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Panel on Food Safety and Environmental Hygiene

**Background brief prepared by the Legislative Council Secretariat
for the meeting on 13 March 2018**

Issues relating to retrofitting of air-conditioning in public markets

Purpose

This paper provides background information on the Administration's work on retrofitting air-conditioning facilities in public markets (including cooked food centres ("CFCs")), and summarizes major views and concerns expressed by Legislative Council ("LegCo") Members on the subject.

Background

Provision of air-conditioning facilities in public markets

2. At present, the Food and Environmental Hygiene Department ("FEHD") manages 101 public markets, including 76 markets which mainly sell fresh provisions and other dry and wet goods as well as 25 free-standing cooked food markets. Air-conditioning systems are provided in 21 public markets/cooked food markets, and available only in CFCs of another 11 markets. A table showing the Administration's provision of air-conditioning systems in the 101 public markets as at 31 December 2016 is in **Appendix I**.

3. According to the Administration, under the existing practice, a request for retrofitting air-conditioning facilities at a public market will first be discussed at a meeting of the relevant Market Management Consultative Committee ("MMCC"). Where there is a consensus among members of MMCC that the request should be further explored, FEHD will conduct a questionnaire survey to gauge the extent of support among stall tenants. If

80%¹ or more of the tenants support the retrofitting of air-conditioning, the Administration will conduct a detailed technical feasibility study. Taking into consideration the findings of the study, the extent of works required, cost effectiveness, length of business disruption and tenants' views, the Administration will decide whether there is a case for seeking funds to proceed with the retrofitting work.

4. According to the information provided by the Administration to the Panel on Food Safety and Environmental Hygiene ("the Panel") in January 2018, FEHD has completed in December 2015 the consultation with MMCCs of all public markets without air-conditioning facilities. Twenty-seven of them supported conducting the questionnaire survey. Among the 27 public markets surveyed, two markets and six CFCs have attained sufficient tenants' support for the retrofitting of air-conditioning facilities. Together with the three public markets/CFCs which have already secured adequate tenants' support before the lowering of the threshold, a total of 11 public markets/CFCs² have obtained sufficient tenants' support for retrofitting air-conditioning facilities.

Air-conditioning charging arrangements

5. After taking over public markets from the two former municipal councils, the Administration reviewed the arrangements for recovery of air-conditioning charges in public markets and considered that separate charging of rental and air-conditioning charges was more in line with the "user pays" principle. Under the existing practice, the Administration is responsible for the capital costs of installing the air-conditioning systems. The recurrent expenses, including electricity charges and general maintenance costs, are borne by stall tenants pro rata, based on the floor area of their respective stalls. For vacant stalls, the relevant costs will be borne by the Administration.

Members' concerns

6. Provision of air-conditioning facilities in public markets has been a long-standing concern of Members. Major views and concerns expressed by Members at different forums are summarized in the ensuing paragraphs.

¹ The Government has lowered the threshold of tenants' support for the retrofitting of air-conditioning facilities in public markets from 85% to 80% with effect from 1 July 2015.

² These 11 public markets/CFCs included Tai Wai Market, Shui Wo Street Market CFC, Aberdeen Market cum CFC, Ngau Tau Kok Market CFC, Shek Tong Tsui Market CFC, Fa Yuen Street Market CFC, Electric Road Market CFC, Quarry Bay Market CFC, Ngau Chi Wan Market CFC, Yeung Uk Road Market and Tsuen Wan Market.

Threshold for retrofitting air-conditioning systems

7. Members considered that the provision of air-conditioning facilities was a basic requirement of today's shoppers. Besides, it could help improve public hygiene and food safety, particularly for shops selling fresh meat. Despite the Administration's decision to lower, with effect from 1 July 2015, the threshold of tenants' support from 85% to 80%, some Members maintained the view that the Administration should further revise and lower the threshold required for the retrofitting of air-conditioning facilities in public markets. In these Members' view, it was more reasonable to set the threshold at between 60% and 70%. Some Members also requested the Administration to take a more responsive and flexible approach in taking forward retrofitting proposals, e.g. accepting the "floor-by-floor" option for the retrofitting of air-conditioning facilities in public markets and CFCs.

