

**Memorandum for the Commercial Properties Committee of  
the Hong Kong Housing Authority**

**Single Operator Market at On Tai Estate**

**PURPOSE**

This paper reports for Members' information recent media reports on the operation of On Tai Market, a Single Operator Market (SOM) at On Tai Estate, Kwun Tong, and the actions that we have taken and will take.

**ON TAI MARKET**

2. On Tai Estate comprised 11 domestic blocks with 8 561 flats, which were completed by phase with intake commencing from June 2017. There is a shopping centre in the estate with 16 shops and a wet market comprising 65 stalls. According to established policy, the wet market was let through tender to a single-operator who would let the stalls to individual stall operators and manage the whole market. The SOM tenant took up the tenancy for the market on 8 August 2018 and since commencement of business operation in September 2018, 58 stalls have been let. Under the SOM arrangement, the SOM tenant had granted rent concessions to the stall operators up to October 2018 according to the requirements. As the intake rate had exceeded 90% as at the end of October 2018, the SOM tenant started to pay the full rent in November 2018.

3. On 1 April 2019, the media reported that a group of some 20 stall operators initiated a strike and staged petition to demand for rent reduction due to business loss resulting from low patronage. They claimed that despite the completion of intake for over 90% of the flats, only around 60% of the flats were occupied due to fitting-out works, and that they would continue the strike

if their request for rent reduction was not acceded to. So far, some 30 stalls have remained in operation, providing basic food stuff and other goods to meet the daily needs of the residents.

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4. In response to a media enquiry, we issued a reply on 2 April 2019 at the **Annex**. We met with stakeholders and representatives of the stall operators on 3 April 2019. At the meeting, the stall operators raised the demand for rent reduction and arrangements for early termination of tenancies. We explained the SOM policies and the arrangements under the rent adjustment scheme to them. As the Housing Authority (HA) is not involved in the negotiation between the SOM tenant and the individual stall operators, HA cannot interfere with the letting arrangement including the rent level and we would convey their demand to the SOM tenant for consideration.

5. On 4 April 2019, we met with the SOM tenant to convey the stall operators' demand. We also requested the SOM tenant to carry out promotional activities to boost the patronage to the market, enhance the communication with stall operators and stakeholders, as well as ensure effective operation of the market to serve the residents.

6. The SOM tenant advised that they would consider requests from stall operators for early termination of tenancies on a case by case basis, with a view to reaching a mutually agreeable arrangement as far as possible. In response to stakeholders' demand, the SOM tenant would also consider the provision of free Wi-Fi service in the market. The SOM tenant further explained that in order to uphold the spirit of contract, the request for rent reduction could not be acceded to. As regards the requests for provision of additional hourly parking spaces in On Tai Estate, HA will follow up separately.

7. We have conveyed the above to the representative of the stall operators on 8 April 2019 and will keep in view further development of the matter. We will continue to keep close liaison with the SOM tenant, requiring it to continue arranging various promotional activities to boost the patronage to the market and encouraging it to enhance the communication with stall operators and stakeholders. More importantly, we will monitor and ensure that the SOM tenant complies with the requirements under its tenancy with HA, including the need to maintain effective operation of the market to serve our residents in the estate.

## BACKGROUND

8. In 1988, HA introduced the single-operator letting arrangement<sup>Note 1</sup> in one of HA's markets as a trial scheme. The purpose was to leverage on the professional expertise and experience of the private sector, with a view to providing better shopping choices and service environment for residents. In view of the satisfactory outcome of the trial scheme with higher standards of services provided in the market, we decided to extend the arrangement to other HA's markets. Since 1997, all of HA's new markets in public housing estates have adopted the single-operator letting arrangement. At present, there are 12 SOMs<sup>Note 2</sup>.

9. Over the years we have made improvements to the arrangement, and added a series of measures to require the SOM tenants to give more assistance to the stall operators, and to monitor the performance of the SOM tenants. Such measures<sup>Note 3</sup> include those endorsed by Members in March 2017 (Paper No. CPC 6/2017).

