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Panel on Food Safety and Environmental Hygiene

Subcommittee on Issues Relating to Public Markets

Background brief prepared by the Legislative Council Secretariat for the meeting on 12 June 2018

Issues relating to the positioning and functions of public markets

Purpose

This paper provides background information on issues relating to the positioning and functions of public markets, and summarizes the major views and concerns raised by members of the Subcommittee on Issues Relating to Public Markets ("the former Subcommittee") formed under the Panel on Food Safety and Environmental Hygiene ("the Panel") in the Fifth Legislative Council ("LegCo") on the subject.

Background

2. According to the Administration, public markets were provided by the two former Municipal Councils ("MCs") in early years for resiting hawkers with a view to improving street hygiene and alleviating street obstruction. To pursue this objective, the positioning and functions of public markets as well as market layout and stall design were to a large extent developed in the form of bazaars, while concessionary rental arrangements were made to encourage hawkers to move into public markets. Since the late 1990s, as the number of licensed hawkers has decreased significantly, the main positioning and functions of public markets as a means to resiting hawkers and supporting the hawker policy were no longer valid. The design and layout of newly built public markets have evolved to provide bigger stalls and wider passageways.

Following the dissolution of the former MCs on 1 January 2000, the Food and Environmental Hygiene Department ("FEHD") has taken over the responsibility for managing public markets. FEHD is currently managing 99 public markets¹ and over 60% of them were built before 1990s.

Consultancy study commissioned by the Food and Health Bureau

3. At the Panel meeting in July 2013, Panel members were advised that the Administration would commission a consultancy study on improving the operating environment of public markets. After commencing its work in March 2014, the former Subcommittee requested the Administration to arrange the consultant commissioned by the Food and Health Bureau ("FHB") to conduct the study to brief members on the scope and progress of the consultancy study. At the former Subcommittee meeting held on 29 April 2014, members of the former Subcommittee received a briefing from the consultant on the purpose, scope and progress of the consultancy study. Members exchanged views with the consultant on the positioning and functions of public markets.

Members' major views and concerns

4. The major views and concerns of members of the former Subcommittee on the subject are summarized in the ensuing paragraphs.

Positioning and functions of public markets

5. Members generally were of the view that despite the proliferation of supermarkets and fresh provision shops in recent years, public markets still served as a major source of fresh provisions for the general public and provided employment opportunities for the grassroots. Some members considered it desirable for the Government to subsidize the operation of public markets in view of its important social functions. In order to meet present-day shoppers' needs, the Administration should review the types of services/trade permissible in public markets.

¹ The 99 public markets managed by FEHD includes 35 wet markets, 39 wet markets and cooked food centres, as well as 25 cooked food markets.

6. The Administration shared the view that public markets were one of the major sources of fresh provisions for the general public, and the consultancy study commissioned by FHB would focus on existing public markets and explore ways to improve their operating environment befitting their functions and positioning. The consultant had also advised that the study would include a review of the historical development of public markets so as to give advice on the updated positioning and functions of public markets.²

7. Members were concerned about the high vacancy rates in a number of public markets and the prevalence of non-operating stalls. Some members considered that the Administration should take proactive measures to ensure that all public market stall operators were bona-fide stall operators who were keen to operate the stalls and willing to cooperate to improve the operating environment and patronage of public markets. Some members suggested that the Administration could better utilize a few public markets with very low occupancy rates by converting them into community facilities providing leisure and cultural services and/or other social services. There was also a view that the Administration should make reference to the approach adopted by the Link Asset Management Limited in revitalizing and managing its markets, with a view to increasing the appeal of public markets.

8. The Administration advised that it had made sustained efforts to enhance the operating environment and competitiveness of public markets. The occupancy of public markets was influenced by many factors, such as competition from retail outlets selling similar commodities in the vicinity and demographic changes in the district. In order to boost the occupancy rate of public markets, FEHD had lowered the upset auction prices to 80% and 60% of the open market rental for stalls which had been left vacant for six months and eight months respectively since February 2009. It had also widened the trade mix by introducing service trades, light refreshment and bakery stalls since July 2009.

Consultancy study commissioned by FHB

9. When receiving a briefing from the consultant at its meeting on 29 April 2014, the former Subcommittee was advised by the Administration that the main objectives of the consultancy study were to (a) tender views on the functions and positioning of public markets; and (b) suggest ways and pragmatic measures to preserve market stalls that were selling traditional

² A historical background of the public markets managed by FEHD has been provided in Chapter 1.2 of the final report of the consultancy study (LC Paper No. CB(2)1815/14-15(01)).

commodities or involving traditional specialty. Members considered that the study should aim at formulating concrete and pragmatic proposals with a view to ensuring that public markets would provide the public with a clean and hygienic shopping environment and good quality commodities at affordable prices. Members noted that in its final report, the consultant had made some observations and views on the positioning and functions of public markets.³ An abstract of the relevant views from the consultant's final report is provided at **Appendix I**.

