

CHAPTER 1

**THE GOVERNMENT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION**

GENERAL REVENUE ACCOUNT

GOVERNMENT SECRETARIAT

Environment and Food Bureau

GOVERNMENT DEPARTMENT

Agriculture, Fisheries and Conservation Department

Wholesale marketing of marine fish

**Audit Commission
Hong Kong
12 October 2000**

WHOLESALE MARKETING OF MARINE FISH

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WHOLESALE MARKETING OF MARINE FISH

Summary and key findings

A. **Introduction.** The Agriculture, Fisheries and Conservation Department (AFCD) is responsible for providing administrative and technical support to the operations of the Fish Marketing Organisation (FMO). The AFCD's key performance measures for the operations of the FMO are the weight and value of fishery products sold through the FMO (para. 1.2).

B. The Marine Fish (Marketing) Ordinance (MMO — Cap. 291) provides the legal framework for the operations of the FMO. Under the MMO, no marine fish may be landed or sold by wholesale, otherwise than at an FMO market, unless a written permit has been issued by the Director of Agriculture, Fisheries and Conservation (as the Director of Marketing of the FMO). The Director of Agriculture, Fisheries and Conservation is also provided with the power to enforce the provisions of the MMO (paras. 1.3 and 1.4).

C. The FMO operates seven wholesale marine fish markets (WFMs) in Aberdeen, Cheung Sha Wan, Kwun Tong, Sai Kung, Shau Kei Wan, Tai Po and Tuen Mun and one fish collecting depot (FCD) in Cheung Chau to provide services to fishermen and fish buyers (para. 1.9(a)).

D. **Audit review.** Audit has conducted a review to examine the effectiveness of the AFCD's control of wholesale marketing of marine fish and the utilisation of the WFMs and the FCD (para. 1.10).

E. **Ineffective control of wholesale marketing of marine fish.** During the period 1991 to 1998, a significant proportion of the catches by weight and by value brought back by the fishermen to Hong Kong had not been sold through the WFMs. Although the AFCD said that in 1999, the great majority of the catches brought back to Hong Kong were sold through the WFMs, the AFCD was unable to provide Audit with the relevant supporting data (paras. 2.7 and 2.10).

F. **Low utilisation of some WFMs and the FCD.** As early as the mid-1980s, the AFCD recognised the problem of underutilisation of some WFMs of the FMO. However, this problem remains a matter of concern for the AFCD. The problem has been aggravated by:

- (a) the continuing decrease in the weight of marine fish sold through the WFMs; and
- (b) the increased use of the direct sale method and operational changes such as the cessation to collect marine fish at the Cheung Chau FCD since April 1996.

Audit considers that the floor space requirement of the proposed new Castle Peak WFM (in Tuen Mun) can be reduced significantly if it is based on a higher proportion of sales of marine fish by the direct sale method, which requires less space (paras. 3.21, 3.22 and 3.25).

G. **Need for the AFCD to improve the long-term financial viability of the FMO.** The FMO is a self-financing organisation. Other than bank interest earned from its accumulated reserve, the main source of revenue is the commission on sales of marine fish through its WFMs. Since 1984-85, the FMO had been incurring operating losses because of the decline in demand for its

wholesale marketing services. The FMO's accumulated surplus had decreased by 31% from \$104.3 million in 1989-90 to \$72 million in 1998-99. While recognising that the AFCD has successfully reduced the operating costs of the FMO, Audit considers that there is a need for the AFCD to improve the long-term financial viability of the FMO (paras. 4.2 and 4.4).

H. Audit recommendations. Audit has made the following major recommendations that the Director of Agriculture, Fisheries and Conservation should:

- (a) conduct a comprehensive review on the wholesale marketing of marine fish with a view to ascertaining the major reasons for the practice of many fishermen who sell some of their catches of marine fish through illegal channels to fish traders, instead of selling all their catches through the WFMs (para. 2.12(a));
- (b) having regard to the result of the review, critically examine the operations of the WFMs with a view to attracting fishermen to sell all their catches of marine fish through the WFMs (para. 2.12(b));
- (c) continue to promote the use of the direct sale method at the WFMs so as to reduce the manpower and floor space requirements of the WFMs (para. 3.26(a));
- (d) ensure that the review currently being conducted by the FMO on the utilisation of the WFMs takes full account of the effects of declining sales of marine fish through the WFMs and the possibility of reducing the floor space requirement of the WFMs due to the increased use of the direct sale method (para. 3.26(b));
- (e) if the utilisation of any of the WFMs has diminished to a level that its retention is no longer justified:
 - (i) for those land lots granted by the Government to the FMO, consider taking back the land or any part thereof from the FMO (para. 3.26(c)(i));
 - (ii) for those land lots allocated to the AFCD, consider releasing the land or any part thereof to the Lands Department for alternative use (para. 3.26(c)(ii)); and
 - (iii) for the Cheung Sha Wan WFM, consider leasing less floor space of Phase I of the Cheung Sha Wan Wholesale Food Market Complex to the FMO (para. 3.26(c)(iii));
- (f) consider taking back the land currently occupied by the Cheung Chau FCD from the FMO (para. 3.26(d));
- (g) review the Schedule of Accommodation of the proposed new Castle Peak WFM, taking into account the weight of marine fish sold through the Castle Peak WFM in the past years and the reduced floor space requirement resulting from the use of the direct sale method (para. 3.26(e)); and
- (h) closely monitor the financial position of the FMO and its long-term financial viability (para. 4.5).

I. Response from the Administration. The Administration has generally agreed with Audit's recommendations.

PART 1: INTRODUCTION

Background

1.1 Like other major urban cities, Hong Kong has to organise efficient and orderly wholesale marketing of perishable foodstuffs as such foodstuffs have to be assembled and distributed in bulk speedily. Wholesale markets are an important part of the urban food supply system. Improved efficiency in the operations of wholesale markets can promote competition in marketing of foodstuffs and reduce marketing costs. This not only benefits consumers but also facilitates the development of local agriculture and fisheries.

1.2 Regarding fisheries, the Agriculture, Fisheries and Conservation Department (AFCD — Note 1) provides infrastructural support services to promote efficient production of both capture fisheries and aquaculture industries and sustainable development of fisheries in Hong Kong. The AFCD is responsible for providing administrative and technical support to the operations of the Fish Marketing Organisation (FMO). **The AFCD's key performance measures for the operations of the FMO are the weight and value of fishery products sold through the FMO.**

Marine Fish (Marketing) Ordinance

1.3 In 1945, the Government established the FMO to assist in the post-war rehabilitation of the fishing fleet and to provide facilities for efficient and orderly marketing of marine fish whereby the fishing industry could be developed and the socio-economic status of the fishing community improved. To this end, the FMO established a wholesale marketing system through which all marine fish had to be sold. A loan fund was established for making low interest loans to fishermen for productive purposes. In 1956, the Marine Fish (Marketing) Ordinance (MMO — Cap. 291) was enacted to provide the legal framework for the operations of the FMO.

1.4 Under the MMO, marine fish is defined as any fish or part thereof, whether fresh or processed, in any manner indigenous in sea water, or partly in fresh water and partly in sea water, including any product derived therefrom, but excluding all crustaceans or molluscs and fish alive and in water. Marine fish may only be sold by wholesale at an FMO market unless written permission is given by the FMO's Director of Marketing (the incumbent is the Director of Agriculture, Fisheries and Conservation — see also Note 1 in paragraph 1.2 above). The Director of Marketing is provided with the power of search, seizure and arrest in respect of activities suspected to be in contravention of the provisions of this Ordinance.

Note 1: *On 1 January 2000, the Agriculture and Fisheries Department was renamed the Agriculture, Fisheries and Conservation Department, the Director of Agriculture and Fisheries was retitled the Director of Agriculture, Fisheries and Conservation and the policy responsibilities for agriculture, fisheries and conservation were transferred from the Secretary for Economic Services to the Secretary for the Environment and Food.*

1.5 The FMO is subject to close scrutiny by the Government both operationally and financially. The Chief Executive of the Hong Kong Special Administrative Region Government (Chief Executive) may give general or specific directions to the FMO, which the FMO is bound to follow. Under the MMO:

- (a) the FMO shall not acquire any immovable property without the prior consent of the Chief Executive in Council in each case;
- (b) moneys brought to account may be deposited or invested as the Chief Executive may approve;
- (c) the accounts shall be audited by an auditor appointed by the Chief Executive and the audited statement together with the auditor's report shall be tabled before the Legislative Council;
- (d) the FMO shall submit to the Chief Executive annual estimates of income and expenditure;
- (e) no expenditure shall be incurred beyond the estimates approved by the Chief Executive, without his prior approval; and
- (f) the FMO shall consist of such officers or persons as the Chief Executive may from time to time appoint.

1.6 The MMO also provides for the establishment of a Fish Marketing Advisory Board (FMAB), which is a consultative body to advise the Chief Executive and the FMO on any matters referred to it. The FMAB consists of the Director of Marketing and members appointed by the Chief Executive.

The FMO

1.7 The primary functions of the FMO are to establish, manage and operate wholesale marine fish markets (WFMs), fish collecting depots (FCDs — Note 2) and other ancillary establishments. The FMO operates as a non-profit-making organisation. Its revenue is generated mainly from the commission charged on sales of marine fish through its WFMs. The commission for sales by auction or by negotiation is calculated at 7% of the sales value. The commission for sales by direct sale method is calculated at 7% of the sales value or at a rate of five dollars per 15 catties (i.e. about 9 kilograms), whichever is the less (see also paragraph 3.20 below). The operating surplus of the FMO is ploughed back for providing welfare and services to the fishing industry (see also paragraph 1.9 below).

Note 2: *An FCD is only used for collecting marine fish for subsequent transportation to the WFMs for sale.*

1.8 The administration of the FMO is vested in the Director of Marketing, who is assisted by senior officers of the AFCD. Supporting services, including technical support relating to the operations of the FMO, the management of FMO credit facilities, and the coordination of enforcement action against illegal landing and wholesale marketing (hereinafter referred to as illegal marketing) of marine fish, are provided by the AFCD.

1.9 The FMO:

- (a) operates seven WFMs in Aberdeen, Cheung Sha Wan, Kwun Tong, Sai Kung, Shau Kei Wan, Tai Po and Tuen Mun and one FCD in Cheung Chau to provide services to fishermen and fish buyers. The locations of these WFMs and the FCD are shown in Appendix A;
- (b) operates one primary school and one secondary school; and
- (c) has established a revolving loan fund for making loans to fishermen for productive purposes and a fund for the provision of scholarships, grants or loans for educating and training either people employed in the industry and their dependants, or people wishing to join the industry.

