

**For discussion
on 9 July 2013**

LegCo Panel on Food Safety and Environmental Hygiene

**Improving the Operating Environment of Public Markets and
Related Issues - Progress update**

Purpose

This paper briefs Members on the progress of actions being taken by the Administration to review the operating environment of public markets.

Consultancy Study

2. At the meeting of 16 April 2013, we briefed Members on the Administration's plan to engage a consultant to assist in developing proposals for improving the operating environment of public markets thereby enabling them to fulfil the functions expected of them in present-day circumstances.

3. At present, the Food and Environmental Hygiene Department ("FEHD") is managing over 70 public markets that sell wet and dry goods. For the purpose of developing proposals to improve the operating environment of public markets thereby enabling them to fulfil the functions expected of them, we plan to engage a consultant with expertise in retail and related areas to assist in coming up with concrete improvement proposals for a number of public markets as samples, which differ in terms of location, physical conditions, business viability, the availability of other market facilities and retail outlets in the vicinity, etc. Since each market may have its own unique circumstances (in terms of the physical facilities required, the operational problems encountered, the competition that it is facing from similar shops in the vicinity, etc.), we need to categorise the problems and analyse them accordingly with a view to tackling the problems differently on their merits. In the course of developing proposals, the consultant may draw in experts from the retail, design and other professions as necessary (including those with experience in helping clients to boost/maximise the patronage of retail/shopping outlets) and would have to collect views from different stakeholders (including market tenants). We would expect the

consultant to make a comprehensive analysis of relevant factors affecting the operating environment of public markets such as consumer profile (e.g. income and age), their shopping preference, the mode of market operation, current management constraints and manpower arrangements, as well as the state of transport network in the vicinity etc.

4. The consultant is also expected to give advice from their professional point of view on general proposals that would help draw more customers to public markets and enhance customer satisfaction, etc. Such advice would provide handy reference when we roll forward the routine maintenance programme for public markets, including easy to administer measures and minor improvement projects that fit the purpose.

5. The consultancy study will focus on public markets currently managed by the FEHD and explore ways to improve their operating environment. As for the handling of suggestions and aspirations related to the provision of new markets, it does not fall within the scope of this study.

6. Preparatory work for engagement of the consultant is underway. The consultant is expected to commence the study in the fourth quarter of this year. If everything goes well, we hope the consultant will submit the preliminary findings of the study in mid-2014.

Positioning and Functions

Last Review

7. In 2009, the Administration conducted a review on the positioning and functions of public markets¹. In the course of pursuing the review, the Administration consulted Market Management Consultation Committees (“MMCCs”), market trader associations and representatives of the trade.

8. During the consultation, some respondents articulated the view that public markets should be designated as “community facilities”. Some of them even considered that since public markets were serving the whole population, the Government should subsidise public markets from the social welfare angle. Public market stalls are generally let out through open

¹ We pointed out at that time that since the late 1990s, the main positioning and functions of public markets as a means for resiting on-street hawkers in support of the hawker policy were no longer valid. For details, please refer to the papers discussed at the Panel meetings of 14 July 2009 and 10 November 2009 (Ref.: LC Paper No. CB(2)2155/08-09(04) and LC Paper No. CB(2)197/09-10(04)).

auctions, and prospective tenants would primarily take into account a number of business factors (e.g. customer flow, environment and facilities of markets as well as competition from shops selling similar goods in the vicinity, etc) before deciding whether or not to bid for a stall. By nature, this is different from community facilities in general.

9. Besides, some have opined that public markets in general offer cheaper goods than supermarkets and therefore can contribute to maintaining price stability of fresh food. Insofar as the prices of the goods sold in public markets are concerned, tenants of public markets are free to determine and adjust the prices of their goods having regard to such market forces as supply and demand, as well as their operating costs (including transportation costs, rentals and staff salaries, etc.). The Government does not control the prices of the goods sold in public markets. Nor is the Government in a position to guarantee that the goods sold in public markets would be cheaper than those in other shops. In fact, according to the Consumer Council's monthly report on market food prices released in November 2010, among the 52 markets covered in the survey, the price indices of 25 markets were higher than the average prices and, of the latter, 20 were public markets under the management of FEHD.

Providing a Source of Popular Fresh Provisions for the Grassroots

10. It is the conclusion of the Administration that public markets are one of the major sources of fresh provisions for the grassroots in the community and that they are there to fulfil this important social function is beyond doubt. Public markets also provide employment opportunities for the grassroots, meeting their livelihood needs. During the consultation, views have been expressed that the best selling point of public markets is that they offer commodities of good quality at reasonable prices amidst competition, and that this positioning and their edge over other competitors should be maintained. The findings of the consultation also show that the community has generally accepted and got used to the current mode of operation of public markets and their customer-oriented positioning connected with ordinary folks.

11. The consultant will be required to conduct the study based on the aforesaid positioning.

Visits to Public Markets

12. At the Panel's request, the Administration and some Panel

Members visited a number of public markets located in Kowloon² and on Hong Kong Island³ on 28 May and 25 June 2013 respectively.

13. Apart from these two rounds of visits made with Members, the Administration has been maintaining dialogue with market tenants in various ways (including visiting markets to listen directly to the views of tenants, and collecting views through MMCCs etc.), to learn more about the operation and needs of the tenants. Most of the views and suggestions from the tenants are related to improving customer flow, further reducing stall vacancy rate, and improving market infrastructure (for example, installation of air-conditioning systems, extension of stall size, and maintenance works for seating facilities at cooked food centres, etc.). These views and suggestions would serve as useful reference for the Administration when formulating improvement proposals in future.

14. When conducting the study in future, the consultant will collect views from a wider spectrum of tenants and relevant stakeholders in a more systematic manner.

Other Related Issues

15. The Public Accounts Committee of the Legislative Council has urged the Administration to work out an appropriate market rental adjustment mechanism expeditiously. At the same time as we move forward to improve the operating environment of public markets, the Government will consult the Panel on ending the rental freeze early. The Administration will bring up the proposed rental adjustment mechanism for discussion by the Panel in due course.

Advice Sought

16. Members are invited to note the contents of this paper.

Food and Health Bureau
Food and Environmental Hygiene Department
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² The public markets visited in Kowloon are Fa Yuen Street Market, Kowloon City Market and Ngau Tau Kok Market respectively.

³ The public markets visited on Hong Kong Island are Tang Lung Chau Market, Java Road Market and Aldrich Bay Market respectively.