10. To assist the commercial tenants, including the SOM tenants, we have also put in place a rent adjustment scheme for new estates with phased intake. Based on the number of flats let as a percentage of the number of flats

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Note 1 Under this arrangement, a single tenancy is awarded to an operator who will enter into licences with individual stall operators and operate the whole market.

Note 2 They are Ching Long, Hung Fuk, Kwai Chung, Lei Muk Shue, Mun Tung, On Tai, Ping Yan, Shek Mun, Shui Chuen O, Tin Yan, Yan Tin and Ying Tung Markets.

Note 3 Measures for the protection of stall operators include restricting the SOM tenants from charging stall operators any fees apart from rent, management fee, air-conditioning charges and rates, restricting the amount of deposits and management fees that SOM tenants can charge on stall operators, requiring the SOM tenants to grant licence-fee-free periods to stall operators, and requiring the SOM tenants to submit to HA returns that set out all fees collected from stall operators, etc.

Measures for monitoring the SOM tenants include regular inspection of markets and performance assessment of SOM tenants, regulating the proportion among different trades, restricting the scale of direct operation by SOM tenants, requiring the SOM tenants to carry out promotional activities and publicise the letting of vacant stalls, etc.

scheduled for intake, commercial tenants may be granted rent rebates from 15% to 90% <sup>Note 4</sup>. The SOM tenant is in turn required to refund the rent rebates obtained from HA to the stall operators. In March 2017, the scheme has also been enhanced, requiring SOM tenants to grant individual stall operators a concession equivalent to the rent rebate amount under the rent adjustment scheme during the rent free period when no rent rebate is granted to the SOM tenant by HA <sup>Note 5</sup>.

## INFORMATION

11. This paper is issued for Members' information.

Ms Michelle LAU  
Secretary, Commercial Properties Committee  
Tel. No. : 2761 7928  
Fax No. : 2761 0019

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Note 4 Details of the rent adjustment scheme are as follows –

Flats already let as percentage of flats scheduled for intake	Rent payable as percentage of rent stated in tenancy agreement
above 90%	100%
above 80% up to 90%	85%
above 70% up to 80%	70%
above 60% up to 70%	60%
above 40% up to 60%	40%
above 20% up to 40%	20%
up to 20%	10%

Note 5 According to established policy, a three-month rent free period is granted to SOM tenants. As SOM tenants do not need to pay rent during the period, they do not receive any rent rebate from HA.

## HA's Response to Media Issued on 2 April 2019

香港房屋委員會將新落成街市經招標後租予一位承租商。承租商自行物色個別檔位的租戶及與租戶簽訂他們之間的租約。為了讓新落成街市有一個合理的營商環境，為居民提供他們所需的零售服務，房委會對承租商規定了各種要求，其中一項是對新落成屋邨的街市，如已入伙單位（以住戶租約生效日期為準）低於預計數目的90%，承租商須就房委會提供的租金酌減（酌減幅度由15%至90%不等）發還予符合資格的檔戶。房委會會進行監察，確保街市整體承租商的安排符合有關規定。

就安泰街市而言，承租商的租約於2018年8月生效，並於同年9月開始營運。鑑於當時安泰邨入伙單位數目未達至90%或以上，承租商已按規定將租金酌減額退給檔戶。至2018年10月底，安泰邨入伙單位數目已達至90%，所以按照規定，承租商已由2018年11月起繳付全額租金。此外，房委會亦要求承租商推出購物優惠和活動，提升街市的購物氣氛，以增加街市人流及吸引更多顧客。

除了上述規定外，承租商及檔戶按各自的商業考慮協議租賃及租金安排，房委會在承租商及檔戶商訂租約時並無參與，亦不能介入這些租約實行時的租務等安排。儘管如此，我們鼓勵承租商及檔戶加強溝通協商，共同妥善處理問題，亦重申承租商須推出活動，增加街市人流及吸引更多顧客。