Audit review

1.10 Audit has conducted a review on the work of the AFCD in respect of wholesale marketing of marine fish in Hong Kong. The objectives of the audit were to examine the effectiveness of the AFCD's control of wholesale marketing of marine fish and the utilisation of the WFMs and the FCD.

PART 2: INEFFECTIVE CONTROL OF WHOLESALE MARKETING OF MARINE FISH

Illegal marketing of marine fish

2.1 The MMO provides for the control of landing, wholesale and transportation of marine fish. Section 3(1) of the Ordinance provides that, unless permitted in writing by the Director of Marketing, no marine fish may be landed other than at a WFM, and no marine fish may be sold by wholesale, otherwise than at a WFM or otherwise than by way of re-sale following a sale at a WFM. Regulation 3 of the Marine Fish (Marketing and Exportation) Regulations (Cap. 291) stipulates that, except with a permit issued by the Director of Marketing, no marine fish shall be transported on land or in the waters of Hong Kong, in quantities in excess of 60 kilograms. The Director of Agriculture, Fisheries and Conservation (as the Director of Marketing) is provided with the power of search, seizure and arrest in respect of activities suspected to be in contravention of the provisions of the MMO. Section 3(2) of the MMO provides that any person who contravenes the provisions of subsection (1) commits an offence and is liable to a maximum fine of \$10,000 and imprisonment of six months.

2.2 However, it is common knowledge that many fishermen sell a substantial portion of their catches either on the high seas to vessels of other countries or at ports in Mainland China before returning to Hong Kong (see Figure 1 in paragraph 2.5 below). These transactions outside Hong Kong do not contravene the MMO as the MMO only governs the wholesale marketing of marine fish in Hong Kong. Further transactions, which are illegal, may take place in local waters. When those fishermen who have not sold all their catches return to Hong Kong at the end of their fishing trips, their incoming fishing vessels are likely to be met by vessels of local fish traders who wish to buy the premium part of the catches before the remaining catches reach the WFMs.

2.3 By dealing directly with those local fish traders who are commonly known as “fish collectors” (mentioned in paragraph 2.2 above), the fishermen can avoid the payment of commission to the FMO and handling charges to their sales agents. They are also assured of the sale of the best part of their catches without having to spend time to sell their fish at the WFMs. However, this practice not only contravenes the statutory trade restrictions prescribed in section 3(1) of the MMO (see paragraph 2.1 above) but also provides little assurance that the fishermen receive a fair price for their catches.

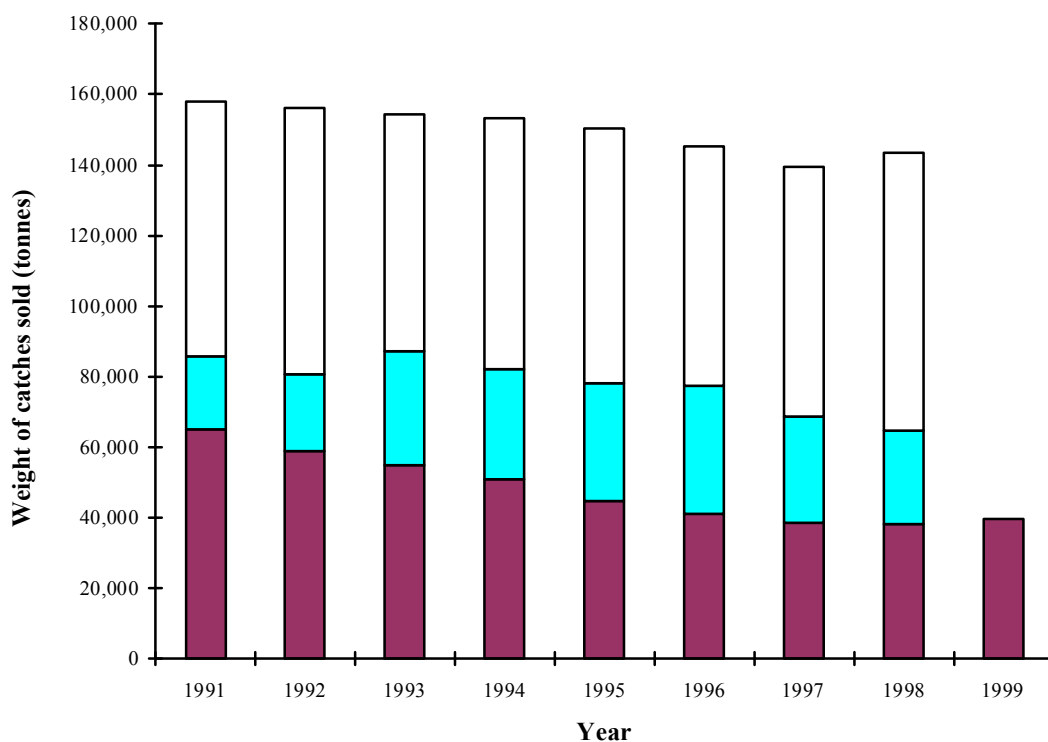
2.4 After the completion of the illegal transaction in the waters of Hong Kong, the catches are transferred from the fishing vessels onto the awaiting collectors’ vessels for illegal landing. Popular illegal landing locations are public piers or steps, the seafront in typhoon shelters and cargo handling areas with vehicular access. Goods vehicles then deliver the fish to retailers and fish stalls at various markets or to middlemen for further distribution.

2.5 In March 1993, a Task Force headed by the Assistant Director (Fisheries) of the AFCD (the Task Force) was established to review the FMO’s operations. The Task Force found that about 50% of the marine fish caught by fishermen and brought back to Hong Kong were not sold through the WFMs. In April 1993, the Director of Agriculture, Fisheries and Conservation informed the Commissioner of Police that illegal fish trading dominated the premium fish market and the enforcement actions taken jointly by the AFCD and the Hong Kong Police Force (Police) were not

very effective in combating the illegal marketing of marine fish. The findings of the Task Force were corroborated by a consultant's report on the wholesale marketing of fresh produce in Hong Kong issued in 1994 (the 1994 Consultancy Report), which stated that 40% of the catches were sold outside the waters of Hong Kong, 30% of the catches were sold through the WFMs and the remaining 30% of the catches were sold elsewhere in Hong Kong. Figure 1 below shows the weight of catches sold in and outside Hong Kong during the period 1991 to 1999.

Figure 1

Weight of catches sold in and outside Hong Kong during the period 1991 to 1999



- Sold through WFMs
- Sold elsewhere in Hong Kong
- Sold outside Hong Kong

Source: AFCD's records

Note: The 1999 annual survey on the fishing industry conducted by the AFCD did not cover the weight of catches sold elsewhere in Hong Kong and that outside Hong Kong in 1999.

Percentage of catches sold through WFMs

2.6 The weight of the catches sold through the WFMs decreased by 39% from 65,160 tonnes in 1991 to 39,694 tonnes in 1999 (see Appendix B). It can be seen from Appendix C that:

- (a) the value of the catches sold through the WFMs decreased by 27% from \$542 million in 1991 to \$397 million in 1999;
- (b) the value of the catches sold elsewhere in Hong Kong increased by 61% from \$300 million in 1991 to \$483 million in 1998; and
- (c) for the four years from 1995 to 1998, the value of the catches sold elsewhere in Hong Kong exceeded that sold through the WFMs. (Figures for 1999 are not available.)

2.7 During the period 1991 to 1998, up to 47% by weight (see Appendix D) and 59% by value (see Appendix E) of the catches brought back to Hong Kong were not sold through the WFMs.

Audit observations

2.8 Enforcement teams, consisting of staff of the FMO and the AFCD, are tasked to undertake enforcement operations jointly with the Police to combat marketing activities which are in contravention of the provisions of the MMO. It can be seen from Appendix F that during the period 1995 to 1999, compared with the weight of catches sold illegally in Hong Kong, the weight of marine fish confiscated as a result of the enforcement action had been very small. For example, in 1998, some 26,300 tonnes of marine fish were sold illegally in Hong Kong but only 18 tonnes were confiscated.

2.9 As mentioned in paragraph 2.1 above, section 3(2) of the MMO provides for a maximum fine of \$10,000 and imprisonment of six months for illegal marketing of marine fish. In practice, the fines imposed seldom reached the maximum amount and the jail term was rarely imposed. In 1998, the total amount of fines was \$133,000 while the total value of confiscations was \$265,000. For each successful prosecution in 1998, the average amount of fine was as low as \$2,111 while the average value of confiscation was only \$4,206. When compared with the \$483 million of catches sold illegally outside the WFMs in 1998 (see Appendix F), the level of fines and the value of confiscations seemed to have little deterrent effect.

2.10 During the course of this audit, the AFCD was unable to provide Audit with data on the weight and value of the catches which entered Hong Kong but which were not sold through the

WFMs in 1999. However, the AFCD informed Audit that the great majority of the catches brought back to Hong Kong were now sold through the WFMs, as reflected by the increase of catches sold through the WFMs since August 1999 by about 25% in terms of weight. Therefore, the AFCD concluded that the problem of illegal marketing of marine fish had basically been solved as a result of the continued efforts of the enforcement teams and the efforts of the FMO in streamlining the operations of the WFMs. **However, having regard to the absence of relevant data, Audit considers that it is over-optimistic to conclude, solely on the basis of the increase in weight and value of catches sold through the WFMs since August 1999, that the problem of illegal marketing of marine fish has been solved. In this connection, in Audit's view, the AFCD needs to obtain relevant up-to-date and reliable information. In addition, the AFCD needs to address the following issues:**

- (a) **the finding of the 1994 Consultancy Report that 30% of the catches were sold elsewhere in Hong Kong (see paragraph 2.5 above);**
- (b) **the fact that during the period 1995 to 1998, about 20% of the catches by weight and about 35% of the catches by value had been sold illegally outside the WFMs (see Appendix F); and**
- (c) **the ineffectiveness of the enforcement operations, as evidenced by the fact that in 1998, the sum of the total fines and the total value of confiscations was only \$398,000 (\$133,000 + \$265,000). This amount represented only 0.08% (\$398,000 / \$483 million × 100%) of the total value of catches sold illegally outside the WFMs (see Appendix F).**

2.11 In response to Audit's enquiry about the deterrent effect of the fines and period of imprisonment against the contravention of statutory trade restrictions, the AFCD has said that:

- (a) the AFCD believes that the illegal marketing of marine fish is largely brought under control under the current level of fine and period of imprisonment. The AFCD also believes that the best way to ensure that the marketing of marine fish is conducted in an orderly manner is by continuously improving the services and operations of the FMO and thereby offering incentives to attract more fishermen and fish traders back to the WFMs; and
- (b) it is noted that the courts have never imposed the maximum fine or the imprisonment term on offenders. Therefore, the AFCD does not think that raising the level of maximum fine and the period of imprisonment would increase the effectiveness in deterring illegal marketing of marine fish.