10. The Administration advised members that it generally agreed with the consultant's views as follows:

- (a) as public markets were positioned as "one of the major sources of fresh food provisions for the general public", public markets should be kept decent, clean and tidy. Given their positioning and many existing constraints (e.g. large number of tenants and limited space), it was not necessary or practicable to upgrade public markets to upmarket shopping venues. Rather, the aim should be to boost the usage of public markets so as to better enable them to fulfil their functions
- (b) the Administration would need a reasonable rental adjustment mechanism which would allow the rent of market stalls to catch up with rents of broadly comparable stalls which were recently allocated through open bidding in other public markets. The lack of such a mechanism would prejudice the vibrancy of the markets as tenants might have less motivation to actively deploy the stalls for running business; and
- (c) depending on the unique situation of each market, for example its location, trade-mix in the vicinity, competitors and clientele, individual markets might develop different characteristics and niches befitting their competitive advantages, ranging from fresh provisions for the general public to relatively more premium food products (such as organic vegetables and fruits).

³ For details of the consultant's views on the positioning and functions of public markets, please refer to Chapters 1.4 and 1.5 of the final report of the consultancy study (LC Paper No.CB(2)1815/14-15(01)).

Latest developments

11. The Subcommittee will discuss with the Administration the overall landscape and positioning of existing public markets at the meeting on 12 June 2018.

Relevant papers

12. A list of relevant papers on the Legislative Council's website is in **Appendix II**.

Council Business Division 2
Legislative Council Secretariat
6 June 2018

Extract from the final report of the consultancy study on ways to improve the operating environment of public markets

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Positioning and functions of Public Markets

2. Public markets are expected to continue to serve as one of the major sources of fresh food provisions and goods for the general public in the years to come. For members of the public who patronise public markets, this important function is unquestionable.
3. It is a common aspiration of both the customers and tenants that public markets should provide clean and hygienic environment to facilitate pleasant shopping experience albeit they are not expecting public markets to be upgraded to unduly upmarket shopping venues. Whilst the Government, as the manager of public markets, is responsible for providing facilities and services meeting the aspired standards, one should recognise that the Government is also expected to ensure that the public resources involved in enabling the provision of public markets (including land resources) represent an efficient use. Many public markets are located in prime locations with good accessibility. Allowing market stalls to remain in an under-utilised state would contradict the above-mentioned principle.
4. Public markets, in particular those that are situated in well sought-after locations, should generate at least a reasonable degree of patronage in order to justify their use of scarce and valuable land resources.
5. It is widely accepted that public markets are providing job opportunities for the grassroots. However, no means tests or assessments have been conducted to judge the eligibility of bidders before letting out market stalls. As such, it is not appropriate to treat them as social welfare for their tenants.

6. Tenants of public markets are free to determine the prices of their goods sold. There have been views that public markets are a cheap source of fresh food that helps maintain the stability of food prices. To the extent that consumers also stand to benefit, the proponents of such views go on to cite this as an argument for subsidising public market operations. However, as the Government does not control the prices, public markets do not necessarily sell goods at a lower price.
7. A level playing field in renting public market facilities as a use of public resources may help drive continued improvements in services that would enhance customer satisfaction, to the benefit of all stakeholders who have an interest in keeping public markets vibrant. The low rental for many of the stalls may be one of the factors contributing to the inherent problems of the markets. To better manage the markets, the Government should duly address this issue.

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Source: The abstract of the final report of the consultancy study on ways to improve the operating environment of public markets (LC Paper No. CB(2)1815/14-15(01)).

**Relevant papers on
Issues relating to the positioning of public markets**

Committee	Date of meeting	Paper
Subcommittee on Issues Relating to Public Markets formed under the Panel on Food Safety and Environmental Hygiene ("FSEH Panel") in the Fifth Legislative Council	23.6.2014 (Item III)	Agenda Minutes
	-	Final report of the consultancy study on ways to improve the operating environment of public markets
FSEH Panel	-	Report of the former Subcommittee
Subcommittee on Issues Relating to Public Markets formed under FSEH Panel in the Sixth Legislative Council	6.3.2018 (Item II)	Agenda Minutes