8. According to the Administration, when a public market was installed with air-conditioning facilities, all tenants would have to pay for the recurrent expenses including the electricity charges and general maintenance costs. The additional operating cost arising from the retrofitting of air-conditioning facilities was a factor that existing tenants might not have taken into account when they bid for their public market stalls. Tenants who did not wish to pay these charges would have to move out of the public market. Besides, the installation work often involved partial or complete closure of the public market for a certain period of time, thus disrupting business and affecting the livelihood of tenants. If the threshold was set too low, it might give rise to strong discontent and grievances among those tenants who did not support the proposal to install air-conditioning facilities. That said, the Administration agreed to keep the 80% threshold under regular review.

Progress of retrofitting air-conditioning facilities

9. Many Members expressed concern about the slow progress of the Administration in taking forward the retrofitting work in public markets/CFCs where sufficient tenants' support had been obtained. An enquiry was raised about the timetable for completing the installation work in each of those public markets/CFCs. Stressing the imminent need to install air-conditioning in some of the public markets, e.g. the Aberdeen Market, to improve their poor ventilation, some Members enquired about the criteria adopted by the Administration in determining the priorities for retrofitting air-conditioning in markets/CFCs. There was a suggestion that the Administration should give consideration to seeking a one-off funding so as to expedite the retrofitting works.

10. According to the Administration, due to the old design of some existing public markets, FEHD faced considerable technical difficulties in taking forward the air-conditioning retrofitting works. FEHD would work closely with the Architectural Services Department ("ASD") and the Electrical and Mechanical Services Department to roll out, in batches, the preliminary technical feasibility studies. For public markets/CFCs where sufficient tenants' support had long been obtained, such as Tai Wai Market and Shui Wo Street Market CFC, the installation works would first be implemented.

11. There was a suggestion that the Administration should set up a dedicated task force to take forward and to expedite the air-conditioning retrofitting works in various public markets. The Administration advised that a dedicated team would be set up and tasked to, among others, improve the environment of existing public markets. Priority would be accorded to speeding up the air-conditioning retrofitting works.

Assistance to stall tenants during the air-conditioning installation works

12. Noting that Tai Wai Market would be completely closed for eight months for carrying out the air-conditioning retrofitting works, some Members were concerned about the adverse impact of the closure on stall tenants as they had to suspend business during the improvement works. The Administration was urged to take measures to shorten the closure period, in order to minimize disruption to the business of stall tenants.

13. The Administration advised that disruption was inevitable, especially for old markets where sufficient space had to be vacated for installing air-conditioners and ventilation facilities. That said, the Administration would strive to compress the duration of complete closure to minimize the negative effects on the affected tenants. Under the existing arrangement, if certain markets or stalls needed to suspend business during the course of the installation works, the relevant tenants would, subject to their consent, be granted a full waiver of rentals for the period of suspension plus an additional full rental waiver for a certain period of time after the relevant markets or stalls re-opened. The duration of the additional rental waiver would depend on the length of the suspension period and subject to a cap of two months.

14. In response to Members' enquiries as to whether assistance would be provided to affected tenants, particularly those who had to be permanently removed from a market due to air-conditioning retrofitting works, the Administration cited the air-conditioning installation project in Shui Wo Street Market CFC as an example and advised that four of the 20 existing stalls had to be permanently removed from the market. FEHD would continue to liaise

with the tenants concerned in a bid to reduce the impact on their operation and explore if they wished to move to other markets to continue their business. Stall tenants who chose to be relocated to other markets could enjoy certain concessionary rental arrangements provided by FEHD.

