion on  
“Increasing the business floor areas of the retail industry”**

**Moved by Hon Vincent FANG  
at the Council meeting of 6 February 2013**

**Motion as amended by Hon WONG Kwok-hing, Hon Alice MAK,  
Hon Starry LEE, Hon Alan LEONG and Hon Kenneth LEUNG**

That, the services industry is one of Hong Kong’s major industries, in which the retail industry develops rapidly but the urban development planning in Hong Kong does not dovetail with the expansion, development direction and demand for business floor areas of the retail industry, resulting in a severe shortage of retail floor areas in Hong Kong in recent years, which leads to retail shop rents going out of control and spiralling upwards, directly and indirectly causing operating difficulties to the extent of closure of small and medium enterprises and the rise in prices of goods, and rendering people plagued by shopping difficulties and expensive pricing of goods; the Chief Executive, after taking office, has promised the wholesale and retail industries that measures would be taken to increase commercial floor areas, but this has not been mentioned in the Policy Address; in this connection, this Council urges the Government to:

- (1) conduct a comprehensive review of the changes in the retail industry over the next 10 years, including the future development trends of the retail industry in respect of business floor areas, manpower, locations of businesses and business operators (including size and number), so as to work out the future development scale of retail floor areas and appropriately increase their supply year by year to ease rental increases;
- (2) conduct a comprehensive review of grass-root retail businesses, including the number, business floor areas, manpower, licensing regime and regulatory ordinances of wet markets, open-air bazaars and hawking trades, so as to assess what support should be rendered to grass-root retail businesses, including relaxing the restriction on the area of an on-street fixed hawker pitch of only three feet by four feet and re-issuing an appropriate number of hawker licences, adjust the government policy on vacant shops in public markets and relax the application restrictions, and allocate resources to improve the business environment of markets (including installation of



air-conditioners), etc., so as to put vacant retail floor areas on the market; and

- (3) review the leasing policies, tenant mixes and functions of the retail floor areas of properties under the Government, including those of the Hong Kong Housing Authority and the Hong Kong Housing Society, so as to prevent the retail floor areas of such properties from becoming those under The Link, and ensure that the relevant properties and organizations adopt ‘consumption needs of residents’ instead of ‘rents’ as the primary principle; and at the same time, explore the feasibility of using part of the retail floor areas to support the development of grass-root, individual and specialty retail businesses, such as assisting old shops with traditional and historical characteristics and small shop tenants compelled to move out by The Link in continuing their businesses, or to assist young people in starting up businesses;
- (4) closely monitor recent speculation in retail properties and introduce measures to curb such activities when necessary; and
- (5) examine various districts’ demands for and proposals on the introduction of public markets, open-air bazaars and hawkers, and expeditiously implement the construction of the relevant facilities; and
- (6) study the feasibility of massively developing underground commercial spaces; expeditiously give impetus to the transformation of industrial buildings; and, focusing on the needs of local small and medium shop tenants and on the premise of fully consulting local communities, set up large-scale exhibition and sales venues, factory outlets and publicly-operated shopping arcades, markets, marketplaces and bazaars, etc., so as to increase the business floor areas of the retail industry and alleviate the pressure of rental increases;
- (7) regarding the successive closure of traditional small shops and market stalls caused by The Link’s hegemony, study the conversion of school premises made vacant by ‘school culling’, idle government industrial buildings and those shopping arcades or car parks still owned by the Hong Kong Housing Authority (‘HA’) into small shops, and encourage shop tenants of The Link who cannot renew their tenancy agreements or people with aspiration to start a business to rent such shops; at the same time, making reference to the operation mode of

Domain shopping mall in Yau Tong under HA, expedite the renovation of old shopping arcades with low customer flow, so as to increase retail spaces with reasonable rents; and

- (8) having regard to the characteristics of the various districts in Hong Kong, review the functions and policy objectives of public markets, so as to provide public markets which meet the needs of local residents;
- (9) study the positive and negative impacts of the policy on the Individual Visit Scheme for Mainland visitors and the spending pattern of Mainland visitors on Hong Kong society, and enhance and adjust the relevant policies in this regard, so as to achieve more diversified and balanced development of the retail and catering industries of various classes and alleviate the impact of the policy on the Individual Visit Scheme on members of the public; and
- (10) consult the public and conduct a review of the development direction, positioning, clientele and objective of Hong Kong's local tourism, so as to facilitate the corresponding adjustments and enhancement of the relevant policies on local retail businesses, tourism development and immigration, etc.