

## **CHAPTER 2**

**Food and Health Bureau  
Agriculture, Fisheries and Conservation Department**

**Fresh food wholesale markets**

**Audit Commission  
Hong Kong  
5 April 2016**

*This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.*

Report No. 66 of the Director of Audit contains 8 Chapters which are available on our website at <http://www.aud.gov.hk>

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# FRESH FOOD WHOLESALE MARKETS

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# FRESH FOOD WHOLESALE MARKETS

## Executive Summary

1. Fresh food wholesale markets have a long history in Hong Kong and are an integral part of the supply chain for distributing five types of fresh food (i.e. vegetables, fruits, eggs, live and fresh fishes, and live poultry). As at December 2015, there were 12 public fresh food wholesale markets, comprising four government fresh food wholesale markets operated by the Agriculture, Fisheries and Conservation Department (AFCD), seven wholesale fish markets operated by the Fish Marketing Organisation (FMO) and a wholesale vegetable market operated by the Vegetable Marketing Organisation (VMO). The FMO and the VMO are self-financing non-profit-making organisations established many years ago under the Marine Fish (Marketing) Ordinance (Cap. 291) and the Agricultural Products (Marketing) Ordinance (Cap. 277) respectively to promote the development of the agriculture and fisheries industries and the orderly marketing of fresh marine fishes and vegetables. Both organisations are administered by the Director of Marketing, who is also the Director of Agriculture, Fisheries and Conservation. Also, there were three privately operated fresh food wholesale markets, including the Yau Ma Tei Fruit Market. The 12 public fresh food wholesale markets had total site areas of 265,480 square metres (m<sup>2</sup>). In the past 10 years, fresh food distributed through the public wholesale markets had decreased both in quantum and market share. In 2014-15, total throughput was 666,000 tonnes, down 14% from 776,000 tonnes in 2005-06. On the other hand, as a result of the increase in total local consumption of the five types of fresh food from 1,339,000 tonnes in 2005-06 to 1,802,000 tonnes in 2014-15 (an increase of 35%), the percentage of fresh food supplied through the 12 markets had decreased from 58% in 2005-06 to 37% in 2014-15. The Audit Commission (Audit) has recently conducted a review of the AFCD's efforts in the provision and management of public fresh food wholesale markets.

## Utilisation of public fresh food wholesale markets

2. *Some facilities at AFCD markets not used or used for unintended purposes.* The four AFCD markets provide stalls, trade offices and ancillary facilities (e.g. bank and kiosk) for renting by traders and interested parties. During 2005-06 to 2014-15, the overall throughput of the four markets decreased by 3%. One of them (Cheung Sha Wan Temporary Wholesale Poultry Market) had a 76% decrease in throughput. As at December 2015, 48 (56%) stalls in the poultry market were left vacant (see para. 9). Moreover, some trade offices and ancillary

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facilities at the four markets were unutilised, including two battery charging areas not used for over 10 years. To improve utilisation of the markets, the AFCD had allocated 26 (50%) trade offices and 9 (28%) ancillary facilities for use by government departments. These facilities were generally used by the departments for storage of miscellaneous items, instead of letting to traders for conducting fresh food wholesale activities (paras. 2.3 to 2.17).

3. ***Surplus areas in FMO markets.*** The land areas of the seven FMO markets comprise trading areas (e.g. stalls) and ancillary areas (e.g. loading/unloading and parking areas). During 2005-06 to 2014-15, the total throughput of the seven markets decreased by 16%. In three markets, the ancillary areas accounted for 70% or more of the market areas. The considerable proportion of ancillary areas might indicate surplus areas in the markets. Audit site visits to the market with the greatest proportion (85%) of ancillary areas revealed that its ancillary areas were mainly let out as 38 monthly parking spaces, which seemed excessive when compared with other FMO markets. Moreover, Audit analysis revealed that in another FMO market, 84% of the trading areas were not utilised (paras. 2.21 to 2.30 and 2.37).

## Management of Agriculture, Fisheries and Conservation Department markets

4. ***Non-compliance with terms of tenancy agreements.*** The AFCD has contracted out supporting services for the four AFCD markets through open tendering, including market management, cleansing and security services. AFCD staff and staff of the contractors conduct daily inspections covering areas such as general condition of key facilities and compliance with terms of tenancy agreements. However, during site visits to two largest AFCD markets, Audit noted incidents of non-compliance/suspected non-compliance with the terms of tenancy agreements, including using wholesale market stalls for retail sale, causing obstructions and suspected gambling (paras. 3.2, 3.3 and 3.7).

5. ***Tender assessment methodology not conducive to improving performance.*** In conducting tender exercises for procuring supporting services for its markets, the AFCD has assessed tenders conforming to essential requirements based on the tender prices only. This is not conducive to improving contractor performance because any unsatisfactory performance of existing contractors would not affect their claims in future tender exercises. For example, Audit noted occasions that the contractors had provided fewer security guards than required, which weakened the



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control over compliance with the terms of tenancy agreements (see para. 4). However, the ability to deploy staff effectively to deter non-compliance incidents is not assessed in tender evaluation (paras. 3.23 to 3.25).

### **Reprovisioning of private and public fresh food wholesale markets**

6. ***Yau Ma Tei Fruit Market.*** The Yau Ma Tei Fruit Market is a private market established in 1913. Over the years, it has become outdated, causing traffic and environmental nuisances in the vicinity. In accordance with the Executive Council's decision of 1969, the Government should reprovision the fruit market to a government-built wholesale market. In its last audit review of 2007, Audit reported that there had been little progress in the reprovisioning of the fruit market. In its Report of July 2007, the Public Accounts Committee (PAC) of the Legislative Council expressed serious concern and strongly urged the Government to provide a definite relocation timetable. In this audit review, Audit noted that: (a) in 2007, the Government informed the PAC of the plan to construct a new wholesale market for fresh fruits in Cheung Sha Wan for relocating the fruit market; (b) in 2008, the Government indicated that it would continue to liaise with fruit traders, who had strong reservations about the proposed relocation of the fruit market; (c) in 2011, the Government decided to release the site at Cheung Sha Wan for residential development and identified an alternative site at Kwai Chung; and (d) in January 2016, the Government decided to release the site at Kwai Chung for other competing uses and was considering a candidate site in Tsing Yi for the relocation of the fruit market. As at March 2016, after a lapse of some 47 years since the 1969 Executive Council decision, the fruit market had yet to be reprovisioned. Records indicated that, during 2007 to 2013, a total of 1,533 complaints (e.g. about obstructions and noise) in relation to the fruit market were lodged with various government departments. Audit site visits to the fruit market in January 2016 confirmed that nuisances caused by market operation persisted (paras. 4.2 to 4.14).

7. ***Cheung Sha Wan Wholesale Vegetable Market.*** The Cheung Sha Wan Vegetable Wholesale Market has been operated by the VMO since 1965. It has a total site area of 18,933 m<sup>2</sup>. As early as in 1994, the Planning Department commented that its continued operation at the Cheung Sha Wan sites would be a misuse of valuable land. In 1998, the relevant areas were zoned for residential use, with the intention of using the land for public housing development. While the Planning Department had proposed different relocation sites for the vegetable market, the AFCD did not consider the sites suitable and had no plan of relocating

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the vegetable market. In 2011, a review conducted by the Food and Health Bureau in consultation with the AFCD concluded that relocation of the vegetable market would be planned to provide land supply for residential developments. The AFCD required a suitable relocation site with a site area of at least 25,000 m<sup>2</sup>. Audit noted that the required area of 25,000 m<sup>2</sup> was 32% larger than the existing total site area of 18,933 m<sup>2</sup>. Given that during 2005-06 to 2014-15 the throughput of the vegetable market decreased significantly by 40%, the AFCD needs to critically review the site requirements to ensure that they are justified. As at March 2016, there was little progress in the reprovisioning of the vegetable market. The Housing Department had commented that the relevant housing development could only be completed around five years after the relocation of the vegetable market (paras. 4.28 to 4.38).

8. ***North District Temporary Wholesale Market for Agricultural Products.***

The North District Temporary Wholesale Market for Agricultural Products operated by the AFCD had been occupying a temporary site of 12,500 m<sup>2</sup> in Fanling since its commissioning in 1989 to sell vegetables. Due to short operating hours and being only an open ground without permanent infrastructure, its “throughput to land areas” ratio in 2014-15 was only half of that of the Cheung Sha Wan Wholesale Vegetable Market. Also, during 2005-06 to 2014-15, it had a 48% decrease in throughput. There is a need to optimise the use of the site (paras. 2.6(b) and 4.40 to 4.42).

9. ***Cheung Sha Wan Temporary Wholesale Poultry Market.*** Occupying a temporary site of 26,000 m<sup>2</sup> since 1974, the Cheung Sha Wan Temporary Wholesale Poultry Market operated by the AFCD is the only wholesale market for live poultry in the territory. To address the risk of outbreak of avian influenza, the Government had launched schemes to help live poultry traders voluntarily end their business, resulting in diminution of the live poultry trade. During 2005-06 to 2014-15, the poultry market had a 76% decrease in throughput. As at December 2015, the poultry market had 48 (56%) vacant stalls, with vacancy periods over five years. The Government has commissioned a consultancy study on the way forward for the live poultry trade in Hong Kong, and the proposed relocation of the poultry market to Sheung Shui has been put on hold (paras. 2.6(a) and 4.43 to 4.46).

## Way forward

10. The FMO and the VMO were originally set up for wholesale marketing of fresh marine fishes (excluding fishes alive and in water) and local vegetables respectively. During 2005-06 to 2014-15, the fresh marine fishes throughput of the

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seven FMO markets decreased by 20%, and the local vegetables throughput of the VMO's Cheung Sha Wan Wholesale Vegetable Market decreased by 59%. To sustain their operation, the FMO has let extensive market areas to traders for live marine fish trading (in contrast to fresh marine fishes) and car parking (see para. 3), and the VMO has sold predominantly imported vegetables. There is a need to review the use of lands by the FMO and the VMO for purposes other than originally intended to ensure that it represents an optimal use of public resources against competing demands. For example, as both the VMO's Cheung Sha Wan Wholesale Vegetable Market and the nearby AFCD's Cheung Sha Wan Wholesale Food Market are carrying out wholesale marketing of imported and local vegetables, it is necessary to review the roles and functions of these public markets, with a view to minimising overlap of activities and eliminating duplication of resources (paras. 5.4 to 5.9).

### Audit recommendations

11. **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 Agriculture, Fisheries and Conservation should:**

#### *Utilisation of public fresh food wholesale markets*

- (a) **explore the conversion of any facilities at AFCD markets not used for a long period into other gainful uses (para. 2.19(b));**
- (b) **for facilities at AFCD markets currently allocated to government departments, ensure that they are periodically advertised for letting to traders (para. 2.19(c));**
- (c) **review the market areas of individual FMO markets to find out the areas which are surplus to operational needs and take measures to redeploy the surplus areas to gainful uses (para. 2.39(a) and (b));**

#### *Management of AFCD markets*

- (d) **consider measures to better detect and deter non-compliance with terms of tenancy agreements at AFCD markets (para. 3.13(a));**
- (e) **review the adequacy of the tender assessment methodology in inducing contractors to improve performance and in encouraging quality services (para. 3.26(b));**

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### ***Reprovisioning of private and public fresh food wholesale markets***

- (f) **keep in view the progress made by the relevant bureau and departments in exploring a reprovisioning site for the Yau Ma Tei Fruit Market and consider how to engage fruit traders and other stakeholders to solicit their support (para. 4.16(a) and (c));**
- (g) **in the interim, continue to monitor the effectiveness of the measures for mitigating nuisances caused by the Yau Ma Tei Fruit Market operation (para. 4.16(d));**
- (h) **critically review the site requirements for the reprovisioning of the Cheung Sha Wan Wholesale Vegetable Market (para. 4.47(c));**
- (i) **work closely with the relevant departments to expedite the reprovisioning of the Cheung Sha Wan Wholesale Vegetable Market and the release of the sites for housing developments (para. 4.47(d));**
- (j) **examine how to optimise the use of the site currently occupied by the North District Temporary Wholesale Market for Agricultural Products (para. 4.47(f));**
- (k) **keep in view the development of the Government's policy on the selling of live poultry, with a view to reprovisioning the Cheung Sha Wan Temporary Wholesale Poultry Market and/or releasing its site at the earliest possible time (para. 4.47(g)); and**

### ***Way forward***

- (l) **in conjunction with the Secretary for Food and Health, critically review the roles and functions of the FMO and the VMO in relation to those of the AFCD in operating public fresh food wholesale markets, and take measures to help them perform their roles and functions effectively and efficiently (para. 5.11).**

## **Response from the Government**

12. The Secretary for Food and Health and the Director of Agriculture, Fisheries and Conservation generally accept the audit recommendations.

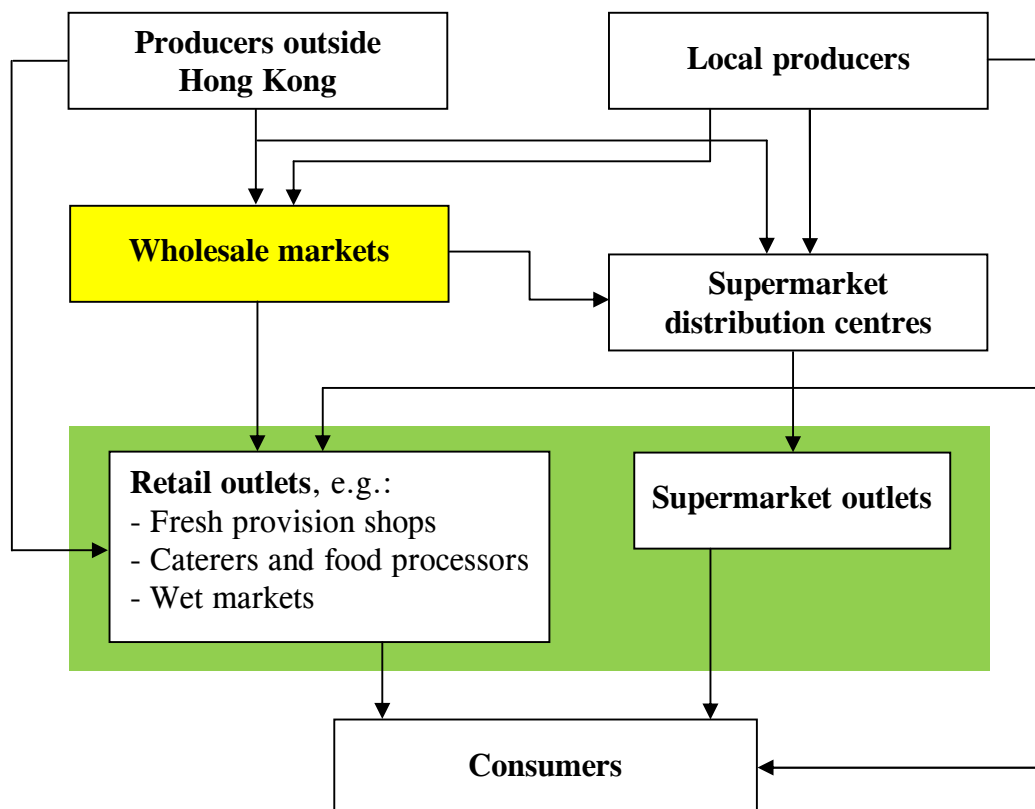
## PART 1: INTRODUCTION

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

1.2 In Hong Kong, fresh food wholesale markets are an integral part of the supply chain for distributing five types of fresh food (i.e. vegetables, fruits, eggs, live and fresh fishes, and live poultry). Through wholesale markets, producers sell their produce in bulk quantities to traders for their resale in smaller quantities to retailers. There are also retailers (e.g. supermarkets) and consumers who source fresh food directly from producers. Figure 1 shows an overview of the fresh food supply system.

**Figure 1**

### Overview of the fresh food supply system



Legend:  Retailers

Source: *Audit Commission analysis of Agriculture, Fisheries and Conservation Department records*

### *Public fresh food wholesale markets*

1.3 *4 markets operated by the Agriculture, Fisheries and Conservation Department (AFCD).* Fresh food wholesale markets have a long history in Hong Kong. Early markets were operated by private individuals/entities on open streets and land areas. In 1969, the Government decided to construct markets using public funds to re-provision such private markets and solve the traffic, environmental and other problems caused by them. As at 31 December 2015, there were four government fresh food wholesale markets, all operated by the AFCD.

1.4 *8 markets operated by the Fish Marketing Organisation (FMO) or the Vegetable Marketing Organisation (VMO).* In 1945 and 1946, against the backdrop of post-war rehabilitation, the Government established the FMO and the VMO respectively to help local fishermen and farmers. The FMO and the VMO are self-financing non-profit-making organisations formed to promote the development and continuous improvement of the agriculture and fisheries industries and to provide facilities and services for the orderly marketing of fresh marine fishes and fresh vegetables. The FMO operates under the Marine Fish (Marketing) Ordinance (Cap. 291) and the VMO operates under the Agricultural Products (Marketing) Ordinance (Cap. 277). The FMO and the VMO earn commissions on transactions conducted at the wholesale markets operated by them. As at 31 December 2015, there were seven wholesale fish markets operated by the FMO and one wholesale vegetable market operated by the VMO.

1.5 Also, as at 31 December 2015, there were three privately operated fresh food wholesale markets, comprising the Yau Ma Tei Fruit Market, Yuen Long Tin Kwong Hui Vegetable Wholesale Market and Yuen Long Freshwater Fish Market (Note 1).

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**Note 1:** *The site areas were 14,000 square metres (m<sup>2</sup>) for the Yau Ma Tei Fruit Market, 8,200 m<sup>2</sup> for the Yuen Long Tin Kwong Hui Vegetable Wholesale Market and 7,800 m<sup>2</sup> for the Yuen Long Freshwater Fish Market. All three private markets were self-financed and did not involve government funding.*

1.6 According to the AFCD, besides their economic role (serving a hub-and-spoke function in the food supply chain), other roles of fresh food wholesale markets as evolved over the years include stabilising food supply and prices, improving food trading efficiency and price transparency, improving food safety and traceability, and generating employment opportunities for the grassroots. The AFCD has also indicated that:

- (a) one of the roles of the VMO is to help local farmers market their produce. In particular, the VMO helps small local farmers who have fewer resources and less bargaining power, and whose production volume does not make it viable for them to make their own logistics and direct sale arrangements. Similar to the VMO, the roles of the FMO include improving the marketing of fishery products and promoting co-operative enterprise in the fisheries industry; and
- (b) two AFCD markets (i.e. the Cheung Sha Wan Wholesale Food Market and the Western Wholesale Food Market) were constructed to remedy the traffic and environmental nuisances caused by the wholesale traders, making the best use of the land for the markets to the best advantage of the trade and the community, and to facilitate the development of the areas then occupied by wholesale traders.

1.7 In this Audit Report, the wholesale markets operated by the AFCD, the FMO or the VMO are referred to as public fresh food wholesale markets. The food supplied by the public fresh food wholesale markets and by the private markets are shown in Table 1. Table 2 lists the 12 public fresh food wholesale markets (Note 2). The locations and land status (e.g. short term tenancy (STT) or Private Treaty Grant (PTG)) of the public fresh food wholesale markets are shown in Appendix A and Appendix B respectively.