Audit recommendations

2.12 **Audit has recommended that the Director of Agriculture, Fisheries and Conservation should:**

- (a) **conduct a comprehensive review on the wholesale marketing of marine fish with a view to ascertaining the major reasons for the practice of many fishermen who sell some of their catches of marine fish through illegal channels to fish traders, instead of selling all their catches through the WFMs;**
- (b) **having regard to the result of the review, critically examine the operations of the WFMs with a view to attracting fishermen to sell all their catches of marine fish through the WFMs;**
- (c) **promulgate to fishermen and fish traders that it is a legal requirement for fishermen to sell all their catches of marine fish brought back to Hong Kong through the WFMs; and**
- (d) **in conjunction with the Police, step up law enforcement action against all parties involved in illegal marketing of marine fish.**

Response from the Administration

2.13 **The Director of Agriculture, Fisheries and Conservation generally agrees with Audit's recommendations. The Director has said that the AFCD would study Audit's recommendations further and consider how to take them forward. The Director has also said that:**

- (a) **Audit considers that the control of wholesale marketing of marine fish has not been effective on the basis that some 30% and 20% of the catches were sold elsewhere in Hong Kong in 1994 and during the period 1995 to 1998 respectively and on the results of the enforcement operations in 1999. However, it should be noted that between the early 1970s and early 1980s when the enforcement of the MMO was not pursued as a matter of high priority, illegal marketing activities of marine fish grew and proliferated quickly at various locations in Hong Kong, causing serious environmental, hygiene as well as law and order problems, often in the form of extortion and gang fighting. Following the recommendations of the Fight Crime Committee in early 1987, a series of actions, including stepping up the enforcement of the MMO, were taken to rectify the situation. Enforcement teams have since then been set up in the AFCD. Joint operations with the Police are regularly mounted to combat illegal marketing of marine fish. In addition, the MMO was amended in 1988 and further amended in 1992 with a view to strengthening the control over the transportation of fresh marine fish on land and at sea. With the stepping up of enforcement actions, illegal landing and marketing of**

marine fish have largely been brought under control and wholesale marketing of marine fish is now conducted in a more orderly manner. There have been no resurgence of large-scale illegal marketing activities of marine fish. Only a few complaints on environmental, hygiene and law and order problems caused by such illegal marketing activities have been received;

- (b) of the some 20% of catches sold outside the WMFs, the AFCD believes that some of these belonged to the smaller inshore fishing vessels and were sold directly by retail without the need for going through the wholesale process, because of the small quantities involved. Such activities only cause minor problems as compared with the illegal landing and marketing of large quantities of catches by the larger fishing vessels and fish collectors. In this regard, and as a matter of effective use of limited resources, the AFCD's enforcement actions are not targeted at the smaller vessels; and
- (c) the AFCD has been regularly reviewing, in consultation with the fishermen and fish traders, the wholesale marketing of marine fish and the operations of the FMO with a view to gauging their needs and ascertaining the major factors leading to the selling of catches by the fishermen through illegal channels to fish traders. The AFCD has already had good knowledge of the issues concerned and plans to improve the operations of the WMFs to cope with the changing needs of the fishermen and fish traders. The introduction of the direct sale method coupled with the new commission charging system is the first step and has been proved to be effective in attracting more fishermen to sell their catches through the WMFs. The AFCD will continue to review and improve the marketing system and operations of the FMO with a view to attracting fishermen to sell their catches through the WMFs.

2.14 The **Secretary for the Environment and Food** generally agrees with the conclusions of the audit review. The Secretary has also said that the Environment and Food Bureau would work with the AFCD to study Audit's recommendations and to consider how to take them forward.

2.15 The **Commissioner of Police** has said that:

- (a) notwithstanding that the AFCD is the lead agency in taking enforcement action against the illicit trade of marine fish, the Police has been supporting and assisting the AFCD in such action, both on land and at sea. The Police passes information about such illicit activities to the AFCD on a regular basis. Operations are also conducted jointly by the Police and the AFCD from time to time, especially when violent resistance is expected, or when there is an indication of triad involvement or criminal syndication; and
- (b) if its other commitments permit, the Police will continue to support the AFCD in its enforcement action.

PART 3: LOW UTILISATION OF SOME WFMs AND THE CHEUNG CHAU FCD

Space provision for WFMs and the FCD

3.1 Table 1 below which shows the existing space provision for each of the WFMs and the Cheung Chau FCD indicates that:

- (a) ***WFMs in Aberdeen, Kwun Tong, Sai Kung and Tai Po and the Cheung Chau FCD.*** The land lots occupied by the WFMs in Aberdeen, Kwun Tong, Sai Kung and Tai Po and the FCD in Cheung Chau were **granted by the Government to the FMO by private treaties**. In the private treaty grants for these four WFMs, there are special conditions which restrict the use of the land lots as WFMs. In the private treaty grant for the Cheung Chau FCD, there are special conditions which restrict the use of the land lot as a fish marketing office and an FCD. The Government has the right to take back possession of any of the land lots or any part thereof, if the extent of using that particular land lot for its specified purpose has diminished to a level that the retention of the lot for such purpose is no longer justified;

- (b) ***Castle Peak WFM and Shau Kei Wan WFM.*** The land lots occupied by the Castle Peak WFM (in Tuen Mun) and the Shau Kei Wan WFM were **allocated by the Government by way of a Temporary Land Allocation and a Permanent Land Allocation respectively** to the Director of Agriculture, Fisheries and Conservation for use as WFMs. The lots should be converted to other uses if the use of the lots as WFMs is no longer justified; and

- (c) ***Cheung Sha Wan WFM.*** The Cheung Sha Wan WFM occupies an indoor accommodation of 13,040 square metres **rented from the Government** at Phase I of the Cheung Sha Wan Wholesale Food Market Complex. According to the terms of the tenancy agreement, the FMO is not allowed to use the rented premises for any purpose other than as a WFM. The FMO is required to surrender to the Government the premises without any compensation upon the AFCD giving the FMO one month's prior notice.

Table 1

Space provision for WFMs and the FCD

WFM/FCD	Site area (square metres)	Remarks
Aberdeen WFM	10,597	Granted to FMO by private treaty; and to be taken back by the Government if retention for use as a WFM is no longer justified.
Castle Peak WFM	2,760	Government land allocated temporarily to AFCD; and to be converted to other use if retention for use as a WFM is no longer justified.
Cheung Sha Wan WFM	13,040 (Note)	Rented by the Government to FMO; and to be surrendered to the Government at one month's notice.
Kwun Tong WFM	4,151	Granted to FMO by private treaty; and to be taken back by the Government if retention for use as a WFM is no longer justified.
Sai Kung WFM	380	Granted to FMO by private treaty; and to be taken back by the Government if retention for use as a WFM is no longer justified.
Shau Kei Wan WFM	4,474	Government land allocated permanently to AFCD; and to be converted to other use if retention for use as a WFM is no longer justified.
Tai Po WFM	4,422	Granted to FMO by private treaty; and to be taken back by the Government if retention for use as a WFM is no longer justified.
Cheung Chau FCD	61	Granted to FMO by private treaty; and to be taken back by the Government if retention for use as a fish marketing office and an FCD is no longer justified.

Source: AFCD's records

Note: This is the floor area occupied by the Cheung Sha Wan WFM at Phase I of the Cheung Sha Wan Wholesale Food Market Complex .

Failure to close/downgrade underutilised WFMs

3.2 Since the mid-1980s, the FMO had been incurring operating losses (see paragraph 4.2 below) and the AFCD had recognised that both the Shau Kei Wan WFM and the Sai Kung WFM were underutilised. In order to improve the financial position of the FMO, the AFCD had attempted to close the Shau Kei Wan WFM and downgrade the Sai Kung WFM to an FCD. However, it can be seen from paragraphs 3.3 to 3.14 below that such efforts of the AFCD were in vain.

Shau Kei Wan WFM

3.3 In the mid-1980s, the Government planned to carry out reclamation in the Aldrich Bay Typhoon Shelter. Knowing the Government's plan, the FMAB envisaged that the Shau Kei Wan WFM might need to be reprovisioned because the WFM would be landlocked by the reclamation works. At an FMAB meeting held in November 1989:

- (a) the roles of the Shau Kei Wan WFM and the Kwun Tong WFM were discussed;
- (b) some members expressed their view that the Kwun Tong WFM was conveniently located to serve traders, exporters and the population of eastern Hong Kong and Kowloon as it was only a short distance from the Shau Kei Wan WFM; and
- (c) it was resolved that further thoughts should be given to the question whether there would be a need to reprovision the Shau Kei Wan WFM when it would become landlocked in 1991.

3.4 At a meeting held in June 1990 to discuss ways of improving the financial position of the FMO, the Director of Agriculture, Fisheries and Conservation said that:

- (a) although merging the Shau Kei Wan WFM with the Kwun Tong WFM was beneficial from an economic point of view, this could have political implications; and
- (b) fishermen and fish traders should be consulted.

3.5 However, soon after knowing the AFCD's intention to close the Shau Kei Wan WFM, some fishermen and fish traders appealed to the District Officer (Eastern) and the Director of Agriculture, Fisheries and Conservation to retain the market. **At an FMAB meeting held in May 1991 to discuss the closure of the Shau Kei Wan WFM, the Director said that it might not be economical for the FMO to operate so many WFMs in a small place like Hong Kong because this would cause trading to be spread over seven markets.** In June 1991, the Director of Agriculture, Fisheries and Conservation advised the District Officer (Eastern) that:

- (a) in view of the small weight of marine fish landed at the Shau Kei Wan WFM, it was considered that the Kwun Tong WFM, situated just opposite to it on the Kowloon side and served by the Eastern Harbour Crossing, would be capable of serving the eastern part of Hong Kong Island with the least inconvenience to users and the minimum additional costs;
- (b) the economies of scale arising from the merging of the Shau Kei Wan WFM with the Kwun Tong WFM would ultimately benefit all parties concerned. Existing market users might also choose to continue their trading at the Aberdeen WFM; and
- (c) **the existing Shau Kei Wan WFM would need to be reprovisioned soon. It was considered unjustified to retain a market that was generally underutilised.** Funds required for reprovisioning could be more fruitfully used for improving other WFMs, thereby benefiting all users and consumers. Also, the site earmarked for reprovisioning could be released for other uses by the Government.