Air-conditioning charging arrangement

15. Some Members considered that stall tenants should not be required to pay the air-conditioning charges for common areas in public markets such as the passageways. In these Members' view, air-conditioning charges attributable to public areas of markets should be borne by the Administration and stall tenants should only pay charges on the basis of the actual size of their stall areas. Some other Members were even of the view that the Administration should shoulder all air-conditioning charges as this would induce more stall tenants to support the installation of air-conditioning facilities in public markets, which would eventually help improve the occupancy rate and increase patronage. There was a suggestion that if stall tenants were required to pay the air-conditioning charges, consideration should be given to providing them with a fixed subsidy on a regular basis to alleviate their financial burden.

16. According to the Administration, the high capital costs of retrofitting air-conditioning facilities were borne entirely by the Administration. Unlike landlords in private commercial venues, the Administration did not recover the capital costs of retrofitting air-conditioning facilities through rental adjustments. Since tenants in public markets were commercial operators, further Government subsidy in the form of air-conditioning charges might give rise to unfair competition between stalls in public markets and similar retail operators in private commercial retail premises, especially those in areas nearby. The proposal to exclude public areas of markets from the amount of air-conditioning charges payable by stall tenants would be a deviation from the existing practice applicable to all other Government rental properties. Since public areas were integral parts of the market trading environment and were used by the patrons of the stalls, the Administration considered it reasonable for stall tenants to pay for the relevant air-conditioning charges.

Latest development

17. According to the Administration, the technical feasibility study on retrofitting air-conditioning facilities in Tai Wai Market has been completed. In November 2017, the Administration has obtained the relevant District Council's support for the proposed retrofitting works. Before seeking funding approval from the Public Works Subcommittee and the Finance Committee, the Administration will brief the Panel on the details of the relevant retrofitting project at the meeting on 13 March 2018.

Relevant papers

18. A list of the relevant papers on the LegCo website is in **Appendix II**.

Council Business Division 2
Legislative Council Secretariat
6 March 2018

Public Markets with Air-conditioning Systems

Serial No.	Name of Market	Provision of Air-conditioning (A/C) system	No. of stalls	Occupancy rate* as at 31 December 2016	Average monthly rental per square meter of stall (\$/sq.m)
1	Aldrich Bay Market	yes	71	86%	747
2	Apleichau Market	yes	63	100%	237
3	Centre Street Market	yes	46	78%	416
4	Chai Wan Market	yes	173	95%	526
5	Lei Yue Mun Market	yes	20	100%	268
6	Luen Wo Hui Market	yes	338	99%	447
7	Mong Kok Cooked Food Market	yes	14	100%	988
8	Peng Chau Market	yes	18	100%	92
9	Queen Street Cooked Food Market	yes	11	100%	1,305
10	Sai Ying Pun Market	yes	102	89%	299
11	San Hui Market	yes	324	99%	568
12	Sha Tin Market	yes	172	98%	996
13	Shek Wu Hui Market	yes	392	100%	377
14	Tai Kiu Market	yes	379	99%	590
15	Tai Kok Tsui Market	yes	135	100%	433
16	Tai Po Hui Market	yes	313	99%	623
17	Tsing Yi Market	yes	76	100%	971
18	Wanchai Market	yes	50	96%	976
19	Yan Oi Market	yes	108	97%	421

Serial No.	Name of Market	Provision of Air-conditioning (A/C) system	No. of stalls	Occupancy rate* as at 31 December 2016	Average monthly rental per square meter of stall (\$/sq.m)
20	Yee On Street Market	yes	65	98%	240
21	Yue Wan Market	yes	374	94%	485
22	Bowrington Road Market	only in CFC	296	99%	462
23	Hung Hom Market	only in CFC	224	100%	208
24	Java Road Market	only in CFC	194	95%	399
25	Lockhart Road Market	only in CFC	166	80%	359
26	Pei Ho Street Market	only in CFC	227	98%	252
27	Sai Wan Ho Market	only in CFC	274	97%	332
28	Sheung Wan Market	only in CFC	222	100%	192
29	Smithfield Market	only in CFC	216	100%	210
30	Tai Shing Street Market	only in CFC	442	95%	331
31	Tokwawan Market	only in CFC	267	98%	361
32	Wong Nai Chung Market	only in CFC	69	99%	275
33	Aberdeen Market	no	335	99%	626
34	Causeway Bay Market	no	51	98%	161
35	Chai Wan Kok Cooked Food Market	no	32	94%	195
36	Cheung Chau Cooked Food Market	no	17	100%	173