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**Note 2:** *There were also one fish collecting depot at Cheung Chau (61 m<sup>2</sup>) operated by the FMO and two vegetable collecting depots at Kam Tin (486 m<sup>2</sup>) and Lam Tei (1,575 m<sup>2</sup>) operated by the VMO. Fishermen/farmers may deliver fishes/vegetables to the depots for transportation to FMO/VMO markets for sale.*

## Introduction

**Table 1**  
**Food supplied through public fresh food wholesale markets**  
**(2014-15)**

Market	('000 tonnes)						
	Vegetables	Fruits	Eggs	Live and fresh fishes		Live poultry	Overall
				Freshwater	Marine		
<i>Food supplied through public fresh food wholesale markets</i>							
Cheung Sha Wan Temporary Wholesale Poultry Market	–	–	–	–	–	9	9
North District Temporary Wholesale Market for Agricultural Products	43	–	–	–	–	–	43
Cheung Sha Wan Wholesale Food Market	161	–	50	41	–	–	252
Western Wholesale Food Market	50	102	23	13	–	–	188
AFCDD markets subtotal	254	102	73	54	–	9	492
7 Fish Markets of FMO	–	–	–	–	46	–	46
Cheung Sha Wan Wholesale Vegetable Market of VMO	128	–	–	–	–	–	128
Total	382	102	73	54	46	9	666
<i>Analysis of supply of fresh food</i>							
Through public wholesale markets	382 (47%)	102 (15%)	73 (68%)	54 (65%)	46 (41%)	9 (100%)	666 (37%)
Through Yau Ma Tei Fruit Market	–	317 (47%)	–	–	–	–	317 (17%)
Through the remaining 2 private wholesale markets	13 (1%)	–	–	16 (19%)	–	–	29 (2%)
Not through wholesale markets	425 (52%)	253 (38%)	34 (32%)	13 (16%)	65 (59%)	–	790 (44%)
Total local consumption	820 (100%)	672 (100%)	107 (100%)	83 (100%)	111 (100%)	9 (100%)	1,802 (100%)

Source: Audit Commission analysis of AFCD records



**Table 2**  
**Public fresh food wholesale markets**  
**(31 December 2015)**

Name of market (Abbreviated name referred to in this Audit Report)		Year of establishment	Site area (m <sup>2</sup> )
<b><i>AFCD markets</i></b>			
1	Cheung Sha Wan Temporary Wholesale Poultry Market (Cheung Sha Wan Temporary Poultry Market)	1974	26,000 (Note 1)
2	North District Temporary Wholesale Market for Agricultural Products (North District Temporary Agricultural Products Market)	1989	12,500 (Note 1)
3	Cheung Sha Wan Wholesale Food Market (Cheung Sha Wan Food Market)	1993	100,000 (Note 1)
4	Western Wholesale Food Market (Western Food Market)	1994 (Note 2)	62,000 (Note 1)
Subtotal for AFCD markets			200,500
<b><i>FMO markets</i></b>			
5	Aberdeen Wholesale Fish Market (Aberdeen Fish Market)	1960	15,577
6	Sai Kung Wholesale Fish Market (Sai Kung Fish Market)	1969	380
7	Kwun Tong Wholesale Fish Market (Kwun Tong Fish Market)	1986	4,151
8	Tai Po Wholesale Fish Market (Tai Po Fish Market)	1988	4,422
9	Cheung Sha Wan Wholesale Fish Market (Cheung Sha Wan Fish Market)	1993	11,930
10	Shau Kei Wan Wholesale Fish Market (Shau Kei Wan Fish Market)	1994	4,474
11	Castle Peak Wholesale Fish Market (Castle Peak Fish Market)	2010	5,113
Subtotal for FMO markets			46,047
<b><i>VMO market</i></b>			
12	Cheung Sha Wan Wholesale Vegetable Market (Cheung Sha Wan Vegetable Market)	1965	18,933
Total			265,480

Source: AFCD records

Note 1: The figures are approximate site areas.

Note 2: Phase I of the market was completed in 1991. Phase II was completed in 1994.

1.8 *Decrease in total throughput.* In the past 10 years, fresh food distributed through the public wholesale markets had decreased both in quantum and market share. As shown in Table 1, in 2014-15, total throughput of the 12 public fresh food wholesale markets was 666,000 tonnes, down 14% from 776,000 tonnes in 2005-06 (Note 3). On the other hand, as a result of the increase in total local consumption of the five types of fresh food from 1,339,000 tonnes in 2005-06 to 1,802,000 tonnes in 2014-15 (an increase of 35%), the percentage of the fresh food supplied through the 12 public markets had decreased from 58% in 2005-06 to 37% in 2014-15.

### *Management of public fresh food wholesale markets*

1.9 The Food and Health Bureau (FHB) is responsible for drawing up policies on agriculture and fisheries, including those on fresh food wholesale markets. The AFCD implements the policies through its “Agriculture, Fisheries and Fresh Food Wholesale Markets” programme. The programme aims to facilitate agricultural and fisheries production and improve productivity. The work related to fresh food wholesale markets includes managing the four AFCD markets and providing administrative and technical support to the FMO and the VMO. The work involves about 64 AFCD staff, with an estimated financial provision of \$99 million for 2015-16. An extract of the AFCD organisation chart showing the divisions responsible for the work is at Appendix C.

1.10 The FMO and the VMO are self-financing organisations (see para. 1.4). They employ their own staff (Note 4) to operate their wholesale markets, with administrative and technical support provided by the AFCD (see para. 1.9). Both organisations are administered by the Director of Marketing, who is also the Director of Agriculture, Fisheries and Conservation and the Controlling Officer of the AFCD.

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**Note 3:** *The total throughput of the 4 AFCD markets, the 7 FMO markets and the VMO market were down 3%, 16% and 40% respectively.*

**Note 4:** *As at 31 December 2015, the FMO and the VMO had a staff establishment of 196 and 205 respectively. The staff were not civil servants.*

### Audit review

1.11 The Audit Commission (Audit) conducted a review of “The provision of government wholesale food markets” in 1996 (Chapter 6 of the Director of Audit’s Report No. 27), a review of “Wholesale marketing of marine fish” in 2000 (Chapter 1 of the Director of Audit’s Report No. 35) and a review of “Management of government fresh food wholesale markets” in 2007 (Chapter 4 of the Director of Audit’s Report No. 48). The reviews covered the fresh food wholesale markets operated by the AFCD and the FMO (i.e. the Cheung Sha Wan Vegetable Market operated by the VMO was not covered). Audit identified a number of issues on the utilisation, management and reprovisioning of certain markets. The Public Accounts Committee (PAC) of the Legislative Council (LegCo) considered the 1996 and 2007 Reports, and expressed serious concern that, among others, there was little progress in the reprovisioning of the Yau Ma Tei Fruit Market (see para. 4.6).

1.12 In October 2015, Audit commenced a review to examine the AFCD’s efforts in the provision and management of public fresh food wholesale markets, including following up relevant issues identified in the previous audit reviews. The review has focused on the following areas:

- (a) utilisation of public fresh food wholesale markets (PART 2);
- (b) management of AFCD markets (PART 3);
- (c) reprovisioning of private and public fresh food wholesale markets (PART 4); and
- (d) way forward (PART 5).

Audit has found room for improvement in the above areas and has made a number of recommendations to address the issues.

### Acknowledgement

1.13 Audit would like to acknowledge with gratitude the assistance and full cooperation of the staff of the AFCD during the course of the audit review.

## **PART 2: UTILISATION OF PUBLIC FRESH FOOD WHOLESALE MARKETS**

2.1 This PART examines the utilisation of public fresh food wholesale markets. Audit has found room for improvement in the following areas:

- (a) utilisation of AFCD markets (paras. 2.3 to 2.20); and
- (b) utilisation of FMO markets (paras. 2.21 to 2.40).

### ***Utilisation of VMO market***

2.2 Unlike AFCD markets and FMO markets, the VMO market (i.e. the Cheung Sha Wan Vegetable Market) does not provide market stalls or trading spaces for individual traders. Traders conduct wholesale transactions in groups at designated trading areas of the VMO market. According to the AFCD, the designated areas were fully utilised during 2014-15. Also, during 2005-06 to 2014-15, the number of wholesalers using the VMO market remained largely stable at some 220. The need to re-provision the market and release the site for residential development is discussed in PART 4 (see paras. 4.28 to 4.38).

### **Utilisation of Agriculture, Fisheries and Conservation Department markets**

2.3 The four AFCD markets provide traders with facilities for trading fresh food comprising vegetables, fruits, eggs, live and fresh fishes, and live poultry. These facilities include stalls/trading spaces (Note 5 — collectively referred to as “stalls” hereinafter) to conduct trading, offices (trade offices) and piers. The markets also provide spaces for operating ancillary facilities such as banks, battery charging areas and kiosks. Traders and interested parties may rent the facilities/spaces from the AFCD for operation.

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**Note 5:** *In the North District Temporary Agricultural Products Market, traders do not have a fixed market stall. Each trader is assigned an open trading space to conduct trading business.*

### *The 2007 audit review*

2.4 In the 2007 audit review “Management of government fresh food wholesale markets”, Audit reported that some of the market facilities were underutilised. The facilities concerned included vacant trade offices and ancillary facilities in the Western Food Market and the Cheung Sha Wan Food Market, as well as four unutilised piers at the Western Food Market.

### *Utilisation of stalls*

2.5 As at 31 December 2015, the four AFCD markets had a total of 974 stalls. In three markets (Cheung Sha Wan Food Market, North District Temporary Agricultural Products Market and Western Food Market), 887 (99.9%) of their 888 stalls were let to traders. In the remaining market (Cheung Sha Wan Temporary Poultry Market), 48 (56%) of its 86 stalls were left vacant. Table 3 shows the throughput of the four markets.

**Table 3**

**Throughput of AFCD markets  
(2005-06 and 2014-15)**

AFCD market	Throughput (Tonne)		
	2005-06	2014-15	Increase/Decrease
Cheung Sha Wan Temporary Poultry Market	38,954	9,376	-29,578 (-76%)
North District Temporary Agricultural Products Market	81,135	42,524	-38,611 (-48%)
Cheung Sha Wan Food Market	216,367	251,962	+35,595 (+16%)
Western Food Market	171,184	188,265	+17,081 (+10%)
Overall	507,640	492,127	-15,513 (-3%)

Source: AFCD records

Remarks: The Table shows the throughput for the five types of fresh food, namely, vegetables, fruits, eggs, live and fresh fishes, and live poultry.

## Utilisation of public fresh food wholesale markets

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2.6 It can be seen from Table 3 that during 2005-06 to 2014-15:

- (a) the Cheung Sha Wan Temporary Poultry Market had a 76% decrease in throughput. The decrease in throughput and the low percentage of stalls let to traders suggested that stall facilities for the Market were over-provided; and
- (b) the North District Temporary Agricultural Products Market had a 48% decrease in throughput. There might be a need to reprovision or take improvement measures on the temporary market.

2.7 Upon enquiry, the FHB and the AFCD informed Audit in March 2016 that:

- (a) to reduce the likelihood of human contact with live poultry and the outbreak of avian influenza that poses severe threat to human health, the Government introduced a voluntary surrender scheme in 2004-05 and a buyout scheme in 2008. As a result, the number of wholesalers operating in the Cheung Sha Wan Temporary Poultry Market was reduced from 86 prior to the introduction of the first voluntary surrender scheme to 23 at present. To tie in with the policy to reduce the number of live poultry wholesalers, the AFCD had stopped leasing out any vacant stalls at the wholesale market to new and existing tenants since then. In order to enhance the bio-security measures at the poultry market, the AFCD converted some vacant wholesale stalls into additional overnight stocking areas to further reduce the risk of avian influenza in 2013; and
- (b) regarding the North District Temporary Agricultural Products Market, the FHB and the AFCD had been making ongoing improvements, as follows:
  - (i) to resolve previous market management problems (Note 6), the AFCD had since 1 April 2012 assumed the management of the Market; and
  - (ii) to make way for the proposed Fanling Bypass, the Market would need to be relocated to a nearby site in future. As early as in the planning stage, the AFCD had liaised with the Civil Engineering

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**Note 6:** *Before April 2012, the North District Temporary Agricultural Products Market was managed by outside contractors.*

## Utilisation of public fresh food wholesale markets

and Development Department to provide enhanced facilities and services in the reprovisioned Market (including toilets, a refuse collection point and adequate drainage within market premises; a steel canopy for the trading area; and metered electricity and water to individual market stalls). A better-equipped site would allow more room for the AFCD to explore optimising the use of this relatively remote and isolated site with interested parties.

The over-provision of the Cheung Sha Wan Temporary Poultry Market and the AFCD's plan to relocate it are further discussed in paragraphs 4.43 to 4.46. The need to reprovision or take additional improvement measures on the North District Temporary Agricultural Products Market is further discussed in paragraphs 4.40 to 4.42.

### *Utilisation of other facilities*

2.8 Table 4 shows the utilisation of other facilities in the four AFCD markets.

**Table 4**

#### **Utilisation of other facilities in AFCD markets (31 December 2015)**

Facility	Utilised (No.)	Not utilised		Total (No.)
		Committed for other uses (No.)	Not committed for other uses (No.)	
Piers	2 (25%)	5 (63%) (Note)	1 (12%)	8 (100%)
Ancillary facilities (e.g. bank and kiosk)	28 (88%)	0 (0%)	4 (12%)	32 (100%)
Trade offices	50 (96%)	0 (0%)	2 (4%)	52 (100%)
Overall	80 (87%)	5 (5%)	7 (8%)	92 (100%)

*Source:* AFCD records

*Note:* 4 piers at the Western Food Market were committed for conversion into a waterfront promenade (see para. 2.9(a)). 1 pier at the Cheung Sha Wan Food Market was committed for redevelopment (see para. 2.9(b)).

*Remarks:* Utilised facilities refer to those let to users (i.e. traders and interested parties), as well as those allocated to government departments (see paras. 2.14 to 2.18).

### *Unutilised piers planned for alternative use*

2.9 As can be seen from Table 4, five piers not utilised as at 31 December 2015 had been committed for other uses. They comprised four at the Western Food Market (which were also reported as unutilised in the 2007 audit review — see para. 2.4) and one at the Cheung Sha Wan Food Market. Audit noted the following:

- (a) ***Four unutilised piers at Western Food Market.*** In March 2013, the Central and Western District Council agreed to proceed with the conversion of the piers into a promenade. In July 2015, the Council endorsed the design and secured the necessary funding. As at January 2016, the AFCD had completed the legal procedures for surrendering the related harbourfront area to the Lands Department. Construction work would commence in early 2016 for completion by late 2017; and
- (b) ***One unutilised pier at Cheung Sha Wan Food Market.*** The Planning Department had proceeded to re-zone the pier for redevelopment together with other housing sites at South West Kowloon. The pier together with the housing sites were scheduled to be auctioned for housing construction in 2017.

The AFCD has facilitated the release of the five piers.

2.10 Table 4 shows that one unutilised pier as at 31 December 2015 had not been committed for other uses. Audit noted that the pier, located at the Cheung Sha Wan Food Market, had been unutilised for some five years since 2010. Upon enquiry, the AFCD informed Audit in March 2016 that there were operational needs for the pier to remain because it was very close to the seawater intake point of the condensing water cooling system of the Cheung Sha Wan Food Market. Otherwise, maintenance of such vital market facilities would be obstructed.

2.11 In this connection, Audit noted that the piers had to be maintained even unused (Note 7). If any pier is no longer needed for wholesale marketing, the AFCD needs to consider alternative use or demolishing it. There is a need for the AFCD to keep monitoring the situation.

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**Note 7:** *For example, during 2006-07 to 2014-15, the total maintenance cost for the two unused piers at the Cheung Sha Wan Food Market was \$3.8 million.*



***Trade offices and ancillary facilities  
not used or used for unintended purposes***

2.12 The unutilised facilities shown in Table 4 also included two trade offices and four ancillary facilities, with a total area of 188 m<sup>2</sup> and 134 m<sup>2</sup> respectively. The latter were two battery charging areas and two temporary working areas. The two battery charging areas had not been used for over 10 years.

2.13 Upon enquiry, the AFCD informed Audit in December 2015 that the AFCD had had discussions with the Architectural Services Department on possible alternative uses of the battery charging areas. Indications had so far suggested that conversion for other uses might not be easy given the need to avoid disrupting the maintenance of underground cables. Nevertheless, according to the AFCD, further investigations would be conducted.

2.14 Trade offices and ancillary facilities are intended for letting to users (e.g. traders, traders' associations, and transportation companies) for conducting wholesale and related activities. However, over the years, to improve the utilisation of wholesale markets, the AFCD has allocated some trade offices and ancillary facilities for use by government departments (including the AFCD). Table 5 shows the details.

**Table 5**  
**Allocation of trade offices and ancillary facilities**  
**(31 December 2015)**

	<b>Trade offices (No.)</b>	<b>Ancillary facilities (No.)</b>
Allocated to traders, transportation companies and other users for wholesaling activities	24 (46%)	19 (60%)
Allocated to government departments	26 (50%)	9 (28%)
Total being utilised	50 (96%)	28 (88%)
Total not being utilised (see para. 2.8)	2 (4%)	4 (12%)
Overall	52 (100%)	32 (100%)

*Source: Audit analysis of AFCD records*

## **Utilisation of public fresh food wholesale markets**

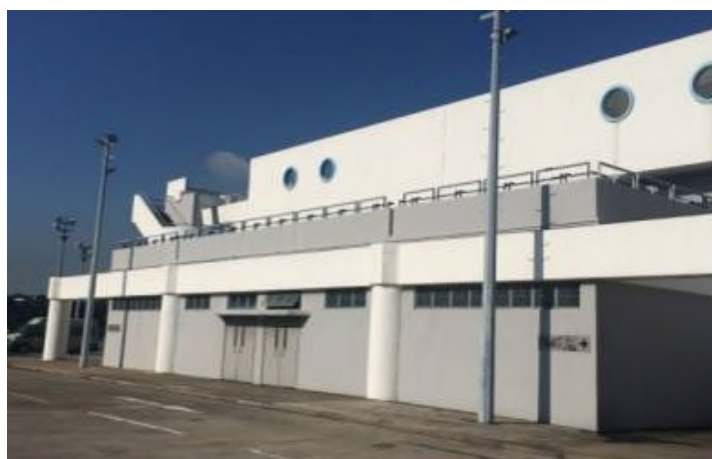
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2.15 Table 5 shows that a considerable number of facilities (50% of the trade offices and 28% of the ancillary facilities) had been allocated to government departments for purposes other than fresh food wholesale. Audit noted that the allocated facilities were generally used for storage. Photographs 1 and 2 show an example.

### **Photographs 1 and 2**

#### **An ancillary facility occupied by the AFCD (Cheung Sha Wan Food Market)**

##### **Photograph 1**



**Outside**

##### **Photograph 2**



**Inside**

*Source: Photographs taken by Audit in January 2016*

2.16 Given the considerable proportion of market facilities allocated to government departments, attention is needed to ensure that interested non-government users are not precluded from using the facilities for conducting fresh food wholesale activities.

### ***Trade offices and ancillary facilities not advertised for letting***

2.17 According to the arrangements with other government departments, the AFCD could give prior notice requiring them to return the facilities allocated. Most of the facilities allocated to government departments were located in the Cheung Sha Wan Food Market (Note 8). Audit analysed the advertisements placed for the Market (e.g. on the Internet, in newspapers and at the Market) and found that:

- (a) during March 2014 to December 2015, the AFCD advertised 5 trade offices and 5 ancillary facilities for letting; and
- (b) of the 22 trade offices and 7 ancillary facilities which had been allocated to government departments during the period, 17 (77%) trade offices and 6 (86%) ancillary facilities were not advertised.