3.6 Upon repeated appeals lodged by the fishermen and fish traders, the FMAB agreed in August 1991 to take measures to improve the financial viability of the Shau Kei Wan WFM and to reconsider the reprovisioning of the market if these measures were effective. At an FMAB meeting held in February 1992, it was reported that the financial position of the market had improved. In May 1993, the Task Force responsible for reviewing the FMO's operations (see paragraph 2.5 above) reported that the Shau Kei Wan WFM competed directly with the Cheung Sha Wan WFM and the Kwun Tong WFM, which were just opposite to it on the Kowloon side. **The Task Force considered that:**

- (a) **from both the rationalisation of service and economic points of view, there was scope for downgrading the market to an FCD; and**
- (b) **in anticipation of very strong resistance from the fishermen and buyer groups, it was, however, politically undesirable to downgrade the market to an FCD immediately without exhausting all possible means of improving market business.**

In the circumstances, the Task Force recommended the reprovisioning of the Shau Kei Wan WFM.

3.7 In mid-1993, the AFCD finally decided to go ahead with the reprovisioning of the existing Shau Kei Wan WFM on another piece of Government land of 4,474 square metres allocated to the AFCD in 1990. The new market, which was constructed at a total cost of \$18 million, started operation in October 1994. **Unfortunately, the weight of marine fish sold through the Shau Kei Wan WFM continued to drop from 9,101 tonnes in 1993 to 2,845 tonnes in 1999 (see Figure 5 of Appendix G).**

Sai Kung WFM

3.8 The Sai Kung WFM, which occupies a piece of land of 380 square metres granted by the Government by private treaty in 1969, was set up at a time when Sai Kung had a sizeable fishing fleet. However, the situation has since changed. Many fishermen have changed from boat fishing to mariculture or other jobs. Some have changed from inshore fishing to deep-sea fishing in waters outside Hong Kong. They no longer use the Sai Kung WFM to sell their catches. Many fishermen who continue fishing in Sai Kung operate with small boats. They prefer selling their small catches at the retail market in Sai Kung.

3.9 **The weight of marine fish landed at the Sai Kung WFM decreased by 89% from 976 tonnes in 1980 (being the largest weight of landing in the past 20 years) to 111 tonnes in 1999 (see Figure 4 of Appendix G). Since 1980-81, the Sai Kung WFM has been incurring considerable operating losses as a result of the declining demand for wholesale fish marketing services in the area.**

3.10 **At its meeting held in February 1986, the FMAB discussed the merits of downgrading the Sai Kung WFM to an FCD. The Chairman of the FMAB said that it was not worthwhile for the FMO to operate a market solely for a small number of fishermen who landed only small quantities of fish at the market.** The FMAB resolved that the market would be operated for one more year with a minimal number of staff and the matter would be reviewed in August 1986.

3.11 In August 1986, the FMO reviewed the operations of the Sai Kung WFM. Despite some efforts made to promote the use of the market, business had not improved significantly. The FMO therefore proposed to downgrade the market to an FCD to provide only fish collecting service. The fish collected would be delivered to another WFM (for example, the Cheung Sha Wan WFM) for sale. However, the proposal was not implemented because of some improvement in the wholesale fish marketing business in 1987.

3.12 The increase in the volume of fish traded at the Sai Kung WFM in 1987 was unsustainable. In 1990, the weight of marine fish sold through the market had dropped to less than one tonne a day. In 1991, the Assistant Director (Fisheries) of the AFCD informed the Director of Agriculture, Fisheries and Conservation that the Sai Kung WFM was grossly underutilised and proposed to downgrade the market to an FCD by the end of 1991. However, because of objections received from the fishermen and their federation in the area, the proposed downgrading of the market did not materialise. Instead, the FMO decided to explore other means to improve the financial situation of the market by reducing the number of staff in the market.

3.13 **In May 1993, the Task Force (see paragraph 2.5 above) reviewed the performance of the Sai Kung WFM. The Task Force reported that:**

- (a) **the market served seven to eight small inshore fishing vessels based in Sai Kung. Catches from these inshore vessels had mostly been used as mariculture feed; and**

- (b) **catches landed at the market had been minimal. The average daily landing was less than one tonne in 1992-93.**

3.14 At a meeting of the Sai Kung District Board held in August 1993, the Senior Fisheries Officer in charge of the AFCD's Fisheries Management and Marketing Division explained that the downgrading of the Sai Kung WFM would have minimal impact on the local community for the following reasons:

- (a) the residents of Sai Kung had long been getting their supply of more popular fish species from outside the district instead of from the Sai Kung WFM; and
- (b) transportation of fish from one place to another according to demand occurred daily all over the territory. Fish quality should not suffer because the traders involved were well experienced in handling fresh fish.

However, the AFCD's efforts to secure the Sai Kung District Board's support to downgrade the Sai Kung WFM were in vain. In late 1993, the Sai Kung District Board advised the AFCD that it did not support the downgrading of the Sai Kung WFM. Since then, the FMO has shelved the downgrading proposal.

Methods of sale at the WFMs

3.15 Marine fish are sold at the WFMs by three methods, namely auction, negotiation and direct sale.

3.16 ***Sale by auction.*** After a fishing vessel berths at the waterfront of a WFM, the marine fish unloaded from the fishing vessel are transported onto the sorting floor of the WFM where the marine fish are sorted and graded. After sorting and grading, marine fish to be sold by auction are moved to an area of the sales floor specially designated for this purpose. Auctions are conducted by auction teams, each comprising an Auctioneer and a Market Assistant. After the deal is concluded between the seller and the highest bidder, the Market Assistant completes the necessary documentation and the marine fish are moved away from the sales floor by the staff of the FMO.

3.17 ***Sale by negotiation.*** Similar to sale by auction, the marine fish landed at a WFM are sorted and graded. After sorting and grading, marine fish to be sold by negotiation are moved to another area of the sales floor specially designated for this purpose. Negotiations between buyers and sellers are overseen by a Market Assistant. When the price is agreed between the buyer and the seller, the Market Assistant completes the necessary documentation and the marine fish are moved away from the sales floor by the staff of the FMO.

3.18 **Direct sale.** Marine fish to be sold by direct sale are sorted and graded before they are landed at the WFMs. The fish are packed into boxes of 15 catties (i.e. about 9 kilograms) each. Negotiations between the buyer and the seller have been concluded before the landing of the fish. The fish are landed at the WFMs and are immediately loaded directly onto lorries parked at the waterfront of the WFMs. Under this method of sale, no sorting, weighing, auction or negotiation is required to be conducted at the WFMs, under the supervision of the FMO staff. The FMO staff at the WFMs only need to count the number of boxes landed and calculate the commission receivable from the seller.

Decreasing sales at WFMs

3.19 During the period 1980 to 1999, out of the seven WFMs, the weight of marine fish sold through the five WFMs, namely the Aberdeen WFM, the Castle Peak WFM, the Cheung Sha Wan WFM, the Shau Kei Wan WFM and the Sai Kung WFM had been decreasing (see Appendix G). Appendix H summarises the decrease in the weight of marine fish sold through these five WFMs during the period 1980 to 1999. **The considerable decrease in the weight of marine fish sold through these WFMs indicates that they have not been fully utilised. For the other two WFMs in Kwun Tong and Tai Po, no decreasing trend in the weight of marine fish sold through them was observed.**

Increased use of direct sale method

3.20 Before June 1999, the commission for direct sales was calculated at 7% of the sales value. To promote direct sales, the FMO changed the basis of calculating commission for direct sales. Starting from June 1999, the commission is calculated at 7% of the sales value or at a rate of five dollars per 15 catties (i.e. about 9 kilograms), whichever is the less. The direct sale method and the new method of calculating commission are welcomed by both buyers and sellers. **According to the FMO's estimates, in 2000-01, 46% of the sales through WFMs will be by direct sales.**

3.21 The direct sale method not only requires fewer FMO staff but also requires less floor space at the WFMs for sales. **All the existing WFMs were designed and built without envisaging that a significant proportion of the sales would be conducted by the direct sale method. Floor space will become surplus to requirement when sales by auction and by negotiation are gradually replaced by direct sales.** For instance, at the Kwun Tong WFM, because all the sales are now conducted by the direct sale method, the floor area designated for sorting fish and that designated for sales have become surplus to requirement. Consequently, about 1,160 square metres of the sorting floor and sales floor together with 19 parking spaces and some office space have been let out to live fish traders. Audit has noted that, without the rental income received from the live fish traders (Note 3), the Kwun Tong WFM would have incurred operating loss in each of the years after it started operation in 1988.

Note 3: *The MMO does not require trading of live fish to be conducted at WFMs.*

Audit observations

3.22 As early as the mid-1980s, the AFCD recognised the problem of underutilisation of some WFMs (see paragraphs 3.3 to 3.14 above). However, this problem remains a matter of concern for the AFCD. Audit has found that the problem has been aggravated by:

- (a) the continuing decrease in the weight of marine fish sold through the WFMs (see paragraph 3.19 above); and
- (b) the increased use of the direct sale method (see paragraphs 3.20 to 3.21 above) and operational changes such as the cessation to collect marine fish at the Cheung Chau FCD since April 1996.

3.23 In order to address the problem of underutilisation of existing WFMs, Audit considers that there is a need for the AFCD to critically review the possibility of merging some of the WFMs. The review should examine the effects of declining sales of marine fish through the WFMs and the possibility of reducing the floor space requirement due to the increased use of the direct sale method. If the extent of using any of the land lots as a WFM has diminished to a level that the retention of the land for such purpose is no longer justified, consideration should be given to releasing the land or any part thereof for alternative uses (see paragraph 3.1(a) and (b) above). Consideration should also be given to leasing less floor space for the Cheung Sha Wan WFM (see paragraph 3.1(c) above). During the audit review, in early May 2000, Audit officers discussed with the managers of some WFMs the utilisation of the WFMs and the direct sale method. After Audit had completed the field work of the review, in late May 2000, the Senior Fisheries Officer in charge of the AFCD's Fisheries Supporting Services Division instructed the General Manager of the FMO to carry out a review on the utilisation of the WFMs and the feasibility of closing down the underutilised WFMs. Up to the end of August 2000, the review had not yet been completed.

