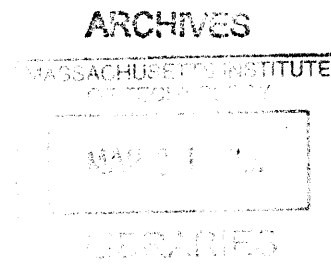


Accommodate Street Vendors during the Urban Development Process: With Two Empirical Cases of Zhu Lian (ZL), and Guan Dong (GD) Public Markets in Hsinchu City, Taiwan

By

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M.S. in Architecture
National Cheng Kung University
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Submitted to the Department of Urban Studies and Planning
in partial fulfillment of the requirements for the degree of

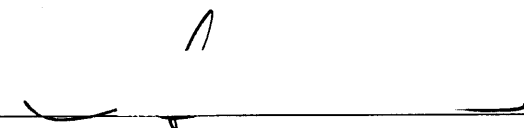
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at the
MASSACHUSETTS INSTITUTE OF TECHNOLOGY

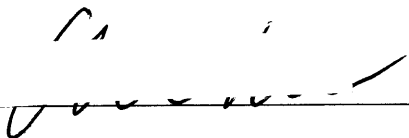
February 2013

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ABSTRACT

Every day, the recurring scene of conflict between street vendors and municipal authorities can be found in virtually every major city around the world. Through licensing, zoning, or relocating, municipal governments devise numerous laws and ordinances to control street vendors in the urban environment. Unfortunately, aggressive regulatory approaches rarely can solve the problems at stake and street vendor management remains a vexing conundrum for many local governments in the developing countries.

This paper uses the Taiwanese city of Hsinchu to analyze the reasons why the Hsinchu municipal government was able to successfully relocate street vendors into a thriving public market in one instance (the Zhu Lian market) while unable to replicate this success in another instance (the Guan Dong market). The review of literature illustrates that street vendor relocating processes face three major barriers: (1) ill-conceived location; (2) bureaucratic conformity; and (3) customer base loss. In these two cases, the street vendors shared similar geographical contexts and were both relocated *in situ*. However, only the ZL vendors managed to overcome other relocation barriers and create a successful market, the GD vendors failed. Field work was carried out in Hsinchu city Taiwan to find out the factors contributing to the success/failure of these two relocation processes.

The conclusion shows street vendor organizations play a crucial role during the relocation process. They bond street vendors together and bridge diverse interests, establish their own social norms and etiquette. On the other hand, even though street vendor organizations may serve an efficient solution to address the relocation puzzle, the paper also points out the potential pitfalls of relying on strong vendor organizations in managing street vendors in the city. Under some circumstances, strong street vendor leaders may undermine the city government's administrative authority, and reconfigure the political structure of the city.

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Acknowledgements

This thesis would not have been possible without the guidance and help from my wonderful advisor, Professor Annette M. Kim. I greatly appreciate the time, energy and expertise she put into providing feedback throughout the research. I offer my utmost gratitude to her careful attention to details and thoughtful insights, which have inspired my thesis.

Many thanks also go to Professor Emeritus Tunney F Lee. I thank him for furthering my thinking by helping me view street vendor issues from multiple perspectives.

Words fail to express my deepest appreciation to my Thesis Review Committee: Ali Sheppard, Anna Isaacson, Anna Muessig, Cara Ferrentino, Caroline Bird, Christine Curella, Chris Rhie, Erica Simmons, Faizan Siddiqi, Jared Press, Kari Milchman, Katherine Buckingham, Katie Lorah, Louise Yeung, Michael Waldrep, Mariko Davidson, Micah Davison, My Lam, Nicole Salazar, Noah Koretz, Paul DeManche, Veronica Hannan, Yang Chu, and Zach Youngerman. I thank them for taking time off from their busy schedules to proofread my drafts. Their cooperation and much-needed input has helped me improve this thesis.

I have enjoyed working with my mentors and friends. The final product was greatly enriched by their comments and corrections. However, any errors, shortcomings or misinterpretations contained herein are mine alone.

I extend my gratitude to the MCP class of 2013: Andrew Turco, Adi Nochur, Alexander Marks, Alexis Howland, Alexis Wheel, Anna Gross, Bernard Harkless, Brian Daly, Carri Hulet, Claire Markgraf, Colleen McHugh, Drew Pierson, Daniel Rinzler, Elizabeth Hoffecker Moreno, Elizabeth Resor, Francisco Humeres, Gilad Rosenzweig, Jenny Larios Berlin, Jocelyn Drummond, Jody Pollock, Keith Tanner, Melissa Higbee, Michael Kaplan, Midori Mizuhara, Mingjee Kim, Rachael Tanner, Rance Graham-Balley, Rebecca Disbrow, RJ Williams, Sofia Lopez, Tuan Yee Ching, Viktorija Abolina, Weixuan Li, Winnie Chang, and Yafei Han. The discussions, potlucks, trips, baseball games, hugs, jokes, and general help and friendship have enriched my experience at MIT. I look forward to continuing our relationships.

