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Panel on Food Safety and Environmental Hygiene

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Survey results on prices of fresh food items in public markets and other retail outlets

Public markets are one of the major sources of fresh food provisions for the general public. They offer a wide array of commodities at affordable prices amid competition posed by other retail outlets which offer similar, if not the same, commodities as public markets. According to the Administration, over the years, there have been views that public markets are also a cheap source of fresh food that helps maintain the stability of fresh food prices. As consumers also stand to benefit, the proponents of such views go on to cite this as an argument for subsidizing public market operations.

2. In 2013, the Administration commissioned 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. The study was completed in June 2015 and its report was presented to the Subcommittee on Issues Relating to Public Markets ("the Subcommittee") formed under the Panel on Food Safety and Environmental Hygiene ("the Panel") in the Fifth Legislative Council. Among other findings, the consultant discovered that there was perception of public markets as a means to stabilize food price. Public markets managed by the Food and Environmental Hygiene Department ("FEHD") might have been inaccurately perceived as offering goods cheaper than market facilities run by other operators or supermarkets, as stall tenants operating in public markets were paying low rentals. Such perception was, however, not supported by market logic nor facts. According to the consultant's explanation, despite the low rentals paid by the tenants of public markets, no significant price difference had been observed in the public markets with stall tenants who paid very different rents. Besides, tenants in public markets were free to determine and adjust the prices of their goods having regard to such market forces as supply

and demand as well as operating costs (including transportation costs, rentals, staff salaries, etc.). The Government could not control the prices of goods sold in public markets. Likewise, despite paying higher market rentals, fresh provision retail stores that mushroomed in the vicinity of a number of public markets sold similar goods at similar prices when compared to the stalls situated in nearby public markets. The consultant thus concluded that stall rent was not the key determinant in setting the prices of goods sold in public markets.

3. At the Subcommittee meeting held on 29 June 2015, the Administration undertook to re-examine the public market rental adjustment. It would take the opportunity to further study the possible correlation between the level of market rental and the prices of goods sold in public markets.

4. When the Panel discussed at the meeting on 14 March 2017 the market rental adjustment arrangements to be put in place with effect from 1 July 2017, the Administration advised that according to on-site observations conducted at 22 FEHD markets during the period from September to October 2016, a comparison had been drawn between the prices of similar food items charged by different stalls and their respective rentals. The results showed that stalls charging identical and almost identical prices for the same food item could be paying very diverse levels of rentals. For instance, stalls charging the most common price of \$64 per catty for Golden Thread included stalls paying a wide range of monthly rentals from \$78 to \$1,770 per square metre. As regards flowering cabbage, stalls charging the most common price of \$12 per catty included stalls paying a wide range of monthly rentals from \$62 to \$9,400 per square metre. For potato, stalls charging the most common price of \$8 per catty included stalls paying a wide range of monthly rentals from \$25 to \$5,770 per square metre. The situation was similar even when comparing just the stalls selling the same food items in the same market. For example, stalls charging the most common price of \$8 per catty for potato included stalls paying a wide range of monthly rentals from \$170 to \$470 per square metre at the same market in Western District. It was \$8 per catty charged also by stalls paying monthly rentals from \$400 to \$790 per square metre at the same market and \$10 per catty charged by stalls paying monthly rentals from \$190 to \$8,170 per square metre at the same market in Kowloon City and in Tai Po respectively.

5. The Administration will provide more details on the survey results at the Panel meeting on 13 June 2017.