Serial No.	Name of Market	Provision of Air-conditioning (A/C) system	No. of stalls	Occupancy rate* as at 31 December 2016	Average monthly rental per square meter of stall (\$/sq.m)
37	Cheung Chau Market	no	240	98%	185
38	Cheung Sha Wan Cooked Food Market	no	28	43%	168
39	Cheung Tat Road Cooked Food Market	no	12	100%	169
40	Choi Hung Road Market	no	116	69%	145
41	Electric Road Market	no	99	97%	195
42	Fa Yuen Street Market	no	180	100%	556
43	Fo Tan (East) Cooked Food Market	no	24	100%	309
44	Fo Tan (West) Cooked Food Market	no	15	100%	222
45	Haiphong Road Temporary Market	no	88	66%	316
46	Heung Che Street Market	no	223	96%	278
47	Hung Cheung Cooked Food Market	no	11	91%	335
48	Hung Shui Kiu Market	no	174	75%	297

Serial No.	Name of Market	Provision of Air-conditioning (A/C) system	No. of stalls	Occupancy rate* as at 31 December 2016	Average monthly rental per square meter of stall (\$/sq.m)
49	Ka Ting Cooked Food Market	no	16	62%	401
50	Kam Tin Market	no	41	98%	84
51	Kik Yeung Road Cooked Food Market	no	14	100%	755
52	Kin Wing Cooked Food Market	no	17	100%	320
53	Kin Yip Street Cooked Food Market	no	14	100%	135
54	Kowloon City Market	no	581	100%	293
55	Kut Shing Street Cooked Food Market	no	11	100%	162
56	Kwai Shun Street Cooked Food Market	no	12	83%	158
57	Kwu Tung Market Shopping Centre	no	98	100%	54
58	Kwun Chung Market	no	218	98%	200
59	Kwun Tong Ferry Concourse Cooked Food Market	no	29	100%	99

Serial No.	Name of Market	Provision of Air-conditioning (A/C) system	No. of stalls	Occupancy rate* as at 31 December 2016	Average monthly rental per square meter of stall (\$/sq.m)
60	Lai Wan Market	no	42	98%	670
61	Lam Tei Market	no	7	100%	66
62	Lau Fau Shan Market	no	25	88%	32
63	Mui Wo Cooked Food Market	no	20	100%	140
64	Mui Wo Market	no	35	97%	177
65	Nam Long Shan Road Cooked Food Market	no	28	86%	471
66	Ngau Chi Wan Market	no	402	93%	380
67	Ngau Tau Kok Market	no	466	87%	494
68	North Kwai Chung Market	no	222	100%	290
69	North Point Market	no	42	100%	188
70	On Ching Road Flower Market	no	13	92%	169
71	Plover Cove Road Market	no	244	96%	233
72	Po On Road Market	no	449	93%	411
73	Quarry Bay Market	no	113	82%	250
74	Sai Kung Market	no	209	99%	265
75	Sha Tau Kok Market	no	66	98%	23
76	Sham Tseng Temporary Market	no	29	90%	108

