

**Legislative Council Panel on Housing**  
**Supplementary Information**

**Purpose**

Regarding the motions passed and the follow-up actions requested on the use of non-domestic premises of the Hong Kong Housing Authority (HA) at the Legislative Council Panel on Housing meeting on 4 March 2019, this paper provides the relevant response.

**Follow-up action**

**(a) when the Hong Kong Housing Authority (“HA”) or its Commercial Properties Committee had reviewed the mechanism/arrangement of outsourcing HA’s markets; whether HA had in light of the results of the review put in place improvement measures and introduced penalties on unsatisfactory performance of the markets’ operators; if yes, the details, if no, the reasons; and**

**(b) list of operators/contractors to which tenancies/contracts were awarded by HA for operating its single-operator markets (“SOMs”), and relevant details (including the SOM(s) operated by each of them, whether multiple tenancies/contracts were awarded to operators/contractors from the same company/same group of companies, etc.).**

2. The Government has explained to the Legislative Council on various occasions<sup>1</sup> the policy objectives and related arrangements of the implementation of single-operator markets (SOMs). Since 1988, HA has adopted the single-operator letting arrangement for its markets, the purpose of which is to leverage the professional operation capability and experience of the private sector, with a view to providing better shopping choices and service environment for residents. Since 1997, the single-operator letting arrangement has been adopted in all HA’s new markets.

3. At present, there are a total of 12 SOMs<sup>2</sup> under HA, which are let to 5 tenants<sup>3</sup> respectively. Persons who are interested in leasing SOMs shall apply

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<sup>1</sup> Including the question on “Housing Authority’s single-operator markets” raised by Member on 11 April 2018, the question on “The Hong Kong Housing Authority’s single operator markets” raised by Member on 17 May 2017, the question on “Management of retail facilities in public housing estates” raised by Member on 16 March 2016, and LC Paper No. CB(4)126/18-19(01), CB(1)1024/16-17(04) and CB(1)1466/16-17(01), etc.

<sup>2</sup> Including Ching Long Market, Hung Fuk Market, Kwai Chung Market, Lei Muk Shue Market, Mun Tung Market, On Tai Market, Ping Yan Market, Shek Mun Market, Shui Chuen O Market, Tin Yan Market, Yan Tin Market and Ying Tung Market.

<sup>3</sup> Including Bright Lamp Industries Limited, Well Sighted Limited, Wang On Majorluck Limited, Modern Market Management Limited and Goldrise Investment Limited.

for registration in HA's Client List for SOM (the Client List) and meet the eligibility criteria with regard to the experience and expertise in market management. HA will invite those in the Client List to bid for the market in a new public housing estate before its completion. All bidders must fulfil certain experience requirements. HA will allot separate scores on the basis of bidders' past performance in management of HA's markets and the rentals proposed for the leasing proposals. These two aspects carry equal weight so that the selection is not merely based on the highest rentals proposed.

4. HA has put in place a series of measures to protect the stall operators and monitor the performance of the SOM tenants. Over the years, HA has been reviewing the experience in the operation of these SOMs and enhanced the measures from time to time as necessary. The Commercial Properties Committee (CPC) of HA endorsed in March 2017 further measures to enhance the protection of stall operators and monitoring of the SOM tenants. The current measures in place include those for the protection of stall operators and monitoring of single operators, so that the letting arrangement can be implemented more effectively. For the protection of stall operators, HA restricts the single operators from charging stall operators any fees apart from rent, management fee, air-conditioning charges and rates and requires the single operators to grant licence-fee-free periods to stall operators. Single operators are required to submit returns setting out all the fees collected from stall operators. HA also restricts the amount of deposits and management fees, etc. that single operators can charge stall operators. For the monitoring of single operators, relevant measures include regular inspections of markets and performance assessment of single operators, regulation over the proportion among different trades, restriction on the scale of direct operation by single operators, requirements on the single operators to carry out promotional activities and to publicise the letting of vacant stalls, etc.

5. HA carries out regular inspections on markets to ensure that the single operators comply with the tenancy conditions, maintain quality management services and establish good relationship with various stakeholders including stall operators, etc. HA assesses the performance of single operators every two months, taking into account feedbacks from Estate Management Advisory Committees. Whether the single operators are capable of managing the daily operation of the market effectively and smoothly is HA's most important assessment factor when making decisions on tenancy renewal. HA will provide feedbacks to those single operators who fall short of the performance standards and will require them to make improvements. For operators who fail to make improvement and comply with the tenancy conditions, HA has the right to terminate the tenancies before expiry and not to invite them to submit bids for other SOM contracts for a specified period of time.

