

For discussion

**Subcommittee on Issues Relating to Public Markets
under the LegCo Panel on Food Safety and Environmental Hygiene**

Market Modernisation Programme

Purpose

In the 2018-19 Budget Speech, the Financial Secretary announced earmarking \$2 billion (in money-of-the-day prices) for launching a 10-year Market Modernisation Programme (MMP) as a pledge to improve the operating environment of existing public markets managed by the Food and Environmental Hygiene Department (FEHD). This paper keeps members posted of this latest initiative as an integral part of our overall efforts to improve the services of public markets.

Background

2. FEHD markets are essential municipal infrastructure closely related to people's livelihood. But over 60% of them were built before 1990s (or are now at least some 30 years old), principally to re-site street hawkers of the time. Their management mode is ossified and design outdated to meet present-day expectations. For example, only 41 of the 138 wet markets, cooked food centres (CFCs) and cooked food markets (CFMs) (which make up the 99 FEHD markets)¹ are equipped with

¹ There are currently 99 public markets under FEHD management, or 138 venues if wet market and CFC in the same building are taken as two, with breakdown as follows -

	Total number		Air-conditioned		Not air-conditioned	
(a) Wet market only	35		10		25	
(b) Wet market with CFC	Wet market	39	Wet market	9	Wet market	30
	CFC	39	CFC	20	CFC	19
(c) CFM	25		2		23	
Grand total	138		41 (30%)		97 (70%)	

air-conditioning (A/C) systems. In the absence of major renovations in recent years and coupled with entrenched management issues, the physical conditions and operating environment are far from satisfactory. This is a serious waste of public resources in capital investment and daily running.

3. Many FEHD markets are now suffering from lackluster performance and inactive operation and can hardly bring reasonable economic and social benefits commensurate to the land, capital and recurrent resources we have invested, particularly as they usually occupy prime, strategic sites in urban areas and new town centres. There have been increasing public concerns, as manifested in a number of Audit studies² and close scrutiny by the Panel on Food Safety and Environmental Hygiene³. Over the years, the Government has been making an effort to improve the delivery of the services of public markets⁴.

4. The current problem is the result of a complex host of hardware and management issues and historical legacies in play over past decades. In her maiden Policy Address in October 2017, the CE pledges that, apart from building new public markets –

“The Government will conduct a comprehensive review of existing public markets and formulate specific improvement measures for both the facilities and their management in a systematic manner. As far as the hardware is concerned, the Government will allocate resources to improve the environment of existing public markets. One of the measures is to expedite the installation of air-conditioners.”

² In 2003, 2008 and 2015.

³ A Subcommittee on Issues Relating to Public Markets was in operation from March 2014 to June 2015. A new Subcommittee on Issues Relating to Public Markets will be formed under the Panel again in March 2018.

⁴ For instance, for 2015-16 to 2017-18, we have earmarked about \$300 million to replace 33 lifts and 84 escalators in a total of 23 public markets. Minor improvement works are also undertaken on an on-going basis, with an average expenditure of \$31 million annually within the same period.

5. In January 2018, the Finance Committee approved the creation of a 5-year supernumerary AOSGC post to head a dedicated team set up in FEHD to deliver the tasks. Its scope of work covers the provision of new public markets, hardware improvements to existing public markets, reform on market management, review of the rental adjustment mechanism, etc..

Market Modernisation Programme

6. In the whole scheme of things, improving the operating environment of public markets is a critical part of our reinvigorated efforts to improve their services to the public. Earmarking of \$2 billion in the Budget Speech for launching the MMP is a resource response to honour the commitments made in the latest Policy Address. It also demonstrates the Government's new fiscal philosophy set out in the 2017 Policy Agenda to benefit the community by adopting strategic financial management principles, with a view to fully "addressing people's pressing needs".

7. In practical terms, the MMP would better ensure that public works projects for improving market environments could proceed as quickly as they are ready, subject to confirmation of technical feasibility and cost-effectiveness and scrutiny by LegCo as appropriate under the existing mechanism. For the avoidance of doubt, the funding earmarked would be used to support hardware improvements to existing public markets. The financial commitments for building new markets would be dealt with separately in the usual manner.