2.18 In Audit's view, market facilities are intended for conducting wholesale and related activities. Any use for the intended purposes should take priority over other uses (e.g. use for storage) by government departments. It is important that facilities which have been allocated to government departments for other uses are advertised for letting.

## **Audit recommendations**

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

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**Note 8:** *As at December 2015, of the 26 trade offices and 9 ancillary facilities allocated to government departments, 22 (85%) trade offices and 7 (78%) ancillary facilities were located in the Cheung Sha Wan Food Market.*

## Utilisation of public fresh food wholesale markets

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- (a) continue to monitor the unutilised pier at the Cheung Sha Wan Food Market that has not been committed for other uses and consider whether it should be demolished to save maintenance costs;
- (b) explore the conversion of any market facilities not used for a long period into other gainful uses;
- (c) for market facilities currently allocated to government departments (including those allocated to the AFCD), ensure that they are periodically advertised for letting to traders; and
- (d) for market facilities not taken up by traders, consider allocating them to government departments for gainful uses other than storage (e.g. for use as offices) where appropriate.

## Response from the Government

2.20 The Director of Agriculture, Fisheries and Conservation generally accepts the audit recommendations.

## Utilisation of Fish Marketing Organisation markets

2.21 The seven FMO markets occupy land areas totalling 46,047 m<sup>2</sup>, as follows:

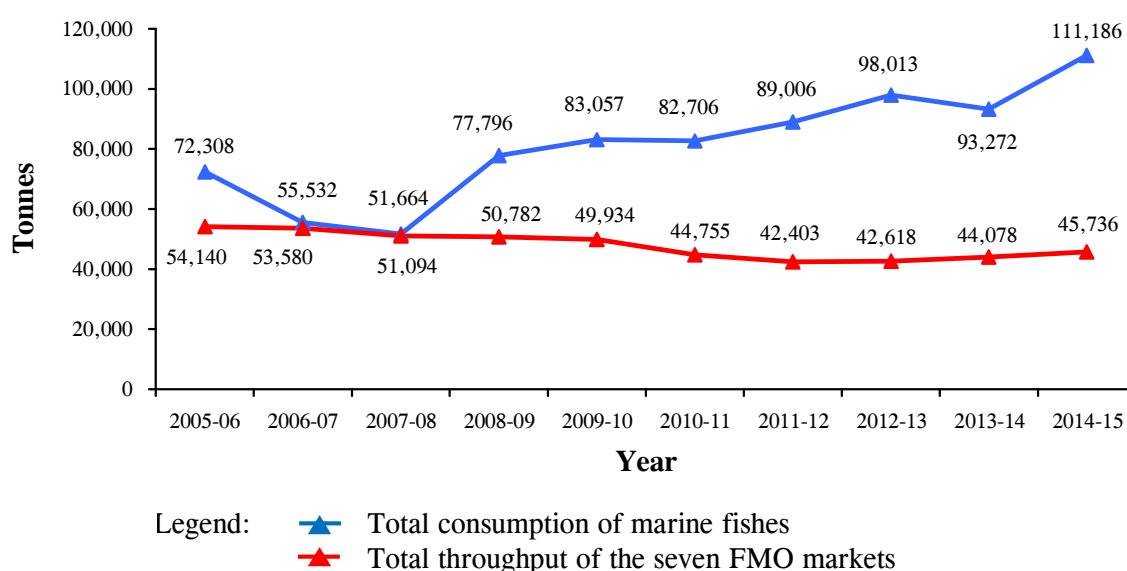
- (a) **Trading areas of 16,074 m<sup>2</sup> (35%).** Facilities in the trading areas include common areas for conducting wholesale marketing of marine fishes (e.g. for conducting auctions), areas let to individual traders (e.g. for use as live marine fish stalls, trade offices and stores) and other facilities related to the wholesale of marine fishes (e.g. storage for marketing equipment and containers); and
- (b) **Ancillary areas of 29,973 m<sup>2</sup> (65%).** The ancillary areas include areas for vehicular access, fish loading/unloading, parking by market users, piers, passages in the market, other storage provided by the market, office for FMO staff and space in-between the various areas. The ancillary areas are used for supporting the operation of the markets.

### *Diminished role of FMO markets in wholesale marketing*

2.22 During 2005-06 to 2014-15, the total marine fish throughput of the seven FMO markets decreased considerably by 16% (i.e. from 54,140 tonnes to 45,736 tonnes). In contrast, the total consumption of marine fishes in the territory increased significantly by 54% (i.e. from 72,308 tonnes to 111,186 tonnes). Details are at Figure 2. Given the decrease in throughput of FMO markets, the FMO's share of marine fish market shrank considerably from 75% of total consumption in 2005-06 to 41% in 2014-15.

**Figure 2**

#### **Consumption and throughput of marine fishes (2005-06 to 2014-15)**



*Source: Audit analysis of AFCD records*

*Remarks: Marine fishes in the Figure refer to both live marine fishes and fresh marine fishes.*

### *High proportion of ancillary areas*

2.23 The diminished role and decreased throughput of FMO markets had impacted the market areas required for marine fish trading. Audit analysed records of trading areas and ancillary areas of individual FMO markets as at

## Utilisation of public fresh food wholesale markets

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September 2015 (Note 9). Table 6 shows the results. It can be seen that in three FMO markets, the trading area accounted for 30% or less of the market areas. The ancillary areas in these markets accounted for 70% or more of the market areas.

**Table 6**  
**Trading areas and ancillary areas of FMO markets**  
**(September 2015)**

FMO market	Trading area (m <sup>2</sup> )	Ancillary area (m <sup>2</sup> )	Total (m <sup>2</sup> )
Shau Kei Wan Fish Market	686 (15%)	3,788 (85%)	4,474
Castle Peak Fish Market	1,440 (28%)	3,673 (72%)	5,113
Aberdeen Fish Market	4,677 (30%)	10,900 (70%)	15,577
Tai Po Fish Market	1,744 (39%)	2,678 (61%)	4,422
Kwun Tong Fish Market	1,704 (41%)	2,447 (59%)	4,151
Cheung Sha Wan Fish Market	5,494 (46%)	6,436 (54%)	11,930
Sai Kung Fish Market	329 (87%)	51 (13%)	380
Overall	16,074 (35%)	29,973 (65%)	46,047

*Source: AFCD records*

2.24 The large proportion of ancillary areas in individual FMO markets is a cause for concern. The considerable ancillary areas used for supporting the operation of individual markets might indicate surplus areas in FMO markets. Upon enquiry, the AFCD informed Audit in February 2016 that:

- (a) the structures of FMO markets had been designed and built based on the then prevailing standards on safety, environmental and structural requirements;

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**Note 9:** *They were the latest records available during the audit review.*

- (b) apart from reduced throughput of marine fishes (see para. 2.22), changing circumstances such as change of sales method (see paras. 2.25 to 2.27) might also impact on the land required for trading and ancillary facilities; and
- (c) therefore, the FMO regularly reviewed and redeployed areas surplus to requirement during certain period of time for other uses related to the wholesale marketing of marine fishes.

### ***Reduced need for transaction areas***

2.25 Wholesale transactions of fresh marine fishes are conducted in common areas of FMO markets. Historically, all transactions were conducted through auction or negotiation. Under these modes of wholesale, space is required to be provided by FMO markets for sorting and weighing fishes, as well as for displaying the fishes for conducting auction or negotiation.

2.26 In 1998, to streamline the operation, “direct sale” of fresh marine fishes was introduced as an alternative mode of wholesale. Under “direct sale”, fishes have been sorted, weighed and packed into boxes, and negotiations between buyers and sellers have been concluded, before the landing of fishes at FMO markets. Fishes landed at FMO markets are collected by buyers directly. Since no sorting, weighing, displaying, auction or negotiation is required to be conducted at FMO markets, this mode of wholesale has reduced the need for transaction areas.

2.27 In 2014-15, 93% of the total fresh marine fish transactions at the seven FMO markets were conducted through “direct sale”. In three FMO markets (Cheung Sha Wan Fish Market, Kwun Tong Fish Market and Tai Po Fish Market), “direct sale” accounted for 100% of the fresh marine fishes transacted.

### ***Disproportionate provision of parking spaces***

2.28 To better utilise surplus areas brought about by the reduced throughput of FMO markets and “direct sale” of fresh marine fishes, measures have been taken to deploy the surplus areas in individual FMO markets, such as provision of parking spaces (see paras. 2.29 to 2.31) and sale of live marine fishes (see paras. 2.32 to 2.36).

## Utilisation of public fresh food wholesale markets

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2.29 In December 2015, Audit conducted site visits to the Shau Kei Wan Fish Market, which had the greatest proportion (85% — see Table 6 in para. 2.23) of ancillary areas. Audit noted that its ancillary areas were mainly let out as monthly parking spaces for 38 vehicles (see Photograph 3).

**Photograph 3**

**Parking of cars in ancillary areas  
(Shau Kei Wan Fish Market)**



*Source: Photograph taken by Audit in December 2015*

2.30 In comparison with the other two FMO markets which also provided monthly parking spaces, the 38 parking spaces seemed excessive. Table 7 shows the comparison.

**Table 7**

**Provision of parking spaces in FMO markets  
(September 2015)**

<b>FMO market</b>	<b>No. of traders (wholesalers and buyers) in the market</b>	<b>No. of parking spaces</b>	<b>Ratio of traders to parking spaces</b>
Aberdeen Fish Market	857	51	17
Castle Peak Fish Market	128	40	3
Shau Kei Wan Fish Market	41	38	1

*Source: Audit analysis of AFCD records*



2.31 Audit also noted that many parking spaces were occupied by private cars of users of the Market (see Photograph 3). To ensure the effective and efficient operations of the Market, operational vehicles (e.g. lorries and delivery vans) should be given priority over private cars in using parking spaces at FMO markets.

### *Sale of live marine fishes*

2.32 The Marine Fish (Marketing) Ordinance was first enacted in 1956 and, together with amendments, only commenced in 1962. The Ordinance regulates the landing and wholesale marketing of “marine fishes” (referred to as fresh marine fishes in this Audit Report), which is defined as excluding fishes alive and in water (Note 10). Fresh marine fishes are required to be landed and sold by wholesale at a “wholesale marine fish market” conducted by the FMO. It was for meeting this provision that wholesale marine fish markets were originally established by the FMO, with land granted or let by the Government.

2.33 According to the FHB and the AFCD, a plausible explanation for such arrangements is the intention that an adequate supply of basic foodstuffs should be secured and as far as possible the wholesaling aspect should be overseen by the Government or statutory bodies under its aegis. The Ordinance is a clear indication of the Government’s policy with respect to fishes, an important source of protein to the population. Live marine fishes (in contrast to “fresh marine fishes” as defined under the Ordinance), which might not be considered to be basic foodstuffs, need not necessarily be wholesaled through a “wholesale marine fish market” under the Ordinance. However, in 1991, the FMO started to let out surplus areas in its markets to traders for trading live marine fishes. In 2014-15, the seven FMO markets had a total throughput of 45,736 tonnes, of which 35,200 tonnes (77%) were fresh marine fishes and 10,536 tonnes (23%) were live marine fishes.

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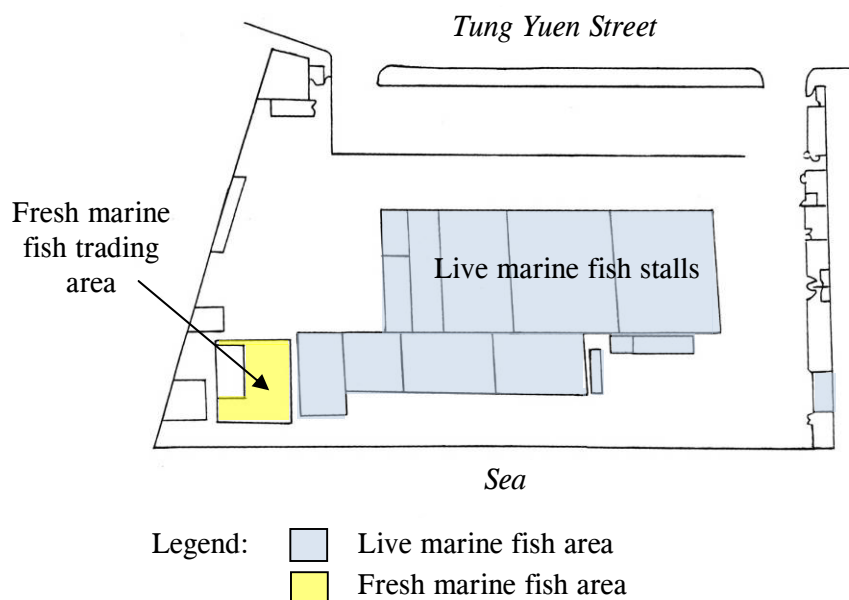
**Note 10:** *According to the Marine Fish (Marketing) Ordinance, marine fish means any fish or part thereof, whether fresh or processed, in any manner indigenous in sea water or partly in fresh water and partly in sea water, including any product derived therefrom, but excluding all crustaceans or molluscs and fishes alive and in water.*

## Utilisation of public fresh food wholesale markets

2.34 Audit noted that some of the FMO markets had been heavily involved in live marine fish trading. As at September 2015, 70% of the trading areas in the Kwun Tong Fish Market (see Figure 3) and 63% of the trading areas in the Aberdeen Fish Market were used for live marine fish trading. The quantity of live marine fishes accounted for a significant proportion of the two Markets' throughput in 2014-15, namely, 59% (or 446 tonnes) for the Kwun Tong Fish Market and 43% (or 7,720 tonnes) for the Aberdeen Fish Market.

**Figure 3**

**Areas for marine fish trading  
in the Kwun Tong Fish Market  
(September 2015)**



Source: AFCD records

2.35 Audit notes the following two issues:

- (a) the operation of a “wholesale marine fish market”, such as the registration of buyers and the method of sales and payment, is regulated by the Marine Fish (Marketing) By-laws (Cap. 291B) made under the Marine Fish (Marketing) Ordinance. The By-laws provide that whenever the FMO assumes responsibility for the regulation and the conduct of a “wholesale marine fish market”, or establishes a “wholesale marine fish market”, a notification stating the name and location of any such market

shall be published in the Gazette. As at March 2016, the notification as set out in the Assumption of Responsibility for Markets (Consolidation) Notification (Cap. 291C) had covered the seven wholesale fish markets shown in Table 6 (see para. 2.23) for the wholesaling of “marine fishes”. If a major part of any market (e.g. the Kwun Tong Fish Market) is no longer used for wholesaling of “fresh marine fishes”, then the notification should be amended to reflect the reality (see (b) below); and

- (b) to the extent that any FMO market (e.g. the Kwun Tong Fish Market) is used for wholesaling live fishes, it is not a “wholesale marine fish market” under the Ordinance, and accordingly the provisions relevant only to “wholesale marine fish markets” or “marine fishes” are not applicable.

2.36 Upon Audit enquiry, the FHB and the AFCD liaised with the Department of Justice in March 2016 on the two issues in paragraph 2.35. The FHB and the AFCD acknowledge that these issues require addressing, but consider that there is no quick solution. The FHB and the AFCD informed Audit that the live marine fish stalls (see Figure 3) actually included stalls with intermingled operation of fresh marine fishes and live marine fishes. As long as there is still fresh marine fish trading in an FMO market, its name and location need to be retained in the notification. Besides, since the proportion of fresh marine fishes and live marine fishes varies over time, and operations relating to fresh marine fishes and live marine fishes are intermingled within traders’ stalls, the FHB and the AFCD consider it impracticable to demarcate a “live marine fish area” in an FMO market for exclusion from the notification relating to that FMO market. That said, the FHB and the AFCD agree that the two issues can be addressed in the context of the future roles of fresh food wholesale markets (see PART 5).

### *Underutilisation of trading areas*

2.37 Audit analysed records of trading areas of individual FMO markets as at September 2015 (Note 11). Of the total trading areas of 16,074 m<sup>2</sup> of the seven FMO markets, 14,576 m<sup>2</sup> (91%) were gainfully deployed or let to traders. However, there was underutilisation of trading areas in the Tai Po Fish Market, with 84% of the trading areas not utilised (see Table 8).

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**Note 11:** *They were the latest records available during the audit review.*

**Table 8**  
**Trading areas of the Tai Po Fish Market**  
**(September 2015)**

<b>Facility</b>	<b>Area (m<sup>2</sup>)</b>	<b>Utilised (m<sup>2</sup>)</b>	<b>Not utilised (m<sup>2</sup>)</b>
Live marine fish stall — area 1	972	15	957
Live marine fish stall — area 2	100	0	100
Store, office and canteen	130	0	130
Common area for marine fish sale	522	240	282
Telecommunication station	20	20	0
Total trading areas	1,744 (100%)	275 (16%)	1,469 (84%)

*Source:* AFCD records

*Remarks:* Utilised facilities refer to those let to traders or gainfully deployed.

2.38 The underutilisation of trading areas in the Tai Po Fish Market was mainly due to decreased throughput in recent years and a major trader ceasing business (Note 12). The substantial trading areas not in use at the Market call for prompt remedial actions. Upon enquiry, the AFCD informed Audit in March 2016 that:

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**Note 12:** *Throughput of the Tai Po Fish Market decreased by 13% from 449 tonnes in 2010-11 to 389 tonnes in 2014-15. During the period, a trader also ceased business and stopped renting facilities from the Market. Previously, the trader had rented a store room, trade offices, stalls and a canteen for operation, with a total area of 1,187 m<sup>2</sup>. In June 2014, the FMO got back the rented areas from the trader.*

- (a) the FMO had redeployed some of the trading areas of the Tai Po Fish Market for live marine fish wholesaling since 2007;
- (b) in the light of a successful pilot trial of weekend fishermen bazaar in the Sai Kung Fish Market introduced in 2015, the FMO had been considering pursuing similar initiatives for promotion of local fishery products in the Tai Po Fish Market as well. In this connection, the FMO had reviewed and reassigned the areas within the trading areas of the Tai Po Fish Market for different uses, including wholesale and promotion of fishery products. The FMO was preparing a tender on the use of a portion of the trading areas in the Tai Po Fish Market (about 960 m<sup>2</sup>) for wholesale of fishery products. The tender invitation would be issued in early April 2016; and
- (c) moreover, a local fishery association had submitted a proposal of a fishermen bazaar for promotion of local fishery products in the Tai Po Fish Market. Some fish traders had also floated some ideas with the FMO to better utilise the Tai Po Fish Market such as trading of premium fishery products and promotion of local fishery ecotourism. The FMO would consider this and other ideas with a view to better utilising the areas in the Tai Po Fish Market to facilitate the wholesale of marine fishes and other fishery products and the promotion of local fishery products.

In Audit's view, the AFCD needs to ensure that the initiatives for improving the utilisation of the Tai Po Fish Market are followed through.