**(c) with respect to (i) estates located on land lots subject to land leases and (ii) estates on land lots vested in HA by the Government under a vesting order, the respective details about the restrictions (such as statutory, Gross Floor Area and other planning restrictions, etc.) that the Administration/HA would take into account when planning/carrying out projects/works to provide/add facilities for the convenience of the estates' residents (such as covered walkway and covered seating in estates), and exemptions from such restrictions, if any, that might be granted by relevant authorities.**

6. In general, in handling requests for additional common facilities in public housing estates, HA needs to conduct feasibility studies including on the technical aspects, requirements under relevant Ordinances (including the Buildings Ordinance, Planning Ordinance, etc.) and the restrictions under the conditions of Government leases (if applicable), etc., and take into account residents' views. If providing the additional facilities involves alteration and addition works or change of use, submission of plans for the approval of the Independent Checking Unit under the Permanent Secretary for Transport and Housing (Housing) will be required. If the land on which the estate concerned is situated is subject to conditions of a Government lease, application to the Lands Department for approval is required. If there are other owners in the estate, consent from owners concerned will also be required for carrying out works on common areas of the estate.

#### **Motions passed<sup>4</sup>**

**(a) Given that the land and resources for public housing are precious, this Panel recommends that the Hong Kong Housing Authority should adopt various measures to increase and properly manage non-domestic premises in public housing estates for the purpose of providing various types of services required by residents. Such measures include :**

- 1. examining the construction of additional carparks or expansion of existing carparks in public housing estates to increase the number of parking spaces;**
- 2. making better use of the rooftops of building blocks in public housing estates for providing social welfare facilities or other facilities for residents;**
- 3. properly utilizing the storerooms in public housing estates by, inter alia, converting storerooms into domestic units as appropriate and letting idle storerooms to social welfare units or community organizations;**

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<sup>4</sup> LC Paper No. CB(1) 671/18-19(03) to (04)

**4. planning for the provision of underground space (such as basements) in future public housing projects for use as non-domestic premises.**

7. HA has been reviewing the usage of non-domestic facilities in public housing estates from time to time. On the premise that adequate public space will be provided for residents' access and leisure, HA endeavours to balance residents' needs for various types of facilities, and considers increasing the provision of non-domestic facilities as far as practicable, in order to provide various community, educational, welfare and retail facilities for residents.

***Providing Additional Car Parking Facilities***

8. HA has been keeping in view the usage of its car parking facilities and identifying opportunities for providing additional car parking spaces. Recently, HA conducted a study to increase parking spaces in HA's existing car parks and estates. It is necessary for HA to consider the technical feasibility for increasing parking spaces, including whether there is adequate turning space for vehicles, and whether there is adequate width for the driveway, etc. It is also necessary for HA to consult the Transport Department. Where the estate is covered by a Government lease with restriction on the number of parking spaces, consent or waiver from the Lands Department may also be required. Most importantly, it is necessary to consult the local residents to ensure that they support the proposal of increasing parking spaces. HA has so far identified possible spaces for the provision of about 130 additional parking spaces by making use of open space, realignment of parking spaces, re-designation of spaces for the parking of other types of vehicles, etc. HA will continue to keep in view the usage of HA's car parking facilities and opportunities for further increase of car parking spaces.

***Better utilisation of storerooms and rooftops***

9. There are pockets of odd spaces in domestic blocks in public housing estates completed in earlier years. As most of these spaces are small and narrow, and often cannot meet the lighting, ventilation and other requirements for domestic use, they have been let to domestic and non-domestic tenants for use as storerooms. At present, there are about 2 500 storerooms in public housing estates, of which about 2 100 are within domestic areas (commonly demarcated by ground floor entrance security gates). Due to security, management and planning reasons, such storerooms within domestic areas are only let to residents of the estates.

10. HA has been reviewing the situation and exploring various ways for better utilisation of storerooms from time to time. Conversion of storerooms into other use is not always feasible due to various constraints such as being too small in size, non-compliance of building and related Ordinances, environmental considerations and residents' views.

11. After identifying a suitable storeroom feasible for conversion, HA has to go through relevant statutory, land administration and technical requirements and obtain necessary consents or approvals as well as consult various stakeholders, prior to conversion works.

