

PUBLIC COOKED FOOD MARKETS MANAGED BY THE FOOD AND ENVIRONMENTAL HYGIENE DEPARTMENT

Executive Summary

1. The Food and Environmental Hygiene Department (FEHD) is responsible for managing public cooked food markets. It has been the Government's policy since the early 1970s that no new hawker licences should be issued under normal circumstances and on-street licensed hawkers should be put into off-street hawker bazaars or public markets. As at 31 December 2014, there were a total of 75 public cooked food markets, comprising 11 Cooked Food Hawker Bazaars (CFHBs), 25 Cooked Food Markets (CFMs) and 39 Cooked Food Centres (CFCs). CFHBs and CFMs are free-standing markets, and CFCs are attached to public markets that sell wet and dry goods. Stall operators in CFHBs must be licensed cooked food hawkers. For CFMs and CFCs, stall operators must not hold any hawker licence and holders of hawker licences are required to surrender their licences before they are allowed to operate. The 75 public cooked food markets provided a total of 1,282 stalls, comprising 238 stalls in CFHBs, 483 stalls in CFMs and 561 stalls in CFCs. The Audit Commission (Audit) has recently conducted a review to examine the FEHD's management of public cooked food markets.

Vacancy rates of markets

2. *High vacancy rates of CFHBs.* The hawker policy has resulted in a decreasing number of licensed hawkers operating in CFHBs and an increasing number of vacant CFHB stalls over time. However, the FEHD has not taken timely action to deal with the problem. As at 31 December 2014, the 11 CFHBs had a stall vacancy rate of 61% on average, with the largest two having a vacancy rate of 75% and 81%. Of the total of 144 vacant stalls in these 11 CFHBs, 114 (79%) stalls had been vacant for over 10 years. The high percentage of long-vacant CFHB stalls suggests that the land is not put to the best use. The FEHD needs to critically examine the problem and take effective improvement measures, such as consolidating CFHBs with high vacancy rates and releasing sites which are no longer required (paras. 2.3 to 2.7).

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3. ***Markets located at temporary sites.*** Nine public cooked food markets had been located at temporary sites for some 30 to 42 years. The Cheung Sha Wan CFM, the largest one, had a high vacancy rate of 57% as at 31 December 2014. In 2001, the FEHD considered that the CFM should be closed down and the site returned to the Government. However, the FEHD did not formulate any work plan to do so, except for freezing 16 vacant stalls. The CFM continued to operate, and the 16 stalls (out of 28) had been frozen for over a decade. The FEHD needs to formulate exit plans as appropriate for markets located at temporary sites (paras. 2.8 to 2.11).

4. ***Viability of markets.*** The FEHD intends that all genuinely non-viable hawker pitches and market pitches should be delisted. However, it is not the FEHD's practice to conduct periodic reviews to assess the viability of each public cooked food market and its alternative use. Based on a review of the provision of the 25 CFMs and 39 CFCs by the FEHD in 2010, Audit noted that there were some CFMs/CFCs with low patronage, casting doubt on their viability (paras. 2.14 and 2.15).

Provision of facilities in markets

5. ***Fire safety measures.*** In 2003, a joint meeting between the FEHD, the Fire Services Department and the Architectural Services Department concluded that full-scale fire service upgrading works should be implemented in the FEHD's markets. The FEHD drew up an implementation plan for CFCs and public markets selling wet and dry goods but not CFHBs and CFMs. The progress in improving fire safety measures has been slow. As at December 2014, many public cooked food markets had implemented only a few upgraded fire safety measures. This is a cause for concern because Audit's site visits revealed certain fire risk factors in public cooked food markets, such as open kitchens without fire-resistant partitions, keeping many liquefied petroleum gas cylinders, etc (paras. 3.4 to 3.9).

6. ***Electricity supply for stall operation.*** According to the FEHD's current standard, the electricity supply for each cooked food stall should have a capacity of 60 amperes. As at December 2014, none of the 25 CFMs, and only 2 of the 39 CFCs, had electricity supply that met the standard. Sub-standard electricity supply has caused problems such as overloading of electric system, and rendering the stalls unfit for letting and retrofitting of air-conditioning systems not feasible (paras. 3.15, 3.17 and 3.19).

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7. *Air-conditioning of markets.* As at December 2014, only 22 (29%) of the 75 public cooked food markets were air-conditioned. Retrofitting of air-conditioning systems for some markets could not go ahead due to inadequate electricity supply. Some stall operators have installed standalone air-conditioners without the FEHD's prior approval and without due consideration of the inadequate electricity supply, which could be a safety concern (paras. 3.24, 3.27 and 3.28).