### **Audit recommendations**

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

- (a) **conduct a review of the market areas of individual FMO markets to find out the areas which are surplus to operational needs, having regard to their throughput and changes in the mode of operation;**
- (b) **take measures to redeploy surplus market areas to gainful uses;**

## **Utilisation of public fresh food wholesale markets**

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- (c) **address the two issues mentioned in paragraph 2.35 relating to the trading of live marine fishes in FMO markets in the context of the review of the roles and functions, and updating the legal framework, of FMO markets (see para. 5.11(a) and (b)(i)); and**
- (d) **ensure that the various initiatives for improving the utilisation of the Tai Po Fish Market are followed through.**

## **Response from the Government**

2.40 The Director of Agriculture, Fisheries and Conservation generally accepts the audit recommendations.

## **PART 3: MANAGEMENT OF AGRICULTURE, FISHERIES AND CONSERVATION DEPARTMENT MARKETS**

3.1 This PART examines the following management issues of AFCD markets:

- (a) management of daily operation (paras. 3.2 to 3.14); and
- (b) contracting out of supporting services (paras. 3.15 to 3.27).

### **Management of daily operation**

3.2 As listed in Table 2 in paragraph 1.7, AFCD markets comprise the Cheung Sha Wan Temporary Poultry Market, the North District Temporary Agricultural Products Market, the Cheung Sha Wan Food Market and the Western Food Market. Together, they had a total site area of 200,500 m<sup>2</sup> as at 31 December 2015. The Wholesale Markets Management Division of the AFCD oversees the operation of AFCD markets. The provision of supporting services to individual markets (e.g. provision of market management, cleansing and security services) is contracted out to service providers (contractors) through open tendering.

3.3 Traders who conduct wholesale activities in AFCD markets are market tenants. They pay rentals for the facilities used (e.g. stalls and trade offices) in accordance with the tenancy agreement. On a daily basis, staff of the Wholesale Markets Management Division and those of the contractors carry out inspections of markets. The inspections cover areas such as general condition of key facilities and compliance with terms of tenancy agreements. Results of the inspections are documented in inspection reports, which are subject to monitoring checks by supervisory staff (supervisory checks) of the Wholesale Markets Management Division.

3.4 As at December 2015, the Wholesale Markets Management Division had an establishment of 64 staff monitoring the daily operation and conducting inspections of the facilities. The contractors had 259 staff for conducting inspections and providing other services (e.g. cleansing and security) under the contracts.

***The 2007 audit review***

3.5 In the 2007 audit review “Management of government fresh food wholesale markets”, Audit reported that inspections and supervisory checks had not been conducted as frequently as required. There were also incidents of non-compliance with terms of tenancy agreements, such as using market stalls for retail sale, keeping dogs and cats, causing obstructions and illegal gambling (Note 13).

***Incidents of non-compliance still noted***

3.6 Subsequent to the 2007 audit review, the AFCD has taken measures to improve the management of daily market operation (e.g. deploying additional staff to strengthen the team of inspecting staff, and updating the inspection procedures). According to the AFCD, market staff regularly patrol the market and take enforcement action as appropriate. In 2015, they conducted 7,373 inspections, issued 24 circulars/notices and 85 verbal and written warnings against activities not complying with the tenancy terms. They also liaise closely with the police, and report suspected criminal activities, including suspected gambling, for the police’s follow-up action. In 2015, the police entered the Cheung Sha Wan Food Market and the Western Food Market on 619 occasions carrying out patrol and enforcement duties.

3.7 In November and December 2015, Audit conducted visits to the two largest AFCD markets, namely, the Cheung Sha Wan Food Market and the Western Food Market. Records indicated that inspections and supervisory checks had generally been conducted as frequently as required. Nonetheless, during visits to the market sites, Audit noted incidents of non-compliance/suspected non-compliance (see Table 9) with the terms of tenancy agreements.

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**Note 13:** *According to the terms of the tenancy agreements, the tenant shall not:*

- (a) gamble in stalls or facilities;*
- (b) keep any animal, bird or livestock in the stall other than those specified in the tenancy agreement;*
- (c) use the stall for retail sale of goods;*
- (d) place any goods, article, equipment or vehicle in the public area of the market so as to cause obstruction or disruption to the smooth operation of the market; and*
- (e) use the pier other than providing offloading services to vessels carrying freshwater fishes and/or fishery products destined for sale at the market.*



**Table 9**

**Incidents of non-compliance/suspected non-compliance  
with the terms of tenancy agreements**

<b>Date (Details)</b>	<b>Incident</b>
23.12.2015 (Audit accompanied AFCD staff to inspect the Western Food Market)	(a) Several stalls in the market were also used for retail sale.
9.11.2015 (Independent audit visit to the Cheung Sha Wan Food Market)	(b) Dogs and cats were seen inside the market. Substances which looked like pet food for feeding the animals were put in a foam tray in the public area.
21.12.2015 (Audit accompanied AFCD staff to inspect the Western Food Market)	(c) Several incidents of obstructions were noted in the market, such as parking of motor vehicles and piling up of wooden pallets and other articles in public areas.
9.11.2015 (Independent audit visit to the Cheung Sha Wan Food Market)	(d) Suspected gambling was noted in the market. People were seen playing mahjong outside a stall, and playing cards in the public area.
24.11.2015 (Independent audit visit to the Cheung Sha Wan Food Market)	(e) The pier which was let to a tenant was used for unloading goods (e.g. rolls of fabrics) other than freshwater fishes and fishery products.

*Source: Audit visits in November and December 2015*

3.8 Audit noted that, while non-compliance with terms of tenancy agreements did not seem to be a widespread phenomenon at the time of audit visits, the incidents in Table 9 were not isolated cases. AFCD records indicated that, in 2013 to 2015, there were complaints about similar non-compliance cases (including obstructions and keeping of cats and dogs) in AFCD markets.

3.9 In January 2016, Audit referred to the AFCD the non-compliance cases noted during independent audit visits (i.e. incidents (b), (d) and (e) in Table 9) for follow-up.

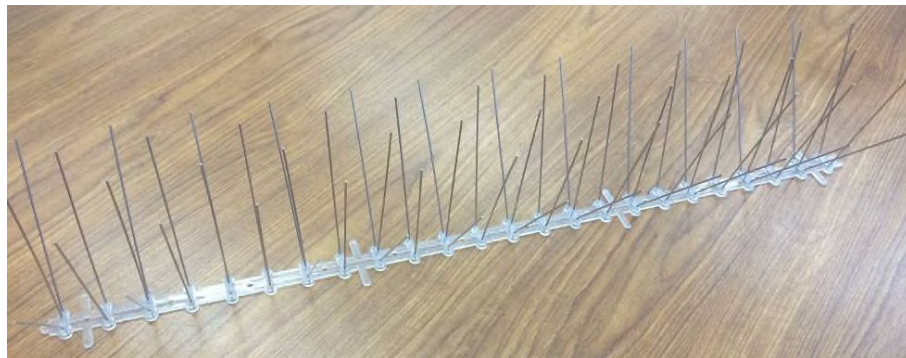
***Wild birds not under control***

3.10 In one market, the Western Food Market, wild birds had always been a concern to market users. The birds flocked to different areas of the market, leaving droppings and feathers, which contaminated the place. These contaminants, together with viruses possibly carried by birds, had posed a threat to food safety, hygiene and health.

3.11 In November 2013, market staff tried applying bird proof gels on rooftops but birds returned after they became familiar with the gels. In November 2014, the problem was brought up at a meeting of the Market Management Advisory Committee of the Western Food Market (Note 14). Having considered the need for protecting birds under the Wild Animals Protection Ordinance (Cap. 170 — Note 15), it was agreed that bird spikes (see Photograph 4) should be hung on high-level joists, pipes, conduits/ledges and wall structures in the market for bird control. As such, the pointed structures of the bird spike would make it difficult for birds to perch on it, and hence could force birds to roost elsewhere. However, wild birds switch to perch on adjacent spike-free areas.

**Photograph 4**

**A sample bird spike**



*Source: Photograph taken by Audit in December 2015*

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**Note 14:** *The Market Management Advisory Committee, chaired by a staff member of the AFCD, has members including market users and representatives of fresh food and related trades. The Committee gives views and makes suggestions on the wholesale market for AFCD reference.*

**Note 15:** *According to the Ordinance, hunting birds by means including a live decoy or the emission of recorded noises, pitfall, arms and hunting appliance without approval (e.g. by the Director of Agriculture, Fisheries and Conservation) are prohibited.*

3.12 During the visits to the Western Food Market in December 2015, Audit noted that birds were still flocking to market areas, roosting on rails and feeding at refuse collection areas. They are still threats to food safety, hygiene and health.

### **Audit recommendations**

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

- (a) **consider measures to better detect and deter non-compliance with terms of tenancy agreements at AFCD markets;**
- (b) **conduct assessment of and continue to monitor the threats of wild birds to food safety and health at individual AFCD markets; and**
- (c) **ensure that effective measures, commensurate with the assessed threats of wild birds, are taken to control wild birds at individual AFCD markets.**

### **Response from the Government**

3.14 The Director of Agriculture, Fisheries and Conservation generally accepts the audit recommendations. He has said that:

- (a) while it is unrealistic to expect patrolling and enforcement round-the-clock, the AFCD will consider ways of enhancing the compliance; and
- (b) market staff have been working hard on the problem of wild birds. The AFCD is now liaising with the Architectural Services Department to install light-weighted metal framework at entrance to prevent birds from entering market blocks.

## **Contracting out of supporting services**

3.15 The AFCD has contracted out to outside contractors the management, cleansing and security services for individual wholesale markets (see para. 3.2). As at December 2015, the services were provided under four contracts (see Table 10). The contracts involved two contractors and had a total value of \$247 million.

**Table 10**

**Contracts for key supporting services  
(December 2015)**

<b>Market/ contract price</b>	<b>Contract period</b>	<b>Service (✓ – contracted out)</b>			<b>Contractor</b>
		<b>Market management</b>	<b>Cleansing</b>	<b>Security</b>	
Western Food Market/ \$99 million	1.6.2015 to 31.5.2020	✓	✓	✓	A
Cheung Sha Wan Food Market/ \$114 million	1.6.2015 to 31.5.2020	✓	✓	✓	B
North District Temporary Agricultural Products Market/ \$12 million	1.4.2015 to 31.3.2018	✓	✓	✓	
Cheung Sha Wan Temporary Poultry Market/ \$22 million (Note 1)	1.6.2014 to 31.5.2017	(Note 2)	✓	✓	

*Source: AFCD records*

*Note 1: The contract also included Cage Labelling Services.*

*Note 2: Market management was performed by the Wholesale Markets Management Division of the AFCD.*

### ***Ceasing to use marking schemes***

3.16 It has been an established practice of the AFCD to contract out the supporting services for wholesale markets through open tendering. The AFCD had all along been using a marking scheme for evaluating tenders. Under the marking scheme, each tender was given a technical score (Note 16) and a price score (Note 17). The sum of the two scores was the combined score of the tender. The AFCD evaluated the tenders according to their combined scores.

3.17 In June 2013, the Financial Services and the Treasury Bureau (FSTB) issued Financial Circular No. 4/2013 entitled “Streamlining Procurement Procedures” to announce the launch of new procedures for streamlining and expediting government procurement process. In August 2014, the FSTB issued a follow-up memo reminding government departments to avoid excessive use of marking schemes (Note 18). According to the memo, where the use of marking schemes was justified, the evaluation basis should be streamlined.

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**Note 16:** *The technical score (30% weighting) reflected the quality of the technical proposal offered by a tenderer. It took into account factors such as a tenderer’s proposed management plan, work plan (including staff deployment plan), experience and past performance. The technical score was calculated by the following formula:*

$$30 \times \frac{\text{Technical marks of the tender being considered}}{\text{The highest technical marks among all tenders which had passed the technical assessment}}$$

**Note 17:** *The price score (70% weighting) was calculated by the following formula:*

$$70 \times \frac{\text{The lowest tender price among all tenders which had passed the technical assessment}}{\text{Tender price of the tender being considered}}$$

**Note 18:** *The FSTB was concerned that the evaluation criteria and evaluation basis in many marking schemes were getting disproportionately detailed and lengthy, delaying the tender preparation work of departments, discouraging new operators especially small and medium enterprises with no tendering expert support from bidding, and inhibiting competition, without necessarily improving the quality of the goods and services procured.*

## Management of Agriculture, Fisheries and Conservation Department markets

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3.18 In February 2015, having regard to the FSTB's concern and with a view to promoting competition, the AFCD agreed with the FHB that marking schemes were not to be used in tender evaluation for wholesale market supporting services. Accordingly, tenders conforming to essential requirements (e.g. tenderers must have three years' aggregate experience in facility management during the 10 years immediately preceding the tender closing date and possess a valid security company licence) would be assessed only on the basis of price.

### *Limited number of tenders despite marking schemes not being used*

3.19 In March 2015, the AFCD invited tenders for the provision of supporting services for the Western Food Market and the Cheung Sha Wan Food Market under two separate contracts, covering the period from 1 June 2015 to 31 May 2020 (see Table 10 in para. 3.15).

3.20 The discontinuance of using marking schemes for the current tender exercise had not helped boost competition. Table 11 shows the same lukewarm responses to the current and previous tender invitations.

**Table 11**

### **Responses to tender invitations for two wholesale markets**

Market	No. of tenders received in tender exercise	
	Current exercise (2015)	Previous exercise (2010)
Western Food Market	2	3
Cheung Sha Wan Food Market	2	3

*Source: AFCD records*

3.21 In May 2015, in considering the award of service contracts to tenderers, the Central Tender Board (Note 19) expressed concern about the small number of tenders received. The AFCD was requested to explore ways to promote its tender exercise and enhance competition in the future.

3.22 In this connection, Audit noted that, in the 2015 tender exercise, eight potential tenderers had collected tender documents from the AFCD. However, only two of them submitted tenders, each submitting one tender for each market. Records did not indicate that the AFCD had enquired the remaining six potential tenderers about their reasons for not submitting tenders. Upon enquiry, the AFCD informed Audit in February 2016 that AFCD market staff did ask the remaining potential tenderers why they had not submitted tenders. The AFCD was told that their companies did not have sufficient resources to provide the required services. There is a need for the AFCD to properly document the reasons for future reference.

### ***Contractor performance not entirely satisfactory***

3.23 Audit noted occasions that the contractors had provided fewer security guards than required. The AFCD regularly checked attendance records of security guards to identify shortfalls. Table 12 shows, as an example, the shortfalls in security guards for the Cheung Sha Wan Food Market during July to September 2015 (Note 20). Upon the AFCD's enquiry, the service contractors explained that the reasons for the shortfalls in security guards included high staff turnover and recruitment problem in the prevailing tight labour market and sick leave of staff at short notice.

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**Note 19:** *The Central Tender Board is chaired by the Permanent Secretary for Financial Services and the Treasury (Treasury). Currently, tenders for goods and services (excluding services for construction and engineering works) and revenue contracts exceeding \$15 million in value per contract and service tenders for construction and engineering works exceeding \$30 million in value per contract are considered by the Central Tender Board.*

**Note 20:** *There is a standard clause in all service contracts stipulating that should there be any shortfall of manpower, the contract fee would be deducted at a pre-determined unit rate. In the circumstances, the AFCD deducted payments to Contractor B pursuant to the contract clause. The deductions totalled \$128,168.*

Table 12

**Shortfalls in security guards manhours provided by Contractor B for  
the Cheung Sha Wan Food Market  
(July to September 2015)**

<b>Month of 2015</b>	<b>Security guards to be provided (Note) (Manhour)</b>	<b>Shortfall in security guards (Manhour)</b>
July	19,096	789.50 (4.13%)
August	19,096	850.25 (4.45%)
September	18,480	602.50 (3.26%)
Overall	56,672	2,242.25 (3.96%)

*Source: AFCD records*

*Note: A total of 616 manhours (or 77 security guards) were required every day. The 77 security guards worked in three shifts. There were about 26 security guards in a shift.*

3.24 Incidents of non-compliance with the terms of tenancy agreements need to be better controlled (see para. 3.8). It is important that sufficient security guards are provided to help deter the prohibited activities (e.g. gambling and obstructions). Persistent shortfalls in security guards are less than satisfactory. There is a need for the contractors to improve their performance.

***Tender assessment methodology  
not conducive to improving performance***

3.25 Audit notes that the prevailing tender assessment methodology of the AFCD is not conducive to improving contractor performance, particularly due to the following:

- (a) ***Past performance not taken into account.*** Upon cessation of using the marking scheme, all tenders conforming to essential requirements (see para. 3.18) would be assessed on the basis of price. Any unsatisfactory performance of existing contractors would not affect their claims in future tender exercises;



- (b) *Staff deployment plan not required to be submitted for assessment.* There has been a continued occurrence of non-compliance incidents at AFCD markets. The ability of contractors to deploy staff effectively to deter these incidents is a crucial quality, which is now not assessed in tender evaluation; and
- (c) *Limited competition.* For reasons not entirely known to the AFCD, the number of tenderers in each tender exercise was small. For example, for the Cheung Sha Wan Food Market, Contractor B has been providing supporting services since April 2007.

## **Audit recommendations**

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

- (a)      **ensure that reasons for the small number of tenders received in tender exercises are ascertained and properly documented;**
- (b)      **review the adequacy of the tender assessment methodology in inducing contractors to improve performance and in encouraging quality services; and**
- (c)      **take necessary measures to enhance tender competition in contracting out supporting services for AFCD markets.**

## **Response from the Government**

**3.27**      The Director of Agriculture, Fisheries and Conservation generally accepts the audit recommendations. He has said that the AFCD will continue to seek the advice of the Central Tender Board for the most appropriate approach to tender out services at fresh food wholesale markets.

## **PART 4: REPROVISIONING OF PRIVATE AND PUBLIC FRESH FOOD WHOLESALE MARKETS**

4.1 This PART follows up the Government's progress in the reprovisioning of a private fresh food wholesale market, and examines the reprovisioning of other public fresh food wholesale markets, focusing on the following areas:

- (a) reprovisioning of the Yau Ma Tei Fruit Market (paras. 4.2 to 4.18);
- (b) reviews of provision of public fresh food wholesale markets (paras. 4.19 to 4.27);
- (c) reprovisioning of the Cheung Sha Wan Vegetable Market (paras. 4.28 to 4.38); and
- (d) reprovisioning of fresh food wholesale markets on temporary sites (paras. 4.39 to 4.48).

### **Reprovisioning of the Yau Ma Tei Fruit Market**

4.2 The Yau Ma Tei Fruit Market is a private market with a site area of some 14,000 m<sup>2</sup>. It was first established at the current location at Yau Ma Tei in 1913. Over the years, it has become outdated. Although early markets were operated by private individuals/entities, the Executive Council approved in 1969 that the Government should accept the responsibility for the provision of fresh food wholesale markets and public funds were to be used to construct such markets (see para. 1.3). In accordance with the Executive Council's decision, the Yau Ma Tei Fruit Market should also be reprovisioned and moved to a different location. In August 1972, the LegCo Finance Committee approved a proposal to proceed with the detailed planning of the Cheung Sha Wan Food Market which would be situated on a land yet to be reclaimed. After some 18 years, in November 1990, a feasibility study indicated that the reclamation of the site for the Cheung Sha Wan Food Market would be completed in two phases in 1991 and 1994 respectively. The Yau Ma Tei Fruit Market would be reprovisioned to Phase 1 of the Cheung Sha Wan Food Market. However, in May 1991, the reprovisioning of the Yau Ma Tei Fruit Market was changed from Phase 1 to Phase 2. Since then, the reprovisioning of the Market had been deliberated on with different stakeholders and at various times, but

as at March 2016, after a lapse of some 47 years since the 1969 Executive Council's decision, it had yet to be reprovisioned. Appendix D shows a chronology of key events relating to its reprovisioning. The findings of the 1996 and 2007 audit reviews and this audit review are summarised in paragraphs 4.3 to 4.15.

