The Public Market and The Private Market
submission on

The business environment of public market stalls, including rental adjustment mechanism and air-conditioning charges

Deadline: 26 Dec 2012

Brief background

Historical and cultural background:

• Towards the 20th century permanent wet markets took over from the periodic markets
• Early 20th century Government started building organised and formal wet markets in buildings
Brief background

• In the 1980's and 1990's city development prompted government to incorporate wet markets into its agenda for city planning

• In 2005 the government began to privatise some of the wet markets
Current Situation

• Markets are dying out with lack of vendors and customers

• Report by Singpao Daily: Choi Hung Road Market has a vacancy rate of 70%, the Mong Kok market is 61%, and Kwong Choi market is 73%

• Some government-run markets like the Bridge Street markets in Sheung Wan and the Yau Ma Tei Markets are unused entirely
Public v. Private

**Government-run markets:**
- Most markets built in 1970's-80's lack basic facilities e.g. air conditioning, less hygienic
- Lack of innovation
- Excessive regulation

**Private-run markets:**
- Better facilities e.g. air conditioning, renovations to be more hygienic and appealing
- Innovative solutions to attract customers
# Rent

<table>
<thead>
<tr>
<th>Features</th>
<th>The Link</th>
<th>The Government</th>
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</thead>
<tbody>
<tr>
<td>Rent</td>
<td>$398/m²</td>
<td>$293/m²</td>
</tr>
<tr>
<td>Occupancy</td>
<td>93%</td>
<td>73%</td>
</tr>
<tr>
<td>Retention</td>
<td>79.3%</td>
<td></td>
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<tr>
<td>Rent Increases</td>
<td>9%</td>
<td>rents frozen</td>
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</tbody>
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Examples

Tai Yuen Market

- Previously government owned vendors were dissatisfied with government management
- 2010- privatised by The Link who spent $95 million in renovation
- This increased and diversified the customer base
- Some vendors have doubled their sales
- Won award at the Asian Institute of Management
Examples

Stanley Markets

- Government recently renovated the wet markets on the HK$14 million Stanley waterfront promenade
- 14 of the 20 stores are vacant
- Vendors claim that high rents, poor management by the government have driven customers away
- Public anger about government waste of public resources
The Problems

• Small business owners lose their livelihoods as a result of poor government management
• Government failure to allow the private sector take over --> the public are restricted in terms of consumer choice
• Due to government mismanagement, demise of the Hong Kong wet markets --> loss of vital Hong Kong culture and history
Cause of Problems

• The reason why the private markets are doing so well is that they offer the customer a better quality of market

• The Link markets are cleaner, more hygienic and as a result safer

• One the cited methods of distribution of the deadly SARS virus was poor quality wet-markets

• The consumer wants a hygienic marketplace
Rental Proposals

• Quality in government run wet-markets must be increased
• Amenities and hygiene must be improved
• This will result in higher rents and more customers
• This will allow government wet-markets to compete with private ones
Privatise the government-run wet markets which are failing

• Innovative solutions can be found in the private-sector to revive wet markets and attract more customers

• Cost of improving wet markets can be borne by private enterprises (no waste of public resources)

• Private-run wet markets provide a more sustainable business environment --> provides a source of income for more small business owners

• Government needs to encourage entrepreneurship which is difficult to achieve in a public-sector model