Project Scope

8. We envisage that the funding earmarked may be deployed flexibly in the 10-year period to cover various types of hardware improvement projects of public markets managed by FEHD, from minor improvement works to more fundamental overhaul or even in-situ redevelopment as the case may be.

9. The project scope may include air-conditioning (A/C), 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.

10. As background, as at February 2017, 11 public markets⁵ have already crossed the 80% threshold of tenants' support for retrofitting A/C systems. Excluding the Tai Wai Market project targeted to be scrutinised by the PWSC under the Finance Committee in the first half of 2018, we would actively follow up on the rest under the MMP. To maximise improvements to these premises given the rather considerable amount of investment in A/C retrofitting, we would explore whether other improvement works as mentioned in paragraph 9 above may be carried out at the same time. We would also assess whether sitting tenants in the wet market portion would be forthcoming for a fundamental overhaul of the entire market, as in most of the above cases, only the tenants in CFCs are prepared to go for A/C retrofitting.

11. Separately, we have been pursuing minor works to improve six representative markets as recommended by a consultancy completed in 2015⁶. Funding has been approved for two markets and the rest would be followed up in the MMP.

12. There is no pre-set limit on the number of markets that may benefit from the dedicated funding, which would depend on the actual circumstances of individual markets interested, scope and complexity of works proposed, and the mix of projects agreed over time. Our prime objective is to make full and optimal use of the \$2 billion funding earmarked within the 10-year period to maximise the possible benefits to the public.

⁵ The 11 market venues are Tai Wai Market, Shui Wo Street Market CFC, Ngau Tau Kok Market CFC, Aberdeen Market cum CFC, Shek Tong Tsui Market CFC, Quarry Bay Market CFC, Electric Road Market CFC, Fa Yuen Street Market CFC, Ngau Chi Wan Market CFC, Yeung Uk Road Market and Tsuen Wan Market.

⁶ A consultant was commissioned by Food and Health Bureau to conduct detailed study and put forward specific recommendations in 2015 to improve the operating environment of public markets. There are altogether 6 representative markets recommended by the consultant for hardware improvement measures, namely Lockhart Road Market, Sheung Fung Street Market, Yau Ma Tei Market, Wing Fong Street Market, Ngau Chi Wan Market and Tsuen Wan Market.

Management Reform

13. Physical constraints are a major contributor to the entrenched management problem in existing markets built originally to re-site hawkers on the street. For example, the sheer small size of a typical market stall makes reasonable daily retail operation near impossible without intruding into the aisles⁷. The MMP would give us a prime opportunity to review management issues and offer new running models⁸ in the new market setting with complete new hardware and stall design. Only with a holistic hardware-cum-software package would we be able to increase patronage as well as competitiveness of FEHD markets thus making them more vibrant and serving the community better. The new Wan Chai Market commissioned in 2008 to re-provision the old one next door (built in 1936) is a near-example of the kind of change we may be able to bring by more recent design standards and a tenancy and management re-boot.

Way Forward

14. With the \$2 billion dedicated funding earmarked, the dedicated team in FEHD is now in a position to critically review the whole landscape of the 99 markets and find ways to maximise the impact of possible hardware improvement in the coming decade. Public markets would be considered with regard to the physical condition of the markets concerned, their geographical location and distribution, business viability, tenants' readiness⁹, etc.. As set out in paragraphs 10 and 11 above, a number of works proposals are already in the pipeline at different stages making them natural candidates for consideration in the MMP. We look forward to reaching out to all interested markets which are prepared to embrace holistic improvement packages.

⁷ Of some 8 900 stalls selling vegetables, fruits and dry goods, over 90% have an area of less than 6.75 square metre and half of them are less than 2.5 square metre in size.

⁸ Issues to address may include market positioning, rentals, stall bidding rules, tenancy renewal, trade mix, consultative mechanism and daily management.

⁹ In this regard, convergent views of relevant stakeholders (notably market tenants) on the scope of works is an important factor in taking forward any individual market improvement proposals.

15. The MMP with the earmarked funding is a critical part of our whole strategy in driving hardware improvements alongside with software upgrading to bring about not only significant changes but also sustainable ones to our public markets. Members' views are welcome on how we may make the most out of the MMP.

Food and Health Bureau
Food and Environmental Hygiene Department
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