### ***The 1996 audit review***

4.3 In the 1996 audit review "The provision of government wholesale food markets", Audit reported that the Yau Ma Tei Fruit Market had yet to be reprovisioned. At that time, the AFCD planned to reprovision it to Phase 2 of the Cheung Sha Wan Food Market, which was scheduled to be completed by end of 2000.

4.4 In its Report No. 27 of January 1997, the PAC urged the Government to expedite the development of Phase 2 of the Cheung Sha Wan Food Market and, in particular, the reprovisioning of the Yau Ma Tei Fruit Market.

### ***The 2007 audit review***

4.5 In the 2007 audit review "Management of government fresh food wholesale markets", Audit reported that there was little progress in the implementation of the Cheung Sha Wan Food Market Phase 2 project and the Yau Ma Tei Fruit Market was still operating at its existing location.

4.6 In its Report No. 48 of July 2007, the PAC expressed serious concern that there was little progress in reprovisioning of the Yau Ma Tei Fruit Market. The PAC strongly urged the Government to provide a definite timetable for relocating it. In the Government Minute laid before the LegCo in October 2007, the Government informed the PAC that the Government was considering the construction of a new wholesale market for fresh fruits in part of the Cheung Sha Wan Food Market Phase 2 site for relocating the Yau Ma Tei Fruit Market.

### ***Plan to relocate the Yau Ma Tei Fruit Market to Cheung Sha Wan Food Market Phase 2 site unsuccessful***

4.7 In January 2008, the Government reported to the PAC that fruit traders had strong reservations about the proposed relocation of the Yau Ma Tei Fruit

## **Reprovisioning of private and public fresh food wholesale markets**

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Market to the Cheung Sha Wan Food Market Phase 2 site. They considered that the new market site was too small and remote for their operation. The Government would continue to liaise with them. The Government provided the PAC with a relocation timetable, indicating that the new market would commence operation 53 months after obtaining fruit traders' and relevant District Councils' agreement to the relocation.

4.8 In October 2010, a Steering Committee on Housing Land Supply was set up within the Government (Note 21). One of the terms of reference of the Steering Committee was to coordinate the efforts of the various policy bureaux and government departments concerned in making available land for the housing supply targets set by the Government. In January 2011, a request (relaying the views of the Steering Committee) was made to the FHB to review the need for relocating public fresh food wholesale markets. In May 2011, the FHB, in consultation with the AFCD, completed the review. The review concluded that, among others, the Cheung Sha Wan Food Market Phase 2 site would be released for residential development. In June 2011, the Steering Committee endorsed the review results (see para. 4.23).

4.9 In October 2011, as per the FHB's request, an alternative site at Kwai Chung was identified. The AFCD's initial assessment confirmed the potential of the site for accommodating the Yau Ma Tei Fruit Market, subject to a proper market design to overcome the area limitation and securing the support of fruit traders.

4.10 In October 2012, the Yau Ma Tei Fruit Market relocation issue was discussed at a meeting of the Government's Social Community and Manpower Policy Group under the Chief Secretary for Administration's Office. Members noted that the Market site was reserved for public open space development with historic buildings subject to heritage preservation. In the event, the meeting decided that there was no urgency to proceed with the relocation exercise. As a result, the engineering feasibility study did not proceed. The FHB was tasked to work with the Yau Tsim Mong District Council to mitigate the environmental nuisance around the Market.

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**Note 21:** *The Steering Committee on Housing Land Supply was chaired by the Financial Secretary. In February 2013, it was reorganised into the Steering Committee on Land Supply. The original scope of work was expanded to coordinate the overall plans for development and supply of land for different types of land uses including housing as well as commercial uses.*

## **Reprovisioning of private and public fresh food wholesale markets**

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4.11 In March 2015, a consultancy study on the roles and functions of fresh food wholesale markets in Hong Kong was completed (see para. 5.10). The study, commissioned by the FHB, found that the site at Kwai Chung (see para. 4.9) could be considered for relocating the Yau Ma Tei Fruit Market.

4.12 In January 2016, the FHB and the AFCD were again asked to release the site at Kwai Chung for other competing uses. A candidate site in Tsing Yi (which would have to be enlarged through reclamation prior to relocation) was being considered for relocation of the Yau Ma Tei Fruit Market.

4.13 Successful implementation of the relocation project would hinge on the support of fruit traders. However, as at March 2016, records did not indicate that consultations with fruit traders had commenced, nor did records indicate that an action plan had been formulated to take forward the relocation project. There is little indication that the Yau Ma Tei Fruit Market could be successfully reprovisioned. Upon enquiry, the FHB and the AFCD informed Audit in March 2016 that they had been liaising with the district and the trade, and the Government would continue to liaise with the trade on the practical requirements of the reprovisioned market in terms of size, facilities and other needs; and when more information has been obtained, a suitable site would be identified to cater for the needs of the trade.

### ***Nuisances caused by market operation have persisted***

4.14 The operation of the Yau Ma Tei Fruit Market has caused traffic and environmental nuisances in the vicinity and has been a source of many complaints. According to the analysis made by the FHB in its internal record for formulating measures to mitigate environmental nuisance around the fruit market, during 2007 to 2013, a total of 1,533 complaints (e.g. about obstructions and noise) in relation to the Market were lodged with the Hong Kong Police Force, the Food and Environmental Hygiene Department and the District Office of the Home Affairs Department. In January 2016, Audit conducted site visits to the Market and the surrounding areas, and noted the following:

- (a) ***Nuisances in daytime.*** Traders conducted retail activities on the street and obstructed the pavement. Fruits, trolleys and wooden pallets were kept in public areas. Some areas had hygiene problems (see Photographs 5 and 6); and

## Reprovisioning of private and public fresh food wholesale markets

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### Photographs 5 and 6

#### Examples of environmental nuisances in daytime (Yau Ma Tei Fruit Market)

**Photograph 5**



**A pavement obstructed**

**Photograph 6**



**Hygiene problems**

*Source: Photographs taken by Audit at 2 p.m. on 9 January 2016*

- (b) **Nuisances at night-time.** A road adjoining the Market was blocked by trucks. Fruits in cartons were piled up on the road awaiting loading. Workers carrying cartons with trolleys crossed the road without observing traffic regulations and signals (see Photographs 7 and 8).

### Photographs 7 and 8

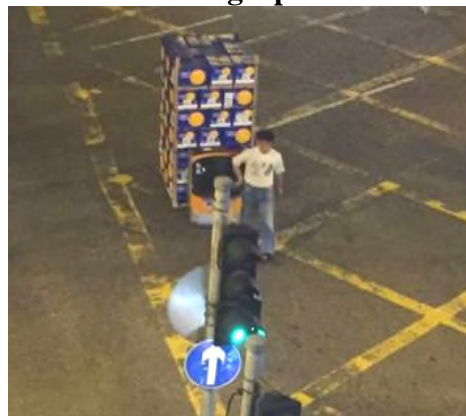
#### Examples of environmental nuisances at night-time (Yau Ma Tei Fruit Market)

**Photograph 7**



**A road partly blocked**

**Photograph 8**



**Traffic regulations not observed**

*Source: Photographs taken by Audit at 11 p.m. on 13 January 2016*

4.15 Upon enquiry, the FHB and the AFCD informed Audit in March 2016 that, since October 2012, meetings had been held from time to time among the FHB, the AFCD and other departments (e.g. Lands Department, Home Affairs Department, Transport Department, Hong Kong Police Force and Highways Department) on measures to mitigate environmental nuisances around the Yau Ma Tei Fruit Market. Concerted efforts had been made to making the best use of land resources available through STT to this end. The Government had plans to enlarge the aggregate area of the two existing STT sites and provide one more STT site, thus making available a total area (subject to survey) of about 8,940 m<sup>2</sup> (i.e. an increase of about 4,470 m<sup>2</sup>) earmarked for meeting the operational needs of the trade and mitigating the environmental nuisances caused to the neighbouring community.

### **Audit recommendations**

4.16 **Audit has *recommended* that the Secretary for Food and Health and the Director of Agriculture, Fisheries and Conservation should:**

- (a) **keep in view the progress made by the relevant bureau and departments in exploring a possible site in Tsing Yi for reprovisioning the Yau Ma Tei Fruit Market;**
- (b) **upon receipt of the reply from the relevant bureau and departments, having regard to their initial assessment on technical feasibility, proceed with seeking a steer within the Government on the way forward;**
- (c) **after the Government has decided to proceed with the relocation exercise, consider how to engage fruit traders and other stakeholders with a view to soliciting their support;**
- (d) **in the interim, continue to monitor the effectiveness of the measures for mitigating nuisances caused by the market operation; and**
- (e) **keep LegCo posted on the relocation of the Market as appropriate.**

### **Response from the Government**

4.17 The Secretary for Food and Health and the Director of Agriculture, Fisheries and Conservation generally accept the audit recommendations.

4.18 The Director of Planning has said that on the reprovisioning of fresh food wholesale markets, the Planning Department has previously helped identify different potential relocation sites. The Planning Department will continue to assist the FHB to identify suitable sites for reprovisioning fresh food wholesale markets that have the potential to and are confirmed by the FHB as can be released for other uses to optimise the use of land resources.

### **Reviews of provision of public fresh food wholesale markets**

4.19 The 12 public fresh food wholesale markets occupy considerable land areas (265,480 m<sup>2</sup> in total). Many of them are located in areas which were the urban periphery (e.g. Cheung Sha Wan) at the time of their establishment. Over the years, many locations have become densely-populated/prime sites.

4.20 From time to time, the AFCD and the FHB conducted reviews of the provision and efficiency of wholesale markets. In a review completed in August 2003, it was found that:

- (a) for AFCD markets, the facilities were generally well utilised. The proportion of trading stalls let to the trade was 93 %;
- (b) the increasing popularity and expansion of major supermarket chains into fresh food retailing, and the emergence of direct bulk importation arrangement organised by groups of retailers and restaurateurs, had posed increasing challenges to the traditional wholesale business; and
- (c) in the light of the developments, the VMO market and FMO markets should be separately reviewed.



## Reprovisioning of private and public fresh food wholesale markets

### *Overall decrease in market throughput*

4.21 The throughput of public fresh food wholesale markets is a key performance measure in the Controlling Officer's Report of the AFCD. Audit noted that, subsequent to the 2003 review, the throughput of public fresh food wholesale markets had on the whole decreased. Accordingly, the "throughput to land areas" ratio of the 12 markets had also on the whole decreased (see Table 13).

**Table 13**

#### **Throughput of 12 public fresh food wholesale markets after 2003 review (2003-04 versus 2014-15)**

Market	Operated by	Throughput		
		2003-04 (Tonne)	2014-15 (Tonne)	Increase/Decrease (+/-)
Cheung Sha Wan Fish Market	FMO	8,418	20,427	+143%
Sai Kung Fish Market	FMO	151	270	+79%
Cheung Sha Wan Food Market	AFCD	223,566	251,962	+13%
Aberdeen Fish Market	FMO	16,478	17,929	+9%
Western Food Market	AFCD	180,295	188,265	+4%
Tai Po Fish Market	FMO	5,724	389	<b>-93%</b>
Kwun Tong Fish Market	FMO	8,310	762	<b>-91%</b>
Cheung Sha Wan Temporary Poultry Market	AFCD	57,428	9,376	<b>-84%</b>
North District Temporary Agricultural Products Market	AFCD	91,356	42,524	<b>-53%</b>
Cheung Sha Wan Vegetable Market	VMO	246,371	128,033	<b>-48%</b>
Shau Kei Wan Fish Market	FMO	2,366	1,594	-33%
Castle Peak Fish Market	FMO	6,227	4,365	-30%
Overall		846,690	665,896	-21%
<b>Analysis of overall ratio of throughput to land areas</b>				
Land areas (m <sup>2</sup> )		262,787	265,480	—
Throughput to land areas (tonnes per m <sup>2</sup> )		3.2	2.5	-22%

Source: AFCD records

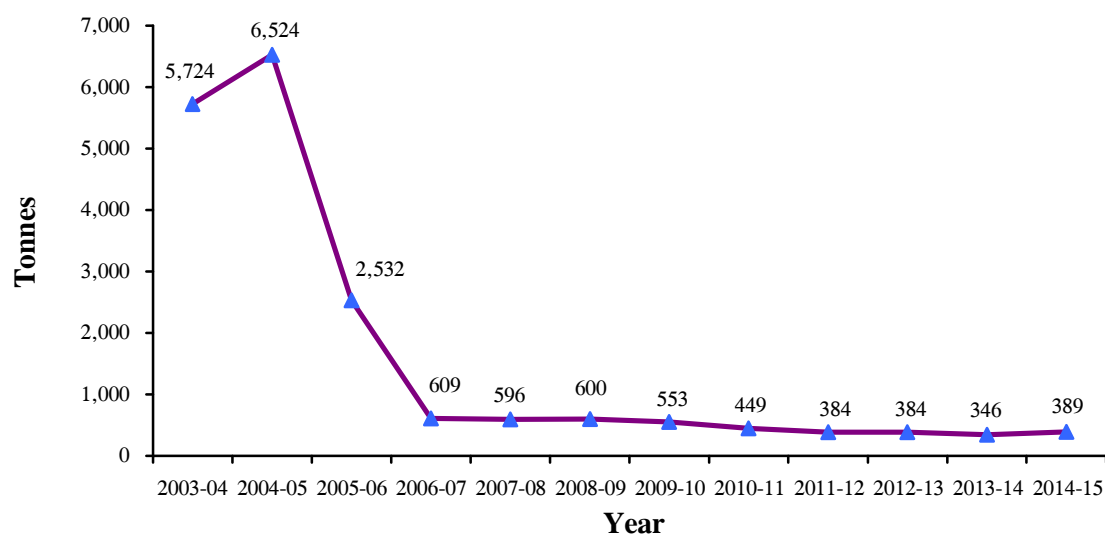
Remarks: The table shows the throughput for the five types of fresh food, namely, vegetables, fruits, eggs, live and fresh fishes, and live poultry.

### *Drastic decrease in throughput of a number of markets*

4.22 Table 13 shows that the decrease in throughput of five public fresh food wholesale markets was drastic (decrease ranged from 48% to 93%). Of the five markets, three were located in Kowloon (Kwun Tong Fish Market, Cheung Sha Wan Temporary Poultry Market and Cheung Sha Wan Vegetable Market) and occupied a total land area of 49,084 m<sup>2</sup>, and two were located in the New Territories (Tai Po Fish Market and North District Temporary Agricultural Products Market) and occupied a total land area of 16,922 m<sup>2</sup>. Audit analysis indicated that the downward trends in throughput of these five markets had persisted after the 2003 review (see para. 4.20). Figures 4 and 5 show the persistent downward trends of the two markets in the New Territories.

**Figure 4**

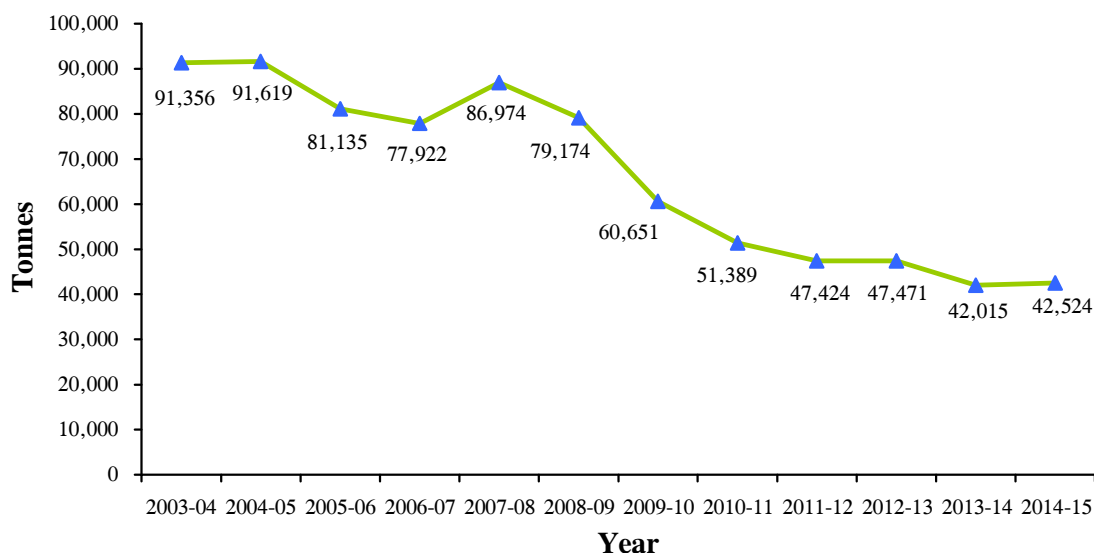
**93% decrease in throughput of Tai Po Fish Market (4,422 m<sup>2</sup>)  
(2003-04 to 2014-15)**



*Source: Audit analysis of AFCD records*

Figure 5

**53% decrease in throughput of  
North District Temporary Agricultural Products Market (12,500 m<sup>2</sup>)  
(2003-04 to 2014-15)**



Source: Audit analysis of AFCD records

### ***Reviews of public fresh food wholesale markets***

4.23 As mentioned in paragraph 4.8, in May 2011, in consultation with the AFCD, the FHB completed the review on the possibility of relocating public fresh food wholesale markets with a view to releasing potential land supply for residential developments. In June 2011, the FHB informed the Steering Committee on Housing Land Supply of the results of the review, including the following:

- (a) the Cheung Sha Wan Food Market Phase 2 site would be released for residential development. The status quo in the Cheung Sha Wan Food Market on the Phase 1 site would be maintained for the time being;
- (b) subject to identification of viable alternative sites, the relocation of the Cheung Sha Wan Vegetable Market and the Yau Ma Tei Fruit Market would be planned longer-term, and the relocation of the Cheung Sha Wan Food Market on the Phase 1 site could also be considered; and

## **Reprovisioning of private and public fresh food wholesale markets**

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- (c) the relocation of the Cheung Sha Wan Temporary Poultry Market to Sheung Shui would be explored, and the proposed relocation of the Kwun Tong Fish Market would proceed subject to certain conditions.

4.24 For the three public fresh food wholesale markets in Kowloon which had a significant decrease in throughput (i.e. Kwun Tong Fish Market, Cheung Sha Wan Temporary Poultry Market and Cheung Sha Wan Vegetable Market — see para. 4.22), the 2011 review indicated that the relocation of the Kwun Tong Fish Market would proceed and the relocation of the other two markets would be explored or planned longer-term (see para. 4.23). However, the review made no mention of the two public fresh food wholesale markets in the New Territories which had a significant decrease in throughput (i.e. Tai Po Fish Market and North District Temporary Agricultural Products Market — see Figures 4 and 5 in para. 4.22).

4.25 In 2012, the FHB commissioned a consultancy study on the roles and functions of fresh food wholesale markets in Hong Kong. The study focused on five selected markets (Note 22) and covered sector-wide recommendations on ways to improve provision of wholesale market facilities and services with a view to bringing enhanced efficacy and benefits to the Hong Kong community as a whole, and market-specific recommendations on the five selected study markets. However, the two public fresh food wholesale markets in the New Territories which had a drastic decrease in throughput (see para. 4.22) were again not selected for the study.

4.26 Of the seven FMO markets, only the Kwun Tong Fish Market was reviewed by the FHB in 2011 (see para. 4.23(c)). The remaining six FMO markets were neither reviewed in 2011 nor in 2012 (see para. 4.25). These six FMO markets included three which had a considerable decrease in throughput (Note 23).