12. At present, about 60% of the 2 100 storerooms within domestic areas have been let. Most of these storerooms are small and narrow. Only about 350 of them have an internal floor area of 14 m<sup>2</sup> or above<sup>5</sup>. The conversion works completed and those being carried out currently by HA will provide a total of about 70 domestic units. HA will continue to review the feasibility of converting storerooms to domestic units.

13. There are about 400 storerooms which are outside domestic areas and about 80% of them have been let to non-domestic tenants of the estates concerned. In recent years, some storerooms and other spaces outside domestic areas have also been converted into over 20 units for welfare and retail uses in response to demand. HA will continue to conduct feasibility studies and convert storerooms and vacant bays outside domestic areas into other non-domestic uses such as retail shops, offices and welfare premises on a need basis.

14. Rooftops of domestic buildings in public housing estates form part of the common areas of domestic areas, and generally accommodate a lot of building services, such as water tanks, common antennae, machine rooms, etc. For safety reasons and to avoid nuisance to residents, it is considered not suitable to use rooftop areas for welfare or other non-domestic purposes.

### ***Constructing underground space***

15. The main objective of HA is to help low-income families with housing needs to gain access to affordable housing. Then, depending on the circumstances, other non-domestic facilities will be provided. HA has been adopting the public housing development principles of optimising site potential and building in a sustainable manner in order to make the best use of every piece of land. Therefore, on the premises of the compliance to the statutory requirements and no impact on the public housing development (including its flat production, time and cost effectiveness), on individual project basis, HA will

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<sup>5</sup> The minimum internal floor area for a 1-person / 2-person flat in new public housing estates is about 14 m<sup>2</sup>.

also consider constructing underground space such as basement for non-domestic facilities (e.g. carparks).

**(b) In order to prevent monopoly and other scenarios that might jeopardize fair competition from arising in the operation of retail facilities and carparks in public housing estates, this Panel urges the Hong Kong Housing Authority to stop outsourcing its services by way of single tender, and seek the views of the Competition Commission to ensure that there is sufficient competition in the operation of retail facilities and carparks in each estate/court.**

16. Retail facilities under HA (including single-operator markets) are generally let by tender, while parking spaces are provided mainly for residents for the parking of their vehicles on monthly charges.

17. As mentioned in paragraph 2 above, HA has adopted the single-operator letting arrangement for its market, i.e. a single tenancy is awarded to an operator which will let parts of the leased area to individual stall operators, and will be responsible for the management of the whole market. The purpose is to leverage the professional operation capability and experience of the private sector, with a view to providing better shopping choices and service environment for residents.

18. Paragraph 3 above also mentions that HA will allot separate scores on the basis of bidders' past performance in market management and the rentals proposed for evaluation of the leasing proposals. These two aspects carry equal weight so that the selection is not merely based on the highest rentals proposed. To avoid possible dominance, no single company or group of companies should hold more than half of the total number of HA's tenancies of single-operator markets.

19. There are views that direct operation of stalls by SOM tenants may undermine competition among stalls. However, to ensure the effective operation of the market, SOM tenants may sometimes need to directly operate the stalls according to the actual circumstances, for example, when no operator is interested in providing certain types of goods or services, direct operation of stalls by SOM tenants can meet the tenancy requirement of providing certain proportion of food and miscellaneous trades. This arrangement can also help reduce the vacancy rate and satisfy customers' needs. HA considers that direct operation of stalls by SOM tenants will not in itself contravene the Competition Ordinance. However, upon review of the arrangement, the CPC of HA endorsed enhancement measures in March 2017 to restrict the area of direct operation by the SOM tenants to not more than 20% of the total internal floor area of the market stalls. HA considers that such enhancement will be able to

strike a balance between the need to maintain flexibility of the operation of SOMs and the need to address public concern. If there are questions that the operation of individual markets may be in contravention of the Competition Ordinance, the public may raise enquiries to the Competition Commission.

20. As stated in paragraph 4 and 5 above, HA has introduced a series of measures to protect stall operators and monitor SOM tenants. The CPC of HA has time and again deliberated the SOM policy and considered that the current monitoring mechanism for SOMs has already struck a balance between the practical circumstances of commercial operations and shopping needs of residents. HA will continue to monitor closely the performance and effectiveness of SOMs and will continue to review and strengthen the measures for protecting stall operators and monitoring SOM tenants as necessary from time to time.

**Transport and Housing Bureau  
January 2020**