3.24 In order to avoid the overprovision of floor space in new WFMs, Audit considers that there is a need for the AFCD to vet the floor space requirement of the new Castle Peak WFM, in the light of the increased use of the direct sale method. The reprovisioning of the existing Castle Peak WFM originated from the development of the Tuen Mun New Town in 1973 when the original market site was used for public development. According to the Schedule of Accommodation revised in 1997, the new Castle Peak WFM with a total floor area of 4,700 square metres would occupy the ground floor of a proposed joint-user government complex. The project is now included as a Category B (Note 4) project in the Public Works Programme. The target completion date of the project is 2002.

Note 4: *Under the Public Works Programme, Category B projects are projects which are earmarked resources in the latest Resource Allocation Exercise, or which have been chosen for a start but are not yet ready in all respects for tenders to be invited and for construction works to proceed.*

3.25 Audit has found that, in drawing up the Schedule of Accommodation of the proposed new Castle Peak WFM, the basis of estimating its floor space requirement was that all the sales would be conducted either by auction or by negotiation. In Audit's view, the floor space requirement can be reduced significantly if it is based on a higher proportion of sales by the direct sale method. Therefore, significant saving in floor space can be achieved by revising the Schedule of Accommodation.

Audit recommendations

3.26 Audit has *recommended* that the Director of Agriculture, Fisheries and Conservation should:

- (a) continue to promote the use of the direct sale method at the WFMs so as to reduce the manpower and floor space requirements of the WFMs;
- (b) ensure that the review currently being conducted by the FMO on the utilisation of the WFMs takes full account of the effects of declining sales of marine fish through the WFMs and the possibility of reducing the floor space requirement of the WFMs due to the increased use of the direct sale method;
- (c) if the utilisation of any of the WFMs has diminished to a level that its retention is no longer justified:
 - (i) for those land lots granted by the Government to the FMO, consider taking back the land or any part thereof from the FMO (see paragraph 3.1(a) above);
 - (ii) for those land lots allocated to the AFCD, consider releasing the land or any part thereof to the Lands Department for alternative use (see paragraph 3.1(b) above); and
 - (iii) for the Cheung Sha Wan WFM, consider leasing less floor space of Phase I of the Cheung Sha Wan Wholesale Food Market Complex to the FMO (see paragraph 3.1(c) above);
- (d) consider taking back the land currently occupied by the Cheung Chau FCD from the FMO (see paragraph 3.22(b) above); and
- (e) review and, if necessary, revise the Schedule of Accommodation of the proposed new Castle Peak WFM, taking into account the weight of marine fish sold through the Castle Peak WFM in the past years and the reduced floor space requirement resulting from the use of the direct sale method.

Response from the Administration

3.27 The **Director of Agriculture, Fisheries and Conservation** generally agrees with Audit's recommendations. The Director has said that the AFCD would study Audit's recommendations further and consider how to take them forward. The Director has also said that:

- (a) the decrease in the landings of marine fish at the WFMs is mainly due to the decrease in fisheries production by the local fishing fleet by 32% (from 186,750 tonnes in 1980 to 127,780 tonnes in 1999) and the increase in the volume of marine fish sold outside Hong Kong (to the Mainland ports and other vessels at sea). On the other hand, importation of fresh marine fish and the demand for ancillary marketing services and facilities have increased over the years. In order to cope with the changing needs of the fishermen and fish traders and to maximise the utilisation of market space, many WFMs have redeployed a significant portion of market space to provide the fishermen and fish traders with ancillary marketing facilities including trading offices, fish processing and storage facilities, fish loading and parking areas and live marine fish trading and stocking facilities. This arrangement would not only help improve the marketing of fishery products, which is one of the functions as stipulated under section 11 of the MMO, but would also help address the underutilisation problem arising from the decrease in the volume of marine fish sold through the WFMs;
- (b) regarding the Cheung Chau FCD, although it has ceased to collect marine fish since 1996, it has been used as a fishermen liaison office and a venue for conducting meetings with and providing vocational training to fishermen; and
- (c) as pointed out in paragraph 3.23 above, the FMO is now conducting a critical review on the utilisation of the WFMs and the feasibility of closing down the underutilised WFMs. In response to the audit observations, the AFCD will also review the utilisation of the Cheung Chau FCD. Action will be taken to address the underutilisation problem, if the utilisation of any WFM or the FCD has diminished to a level that its retention is no longer justified.

3.28 The **Secretary for the Environment and Food** generally agrees with the conclusions of the audit review. The Secretary has also said that the Environment and Food Bureau would work with the AFCD to study Audit's recommendations and to consider how to take them forward.

3.29 The **Government Property Administrator** has said that regarding the audit recommendation on the new Castle Peak WFM, the Government Property Agency, as a member of the Property Vetting Committee, undertakes to review the Schedule of Accommodation of this WFM, taking into account its mode of operation before the project is upgraded to Category A of the Public Works Programme.

PART 4: NEED FOR THE AFCD TO IMPROVE THE LONG-TERM FINANCIAL VIABILITY OF THE FMO

Responsibilities of the AFCD

4.1 As mentioned in paragraphs 1.2 and 1.8 above, the AFCD is responsible for providing administrative and technical support to the operations of the FMO. The administration of the FMO is vested in the Director of Agriculture, Fisheries and Conservation as the Director of Marketing. Many senior officers of the AFCD responsible for fisheries are closely involved in the management of the FMO.

Many WFMs incurred operating losses

4.2 The FMO is a self-financing organisation. It is entrusted with functions to provide services for the benefits of the fishing industry. Its ability to provide these services depends mainly on its operating income. Other than bank interest earned from its accumulated reserve, the main source of revenue is the commission on sales of marine fish through its WFMs. Since 1984-85, the FMO had been incurring operating losses because of the decline in demand for its wholesale marketing services. Appendix I shows the operating losses incurred by the FMO during the period 1984-85 to 1998-99. The AFCD had been exploring ways to reduce the operating costs of the FMO. The AFCD had reduced the number of regular staff of the FMO from 529 as at 31 March 1985 to 131 as at 31 March 2000 and the number of casual labourers of the FMO from 170 as at 31 March 1985 to 79 as at 31 March 2000. However, the AFCD could not effectively redress the deficit position of the FMO. During the period 1995-96 to 1998-99, except for the year 1995-96 when the Sai Kung WFM recorded a profit of \$77,000, the five WFMs, namely the Aberdeen WFM, the Castle Peak WFM, the Cheung Sha Wan WFM, the Sai Kung WFM and the Shau Kei Wan WFM had been incurring operating losses. Appendix J shows the operating results of the WFMs during this period.

Audit observations

Decline in demand for wholesale marketing services at WFMs

4.3 The commission income of the FMO is dependent on the weight and value of marine fish sold through its WFMs. **However, the demand for wholesale marketing services at the WFMs had been declining. As can be seen from Appendix B, the weight of catches sold through the WFMs had decreased by 39% from 65,160 tonnes in 1991 to 39,694 tonnes in 1999.**

Need to improve the long-term financial viability

4.4 The FMO was in the past a profitable organisation and had maintained an accumulated surplus. Although the interest earned on its surplus accumulated in earlier years had enabled the FMO to report its overall financial results at a less unfavourable position, since 1989-90, the FMO had to use its accumulated surplus to balance its annual budget. **The FMO's accumulated surplus had decreased by 31% from \$104.3 million in 1989-90 to \$72 million in 1998-99. While recognising that the AFCD has successfully reduced the operating costs of the FMO (see paragraph 4.2 above), Audit considers that it is necessary for the AFCD to closely monitor the FMO's financial position and to improve its long-term financial viability.**

Audit recommendation

4.5 **Audit has recommended that the Director of Agriculture, Fisheries and Conservation should closely monitor the financial position of the FMO and its long-term financial viability.**

Response from the Administration

4.6 The **Director of Agriculture, Fisheries and Conservation** generally agrees with Audit's recommendation. The Director has said that the AFCD would study Audit's recommendation further and consider how to take them forward. The Director has also said that:

- (a) the AFCD is fully aware of the need to improve the long-term financial viability of the FMO and has, in fact, been making great effort to improve the financial situation of the FMO through:
 - (i) the streamlining of the operations and staff structure of the FMO to reduce operating costs;
 - (ii) the introduction of more efficient wholesale marketing procedures (e.g. the direct sale method) to attract fishermen to bring back more catches to Hong Kong and sell them through the WFMs; and
 - (iii) maximising the utilisation of the market space to provide better and new facilities and services to fishermen and fish traders and hence generate more income; and
- (b) the measures mentioned in inset (a) above have significantly reduced the operating costs and improved the income generation ability of the FMO. In the first quarter of the financial year 2000-01, the FMO had an operating surplus of around \$990,000. The AFCD foresees that the FMO would achieve a balanced budget in this financial year.

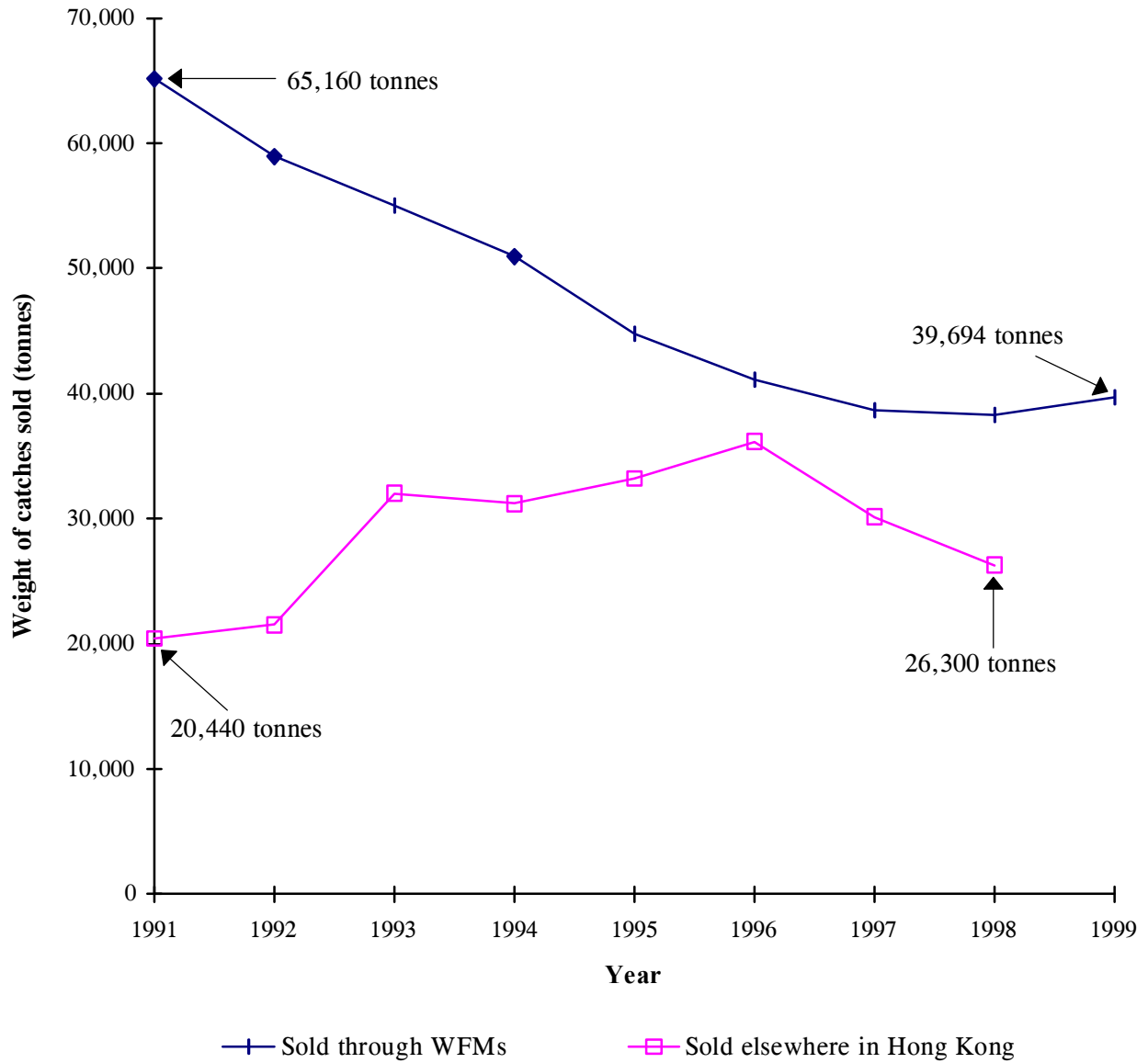
4.7 The **Secretary for the Environment and Food** generally agrees with the conclusions of the audit review. The Secretary has also said that the Environment and Food Bureau would work with the AFCD to study Audit's recommendation and to consider how to take it forward.