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**Note 22:** *The study covered three AFCD markets (i.e. Cheung Sha Wan Temporary Poultry Market, Cheung Sha Wan Food Market and Western Food Market), the VMO's Cheung Sha Wan Vegetable Market and one private fresh food wholesale market (i.e. Yau Ma Tei Fruit Market).*

**Note 23:** *Of the remaining six FMO markets, three had a decrease in throughput during 2003-04 to 2014-15, namely, Tai Po Fish Market (93% decrease), Shau Kei Wan Fish Market (33% decrease) and Castle Peak Fish Market (30% decrease).*

## **Reprovisioning of private and public fresh food wholesale markets**

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As at March 2016, more than 12 years had elapsed since the 2003 review and no comprehensive review of all the FMO markets has been done (see para. 4.20(c)). The FHB and the AFCD need to undertake a comprehensive review of all the FMO markets.

### ***Kwun Tong Fish Market***

4.27 The Kwun Tong Fish Market has a site area of 4,151 m<sup>2</sup>. As mentioned in paragraph 4.23(c), the 2011 review indicated that the proposed relocation of the Kwun Tong Fish Market would proceed subject to certain conditions. As at March 2016, a suitable relocation site had still not been identified. Records indicated that, after successful relocation, the Market site would be put to residential use. Upon enquiry, the FHB and the AFCD informed Audit in March 2016 that:

- (a) as early as in 2010, the FHB and the AFCD had been responding positively to the Planning Department's suggestion to relocate the Kwun Tong Fish Market to a nearby site in the Comprehensive Development Area in Yau Tong Industrial Area to facilitate the residential development thereon. In May 2013, a request was put to, and accepted by, the FHB and the AFCD that the reprovisioned site be released to facilitate the residential development. This was endorsed by the Committee on Planning and Land Development (Note 24) in February 2014; and
- (b) however, in the first quarter of 2016, a request was put to, and accepted by, the FHB and the AFCD that the relocation of Kwun Tong Fish Market to a possible site in Tsing Yi (which would be enlarged through reclamation prior to the relocation) should be explored.

Audit considers that the relocation of the Kwun Tong Fish Market should be taken forward in a timely manner.

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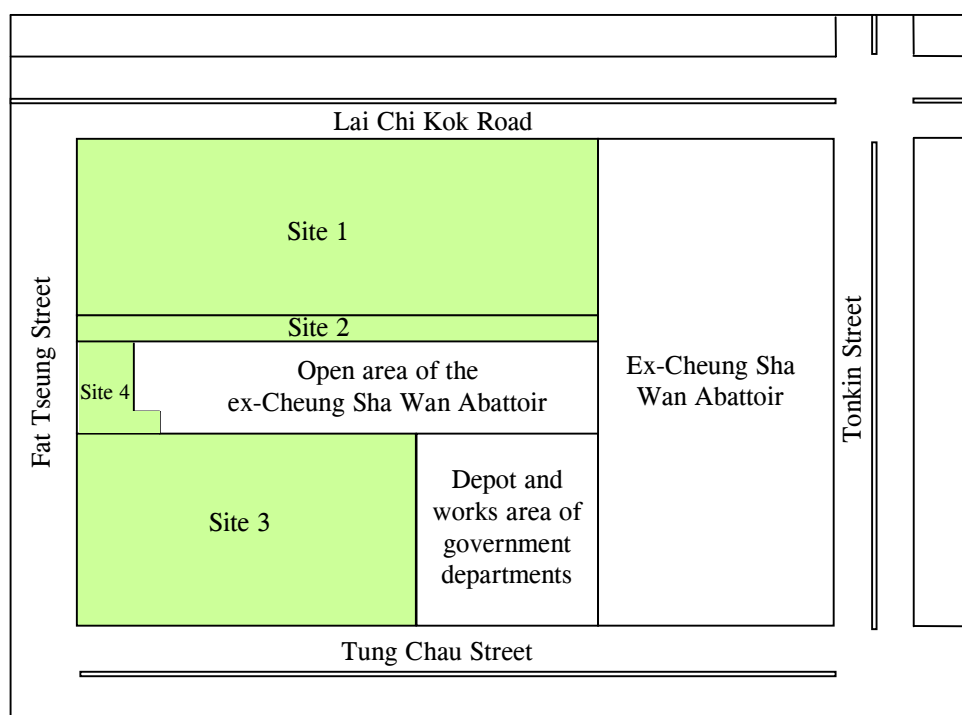
**Note 24:** *The Committee on Planning and Land Development is chaired by the Secretary for Development.*

## Reprovisioning of the Cheung Sha Wan Vegetable Market

4.28 The Cheung Sha Wan Vegetable Market has been operated by the VMO since 1965. It comprises four sites, with a total area of 18,933 m<sup>2</sup> (see Figure 6).

**Figure 6**

**The Cheung Sha Wan Vegetable Market and nearby areas**



Legend:  The Cheung Sha Wan Vegetable Market

Source: AFCD records

## Reprovisioning of private and public fresh food wholesale markets

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4.29 The land status of the four sites is as follows:

- (a) *Site 1 — Wholesale market (12,607 m<sup>2</sup>)*. The land was granted by the Government to the VMO by a PTG executed in 1962, at a premium of \$1,492,700. It accommodates the wholesale market in which traders conduct business in designated areas (Note 25);
- (b) *Site 2 — Expanded transport compound (970 m<sup>2</sup>)*. In 1985, the Government let the land to the VMO through STT at market rent. The rent effective from June 2015 is \$698,400 per annum. The site is used as an expanded transport compound and parking spaces;
- (c) *Site 3 — Premium Vegetable Packaging Centre (5,016 m<sup>2</sup>)*. In 1997, the Government let the land to the VMO through STT at a nominal rent of \$1. The site is used for processing and packing quality vegetables for delivery to up-market customers; and
- (d) *Site 4 — Other operational area (340 m<sup>2</sup>)*. In 2011, the Government let the land to the VMO through STT at a nominal rent of \$1. The site is used for operational purposes (e.g. loading/unloading goods).

### *Diminishing role of the Cheung Sha Wan Vegetable Market in wholesale marketing of vegetables*

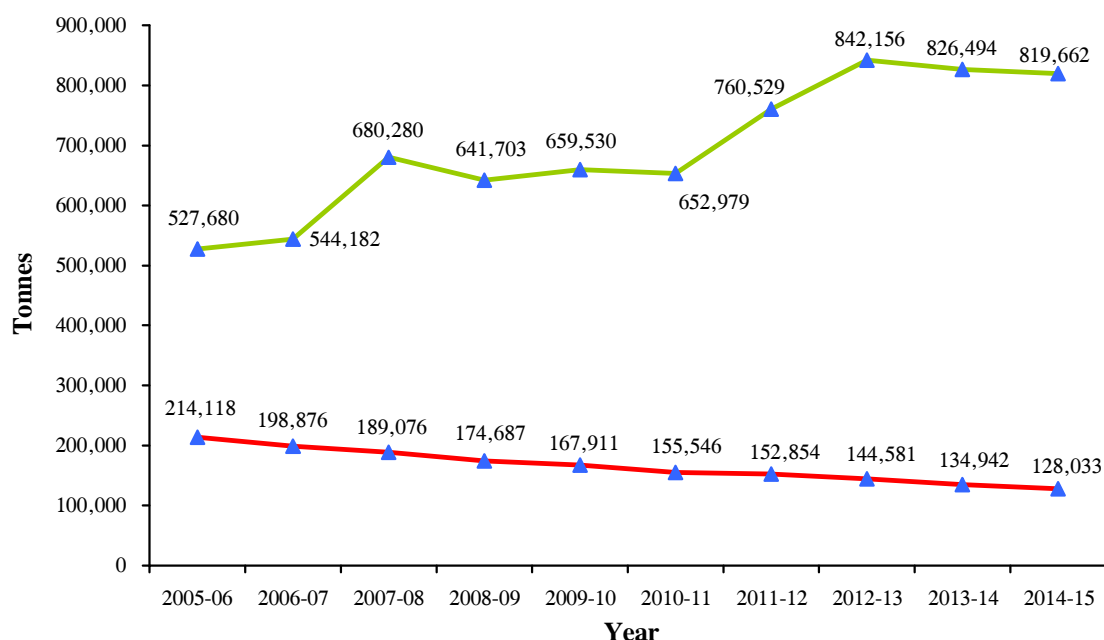
4.30 During 2005-06 to 2014-15, the consumption of fresh vegetables in the territory increased by 55% (i.e. from 527,680 tonnes in 2005-06 to 819,662 tonnes in 2014-15). In contrast, the vegetable throughput of the Cheung Sha Wan Vegetable Market decreased significantly by 40% (i.e. from 214,118 tonnes in 2005-06 to 128,033 tonnes in 2014-15) (see Figure 7). Given the significant drop in throughput, the VMO's share of fresh vegetable market shrank considerably from 41% of total vegetable consumption in 2005-06 to 16% in 2014-15.

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**Note 25:** *Traders conduct business at different time of the day. For each timeslot, traders trade in their designated areas (marked by lines on the ground). Fixed market stalls are not provided to them.*

Figure 7

### Consumption and throughput of fresh vegetables (2005-06 to 2014-15)



Legend: ▲ Consumption of fresh vegetables  
▲ Throughput of the Cheung Sha Wan Vegetable Market

Source: Audit analysis of AFCD records

### Misuse of valuable land

4.31 As early as in 1994, the Planning Department commented that the continued operation of the Cheung Sha Wan Vegetable Market at the Cheung Sha Wan sites would be a misuse of valuable land. In 1998, the relevant areas were zoned as “Residential (Group A)” on the Outline Zoning Plan (Note 26). However, as at March 2016, the Market was still operating at the Cheung Sha Wan sites (see Photograph 9). Appendix E shows a chronology of the key events. The audit findings are summarised in paragraphs 4.32 to 4.38.

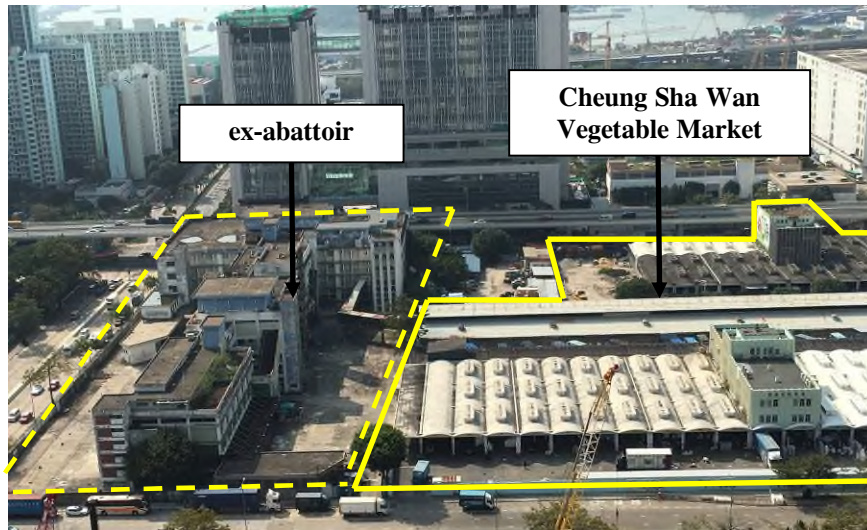
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**Note 26:** *The zone is intended primarily for high-density residential developments. Commercial uses are always permitted on the lowest three floors of a building or in the purpose-designed non-residential portion of an existing building.*



**Photograph 9**

**The vegetable market and the ex-abattoir at Cheung Sha Wan  
(Viewing from Lai Chi Kok Road)**



*Source: Photograph taken by Audit in December 2015*

***Letting of additional land in Cheung Sha Wan to the VMO***

4.32 Contrary to the Planning Department's advice in 1994, two more sites at Cheung Sha Wan (totalling 5,356 m<sup>2</sup>) were let to the VMO in 1997 and 2011 for use by the Cheung Sha Wan Vegetable Market (see para. 4.29(c) and (d)). Upon enquiry, the AFCD informed Audit in February 2016 that this was to meet operational needs.

***No relocation plan***

4.33 The Planning Department had proposed different relocation sites for the Cheung Sha Wan Vegetable Market. For example, in 1994, a potential site at Lai Chi Kok (some 28,000 m<sup>2</sup>) was proposed. However, the AFCD did not consider the sites suitable. A reason was that the AFCD had no plan of relocating the Market at that time.

### *Requiring a larger site for relocation*

4.34 Between 1998 and 2004, the AFCD explored, unsuccessfully, the option of developing a multi-storey market complex at the Cheung Sha Wan Food Market Phase 2 site to accommodate, among others, the Cheung Sha Wan Vegetable Market (see items (k) to (m) in Appendix D). As mentioned in paragraph 4.23(b), in June 2011 the FHB indicated that the relocation of the Cheung Sha Wan Vegetable Market would be planned longer-term. In February 2012, the AFCD spelt out the requirements for the relocation site to kick-start the exercise. The requirements include that:

- (a) the site area should be at least 25,000 m<sup>2</sup>;
- (b) the site should be located in Kowloon; and
- (c) the site should be easily accessible by road networks and public transports.

In October 2012, the Planning Department proposed a relocation site in Lai Chi Kok, with a gross area of 26,100 m<sup>2</sup>.

4.35 Audit noted that the required area of 25,000 m<sup>2</sup> was 32% larger than the existing total site area of 18,933 m<sup>2</sup> (see para. 4.28), or 98% larger than the wholesale market site of 12,607 m<sup>2</sup> (i.e. Site 1 — see para. 4.29(a)) which was granted to the VMO through PTG. Upon enquiry, the AFCD informed Audit in March 2016 that as transpired from the recommendations of the consultancy study (see para. 4.25) which had been formulated based on its consultations with the trade, the operational requirements of the VMO (which had been suppressed due to the constraints associated with the current site), and the limitations of the relocation site identified (Note 27), the AFCD's requirements turned out to be a prudent

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**Note 27:** *According to the AFCD, the relocation site identified (see para. 4.34) is irregular in shape, surrounded by highways/flyovers with high traffic volume, adjacent to a potential hazardous installation (the facility — see para. 4.37(b)) (thus necessitating mitigation measures such as buffer area), above drainage reserve (thus necessitating measures to make way for maintenance works when required) and in lack of infrastructure. Hence, despite its stated gross area of some 26,100 m<sup>2</sup>, that site can only yield 5,880 m<sup>2</sup> of trading floor at best, after meeting various land, planning and construction constraints. This is 13.5% less than the existing trading floor area of 6,800 m<sup>2</sup> at the Cheung Sha Wan Vegetable Market.*

assessment on which the site search exercise was based. Nevertheless, as was always the case, the AFCD was willing to explore the suitability of any sites identified by the Planning Department, and would continue to work with the FHB and the Development Bureau to discuss the way forward.

4.36 Audit noted that, during 2005-06 to 2014-15, the vegetable throughput of the Cheung Sha Wan Vegetable Market decreased significantly by 40% (see para. 4.30). The AFCD needs to critically review the site requirements (see para. 4.34(a) to (c)) to ensure that they are justified.

### ***Housing project completion subject to relocation of the Cheung Sha Wan Vegetable Market***

4.37 Regarding the relocation site in Lai Chi Kok proposed by the Planning Department (see para. 4.34), upon enquiry, the FHB and the AFCD informed Audit in March 2016 that:

- (a) the FHB and the AFCD had been working diligently, in conjunction with other relevant departments, to confirm the technical feasibility of the site, including issuing the project definition statement as well as commencing various studies (e.g. quantitative risk assessment in June 2013, traffic impact assessment in November 2013, topographical surveys in May 2014 and underground services investigation in November 2014); and
- (b) certain existing facility at the site required relocation for public safety considerations. If relocation of the facility was not possible, then an alternative site for reprovisioning the Cheung Sha Wan Vegetable Market would need to be identified, including a possible site in Tsing Yi (to be enlarged through reclamation prior to the relocation).

4.38 As at March 2016, some 20 years after the Planning Department commented that the continued operation of the Cheung Sha Wan Vegetable Market at the existing sites would be a misuse of valuable land (see para. 4.31), there was little progress in the reprovisioning of the Market. Given that the redevelopment of the Market site was a key component of a housing project at Cheung Sha Wan sites (see items (e) and (f) of Appendix E), the Housing Department had commented that the housing project could only be completed around five years after the relocation of the Cheung Sha Wan Vegetable Market.

### Reprovisioning of fresh food wholesale markets on temporary sites

4.39 Of the 12 public wholesale markets, the Cheung Sha Wan Temporary Poultry Market and the North District Temporary Agricultural Products Market are located at temporary sites. According to the 2011 review conducted by the FHB, the relocation of the Cheung Sha Wan Temporary Poultry Market to Sheung Shui would be explored (see para. 4.23(c)). Audit findings revealed that the North District Temporary Agricultural Products Market might also need reprovisioning (see paras. 4.40 to 4.42).

#### *North District Temporary Agricultural Products Market*

4.40 *Suboptimal use of land resources.* The North District Temporary Agricultural Products Market was commissioned in 1989 to replace a private market in the New Territories. Occupying land areas of 12,500 m<sup>2</sup> in Fanling, it sold vegetables only (Note 28). The Market's "throughput to land areas" ratio was only half of that of the Cheung Sha Wan Vegetable Market (see Table 14).

**Table 14**  
**Ratio of throughput to land areas**  
**(2014-15)**

	<b>North District Temporary Agricultural Products Market</b>	<b>Cheung Sha Wan Vegetable Market</b>
Throughput in 2014-15	42,524 tonnes	128,033 tonnes
Land areas of the market	12,500 m <sup>2</sup>	18,933 m <sup>2</sup>
Ratio of throughput to land areas	3.40 tonnes per m <sup>2</sup>	6.76 tonnes per m <sup>2</sup>

*Source: Audit analysis of AFCD records*

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**Note 28:** *Traders in the Market did not have a fixed market stall. Each trader was assigned a trading space to conduct business. During 2014-15, 98% of the trading spaces were allotted to traders.*

## Reprovisioning of private and public fresh food wholesale markets

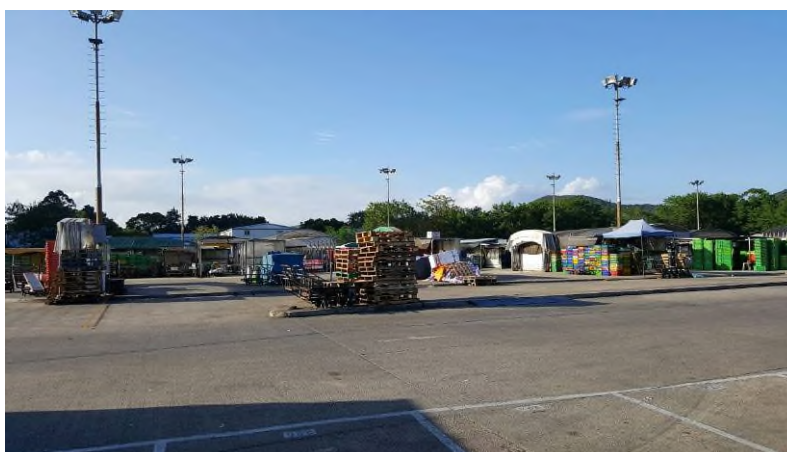
4.41 ***Reasons for lower “throughput to land areas” ratio.*** The following factors could be contributory to the lower “throughput to land areas” ratio in the North District Temporary Agricultural Products Market:

- (a) ***Short operating hours.*** The North District Temporary Agricultural Products Market operates only eight hours daily from 12:00 midnight to 8:00 a.m. It is closed for the rest of the day (see Photograph 10). As regards the Cheung Sha Wan Vegetable Market, it operates 15.5 hours daily from 3:00 a.m. to 6:30 p.m.; and
- (b) ***Provision at temporary standards.*** Being a temporary market, the North District Temporary Agricultural Products Market is basically an open ground without permanent infrastructure (e.g. lacking a storey above the ground level for use as offices and stores — see Photograph 10).

