



中華人民共和國香港特別行政區政府總部食物及衛生局
Food and Health Bureau, Government Secretariat
The Government of the Hong Kong Special Administrative Region
The People's Republic of China

Our ref. :
Your ref. : CB2/PL/FE

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By Fax: 2509 9055
27 March 2017

Miss Josephine SO
Clerk to the Panel on Food Safety and Environmental Hygiene
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Miss SO,

**Panel on Food Safety and Environmental Hygiene
Motions passed at the meeting on 14 March 2017**

Thank you for your letter of 16 March 2017. I write to provide the Government's response to the motions passed at the captioned meeting.

2. The Government is committed to improving the operating environment of public markets, and has been putting in a lot of efforts to this end. A total expenditure of about \$80 million has been spent on market improvement works in the past three financial years, covering 11 markets and 13 cooked food markets (CFMs) / cooked food centres (CFCs). In 2017-18, in addition to regular maintenance and daily management of markets, the Food and Environmental Hygiene Department (FEHD) will carry out improvement works in six markets and three CFMs. The total estimated cost of these improvement works is \$56.2 million. The scope of works includes installation of a goods lift, improvement of ventilation, electricity and fire services,

refurbishment of external walls and toilets, etc. We are also taking forward a programme started since 2015-16 to replace 84 aged escalators and 33 aged lifts in 23 markets at an estimated cost of \$292 million.

3. FEHD is now following up the improvement works at the six public markets recommended by the Consultant commissioned by the Food and Health Bureau (FHB). FEHD has consulted the Market Management Consultative Committees (MMCCs) of four of these markets and will also follow up with the other markets in accordance with the established procedures and mechanism. In 2017-18, FEHD plans to commence improvement works for Lockhart Road Market. The scope of improvement works for Sheung Fung Street Market is also being finalized in consultation with relevant departments.

4. On the provision of air-conditioning to existing public markets, FEHD has consulted the MMCCs of all relevant markets, and is now taking forward progressively in accordance with the established procedures and mechanism including securing the necessary funding for the initiative for 11 markets/CFCs which have obtained adequate support from tenants.

5. Moreover, FEHD has also been conducting promotional activities to enhance the patronage of public markets. These include festive celebrations, thematic activities, display of multi-language recipes, publication of booklets to provide updated market information. FEHD will soon launch a series of new promotional programmes to attract more people to visit the public markets. The estimated expenditure for market promotional activities in 2017-18 is \$7 million. In addition, FEHD has been letting out long-standing vacant stalls at reduced upset auction prices and introducing a greater variety of service trade stalls to enhance the occupancy rate of public markets.

6. While the Government is continuing with its efforts in implementing improvement measures on various fronts to enhance the operating environment of public markets, it is important to uphold our fiscal discipline by institutionalizing a rental adjustment mechanism. The rentals of public markets have been frozen for 19 years since the across-the-board reduction by 30% implemented by the two former Municipal Councils in 1998 in the light of the then economic situation. The rental freeze has been extended for a number of times until 30 June 2017. Cumulative inflation between 1998 and 2006 was 26.2%.

7. The deficit of public markets has been progressively rising from \$168 million in 2011-12 to \$294 million in 2015-16, and is expected to further rise to \$414 million in 2016-17. Tenants in the markets are essentially commercial operations. As a matter of principle, the situation of subsidising with taxpayers' money commercial operations in public markets that are not subject to any means-testing should be addressed.

8. Pending a comprehensive review, the market rental adjustment arrangement to be put in place with effect from 1 July 2017, as set out in the paper for the captioned Panel meeting, only aims to catch up with annual inflation, tracking basically Consumer Price Index (A) movements. For tenancy agreements due for renewal on 1 July 2017, rental will increase by only 2.9% in the first year of the renewed tenancy. The magnitude of monthly rental increase is very mild and the financial impact on the market tenants is minimal, with about \$69 on average for a non-cooked food stall and about \$168 on average for a cooked food stall for the first year of the renewed tenancy.

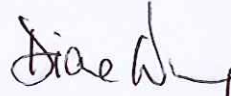
9. The Consultant commissioned by FHB has also pointed out that the continuation of low rentals for many of the market stalls are one of the reasons contributing to the sub-optimal use of such stalls (e.g. as storage space), which in turn dampens the vibrancy of public markets. The Consultant has advised the Government to address the rental issue.

10. On the waiver of licence fees for travel agents, hotels, restaurants and hawkers, etc. promulgated in the 2017-18 Budget, it is indeed a short-term measure in support of the tourism industry specifically in the light of the challenges faced by the sector as a whole.

11. On the longer term adjustment mechanism for market rental and other related charges, the Government plans to conduct a comprehensive review in the near future. This is a complicated exercise and it takes time to deliberate with various stakeholders. We see no valid reason for withholding a market rental adjustment arrangement in the interim which merely seeks to catch up with annual inflation from the recent year, after a 19-year long rental freeze.

12. The Government has maintained close liaison with the Panel on our public market policy and improvement measures to enhance the operating environment of public markets. Having regard to all relevant factors and Members' views, we consider it reasonable to proceed with the market rental adjustment arrangement, as set out in the Panel paper, with effect from 1 July 2017.

Yours Sincerely,

A handwritten signature in black ink, appearing to read "Diane Wong". The signature is written in a cursive style with a long vertical line extending downwards from the end of the name.

(Miss Diane Wong)
for Secretary for Food and Health

c.c.: Director of Food and Environmental Hygiene