

LCQ1: Prices of daily necessities

Following is a question by the Hon Yung Hoi-yan and a reply by the Secretary for Commerce and Economic Development, Mr Algernon Yau, in the Legislative Council today (June 14):

Question:

Recently, the Consumer Council conducted a survey on the prices of goods sold by three major supermarket chains in 2022 and found that there was a price increase in nearly 70 per cent of the goods, with the aggregate average price of a basket of 260 items from the relevant supermarkets rose by 2.1 per cent over 2021, higher than the increase in the Composite Consumer Price Index (i.e. 1.9 per cent) over the same period. In this connection, will the Government inform this Council:

(1) whether it has studied the causes for the price increase in supermarket goods and whether collusive pricing or monopolisation has been involved in such causes; if it has studied and the outcome is in the affirmative, of the Government's measures in place to curb the situation concerned; if it has not studied, the reasons for that;

(2) of the current number of vacant stalls in and the vacancy rate of various public markets and cooked food centres; whether it has plans to enable such stalls to be let out easier by offering a lower rental, so that members of the public can purchase affordable food and daily necessities; if so, of the details; if not, the reasons for that; and

(3) of the measures in place to stabilise commodity prices, such as the measures in place to encourage more supermarket brands to join the Hong Kong market, so as to drive down the prices of goods through stimulating competition, and the measures in place to spur supermarket operators to bear social responsibility, thereby effectively controlling the prices of necessities and ensuring that members of the public need not bear expensive goods?

Reply:

President,

Having consulted the Environment and Ecology Bureau, my consolidated reply to the question raised by the Hon Yung Hoi-yan is as follows:

Hong Kong is a highly open and one of the most competitive economies in the world. The Government does not implement price control on various goods sold in the market.

The Government has all along been promoting fair competition. In this connection, the Competition Ordinance (Cap. 619) (CO) came into full effect in December 2015, with the aim of ensuring that Hong Kong continues to be a

competitive, dynamic and free market by curbing harmful anti-competitive conduct, bringing the benefits of a level-playing field to Hong Kong consumers, businesses and the wider economy.

Even though the CO does not regulate the pricing level of goods sold by individual undertakings in the market, the First Conduct Rule of the CO prohibits any behaviours that prevent, restrict or distort competition in Hong Kong, including joint ventures, vertical price restrictions and cartels (such as agreeing with competitors to fix prices and share markets). The Second Conduct Rule of the CO prohibits undertakings with a substantial degree of market power from abusing that power to prevent, restrict or distort competition in Hong Kong, including behaviours such as predatory pricing, margin squeeze, refusals to deal, which have the object or effect of excluding competitors from the market, thereby limiting choices available to consumers.

The two Conduct Rules both regulate behaviours of market participants. According to the CO, regardless of whether cases are originated from complaints received, referrals by the Government or public bodies, or initiated by the Competition Commission (the Commission) itself, when the Commission has reasonable cause to suspect contravention of any Conduct Rule under the CO, it could commence investigation in accordance with the CO. The Commission has been proactively handling and prioritising cases and complaints that affect people's livelihood, especially those involving the grassroots or the underprivileged groups.

Apart from promoting fair competition, to protect consumers' rights and interests, the Consumer Council (the Council) has been monitoring closely the supply and price of various goods. The Council constantly conducts various surveys, including user experience surveys and price surveys on goods and services to collect market information and publishes regularly the results of price surveys for the public's reference. The results of the Council's annual supermarket price survey 2022 released in April 2023 showed that the aggregate average price of a basket of items from the supermarkets surveyed increased by 2.1 per cent over 2021, reflecting that the cost of daily necessities had increased. The Council has called on supermarket groups to share and shoulder social responsibility by striving to control prices of necessities. At the same time, consumers can make good use of the Online Price Watch (<https://online-price-watch.consumer.org.hk>) of the Council to compare prices across different supermarkets and retailers. The Council will continue to monitor closely price changes of various daily necessities to facilitate the public in making smarter choices.

The Commerce and Economic Development Bureau will continue to maintain close liaison and work closely with the Commission to promote fair competition and the Council to protect consumers' rights and interests.

On the usage of public markets and cooked food centres, as at March 31, 2023, the Food and Environmental Hygiene Department (FEHD) manages around 13 600 stalls in public markets and cooked food centres, with a net vacancy of around 700 stalls and a net vacancy rate of around 5.1 per cent. The number

of vacant stalls and net stall vacancy rate for each public market and cooked food centre are set out at Annex.

The FEHD from time to time arranges open auctions to let out vacant stalls in public markets and cooked food centres. The upset auction prices are based on the reference rentals assessed by the Rating and Valuation Department which takes into account factors including the open auction results of similar stalls in the same market and other FEHD markets, the location and facilities of the market, as well as the position of the stalls in the market, etc. The actual market rental is determined by the outcome of auction. While rental level is one of the core components of operating costs, it is not the determinant of the retail prices of goods. Other factors such as costs of goods and transportation, market positioning, demand and supply, may also be at play. Public markets of the FEHD are one of the major fresh food retail channels. Tenants usually decide and adjust the prices of goods having regard to factors including market rules and operating costs. The Government seeks to promote competition through which the price of goods sold in public markets would stay at a reasonable level. In new and overhauled public markets under the FEHD's Market Modernisation Programme, the "one-tenant-one-stall" policy (i.e. multiple tenancies are in general disallowed) is implemented, with a view to fostering fair competition among market stalls and preventing monopoly. In building sizable new public markets at suitable locations, the FEHD also fosters positive competition between public markets and other fresh food retail outlets, which is conducive to the maintenance of the prices of goods at a reasonable level.