Upon enquiry, the AFCD informed Audit in March 2016 that the remote and isolated location of the North District Temporary Agricultural Products Market had been a factor for the short operating hours. However, the AFCD had liaised with the Civil Engineering and Development Department to improve the market facilities and was hopeful that the improvements will yield better utilisation in the future (see para. 2.7(b)(ii)). The improvement works were scheduled to commence in mid-2017.

**Photograph 10**

**North District Temporary Agricultural Products Market  
during the non-operating hours**



*Source:* Photograph taken by Audit at 9 a.m. in November 2015

*Remarks:* Traders did not have a fixed market stall. Each trader was assigned a trading space to conduct business.

## Reprovisioning of private and public fresh food wholesale markets

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4.42 *Need to take improvement measures.* Upon its commissioning in 1989, the North District Temporary Agricultural Products Market was built and provided to temporary standards only. In 1995, the AFCD discussed with the Lands Department ways to optimise the use of the site. In order not to pre-empt any future development of the site, it was agreed that the Market would operate as a “long-term” temporary market. As at March 2016, the Market had stayed “temporary” for more than 26 years without improving its facilities.

### *Cheung Sha Wan Temporary Poultry Market*

4.43 The Cheung Sha Wan Temporary Poultry Market was commissioned in 1974 to provide temporary accommodation for traders dislodged from an on-street poultry market in Kowloon. Occupying land areas of 26,000 m<sup>2</sup>, it is now the only wholesale market for live poultry in the territory.

4.44 *Surplus market facilities.* To address the risk of outbreak of avian influenza, the Government launched two schemes in 2005 and 2008 respectively to help live poultry traders voluntarily end their business (Note 29). The number of poultry wholesalers has also been frozen. The diminution of the live poultry trade rendered the Cheung Sha Wan Temporary Poultry Market facilities over-provided. As at December 2015, of the 86 stalls in the Market, only 23 (27%) stalls were used by traders. There were 48 (56%) stalls surplus to requirements (Note 30). Table 15 shows that the 48 surplus stalls had been vacant for more than five years. Against the diminished live poultry trade, the provision of the Cheung Sha Wan Temporary Poultry Market on a site of 26,000 m<sup>2</sup> in area requires immediate attention.

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**Note 29:** *Under the 2005 scheme, ex-gratia payments were given to farmers, wholesalers, transporters and retailers who chose to cease their live poultry business permanently. Under the 2008 scheme, for local workers of live poultry business, they were provided with a one-off grant if affected by the cessation of business of their employers.*

**Note 30:** *Of the 86 market stalls, 23 were used by traders, 15 were used for storage of live poultry (e.g. poultry not sold during the day) and 48 were left vacant.*

**Table 15**

**Period of vacancy of 48 surplus stalls  
in the Cheung Sha Wan Temporary Poultry Market  
(December 2015)**

<b>Period of vacancy (Year)</b>	<b>No. of market stalls</b>
5 to < 6	1 (2%)
7 to < 8	38 (79%)
9 to < 10	4 (8%)
10 to < 11	5 (11%)
Total	48 (100%)

*Source: Audit analysis of AFCD records*

4.45 ***Prolonged nuisances and health threats.*** Upon commissioning of the Market in 1974, the Cheung Sha Wan Temporary Poultry Market was planned to be used for about three years. Now, the Market is amid clusters of residential buildings. Continued provision of the Market at the present site might no longer be suitable, for the following reasons in particular:

- (a) ***Outdated structures.*** Audit noted that stalls at the Cheung Sha Wan Temporary Poultry Market were open-sided structures (see Photograph 11). Any contaminants in the Market might be carried a long way by wind. Moreover, components of stall roofs included corrugated asbestos cement sheets which could pose health risks (Note 31). Upon enquiry, the AFCD informed Audit in November 2015 that, as the Market would be relocated to another permanent site, the asbestos sheets were not to be dealt with at the moment; and

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**Note 31:** *According to the Environmental Protection Department, asbestos-containing materials pose little health risk as long as they remain intact and undisturbed. If the conditions of the corrugated asbestos cement sheets deteriorate, registered asbestos professionals have to be hired to remove and dispose of the asbestos sheets properly.*

Photograph 11

Stalls at the Cheung Sha Wan Temporary Poultry Market



Source: Photograph taken by Audit in November 2015

- (b) **Public concerns.** The Sham Shui Po District Council had considered that the Cheung Sha Wan Temporary Poultry Market was a source of environmental nuisances to residents in the vicinity. The current appearance and activities of the Market were also not compatible with the latest developments in Cheung Sha Wan.

4.46 **Relocation put on hold.** According to the review conducted in May 2011 (see para. 4.23(c)), the original thinking was to relocate the Cheung Sha Wan Temporary Poultry Market to Sheung Shui. In 2015, the FHB commissioned a consultancy study to examine the way forward for the live poultry trade in Hong Kong. As such, the relocation of the Market has been put on hold. The AFCD has nevertheless prepared the preliminary design and included the project in the Capital Works Programme. It can be taken forward to the next step should a decision to proceed with the relocation project be made.



## **Audit recommendations**

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

### ***Reviews of public fresh food wholesale markets***

- (a)      ensure that timely reviews of the provision and efficiency of public wholesale markets are conducted, taking account of changes in social-economic circumstances and the need for using public resources in a more efficient and effective manner;**

### ***Kwun Tong Fish Market***

- (b)      keep in view the progress made by the relevant bureau and departments in exploring the options for reprovisioning the Kwun Tong Fish Market, with a view to taking forward the relocation of the Market in a timely manner;**

### ***Cheung Sha Wan Vegetable Market***

- (c)      critically review the site requirements for the reprovisioning of the Cheung Sha Wan Vegetable Market, taking account of the need for optimising the use of land resources, the decreasing throughput of the Market, and the intended future roles and functions of the VMO in wholesale marketing of vegetables (see para. 5.11(a));**
- (d)      work closely with the Planning Department and other relevant works departments to expedite the reprovisioning of the Cheung Sha Wan Vegetable Market and the release of the sites for housing developments;**
- (e)      formulate an action plan to take forward the reprovisioning of the Cheung Sha Wan Vegetable Market, and closely monitor the progress;**

## **Reprovisioning of private and public fresh food wholesale markets**

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### ***Public fresh food wholesale markets on temporary sites***

- (f) **in consultation with the relevant departments, examine how to optimise the use of the site currently occupied by the North District Temporary Agricultural Products Market;**
- (g) **keep in view the development of the Government's policy on the live poultry trade, with a view to reprovisioning the Cheung Sha Wan Temporary Poultry Market and/or releasing its site at the earliest possible time;**
- (h) **in the interim, closely monitor the impact of the Cheung Sha Wan Temporary Poultry Market on the environment and public health, and where appropriate take measures to mitigate the impact; and**
- (i) **formulate action plans on the North District Temporary Agricultural Products Market and the Cheung Sha Wan Temporary Poultry Market, and closely monitor the progress after deciding the way forward.**

## **Response from the Government**

4.48 The Director of Agriculture, Fisheries and Conservation generally accepts the audit recommendations.

## **PART 5: WAY FORWARD**

5.1 This PART examines the way forward for fresh food wholesale markets.

### **Roles of two marketing organisations**

5.2 The FMO and the VMO are statutory organisations operating under the legal framework of the Marine Fish (Marketing) Ordinance and that of the Agricultural Products (Marketing) Ordinance respectively (see para. 1.4). They were established in 1945 (for the FMO) and 1946 (for the VMO), shortly after World War II, to break the middleman's control of wholesale marketing of fresh marine fishes and vegetables, with a view to helping local fishermen and farmers secure a fuller share of income from the produce. Since their establishment, the FMO and the VMO have been operating as non-profit-making organisations on a self-financing basis.

### ***Diminishing roles in wholesale marketing***

5.3 In contrast to the increasing consumption of marine fishes and fresh vegetables in the territory, the quantities supplied through FMO markets and the VMO market have decreased over the years. During 2005-06 to 2014-15, the FMO's share of marine fish market shrank from 75% of total consumption in the territory in 2005-06 to 41% in 2014-15 (see para. 2.22). For the VMO, the share of fresh vegetable market shrank from 41% of total consumption in the territory in 2005-06 to 16% in 2014-15 (see para. 4.30).

5.4 As identified in the 2003 review of wholesale markets conducted by the FHB and the AFCD (see para. 4.20(b)), the emergence of direct bulk importation of fresh food (hence bypassing wholesale markets including the VMO market) was a contributory factor for the diminishing market share of the VMO. As regards the FMO, the AFCD has informed Audit that many fresh marine fishes were imported by air in recent years, bypassing FMO markets which were no longer the sole wholesale channel of fresh marine fishes. Audit noted that, during 2005-06 to 2014-15:

## Way forward

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- (a) for the FMO, the throughput of fresh marine fishes decreased by 20% from 43,806 tonnes in 2005-06 to 35,200 tonnes in 2014-15; and
- (b) for the VMO, the throughput of local fresh vegetables decreased by 59% from 5,216 tonnes in 2005-06 to 2,119 tonnes in 2014-15.

### *Diversifying into other activities*

5.5 The FMO and the VMO were originally set up for wholesale marketing of fresh marine fishes and local vegetables (see para. 5.2). Operating on a self-financing basis, their major source of revenue was commissions levied on wholesale transactions. Owing to the decrease in throughput of fresh marine fishes and local vegetables, the FMO and the VMO have diversified into other activities to sustain their operation. According to their vision/mission statements, the FMO and the VMO are now operating under the objectives of:

- (a) for the FMO, providing the local fishing industry and fisheries trade section with an orderly and efficient wholesale marketing system and facilities for marine fish trading; and
- (b) for the VMO, providing the community with a reliable and plentiful supply of safe and quality vegetables, and facilitating the sustainable development of local agriculture.

Upon enquiry, the AFCD informed Audit in February 2016 that the FMO objectives also include improving the marketing of fishery products.

5.6 Audit notes that some of those other activities (see para. 5.5) currently undertaken by the FMO and the VMO were not intended at the time of their setting up. Examples are as follows:

- (a) **FMO.** The FMO has let extensive market areas to traders for trading live marine fishes (in contrast to fresh marine fishes — see paras. 2.32 to 2.36). As mentioned in paragraph 2.35, Audit notes two legal issues related to such live marine fish trading. The FMO has also let out areas for activities such as car parking (see paras. 2.28 to 2.31). In 2014-15, about 56% of the operating income of the FMO came from the letting of market areas; and

- (b) **VMO.** The VMO has engaged in the following activities:
- (i) ***Sale of imported vegetables.*** The VMO sells imported vegetables as well as local vegetables. Of the 128,033 tonnes of vegetables sold at its markets in 2014-15, 98% (125,914 tonnes) were imported vegetables; and
  - (ii) ***Direct sale of premium vegetables to household customers.*** In 1992, the VMO set up a Premium Vegetable Section to help local farmers market their quality vegetables to up-market caterers (i.e. retailers). The clientele subsequently expanded to include household customers (i.e. consumers). In 2014-15, the direct sale to household customers represented about 8% of the total sale of the Premium Vegetable Section.

5.7 Upon enquiry, the FHB and the AFCD informed Audit in March 2016 that:

- (a) the FMO reviewed regularly the use of its market areas to meet the changing needs of the fisheries trade and allowed an appropriate portion of the areas to be used as trade offices, ice stores, cold rooms, store rooms, parking spaces, live marine fish stalls, water tanks (provision of clean seawater), and facilities for promotion of local fishery products;
- (b) to cope with the decreasing trend in the landing of fresh marine fishes at FMO markets and the increasing demand for wholesale marketing facilities for live marine fishes as well as to optimise the utilisation of market space and facilities of the FMO, the FMO had expanded its functions in providing the needed facilities and services to the live marine fish wholesaling sector;
- (c) for the VMO, as land became increasingly scarce, local farmers had moved to the Mainland to continue their production, and they continue to use the VMO market to market their produce. This would account for roughly half of the imported vegetables sold through the VMO's Cheung Sha Wan Vegetable Market. In 2014-15, out of the total throughput of 125,914 tonnes of imported vegetables at the vegetable market, 56,554 tonnes were brought in by local farmers;

## Way forward

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- (d) one of the roles of the VMO was to help local farmers market their produce. The VMO had a role to help small local farmers who had fewer resources and less bargaining power, and whose production volume did not make it viable for them to make their own logistics and direct sale arrangements. The role of the VMO should not be restricted to just wholesaling. It was in line with Regulation 15(a) of the Agricultural Products (Marketing) Regulations (Cap. 277A) (Note 32); and
- (e) similar to the VMO, it was stipulated in section 11(2) of the Marine Fish (Marketing) Ordinance that the FMO might provide such services as may be deemed necessary for the improvement of the marketing of fishery products and the promotion of co-operative enterprise in the fisheries industry.

5.8 Audit notes that the direct import of fresh marine fishes by air, bypassing FMO wholesale markets (see para. 5.4), was not contemplated by law and might not be permissible (Note 33). Such a means of import is a major threat to the FMO, causing a significant decrease in its throughput of fresh marine fishes. Upon enquiry, the AFCD informed Audit in January 2016 that, while the AFCD combated illegal landing and trading of fresh marine fishes (e.g. AFCD staff conducting enforcement actions with the assistance of the police), the AFCD did not enforce the law insofar as importing fresh marine fishes by air was concerned. Moreover, although the law controlled the movement and sale of vegetables in Kowloon and the New Territories (Note 34), it was not the practice of the AFCD to enforce the provision. According to the AFCD, the law was outdated.

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**Note 32:** *According to the Regulations, the Director of Marketing may provide such services as he may consider necessary or desirable for the improvement of agriculture or of the marketing of agricultural products, and engage in any activity which may improve or assist in the improvement of agriculture.*

**Note 33:** *According to the Marine Fish (Marketing) Ordinance, all fresh marine fishes are required to be landed and sold wholesale at FMO markets.*

**Note 34:** *According to the Agricultural Products (Marketing) Ordinance, except with a permit issued by the Director of Marketing, no vegetables shall be removed from and sold wholesale in Kowloon and the New Territories. Moreover, except with a permit, no vegetables shall be sold wholesale in Kowloon and the New Territories, except at the Cheung Sha Wan Vegetable Market.*

### ***Suboptimisation of resources***

5.9 While the FMO and the VMO are diversifying their activities and embarking on new roles which are not originally intended, the infrastructure in which they are operating has not been adequately modified and enhanced to keep pace with the change. As a result, public resources vested with the VMO and the FMO might not have been put into the best use. The following are worth noting:

- (a) ***Duplication of resources.*** Both the VMO market (i.e. the Cheung Sha Wan Vegetable Market) and the nearby AFCD market at Cheung Sha Wan (i.e. the Cheung Sha Wan Food Market) are carrying out wholesale marketing of vegetables (Note 35). During 2003-04 to 2014-15, throughput of the VMO market decreased by 48% from 246,371 tonnes (2003-04) to 128,033 tonnes (2014-15) (see Table 13 in para. 4.21). The VMO market might have surplus capacity;
- (b) ***Synergy not achieved.*** As an added value service for quality assurance, the VMO conducts pesticide residual testing for traders in its wholesale market. This service is not currently available to traders in wholesale markets of the AFCD, which is the VMO's competitor; and
- (c) ***Other uses of wholesale markets need to be justified.*** The lands of FMO and VMO markets are scarce resources. Use of the lands for purposes other than originally intended needs strong justifications against competing demands.

### **Future roles of fresh food wholesale markets**

5.10 In 2012, the FHB commissioned a consultancy study on the roles and functions of fresh food wholesale markets in Hong Kong, covering the VMO market and other selected wholesale markets (Note 36). The study, completed in March 2015, has identified significant justifications for the continued existence of wholesale markets in Hong Kong having regard to their key roles in, for example:

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**Note 35:** *For imported vegetables, wholesale marketing is carried out in both markets. For local vegetables, wholesale marketing is carried out in the VMO market.*

**Note 36:** *The study also covered four other fresh food wholesale markets, namely, Cheung Sha Wan Temporary Poultry Market, Cheung Sha Wan Food Market, Western Food Market and Yau Ma Tei Fruit Market.*

## Way forward

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- (a) stabilising food supply and prices within Hong Kong;
- (b) improving food trading efficiency and price transparency; and
- (c) improving food safety and traceability.

As at March 2016, the study was being considered by the Government.

