FACTSHEET ON HAWKER CENTRES

Announcements

- As part of MEWR’s efforts to further moderate rentals of hawker stalls:
  - All stall-holders will have to personally operate their stalls from 1 April 2015.
  - The first two new hawker centres at Bukit Panjang and Hougang will be completed in 2015.
  - Another 10 new hawker centres will be built by 2027.
- An MTI-MEWR study found that rental is not the main driver of hawker food prices.
- Average tendered rentals for new stalls have generally declined in most hawker centres. Market rentals have also showed signs of moderation.

Background

1. Hawker centres are a source of affordable food prepared and served in hygienic premises.

MTI-MEWR Analysis on Hawker Food Price Drivers

2. In 2014, the Ministry of Trade and Industry (MTI) and the Ministry of Environment and Water Resources (MEWR) conducted an analysis of the possible drivers affecting hawker food prices. The analysis uses data from the National Environment Agency (NEA) Cost Component Survey\(^1\) of hawker cooked food stalls conducted in 2012 and 2013 as well as price data collected by the Department of Statistics (DOS).

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\(^1\) The NEA Cost Component Survey is an annual face-to-face interview survey of the stallholders selling the following five food items – chicken rice, fishball noodles, carrot cake, mee siam and drinks. The survey collected information on average monthly costs incurred by the stall-holders (e.g. rent, table cleaning charges, costs of raw materials and costs of manpower). There were about 1,000 respondents in each of the surveys in 2012 and 2013, covering all stalls selling the five food items across the 104 hawker centres with cooked food stalls. The surveys exclude the remaining three centres that do not have cooked food stalls (i.e. Block 79 Redhill Lane, Block 82 Telok Blangah Drive and Block 502 West Coast Drive).
The key findings are as follows:

a. **Rental costs form a relatively small proportion of costs for typical hawkers**
   i. There are several cost drivers (raw materials, manpower, rentals) [see Exhibit 1]
   ii. Raw materials make up the largest cost component, accounting for more than half of hawkers’ operating costs
   iii. Stall rental forms only a small proportion of costs (~12% of total costs)

Exhibit 1: Breakdown of Cost Components by Stall Type

<table>
<thead>
<tr>
<th>Cost Component</th>
<th>Overall Average</th>
<th>Non-Subsidised Stalls</th>
<th>Subsidised Stalls</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw Materials</td>
<td>59% 67%</td>
<td>17% 17%</td>
<td>12% 3%</td>
</tr>
<tr>
<td>Manpower</td>
<td>17% 17%</td>
<td>14%</td>
<td>10%</td>
</tr>
<tr>
<td>Stall Rental</td>
<td>12% 3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>9% 9%</td>
<td>3% 3%</td>
<td>4%</td>
</tr>
<tr>
<td>Table Cleaning and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Costs</td>
<td></td>
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</tr>
</tbody>
</table>

Note: Figures refer to the proportion of costs for a typical stall in each category. Source: NEA Cost Component Survey 2012 and 2013

b. **No strong link between rentals and food price**
   i. Of the hawker stalls surveyed which increased food prices, only a third (35%) had actually experienced rental changes.
   ii. Among hawker stalls which experienced rental changes, more than half of them did not change their food prices. Such stalls are as likely to keep prices unchanged as they are to increase them.
   iii. Among hawker stalls which did not experience rental changes, 41% raised their food prices. This is only marginally less than the 46% of those that experienced rental changes and subsequently raised food prices. Clearly, a significant proportion of stalls raised food prices because of other reasons.

c. **The data suggests that food prices are being set according to market principles**
   i. The analysis found that the hawkers in CBD are more likely to pass on cost increases to consumers. This suggests that food prices may be affected by a patron’s willingness-to-pay and the lack of affordable alternatives elsewhere.

d. **Market competition helps keep food prices in check**
   i. Statistical analysis indicates that food prices tend to fall as the number of stalls selling the same type of food increases. While the
actual price of food may differ from hawker centre to hawker centre
due to a myriad of factors, the analysis found that holding other
factors constant, if there is one other stall selling similar type of food,
prices are on average 8.4% lower. This effect becomes more
pronounced when the number of stalls selling similar type of food
increases.

ii. A typical hawker centre has about 50 stalls and there are usually a
number of stalls selling similar food types. This can help keep food
prices in check.

What the Government has done thus far

4 Although rentals do not appear to be the main driver of food price, the
Government has nonetheless taken measures to moderate hawker stall rentals.

5 Firstly, we disallowed the practice of sub-letting or assignment of hawker stalls
to prevent stall-holders who have no intention of operating the stalls themselves from
engaging in rent-seeking behaviour which could drive up food prices. The policy took
effect on new stall-holders since April 2012. Since then, there have been more than
1,900 new cooked food stall-holders and NEA has taken action against 64 of them
for non-personal operation of the stalls.

6 A three-year grace period was given to existing non-subsidised stall-holders
and from 1 April 2015, they will have to personally operate their stalls as well. Stall-
holders who do not regularise these requirements promptly will have their tenancies
terminated. Subsidised stall-holders are already not permitted to sublet their stalls
under existing hawker policy.

7 Secondly, we removed the concept of reserve rent for tendered stalls since
March 2012. This has benefited tenderers, with some cooked food stalls awarded
stalls for $1 rent per month, although stalls in more popular centres continue to
attract high bids. Lower tendered rentals will ultimately feed into the assessed market
rents for existing stall-holders in the medium term.

8 There is evidence that this has had some impact. The average tendered
rentals for new stalls have generally declined. However, there is a time lag of up to
three years for the tendered rents trends to feed into assessed market rent valuation.
Nevertheless, the rate of increase of the average market rents for cooked food stalls
has fallen to only a third of that in 2013. As of 31 December 2014, about 87% of the
cooked food stall-holders are paying monthly rental of $1500 or lower [see Exhibit 2]
9 To further moderate food prices and make affordable hawker fare accessible to more residents, the Government is increasing the supply of hawker stalls. In 2011, MEWR announced that it would re-commence its hawker centre building programme and build new 10 new hawker centres over 10 years. The first two new hawker centres in Bukit Panjang and Hougang will open this year.

**New Initiative to Further Moderate Food Prices**

10 In addition, MEWR will build another 10 new hawker centres over the next 12 years (by 2027). These include Bidadari, Bukit Batok, Bukit Panjang, Choa Chu Kang and Sengkang. The remaining ones will be announced later. Altogether, the 20 new centres will inject an additional supply of more than 800 cooked food stalls and help to further moderate food prices.

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