Locations of WFMs and the FCD



Source: AFCD's records

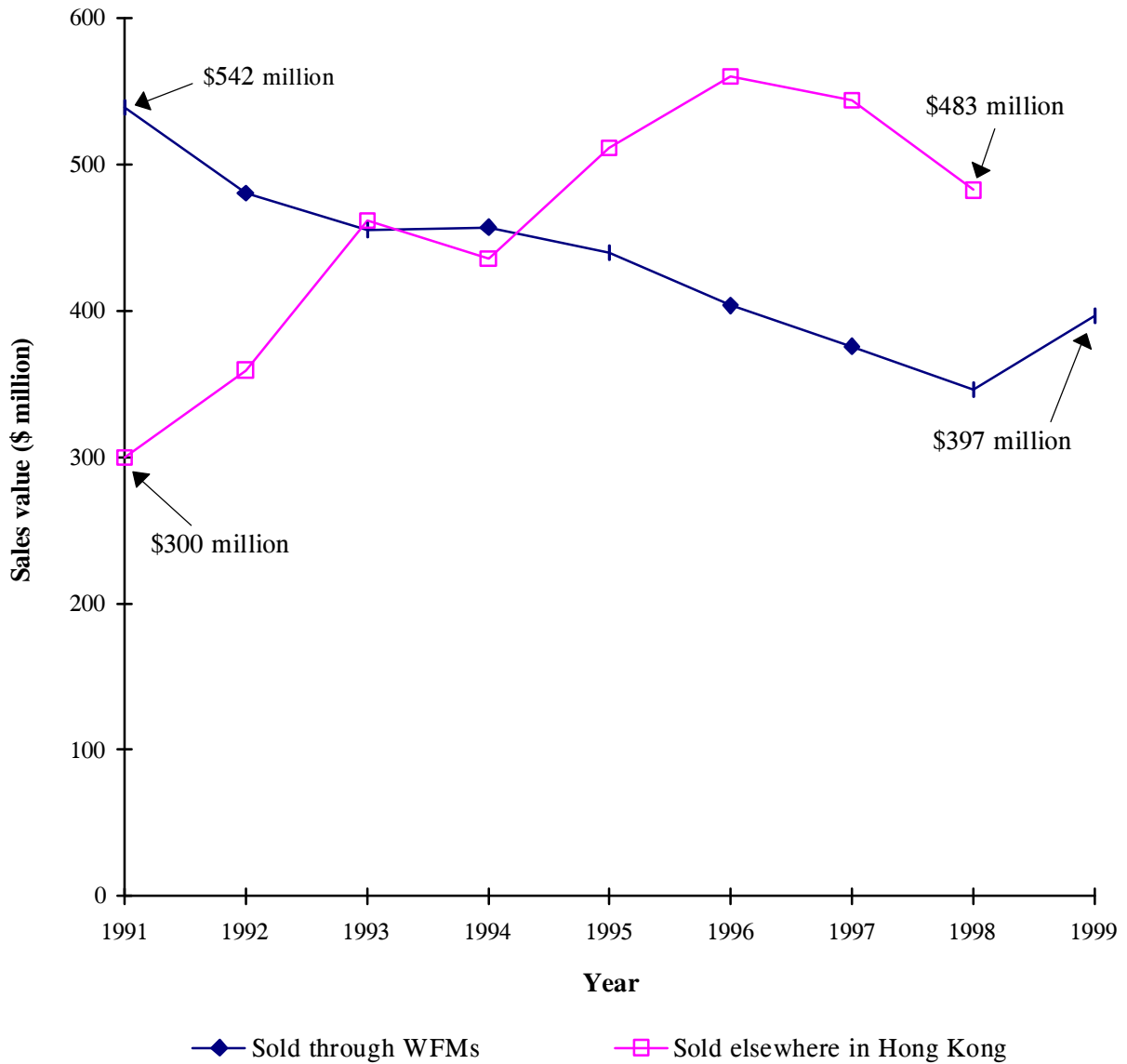
Weight of catches sold through WFMs and elsewhere in Hong Kong during the period 1991 to 1999



Source: AFCD's records

Note: The 1999 annual survey on the fishing industry conducted by the AFCD did not cover the weight of the catches sold elsewhere in Hong Kong in 1999.

Value of catches sold through WFMs and elsewhere in Hong Kong during the period 1991 to 1999

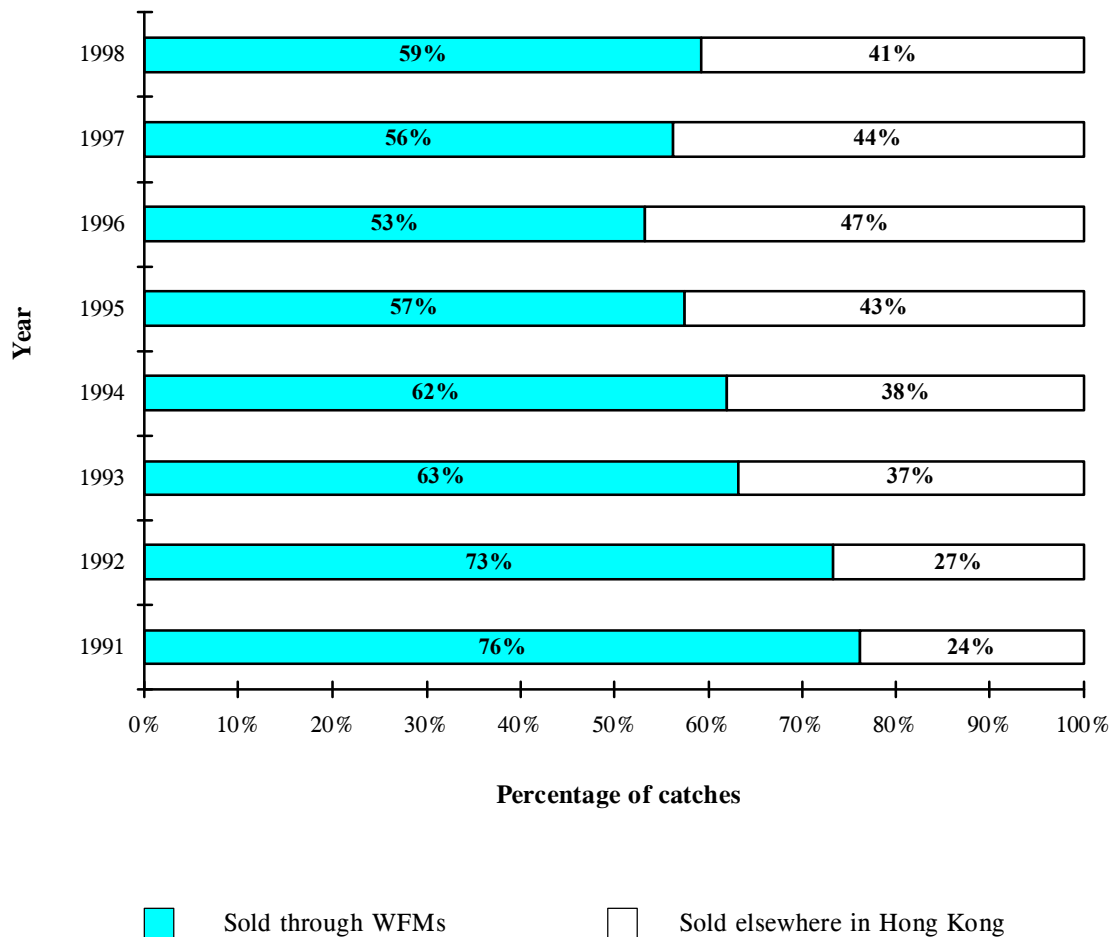


Source: AFCD's records

Note: The 1999 annual survey on the fishing industry conducted by the AFCD did not cover the value of the catches sold elsewhere in Hong Kong in 1999.

