

For discussion
on 12 June 2018

**Legislative Council Panel on
Food Safety and Environmental Hygiene
Subcommittee on Issues Relating to Public Markets**

Modus Operandi of the Market Modernisation Programme

Purpose

At the second Subcommittee meeting held on 10 April 2018, members welcomed the launching of the 10-year Market Modernisation Programme (“MMP”) and requested more information on its implementation. This paper sets out our current thinking on the modus operandi of the MMP.

Ambit of MMP

2. Honouring the commitment made in the CE’s Policy Address in October 2017, the \$2 billion earmarked for the MMP may be deployed flexibly to cover various types of hardware improvement projects of public markets managed by the Food and Environmental Hygiene Department (“FEHD”). We aim at improving the operating environment of public markets to benefit the community at large, particularly market patrons with a more pleasant market environment and wider variety of fresh food provision choices, and tenants with better market design and facilities conducive to doing business.

3. We envisage that hardware improvement projects may generally be categorised into the following types.

(a) Fundamental overhaul

4. Many FEHD markets were built decades ago with design standards which are now seriously outdated. While many people would

focus on the need for air conditioning, it must be reckoned that the installation of air-conditioning systems alone is by no means a panacea to improving the vibrancy of public markets¹. Significant improvement to the operating environment would only be achievable with comprehensive renovations in terms of layout design and facilities. For selected markets, we plan to launch major capital works projects to bring a fundamental overhaul and give them a total facelift. The scope of work would include, as a comprehensive package, air-conditioning, re-design and re-zoning of stalls, re-configuring the layout, drainage improvement, upgrading works for fire services installations, electricity supply, toilet facilities, ventilation, lighting, signage, replacement of floor tiles, provision of barrier free access, façade and external wall decoration, lifts and escalators, etc. as appropriate. Where circumstances warrant, we would not rule out the possibility of *in situ* redevelopment.

5. As a very rough indication, major overhaul projects may entail a capital cost of some \$200 million or more depending on the scale and complexity of works involved.

(b) Retrofitting air-conditioning systems and other improvements

6. At present, 11 markets² have already met the 80% threshold of tenants' support for retrofitting air-conditioning systems. Excluding the proposed installation of air-conditioning systems in Tai Wai Market, which would be subject to scrutiny by the Finance Committee of the Legislative Council scheduled for June 2018, 7 out of 10 possible projects were intended to cover only air conditioning for the cooked food centres (CFCs) in the respective markets, but not the wet market portion of them. To maximize improvements to these premises given the rather considerable amount of investment in air-conditioning retrofitting, we would explore whether other improvement works may be carried out at

¹ Discounting standalone cooked food markets and ancillary cooked food centres, there are 19 wet markets installed with air-conditioning systems. Some are considered vibrant, and some are not.

² These 11 markets are Tai Wai Market, Shui Wo Street Market Cooked Food Centre (CFC), Aberdeen Market, Ngau Tau Kok Market CFC, Ngau Chi Wan Market CFC, Quarry Bay Market CFC, Electric Road Market CFC, Shek Tong Tsui Market CFC, Fa Yuen Street Market CFC, Tsuen Wan Market and Yeung Uk Road Market.

the same time, such as re-design and re-zoning of stalls, re-configuring the layout, drainage improvement, upgrading works for fire services installations, electricity supply, toilet facilities, ventilation, lighting, signage, replacement of floor tiles, provision of barrier free access, façade and external wall decoration, etc.. We would also assess whether sitting tenants in the wet market portions would be forthcoming for a fundamental overhaul of the entire market. Other markets not now on the list may also be covered if there is sufficient support from tenants.

7. In the case of retrofitting Tai Wai Market with air-conditioning and undertaking some minor improvement works, the project cost is close to \$100 million. This may provide a general reference to the cost of future projects which may vary from case to case.

(c) Refurbishment and minor upgrading works

8. Given the age of the existing stock of public markets, routine maintenance and refurbishment of existing facilities is a core part of our works programme to sustain their daily operations. Other than those on the planned maintenance programme, prime candidates for minor upgrading works include those representative markets recommended in the consultancy completed in 2015³. Based on the capital costs of a recently approved market refurbishment project, we estimate that future projects of a similar nature would cost about \$20 million each.

