

立法會 *Legislative Council*

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Panel on Housing

Meeting on 5 June 2017

Background brief on the single-operator letting arrangement for markets under the Hong Kong Housing Authority prepared by the Legislative Council Secretariat

Purpose

This paper provides background information on the single-operator letting arrangement for markets under the Hong Kong Housing Authority ("HA"), and provides a summary of the major views and concerns expressed by Members on the subject.

Background

2. HA has adopted a single-operator letting arrangement for some of its markets since 1988. Under this arrangement, a single tenancy is awarded to an operator who will let parts of the leased area to individual stall operators, and will be responsible for the management of the whole market.

3. Since 1997, all HA's new markets in public housing estates have adopted the single-operator letting arrangement. As at May 2017, there are 22 markets under HA, six of which are single-operator markets ("SOMs").¹ According to the Administration, a total of 12 new HA markets are anticipated to be completed in the coming five years and the single-operator management mode will continue to be adopted.

¹ The six SOMs include Ching Long, Hung Fuk, Kwai Chung, Lei Muk Shue, Shui Chuen O and Tin Yan Markets.
(Source: <http://www.info.gov.hk/gia/general/201703/30/P2017032900419.htm>)

Major views and concerns expressed by Members

4. Members have expressed views on letting of markets under HA at meetings of the Legislative Council and its committees, such as the Panel on Housing. The major views and concerns expressed by Members are summarized in the ensuing paragraphs.

Single-operator markets in public housing estates

5. Some Members opined that divestment of HA's retail facilities to the Link Asset Management Limited ("the Link") had resulted in more expensive products sold in the shops managed by the Link. Contracting out the operating rights of markets under HA and operating them under commercial principles might result in incessant rise in stall rentals, and the increase in costs would ultimately be shifted to residents of public housing estates. There were views that HA should cease outsourcing markets provided in public housing estates, and manage the markets on its own.

6. According to the Administration, the purpose of implementing SOMs was to leverage on the expertise and flexible management and operation mode of the private sector, with a view to providing better shopping choices and service environment for residents. Persons who were interested in leasing SOMs might apply for registration in the Client List for SOM ("the Client List") and meet the eligibility criteria with regard to the experience and expertise in market management. HA would normally invite those in the Client List to bid for the market in a new public housing estate six months before completion. The Housing Department ("HD") would allot separate scores on the basis of bidders' past performance in market management and the rentals proposed for the leasing proposals. These two aspects carried equal weight so that selection was not merely based on the highest rentals proposed.

Rent charged on stall operators

7. Given that single operators could select individual stall operators and negotiate with them on the rents and terms of letting on a commercial basis, Members were concerned that single operators might charge excessive rent, thereby making it difficult for stall operators to survive. In response to an enquiry on whether HA would include a provision in new contracts for SOMs to specify the maximum rent levels that single operators might charge stall operators, the Administration advised that

HA did not set a ceiling for the rent or rate of rental increase. To ensure the protection of stall operators, HA would, by means of standard terms in tenancies with single operators, restrict single operators from charging stall operators fees other than rent, air-conditioning charges, rates and management fees. Single operators were required to submit a monthly return to HA setting out all fees collected from stall operators.

Monitoring of single operators' performance

8. On the question of whether HA had put in place any mechanism to monitor the quality of single operators' management of markets, the Administration advised that through the terms in the tenancy agreement and daily management measures, HA had put in place a series of control measures to monitor the performance of single operators. The tenancy agreement stipulated that single operators should ensure that the premises were operated as a traditional market with the provision of a certain proportion of food and miscellaneous trades. HD's frontline staff would conduct inspections of markets to ensure the operators' compliance with the tenancy requirements and the quality of their management services. HD would assess the performance of the operators every two months, taking into account views of Estate Management Advisory Committees, District Council members and local residents.

Latest development

9. At the Panel meeting on 9 January 2017, members considered a referral from the Public Complaints Office of the Secretariat (LC Paper No. CB(1)352/16-17(01)) regarding a deputation's views/concerns on the policy issues relating to management of HA's markets in public housing estates, and agreed with the suggestion by the Duty Roster Members who handled the case to receive public views at the meeting for discussing the subject and commission the Research Office of the Secretariat to prepare a paper on single-operator markets under HA.

10. The Administration will brief members on letting of markets under HA at the Panel meeting on 5 June 2017, and the Panel will receive public views on the subject at the same meeting.

Relevant papers

11. A list of the relevant papers is set out in **Appendix**.

Council Business Division 1
Legislative Council Secretariat
29 May 2017

**Single-operator letting arrangement for markets
under the Hong Kong Housing Authority**

List of relevant papers

Council/ Committee	Date of meeting	Paper
Panel on Housing	1 February 2016	Administration's paper on housing-related initiatives in the 2016 Policy Address and Policy Agenda (LC Paper No. CB(1)439/15-16(03)) Minutes of meeting (LC Paper No. CB(1)732/15-16) Administration's supplementary paper (LC Paper No. CB(1)1132/15-16(01))
Panel on Housing	12 April 2016	Minutes of meeting (LC Paper No. CB(1)1002/15-16)

Hyperlinks to relevant Council Questions:

Date	Council Question
27 March 2013	Council question raised by Dr Hon KWOK Ka-ki
16 March 2016	Council question raised by Dr Hon Fernando CHEUNG
17 May 2017	Council question raised by Dr Hon Priscilla LEUNG