



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

10 June 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**

**Public market stall rentals after 30 June 2017**

Thank you for your letter of 16 May 2017. I write to provide the Government's response to the written submissions received by the Legislative Council Secretariat expressing views on the public market rental adjustment arrangements after 30 June 2017.

2. As we explained at the meeting of this Panel on 14 March 2017 vide LC Paper No. CB(2)946/16-17(07), the rentals of stalls in public markets have remained frozen for 19 years since the across-the-board reduction by 30% implemented by the two former Municipal Councils in 1998 in the wake of the Asian Financial Turmoil. Tenants in public markets are essentially engaged in commercial operations. Nor has selection of tenants taken into account their means. The deficit of public markets has been progressively rising, from \$168 million in 2011-12 to \$294 million in 2015-16 and \$402 million in 2016-17. While we value the contribution of public markets to people's livelihood, we also consider it appropriate, as a matter of principle, to re-visit if we should continue with the past practice of deploying an ever increasing amount of taxpayers' money to subsidise the operation of public markets.

3. The current rental freeze in public markets would expire on 30 June 2017. Cumulative inflation between 1998 and 2016 was 26.2%. While we are planning to start a fundamental review on public markets, it will be a complicated exercise and takes time to deliberate with various stakeholders. We therefore need to put in place an interim rental adjustment arrangement. We are also mindful of making the adjustment as mild as possible.

4. What we are implementing is an arrangement to adjust market rental annually to catch up with past inflation in respect of tenancies that will expire by end-June 2017 and after. Specifically, the rental of public market stalls will be adjusted annually upon renewal of tenancy agreement or on the due date for rental adjustment as to be specified in the tenancy agreement, as the case may be, in line with the average of the year-on-year rates of change in Consumer Price Index (A) (CPI(A)) in the 12-month period six months before renewal of tenancy agreement or preceding the due date for rental adjustment. We consider CPI(A) a reasonable and objective basis as that index mainly measures basic commodities, not dissimilar to those commonly available in public markets.

5. We wish to underline the following pertinent points –

- (a) The rental adjustments upon tenancy renewal and thereafter upon annual rental adjustment due dates as specified in the tenancies are in line with the **past historical** (not prospective) inflation. As an illustration, for the tenancy agreements to be renewed on 1 July 2017, market rental in the first year would be adjusted by 2.9% in line with the average of CPI(A) movements for each of the 12 months of 2016.
- (b) FEHD public markets are positioned as one of the major sources of fresh food provisions for the general public. CPI(A) is used to adjust public market rental as it reflects consumer price changes on households in the relatively low expenditure range with relatively more weighting on food and daily necessities.
- (c) The financial impact on the market tenants is mild. For about 12 000 tenants with tenancies expiring on 30 June 2017, for the first year of the renewed tenancy, the 2.9% increase translates into an increase in monthly rental of about \$69 on average for a non-cooked food stall,



and about \$168 for a cooked food stall.

- (d) As the annual rental adjustment is only tracking past inflation, the impact on rental differentials between tenants will be minimal.
- (e) Keeping the status quo is not an option as it would only make any future fundamental review much more difficult.

6. By 9 June 2017, of the about 12 000 tenants whose current tenancies are to expire on 30 June 2017, over 99.6% have renewed their tenancies. We are following up with the remaining tenants to conclude the exercise before end June 2017.

7. Meanwhile, the Government remains committed to improving the operating environment of public markets. Since 2015-16, we have started a programme to replace 84 escalators and 33 lifts in 23 markets at an estimated cost of \$292 million. During the same period, an additional \$80 million has been spent on improvement works covering 11 markets and 13 cooked food centres (CFCs). In 2017-18, in addition to regular maintenance and daily management of markets, we will carry out improvement works in six markets and three CFCs, with a total estimated cost of \$56.2 million. The scope of works includes installation of goods lift, improvement of ventilation, electricity and fire services, refurbishment of external walls and toilets, etc, as the case may be.

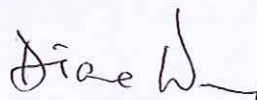
8. On air-conditioning in specific, we are taking forward retrofitting programmes progressively for 11 markets/CFCs which have obtained adequate support from tenants, in accordance with the established procedures and mechanism including conducting feasibility assessments.

9. Apart from hardware improvements, FEHD has spared no efforts in attracting patronage and promoting the letting of market stalls. The estimated amount of provision earmarked for market promotional activities in 2017-18 is about \$7 million, up from some \$4 million in 2016-17.

10. Following completion of a consultancy study on FEHD markets in 2015, the Government is following up in earnest the recommendations, both on the hardware and management sides. We are thus minded to undertake a fundamental review over the next few years as a credible basis for formulating concrete strategies and effective measures to improve the facilities and management of public markets and sustaining the improvements over time. On the hardware side, we are focusing on possible new public markets in New Development Areas as well as reprovisioning, consolidation, reconfiguration and upgrading of facilities in existing public markets. On the software side, we need to tackle, among other things, the management mode, consultative mechanism, enforcement strategies, supportive measures for tenants, and the sub-optimal use of market stalls. A comprehensive examination of the appropriate long-term rental adjustment mechanism is an integral part of this fundamental review.

11. We will keep Members posted of the progress of our upcoming fundamental review on public markets, and seek views and inputs of Members, tenants and all other stakeholders as appropriate in due course.

Yours Sincerely,

A handwritten signature in cursive script that reads "Diane Wong". The signature is written in dark ink and is positioned above the printed name.

(Miss Diane Wong)  
for Secretary for Food and Health

c.c. Director of Food and Environmental Hygiene