9. The scrutiny by Legislative Council will not be compromised under the MMP. For works proposals costing more than \$30 million, the current mechanism of seeking the Legislative Council's approval stands, i.e. consultation with the relevant Panel and Public Works Subcommittee with subsequent approval by the Finance Committee.

³ The consultant commissioned by the Food and Health Bureau put forward specific recommendations in 2015 to improve the operating environment of public markets. There are altogether six representative markets recommended by the consultant for hardware improvement measures. We have commenced enhancement works in two markets (Lockhart Road Market and Sheung Fung Street Market), and are considering improvement measures for two other markets (Ngau Chi Wan Market and Tsuen Wan Market) alongside their requests for air-conditioning retrofitting. The remaining two markets are Yau Ma Tei Market and Wing Fong Street Market.

Methodological approach for MMP projects

Selection considerations

10. To proceed, we will review the overall landscape of public markets in a critical and systematic manner. In identifying candidates for projects of different scales under the MMP, the prime objective is to maximise the impact of possible hardware improvement within the ten-year time frame. Public markets would be selected with regard to their geographical location and distribution, condition of facilities, business viability, community needs and tenants' readiness. In particular, we would seek to ensure that the location of markets to be covered under the MMP is conducive to their future business viability, and that there is a reasonable spread of such markets across the territory to benefit the community at large.

Inter-departmental coordination

11. For any candidate market selected, FEHD will work closely with works departments to identify potential hardware improvement options, notably the Architectural Services Department and the Electrical and Mechanical Services Department. We will ensure effective inter-departmental coordination through frequent internal meetings, joint-department engagement with tenants, deployment of dedicated works professionals, etc. In this regard, we have provided additional resources to ArchSD to engage a team of 10 professionals to take up the MMP. Notably, we together will seek to resolve technical issues relating to scope of works, technical feasibility, cost-effectiveness, etc. as far as possible and within a reasonable timeframe with regard to stakeholders' views.

Stakeholder engagement

12. Stakeholder engagement would be an important aspect of our work to take forward the MMP. Sitting tenants are a major group to engage on matters like hardware improvement options, technical feasibility, temporary decanting, permanent re-location, exit arrangements, ensuing management improvement measures, etc.

13. It would be equally important to hear the views of members of the public and potential patrons about how they would like the market to be improved. In this regard, relevant District Councils are a major source of views and advice. On a project-by-project basis, we will ensure engagement of various stakeholder groups in the best overall interest of the community.

14. Obviously, the extent of stakeholder engagement will depend on the scale and complexity of the MMP project concerned. From past experience, we would not underestimate the degree of difficulties in consultation and discussion, and the length of time that might be required from project initiation to completion of works.

Hardware and software improvement working in parallel

15. We consider that hardware upgrading would only be effective in achieving sustainable vibrancy in public markets if taken together with management improvement measures and new running models. These include rental policy, stall bidding rules, tenancy renewal, trade mix, consultative mechanism and house rules on daily management. Otherwise, one can envisage a quick deterioration of the operating environment despite all the upgrading hardware.

Way Forward

16. We are driving full steam ahead with a view to progressively working out a mix of projects of different scales over time. To boost progress at the start, our immediate priority is to see to –

- (a) early delivery of a few minor improvement projects to demonstrate credible results; and
- (b) early commitment of a few major, signature projects to aspire to significant impact. In particular, the very first major overhaul project in the pipeline may represent possible holistic

improvements as a breakthrough from the past as well as a testbed for optimizing the MMP procedures. While expediting work on all fronts, we seek to set a good example for other projects down the line to follow.

17. We would not pretend to be ambitious to turn the tide for public markets in ten years. But we do wish to see, in a decade's time, hopefully –

- (a) commitment of the \$2 billion funding or the major part of it to specific projects;
- (b) completion or near completion of a respectable of projects of different types;
- (c) reasonable progress of other projects committed, at various stages of design, funding examination, tender and construction; and
- (d) a clear momentum to bring other public markets into such a mainstream modernisation programme with justifications to seek more funding.

18. The introduction of the MMP together with management reform would serve as an incision point to stop the downward spiral and turn the big ship gradually around. We remain hopeful to see a new generation of public markets being transformed from existing ones alongside brand new ones envisaged in newly developed areas and other suitable locations.

Food and Health Bureau
Food and Environmental Hygiene Department
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