Percentage of catches sold through WFMs and
elsewhere in Hong Kong during the period 1991 to 1998

BY WEIGHT

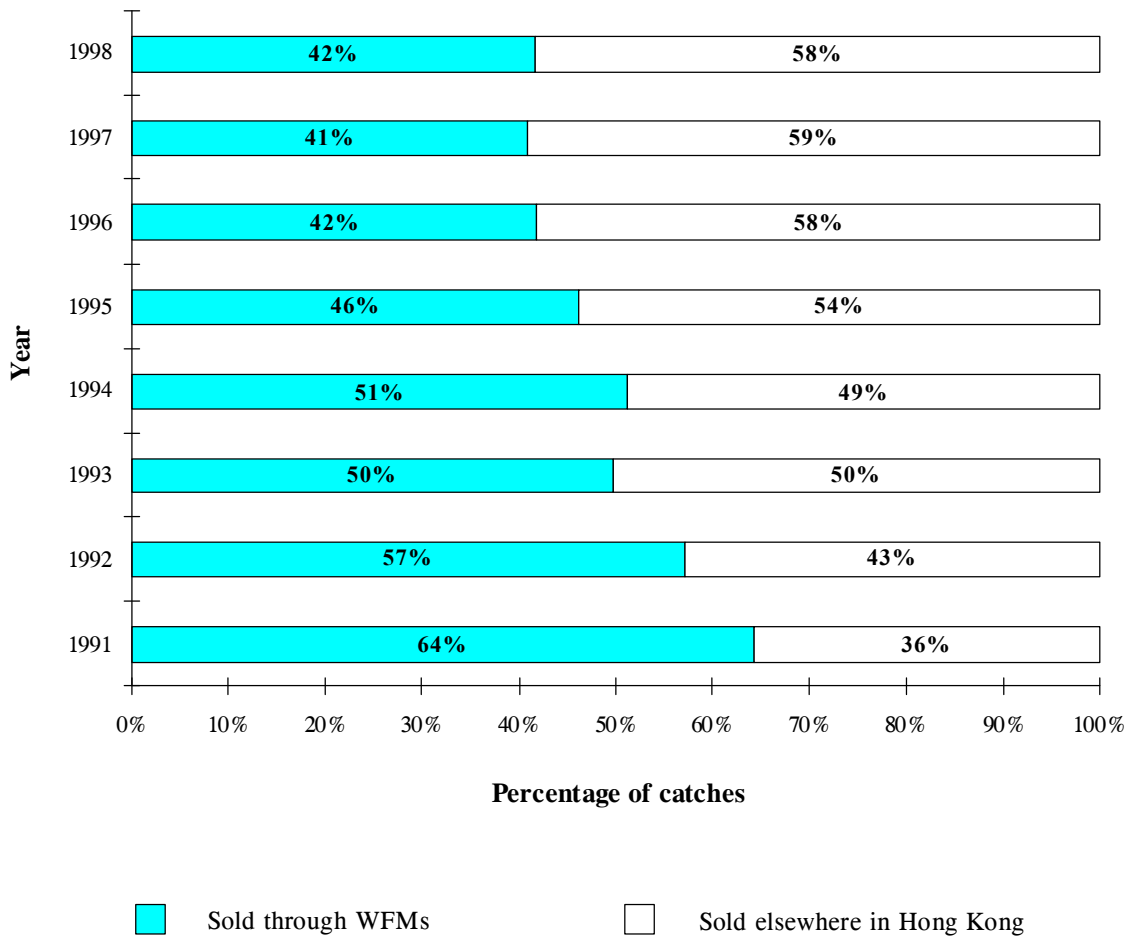


Source: AFCD's records

Note: The 1999 annual survey on the fishing industry conducted by the AFCD did not cover the percentage of catches by weight sold through the WFMs and elsewhere in Hong Kong in 1999.

Percentage of catches sold through WFMs and elsewhere in Hong Kong during the period 1991 to 1998

BY VALUE



Source: AFCD's records

Note: The 1999 annual survey on the fishing industry conducted by the AFCD did not cover the percentage of catches by value sold through the WFMs and elsewhere in Hong Kong in 1999.

**Results of enforcement operations
undertaken during the period 1995 to 1999
to combat marketing activities which contravened the MMO**

	1995	1996	1997	1998	1999
Number of operations (Note 1)	256	248	221	213	202
Number of successful prosecutions	75	73	61	63	71
Total fines (\$'000)	119	139	127	133	154
Total confiscation of marine fish					
Weight (tonnes)	40	29	18	18	16
Value (\$'000)	526	459	190	265	163
Total catches					
Weight (tonnes)	(a) 152,000	146,000	141,000	145,000	120,000
Value (\$ million)	(b) 1,434	1,438	1,388	1,479	1,297
Catches sold illegally outside WFMs					
Weight (tonnes)	(c) 33,200	36,200	30,100	26,300	} (Note 4)
Percentage by weight (Note 2)	22%	25%	21%	18%	
Value (\$ million)	(d) 511	560	544	483	
Percentage by value (Note 3)	36%	39%	39%	33%	

Source: AFCD's records

Note 1: The majority of the operations were conducted on land.

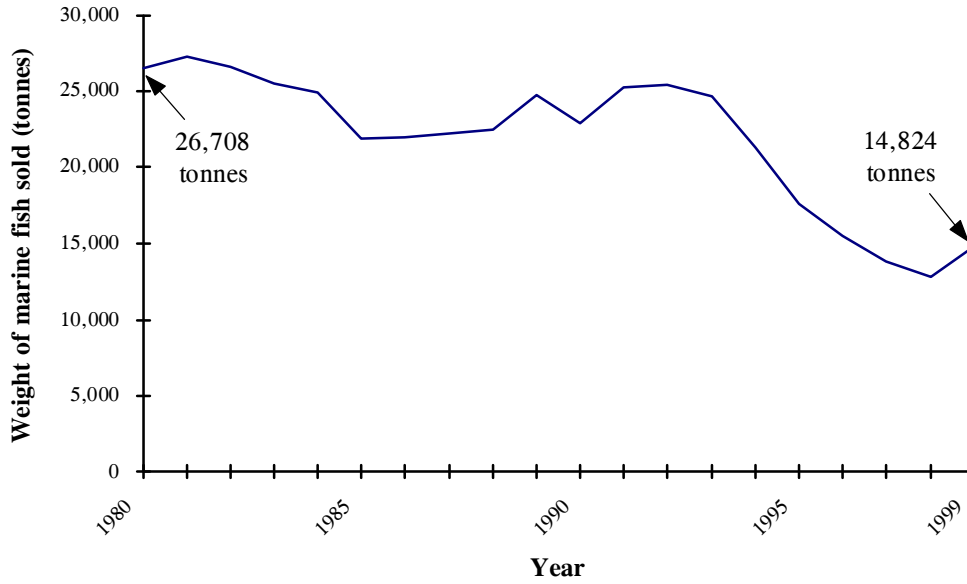
Note 2: Percentage of catches sold illegally outside the WFMs by weight = $\frac{(c)}{(a)} \times 100\%$

Note 3: Percentage of catches sold illegally outside the WFMs by value = $\frac{(d)}{(b)} \times 100\%$

Note 4: The 1999 annual survey on the fishing industry conducted by the AFCD did not cover the weight and value of catches sold illegally outside the WFMs in 1999.

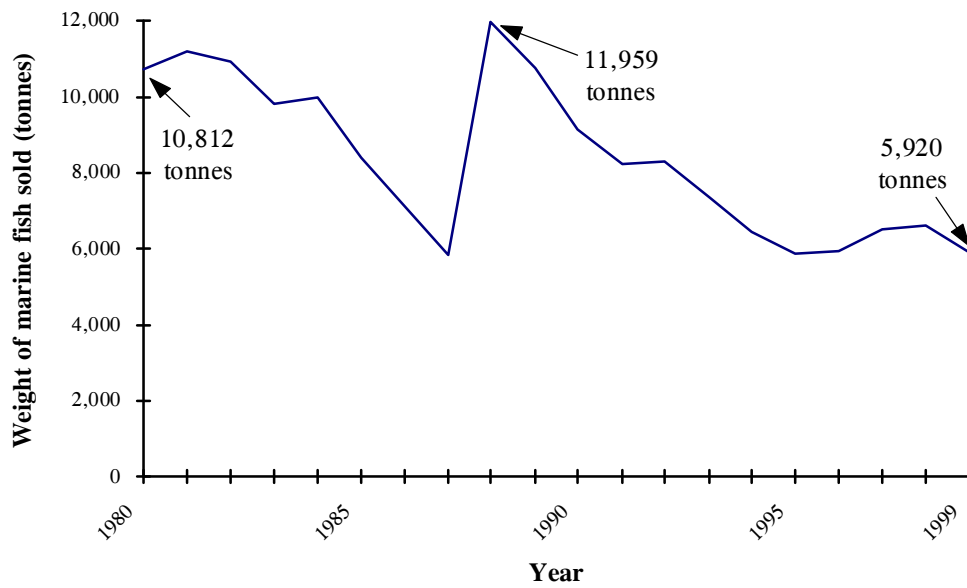
Annual weight of marine fish sold during the period 1980 to 1999