Serial No.	Name of Market	Provision of Air-conditioning (A/C) system	No. of stalls	Occupancy rate* as at 31 December 2016	Average monthly rental per square meter of stall (\$/sq.m)
77	Shaukeiwan Market	no	82	56%	130
78	Shek Tong Tsui Market	no	151	98%	247
79	Sheung Fung Street Market	no	71	100%	244
80	Shui Wo Street Market	no	302	100%	649
81	Stanley Waterfront Mart	no	20	95%	1,437
82	Sze Shan Street Cooked Food Market	no	17	100%	502
83	Tai O Market	no	26	100%	61
84	Tai Tong Road Cooked Food Market	no	18	100%	237
85	Tai Wai Market	no	195	88%	522
86	Tai Yuen Street Cooked Food Market	no	20	55%	46
87	Tang Lung Chau Market	no	34	94%	357
88	Tin Wan Market	no	180	100%	179
89	Tsing Yeung Cooked Food Market	no	18	100%	177
90	Tsuen King Circuit Market	no	241	20%	79

Serial No.	Name of Market	Provision of Air-conditioning (A/C) system	No. of stalls	Occupancy rate* as at 31 December 2016	Average monthly rental per square meter of stall (\$/sq.m)
91	Tsuen Wan Market	no	381	93%	383
92	Tsun Yip Cooked Food Market	no	56	100%	148
93	Tui Min Hoi Market	no	34	85%	50
94	Tung Chau Street Temporary Market	no	359	41%	216
95	Tung Yick Market	no	446	41%	218
96	Tung Yuen Street Cooked Food Market	no	8	100%	271
97	Wing Fong Street Market	no	112	92%	320
98	Wo Yi Hop Road Cooked Food Market	no	18	100%	204
99	Yau Ma Tei Market	no	144	96%	269
100	Yeung Uk Road Market	no	318	97%	303
101	Yue Kwong Road Market	no	197	98%	328

Remarks:

* Occupancy rate is the percentage of let-out stalls versus the total number of stalls in a market. Degree of activity of let-out stalls varies.

CFC – Cooked Food Centre in public market

Source: Extract from the Administration's replies to Members' initial written questions in examining the 2017-2018 Estimates of Expenditure (Reply Serial No. FHB(FE)216)

Appendix II

Relevant papers on issues relating to the retrofitting of air-conditioning in public markets

Committee	Date of meeting	Paper
Panel on Food Safety and Environmental Hygiene	14.12.2010 (Item IV)	<u>Agenda</u> <u>Minutes</u>
	8.1.2013 (Item IV)	<u>Agenda</u> <u>Minutes</u>
Subcommittee on Issues Relating to Public Markets under the Panel on Food Safety and Environmental Hygiene	---	<u>Report of the Subcommittee on Issues Relating to Public Markets (LC Paper No. CB(2)2142/14-15(01))</u>
Legislative Council	4.2.2015	<u>Official Record of Proceedings Pages 5643 to 5652 (oral question raised by Dr Hon Elizabeth QUAT on "Provision of new public markets and retrofitting of air-conditioning systems in existing public markets")</u>
	24.2.2016	<u>Official Record of Proceedings Pages 5871 to 5874 (written question raised by Hon WU Chi-wai on "Measures to improve operating environment of public markets")</u>

Committee	Date of meeting	Paper
Panel on Food Safety and Environmental Hygiene	24.1.2017 (Item I)	<u>Agenda</u> <u>Minutes</u> Administration's follow-up paper on measures to improve the operating environment of public markets and provision of public markets in new development areas (Annex A) (<u>LC Paper No. CB(2)804/17-18(01)</u>)
Legislative Council	1.3.2017	<u>Official Record of Proceedings Pages 4714 to 4723 (oral question raised by Hon Wilson OR on "Retrofitting air-conditioning systems for public markets")</u>
Finance Committee (Special meeting)	6.4.2017	<u>Administration's replies to Members' initial written questions in examining the 2017-2018 Estimates of Expenditure (Reply Serial No. FHB(FE)216)</u>
Panel on Food Safety and Environmental Hygiene	31.10.2017 (Item I)	<u>Agenda</u> <u>Minutes</u>
Legislative Council	15.11.2017	<u>Official Record of Proceedings Pages 2285 to 2297 (oral question raised by Hon SHIU Ka-fai on "Retrofitting air-conditioning systems for public markets")</u>