## Audit recommendations

**5.11 Audit has *recommended* that the Secretary for Food and Health and the Director of Agriculture, Fisheries and Conservation should:**

- (a) **critically review the roles and functions of the FMO and the VMO in relation to those of the AFCD in operating public fresh food wholesale markets, having regard to:**
  - (i) **the roles and functions of the FMO and the VMO originally intended;**
  - (ii) **their strengths, weaknesses, opportunities and threats; and**
  - (iii) **the need for enhancing their roles and functions to attain synergy and eliminate any duplication of resources in the operation of public fresh food wholesale markets; and**
- (b) **take measures to help the FMO, the VMO and the AFCD perform their roles and functions effectively and efficiently, including:**
  - (i) **updating the legal framework under which the FMO and the VMO operate and taking effective law enforcement actions; and**
  - (ii) **regularising, where necessary, new activities required to be performed by the FMO and the VMO.**



## Response from the Government

5.12 The Secretary for Food and Health and the Director of Agriculture, Fisheries and Conservation generally accept the audit recommendations. They have said that the AFCD would explore ways to enhance the roles of the VMO and the FMO with a view to optimising the public resources vested with them. The Director of Agriculture, Fisheries and Conservation has said that:

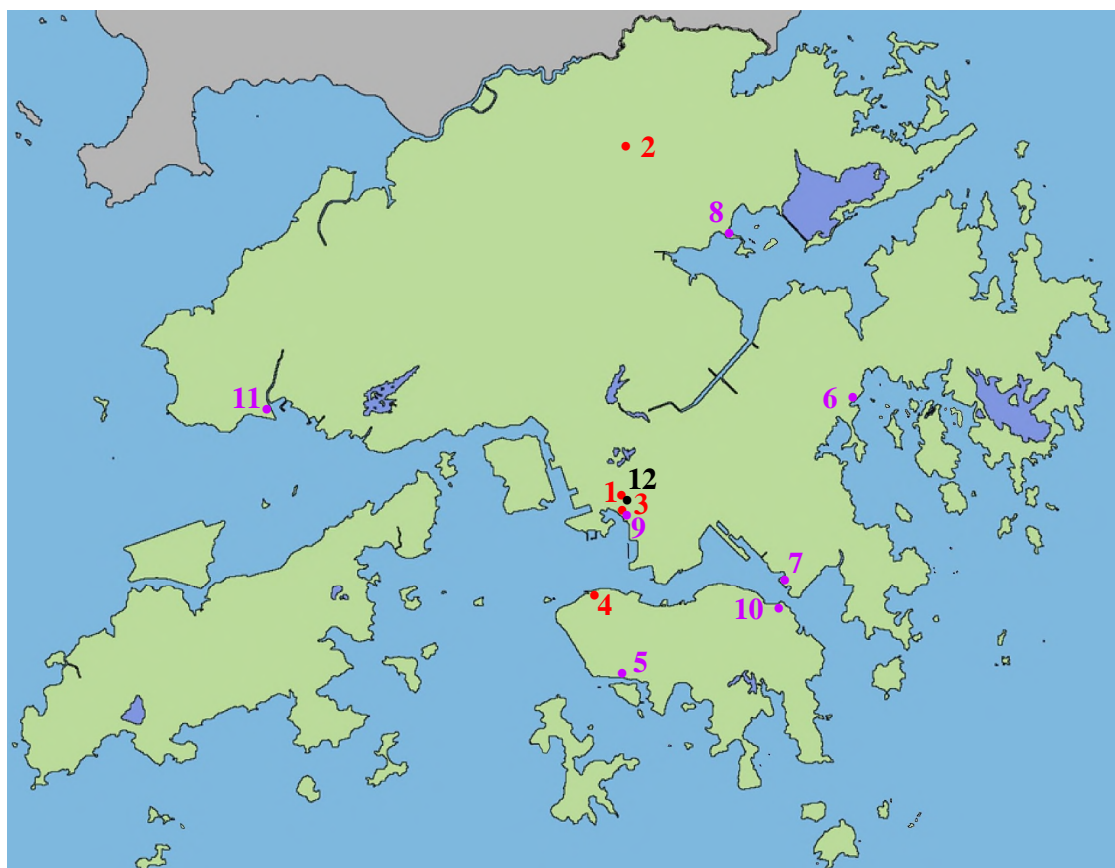
- (a) the AFCD notes Audit's point on the legal issues mentioned in paragraphs 5.6(a) and 5.8, and will, in consultation with the Department of Justice, address them by taking measures to help the VMO and the FMO perform their roles and functions effectively and efficiently including updating the legal framework;
- (b) the main objectives of the Marine Fish (Marketing) Ordinance, which was introduced in 1960s, were to maintain orderly marketing of fresh marine fishes through ensuring that its landing and wholesaling activities would be conducted at designated spots in order to minimise environmental nuisances. Most, if not all, fresh marine fishes at that time were caught and carried by fishing vessels, and the landing and wholesaling activities involved would give rise to significant environmental nuisances if not properly controlled. Hence, they were required under the Ordinance to be landed and wholesaled in the FMO wholesale fish markets. Rarely were there any fresh marine fishes imported into Hong Kong by air then;
- (c) air cargo freight however has become rather commonplace in global trade in the last few decades. There is also a strong local demand for a variety of fresh marine fish products from different parts of the world in recent years. While the AFCD continued to combat illegal landing and trading of fresh marine fishes, the AFCD did not see the need and justification for restricting the landing and wholesaling of fresh marine fishes imported into Hong Kong by air to FMO wholesale fish markets. It is because such fishery products are normally frozen and well packaged for air transportation and after landing at the airport, would be distributed in a highly efficient manner to different sales channels including directly to the retailers. The environmental nuisances and hygiene concerns are minimal, if any. Requiring these marine fishery products to be landed and wholesaled at FMO wholesale fish markets would only impose unnecessary burdens on the trade without any environmental or consumer benefits;

## Way forward

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- (d) the main objectives of the Agricultural Products (Marketing) Ordinance, introduced in the 1960s when Hong Kong was largely self-sufficient in vegetable consumption, were to maintain orderly marketing of all vegetables in Kowloon and the New Territories through ensuring that their movement and wholesaling activities would be conducted at designated wholesale vegetable markets with a view to helping local producers transport their vegetables to town for fair wholesaling and preventing unscrupulous middlemen from dominating the vegetable trade. The control appears outdated as currently nearly 98% of vegetables consumed locally are imported. The supply sources are diverse. So are the marketing channels. Adherence to a set of controls introduced 50 years ago and no longer meeting current needs would impose unnecessary burdens on the farmers and traders without any environmental or consumer benefits;
- (e) the VMO market specialised in fresh leafy vegetables supplying retail wet markets, while wholesalers at the AFCD's Cheung Sha Wan Food Market offered mainly contract supply services to catering outlets. The clientele were different though there might be some overlaps. The two markets complemented each other with different types of vegetables and services offered; and
- (f) wholesalers at the VMO market paid for the pesticide testing service themselves through a transaction levy without any subsidies from the VMO. Wholesalers at other wholesale markets could similarly employ private laboratories to do the same if they considered investing in such services would help promote their produce.

# Locations of 12 public fresh food wholesale markets (31 December 2015)



Legend:	1	Cheung Sha Wan Temporary Poultry Market	}	AFCD markets
	2	North District Temporary Agricultural Products Market		
	3	Cheung Sha Wan Food Market		
	4	Western Food Market		
	5	Aberdeen Fish Market	}	FMO markets
	6	Sai Kung Fish Market		
	7	Kwun Tong Fish Market		
	8	Tai Po Fish Market		
	9	Cheung Sha Wan Fish Market		
	10	Shau Kei Wan Fish Market		
	11	Castle Peak Fish Market		
	12	Cheung Sha Wan Vegetable Market	}	VMO market

Source: AFCD records

**Land status of 12 public fresh food wholesale markets  
(31 December 2015)**

Market		Site area (m <sup>2</sup> )	Land status
<b><i>AFCD markets</i></b>			
1	Cheung Sha Wan Temporary Poultry Market	26,000	STT (Note 1)
2	North District Temporary Agricultural Products Market	12,500	STT (Note 1)
3	Cheung Sha Wan Food Market	100,000	STT (Note 1)
4	Western Food Market	62,000	STT (Note 1)
<b><i>FMO markets</i></b>			
5	Aberdeen Fish Market	15,577	PTG/STT (Note 2)
6	Sai Kung Fish Market	380	PTG
7	Kwun Tong Fish Market	4,151	PTG
8	Tai Po Fish Market	4,422	PTG
9	Cheung Sha Wan Fish Market	11,930	STT
10	Shau Kei Wan Fish Market	4,474	STT (Note 3)
11	Castle Peak Fish Market	5,113	STT (Note 3)
<b><i>VMO market</i></b>			
12	Cheung Sha Wan Vegetable Market	18,933	PTG/STT (Note 2)
Total		265,480	

Source: AFCD records

Note 1: The lands were let by the Government to the Financial Secretary Incorporated through STT for use by the AFCD.

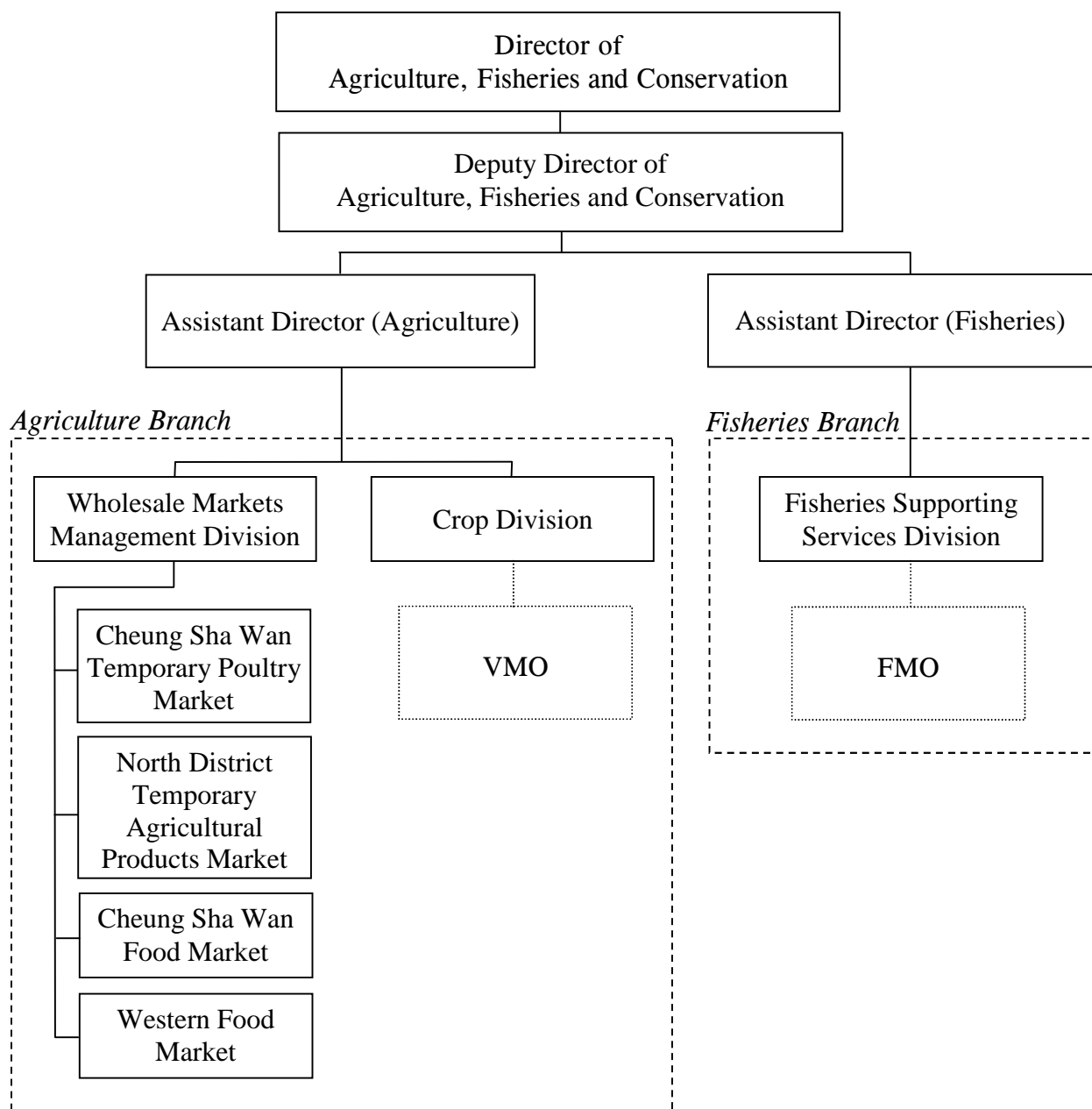
Note 2: The two markets each comprise more than one area. The areas were acquired through PTG or STT.

Note 3: The lands were allocated to the AFCD by permanent government land allocation, which were subsequently let through STT to the FMO.

Remarks: 1. A nominal rent of \$1 was charged for all STTs except one STT to the VMO (see para. 4.29(b)).

2. For the FMO's fish collecting depot at Cheung Chau (61 m<sup>2</sup>), the land was granted by the Government to the FMO through PTG. For the VMO's two vegetable collecting depots at Kam Tin (486 m<sup>2</sup>) and Lam Tei (1,575 m<sup>2</sup>), the lands were allocated by the Government to the VMO through land permit and land licence respectively.

**Agriculture, Fisheries and Conservation Department:  
Organisation chart (extract)  
(31 December 2015)**



*Source: AFCD records*

*Remarks: The Deputy Director and Assistant Directors also oversee other Branches/Divisions.*

**Chronology of key events relating to the  
reprovisioning of the Yau Ma Tei Fruit Market  
(January 1969 to January 2016)**

<b>Date</b>	<b>Key event</b>
January 1969	(a) The Executive Council approved that the Government should use public funds to construct fresh food wholesale markets to reprovision, among others, the Yau Ma Tei Fruit Market.
August 1972	(b) The LegCo Finance Committee approved a proposal to proceed with the detailed planning of the Cheung Sha Wan Food Market.
November 1990	(c) A feasibility study indicated that the reclamation of the land for the Cheung Sha Wan Food Market would be completed in two phases in 1991 and 1994 respectively. Accordingly, the study recommended developing the Market in two stages (i.e. Phase 1 and Phase 2), with the Yau Ma Tei Fruit Market to be reprovisioned to Phase 1.
December 1990	(d) The Architectural Services Department proposed to defer the reprovisioning of the Yau Ma Tei Fruit Market to Phase 2 of the Cheung Sha Wan Food Market, after considering factors including the overall layout, costs, programming and long-term operation of the fruit market.
May 1991	(e) The then Secretary for Economic Services gave policy support for the funding of Phase 1 and Phase 2 of the Cheung Sha Wan Food Market, with the Yau Ma Tei Fruit Market to be reprovisioned to Phase 2.
October 1993	(f) Phase 1 of the Cheung Sha Wan Food Market commenced operation.
October 1996	(g) Audit completed a review of the provision of government wholesale food markets. Audit reported that the Yau Ma Tei Fruit Market had yet to be reprovisioned to Phase 2 of the Cheung Sha Wan Food Market, which was scheduled to be completed by the end of 2000.
January 1997	(h) In its Report No. 27, the PAC urged the Government to expedite the development of Phase 2 of the Cheung Sha Wan Food Market and, in particular, the reprovisioning of the Yau Ma Tei Fruit Market.
October 1997	(i) The Government informed the PAC that the Government was inviting private developers to tender for the construction of a complex comprising wholesale markets for fruit and poultry, mid-stream container handling facilities and industrial-office accommodation at the Cheung Sha Wan Food Market Phase 2 site. The Yau Ma Tei Fruit Market would be relocated to the new wholesale fruit market by mid-2001.

**Appendix D**  
(Cont'd)  
(paras. 4.2 and 4.34 refer)

<b>Date</b>	<b>Key event</b>
February 1998	(j) As the only tender received had been found to have departed materially from the tender conditions, the Government decided to implement the Phase 2 project by itself.
August 1998	(k) The Government proposed to develop a multi-storey market complex at the Phase 2 site, which would accommodate five trades (i.e. vegetables, eggs, fishes, poultry and fruits).
February 2000	(l) The Government informed the PAC that the traders objected strongly to the multi-storey market complex proposal. They were concerned about the feasibility of their operation, possible traffic problems and future rental charges.
May 2004	(m) The Government informed the PAC that the multi-storey market complex proposal would not be pursued. It was reviewing other options of developing the Phase 2 site for the wholesale market, and would continue to keep the LegCo Panel on Food Safety and Environmental Hygiene informed of the development.
March 2007	(n) Audit completed a review of the management of government fresh food wholesale markets. Audit reported that there was little progress in the implementation of the Cheung Sha Wan Food Market Phase 2 project and the Yau Ma Tei Fruit Market was still operating at its existing location.
July 2007	<p>(o) In its Report No. 48, the PAC expressed serious concern that:</p> <ul style="list-style-type: none"> <li>(i) the Yau Ma Tei Fruit Market had been operating for more than 80 years at its existing location and was in a very dilapidated condition, causing serious traffic and environmental nuisances in the vicinity; and</li> <li>(ii) there was little progress in the implementation of the Cheung Sha Wan Food Market Phase 2 project and the reprovisioning of the Yau Ma Tei Fruit Market.</li> </ul> <p>The PAC strongly urged the Government to provide a definite timetable for relocating the Yau Ma Tei Fruit Market.</p>
October 2007	(p) The Government informed the PAC that it was considering the construction of a new wholesale market for fresh fruits in part of the Phase 2 site for relocating the Yau Ma Tei Fruit Market. The Government had embarked on preliminary discussion with fruit traders and other interested parties.

**Appendix D**  
(Cont'd)  
(paras. 4.2 and 4.34 refer)

<b>Date</b>	<b>Key event</b>
January 2008	(q) The Government submitted to the PAC a timetable for relocating the Yau Ma Tei Fruit Market, indicating that the new wholesale fruit market would commence operation 53 months after obtaining fruit traders' and relevant District Councils' agreement to the relocation.
May 2009	(r) The Government informed the PAC that, with a view to reaching a mutual understanding with the fruit wholesalers at the Yau Ma Tei Fruit Market, it had continued to engage the stakeholders in discussion.
May 2010	(s) The Government informed the PAC that it had continued to actively engage the stakeholders in discussion. Upon further discussion with the fruit wholesalers and the relevant District Councils on the relocation of the Yau Ma Tei Fruit Market, it would proceed with the development of the new wholesale fruit market according to the timetable forwarded to the PAC in January 2008. Follow-up action would continue to be taken on an on-going basis.
May 2011	(t) As per a request in January 2011 relaying the views of the Steering Committee on Housing Land Supply, the FHB, in consultation with the AFCD, completed a review on the need for relocating public fresh food wholesale markets. The review concluded that, among others, the Cheung Sha Wan Food Market Phase 2 site would be released for residential development.
October 2011	(u) An alternative site at Kwai Chung for relocating the Yau Ma Tei Fruit Market was identified. The AFCD's initial assessment confirmed the potential of the site for accommodating the fruit market.
October 2012	(v) The Yau Ma Tei Fruit Market relocation issue was discussed at a meeting of the Government's Social Community and Manpower Policy Group under the Chief Secretary for Administration's Office. The meeting decided that there was no urgency to proceed with the relocation exercise. The FHB was tasked to work with the Yau Tsim Mong District Council to mitigate environmental nuisance around the fruit market.
March 2015	(w) A consultancy study on the roles and functions of fresh food wholesale markets in Hong Kong was completed. The study found that, among others, the site at Kwai Chung was suitable for relocating the Yau Ma Tei Fruit Market.
January 2016	(x) The FHB and the AFCD were asked to release the site at Kwai Chung for other competing uses. A candidate site in Tsing Yi (to be further enlarged through reclamation) was being considered for relocation of the Yau Ma Tei Fruit Market.

Source: AFCD records



**Chronology of key events relating to the delay in  
residential developments at the Cheung Sha Wan sites  
(July 1994 to March 2016)**

<b>Date</b>	<b>Key event</b>
July 1994	(a) The Planning Department commented that the continued operation of the Cheung Sha Wan Vegetable Market at the existing sites would be a misuse of valuable land and constitute an incompatible element from an environmental point of view.
April 1995	(b) The Planning Department reiterated that early relocation of the Cheung Sha Wan Vegetable Market was critical from both environmental and urban renewal points of view. The Planning Department considered that every opportunity should be seized to identify a possible relocation site for the Market (Note).
April 1998	(c) The sites of the Cheung Sha Wan Vegetable Market and the adjacent Cheung Sha Wan Abattoir were zoned as “Residential (Group A)” on the Outline Zoning Plan. It was intended that the land would be used by the Housing Department for housing development.
September 1999	(d) The Cheung Sha Wan Abattoir was relocated to Sheung Shui.
March 2009	(e) The Housing Department advised that, due to the traffic and noise constraints generated by the Cheung Sha Wan Vegetable Market, the sites of the Market and the ex-Cheung Sha Wan Abattoir should be developed in one-go.
September 2013	(f) The Cheung Sha Wan Vegetable Market had yet to be relocated. The Housing Department decided to develop the ex-Cheung Sha Wan Abattoir site first.
March 2016	(g) The Cheung Sha Wan Vegetable Market was still operating at the Cheung Sha Wan sites.

*Source: AFCD records*

*Note: The AFCD informed Audit in February 2016 that attempts were made to identify a possible relocation site, but in vain.*

## **Acronyms and abbreviations**

AFCD	Agriculture, Fisheries and Conservation Department
Audit	Audit Commission
FHB	Food and Health Bureau
FMO	Fish Marketing Organisation
FSTB	Financial Services and the Treasury Bureau
LegCo	Legislative Council
m <sup>2</sup>	Square metres
PAC	Public Accounts Committee
PTG	Private Treaty Grant
STT	Short term tenancy
VMO	Vegetable Marketing Organisation