Management of market stalls

8. *Management of stalls in CFMs and CFCs.* CFM and CFC stalls were intended for small-scale operation. They may not meet the hygiene requirements and safety standards applicable to restaurants. However, some stalls were actually operating at a larger scale than traditional cooked food stalls. In addition, Audit's site visits found that some stalls without liquor licence sold liquor to patrons for consumption in the stall area, and some stalls without food factory licence might be used as food factories (paras. 4.5 to 4.7).

9. *Routine inspections of stalls.* Audit examination of the FEHD's routine inspections of stalls in the public cooked food markets revealed the following inadequacies: (a) not taking actions on some irregularities such as obstruction of public areas and improper use of liquefied petroleum gas; (b) inspections not thoroughly conducted; and (c) inspections not conducted in a timely manner in accordance with the FEHD's requirements (paras. 4.19 to 4.24).

Management of stall rentals and charges

10. Stall operators in CFMs and CFCs, being public market stall tenants, are required to pay rentals and rates. They are also required to pay air-conditioning charges if their CFMs and CFCs are air-conditioned. In 2008, Audit conducted a review of the FEHD's management of public markets, and recommended that the FEHD should: (a) establish a suitable rental adjustment mechanism to address the issue that many stall tenants were paying lower-than-market rentals; (b) examine the issue that the FEHD had not recovered from stall tenants the rates paid on their behalf; and (c) work out an appropriate arrangement to tackle the issue of under-recovery of air-conditioning costs from stall tenants. As at December 2014, the FEHD had not fully implemented its follow-up actions on the issues (paras. 5.2 to 5.11, 5.14 to 5.17, and 5.20 to 5.28).

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Way forward

11. In 2012, the Financial Services and the Treasury Bureau (FSTB) selected some government sites to study their redevelopment potential, including 12 public cooked food market sites. The FEHD considered that 3 CFHB sites could be released. So far, the FEHD has started the negotiation with the licensees of 2 of the CFHBs on closure. As the 2012 FSTB study did not cover the other 63 public cooked food market sites and some of these sites might be underutilised, the FEHD needs to explore their redevelopment potential or alternative use (paras. 6.5 to 6.8).

Audit recommendations

12. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that the Director of Food and Environmental Hygiene should:**

Vacancy rates of markets

- (a) **take effective measures to tackle the high vacancy problem of individual public cooked food markets, such as consolidating the markets and formulating exit plans for markets located at temporary sites (para. 2.16(b) and (c));**
- (b) **conduct periodic reviews to monitor the vacancy rate and assess the viability of each public cooked food market (para. 2.16(c));**

Provision of facilities in markets

- (c) **expedite the implementation of fire safety measures at public cooked food markets and explore effective measures to help better ascertain and address their fire risk (para. 3.11(a) and (c));**
- (d) **where feasible, take prompt actions to enhance the electricity supply for CFMs and CFCs, and take forward proposals for retrofitting air-conditioning systems (paras. 3.22(c) and 3.29(a));**

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- (e) promptly step up control to curb unauthorised installation of air-conditioners (para. 3.29(c));

Management of market stalls

- (f) review the adequacy of facilities provided to stalls in CFMs and CFCs operating at a much larger scale than traditional cooked food stalls, and explore improvement measures (para. 4.8(a) and (b));
- (g) take necessary follow-up actions on the issue of selling liquor by stalls in public cooked food markets without liquor licence, and the cases involving stalls suspected to be running as food factories without food factory licence (para. 4.8(e) and (f));
- (h) ensure that FEHD staff conduct effective and timely inspections of public cooked food markets in accordance with the FEHD's requirements and properly follow up irregularities identified during inspections (para. 4.25(a), (c) and (e));

Management of stall rentals and charges

- (i) expedite action to establish a suitable rental adjustment mechanism for public markets and to recover rates and air-conditioning costs from stall tenants (paras. 5.12(a), 5.18 and 5.29(a)); and

Way forward

- (j) expedite actions to release the three public cooked food market sites for redevelopment, and explore the redevelopment potential or alternative use of other public cooked food market sites (para. 6.9(b) and (c)).

Response from the Government

13. The Secretary for Food and Health and the Director of Food and Environmental Hygiene generally agree with the audit recommendations.