Figure 1
The Aberdeen WFM



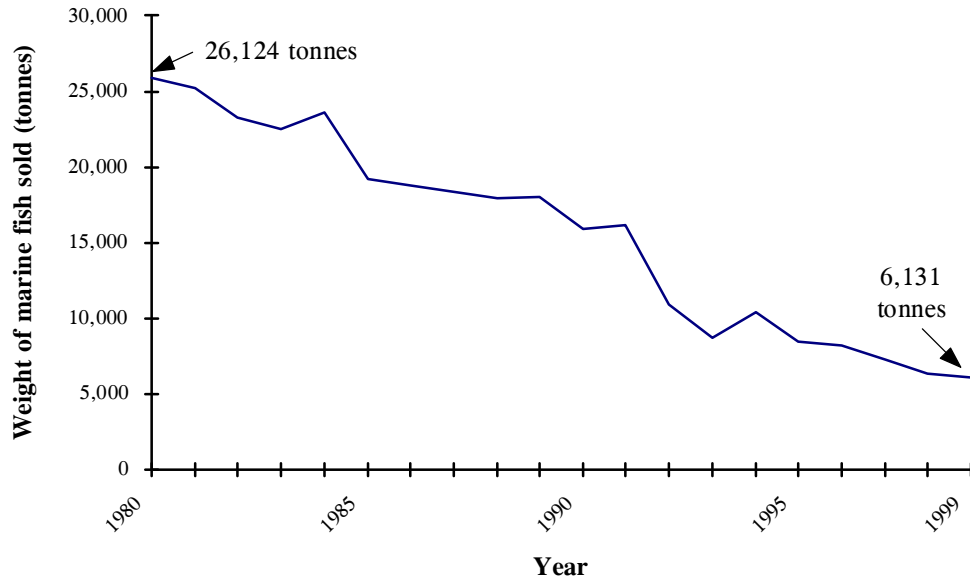
Source: AFCD's records

Figure 2
The Castle Peak WFM



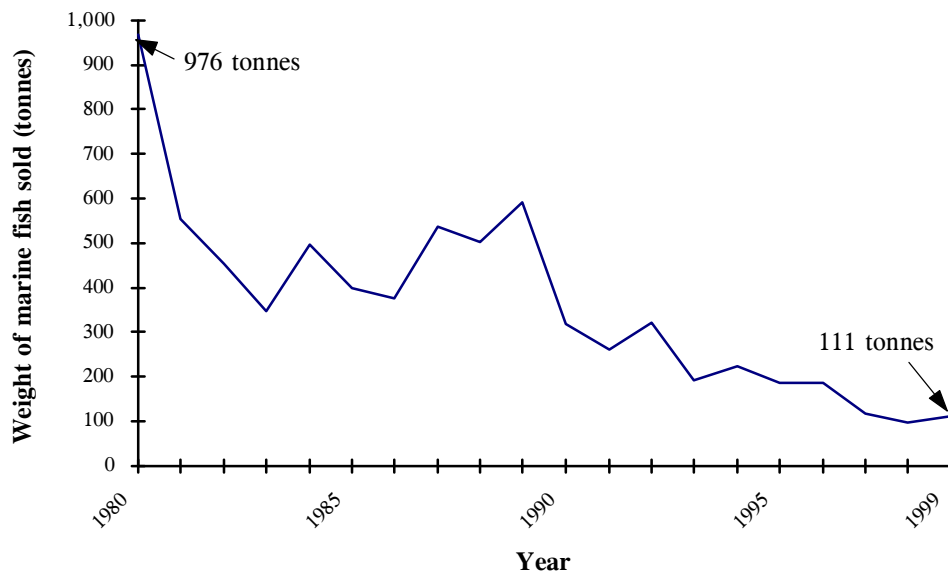
Source: AFCD's records

Figure 3
The Cheung Sha Wan WFM



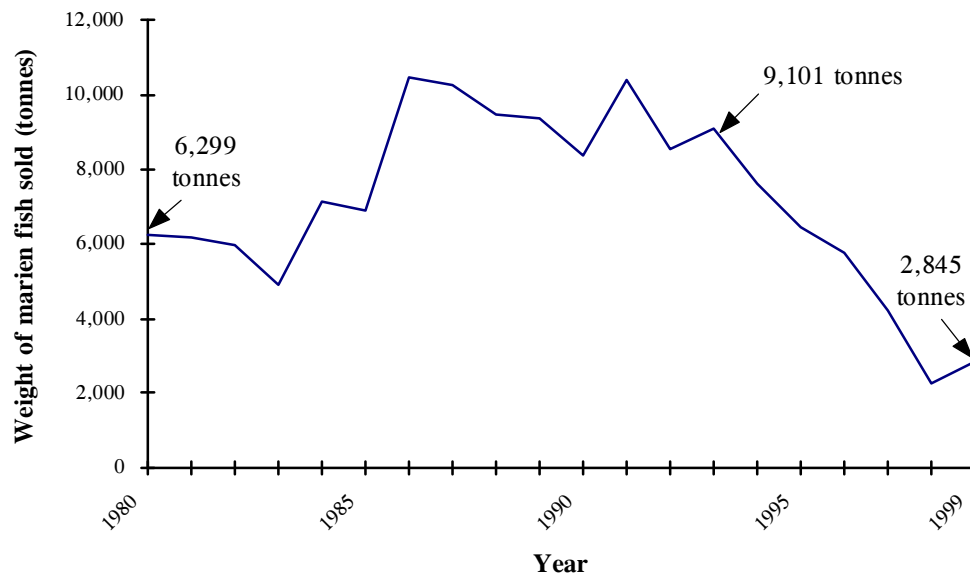
Source: AFCD's records

Figure 4
The Sai Kung WFM



Source: AFCD's records

Figure 5
The Shau Kei Wan WFM



Source: AFCD's records

Appendix H
(paragraph 3.19 refers)

**Decrease in weight of marine fish sold
through five WFMs during the period 1980 to 1999**

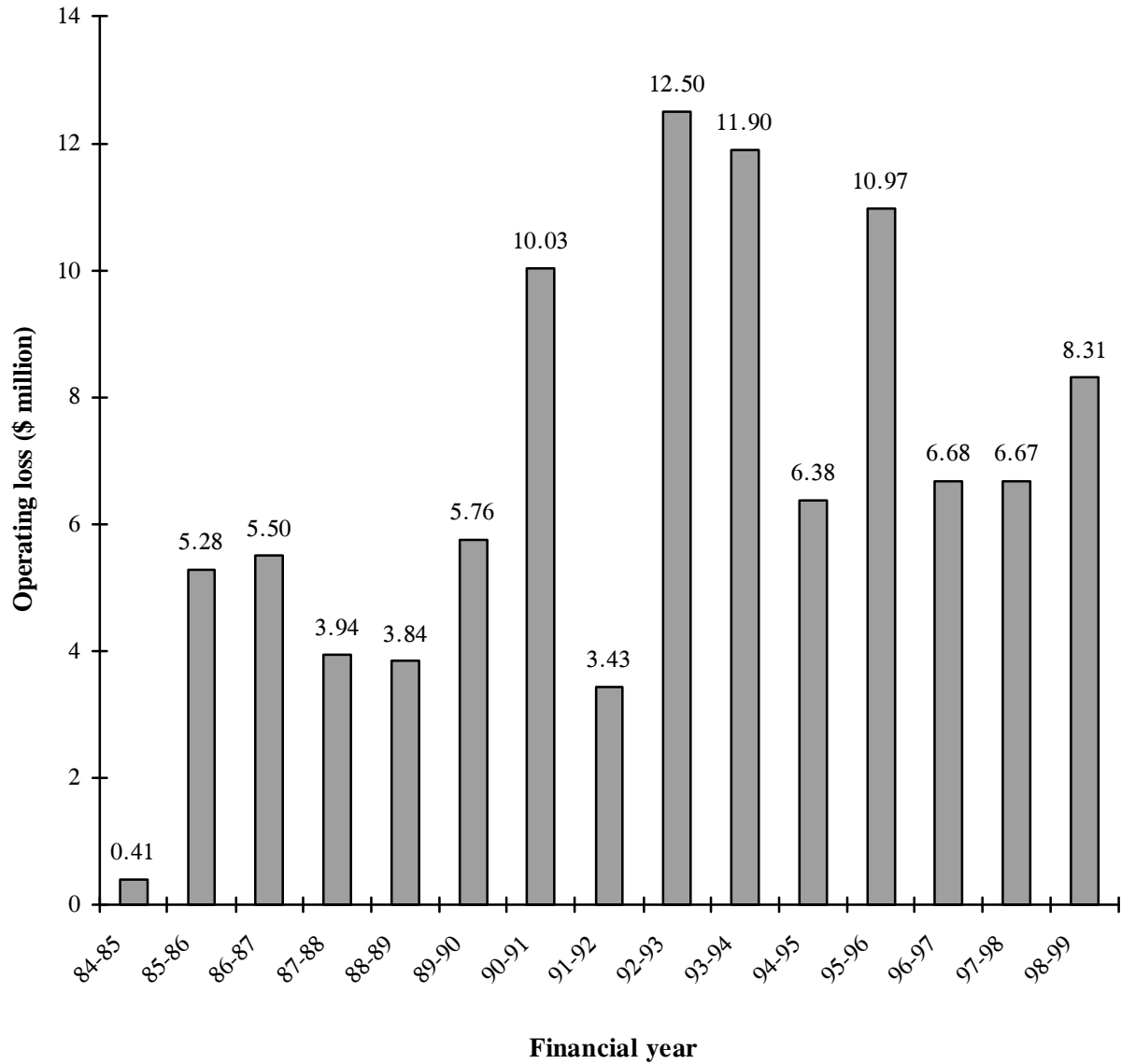
WFM	Average monthly sales		Percentage decrease
	1980	1999 (Note)	
	(a)	(b)	(c) = $\frac{(b) - (a)}{(a)} \times 100\%$
	(tonnes)	(tonnes)	(%)
Sai Kung	81	9	89%
Cheung Sha Wan	2,177	533	76%
Shau Kei Wan	525	256	51%
Aberdeen	2,226	1,390	38%
Castle Peak	901	555	38%

Source: Audit's analysis of AFCD's records

Note: There was a fishing moratorium during the months of June and July 1999. Because the Sai Kung WFM handled marine fish caught by small inshore vessels, its sales were not affected by the fishing moratorium. For the other WFMs, the average monthly sales for 1999 were derived by dividing the sales during the periods January 1999 to May 1999 and August 1999 to December 1999 by ten months.

Appendix I
(paragraph 4.2 refers)

**Operating losses incurred by the FMO
during the period 1984-85 to 1998-99**



Source: AFCD's records

Appendix J
(paragraph 4.2 refers)

**Operating results of WFMs
during the period 1995-96 to 1998-99**

WFM	1995-96	1996-97	1997-98	1998-99
	(\$ '000)	(\$ '000)	(\$ '000)	(\$ '000)
Operating gain/ (loss) of market operations				
Aberdeen	(3,837)	(1,549)	(815)	(2,155)
Castle Peak	(1,137)	(155)	(179)	(553)
Cheung Sha Wan	(3,066)	(1,691)	(2,541)	(1,455)
Kwun Tong	3,533	3,055	3,603	4,086
Sai Kung	77	(93)	(95)	(34)
Shau Kei Wan	(576)	(725)	(209)	(1,540)
Tai Po	<u>1,159</u>	<u>1,105</u>	<u>901</u>	<u>1,027</u>
Sub-total	<u>(3,847)</u>	<u>(53)</u>	<u>665</u>	<u>(624)</u>
Expenses of FMO Headquarters and ancillary operations	<u>(7,124)</u>	<u>(6,628)</u>	<u>(7,335)</u>	<u>(7,688)</u>
Total operating loss	<u>(10,971)</u>	<u>(6,681)</u>	<u>(6,670)</u>	<u>(8,312)</u>
Interest income	4,634	3,801	4,398	5,186
Other income/(expenses)	<u>81</u>	<u>(5)</u>	<u>(5)</u>	<u>6</u>
Sub-total	<u>4,715</u>	<u>3,796</u>	<u>4,393</u>	<u>5,192</u>
Total loss	<u>(6,256)</u>	<u>(2,885)</u>	<u>(2,277)</u>	<u>(3,120)</u>

Source: AFCD's records

Appendix K

Acronyms and abbreviations

AFCD	Agriculture, Fisheries and Conservation Department
FCD	Fish collecting depot
FMAB	Fish Marketing Advisory Board
FMO	Fish Marketing Organisation
MMO	Marine Fish (Marketing) Ordinance, Cap. 291
Police	Hong Kong Police Force
WFM	Wholesale marine fish market