I would also like to thank my former colleagues in the Hsinchu City government and all my interviewees. I thank them for sharing their stories with me. I am also thankful to the Ministry of Education Republic of China (Taiwan) for the financial assistance.

I am heartily thankful to my wife. I thank her for offering me unconditional support, believing in me and wanting the best for me from thousands of miles away in Taiwan. I thank my wonderful son for understanding the reason for my absence, and being my greatest supporter. I thank my mother for her prayers. Lastly, my thesis is dedicated to my late father who has always been my source of inspiration. Dear dad, this is for you.

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Chapter one: Introduction

1.1 Background

Street vending is an urban phenomenon both in the developing and developed countries. Every day, the recurring scene of conflict between the street vendors and the municipal authorities can be found in virtually every major city around the world — from New York¹ in America to Dhaka² in Bangladesh, to Harare³ in Zimbabwe. Unfortunately, even though street vending brings vitality to the street, provides accessible employment opportunities, and enhances goods and service provision in the city, street vending is usually deemed as inefficient and counterproductive to urban economic development. Street vendors are usually associated with traffic congestion, unhygienic and unsightly urban conditions, tax evasion, et cetera. Numerous laws and municipal ordinances are regularly devised to regulate street vendors as a way for the city governments around the world to fight an urban space war with street vendors.

Generally, the most common ways city governments regulate street vendors are: controlling the number of people (i.e., giving out licenses or permits), controlling urban public space (i.e., designating special street vending zones or locations), and building and relocating vendors to public market buildings. But, each of these typical strategies has had limited success and introduced problems. For example, in New York City⁴ and Boston⁵, street vendors are required to obtain a general vendor license or a food cart vendor permit, before they can offer their services in urban public places. However, the demand far exceeds the supply. In other cities, like Hong

¹ Emily Anne Epstein, "Street Vendors to Rally at City Hall Tomorrow," February 15th, 2012, Metro New York

² Sharit K Bhowmik, "Street Vendors in Asia: A Review" Economic and Political Weekly, May28-June, 2005

³ Stanley Kwenda, "Zimbabwe: Street Vendors' Protest Sparking a Revolution," January 19th, 2012, Inter Press Service News Agency.

⁴ New York City Government, Department of Consumer Affairs, <http://www.nyc.gov/html/dca/html/licenses/094.shtml>

⁵ Boston City Government, Public Work Department, <http://www.cityofboston.gov/publicworks/permits/prmvending.asp>

Kong⁶ or Bangkok⁷, street vending is allowed (or taciturnly tolerated) in specific geographic areas in the urban environment with no (or low) tax and regulatory enforcement. However, store owners decry this concession as unfair competition that undercuts their prices. Or, in other circumstances, such as Singapore⁸ in the 1970s or Mexico City⁹ in the 1960s, the government institutionalized street vendors by relocating and consolidating them inside the off-street public markets. However, in many cities public markets are located in poor locations that do not support successful businesses. In general, how to spatially manage street vending is a vexing conundrum for many cities around the world.

My thesis uses the Taiwanese city of Hsinchu to analyze the reasons why the municipal government was able to successfully relocate street vendors into a thriving public market in one instance while unable to replicate this success in another instance. Hsinchu City, with a population of 0.4 million, is a typical growing city around the world, in that it has had to deal with an increasing number of street vendors. Currently, there are three kinds of legal status of street vendors in the city. One is the government-registered vendor, the other is the government-condoned street vendor, and the third one is the undocumented street vendors. Even though all three kinds of street vendors are socially accepted, they have different rights and privileges. The number of registered vendors is stringently controlled by the city government and they are far outnumbered by the other kinds of street vendors in the city. While citizens can easily choose to work as street vendors in Hsinchu City of their own volition, it is extremely difficult, if not impossible, for citizens to apply to become registered vendors. In fact, the most common way to

⁶ T. G. McGee. "Hawkers in Hong Kong, : a study of planning and policy in a third world city" Center of Asian Studies, University of Hong Kong, 1974.

⁷ Sharit K Bhowmik (2005)

⁸ Sharit K Bhowmik (2005)

⁹ John C. Cross. "Informal Politics Informal Politics Street Vendors and the State in Mexico City", Stanford University Press, 1998

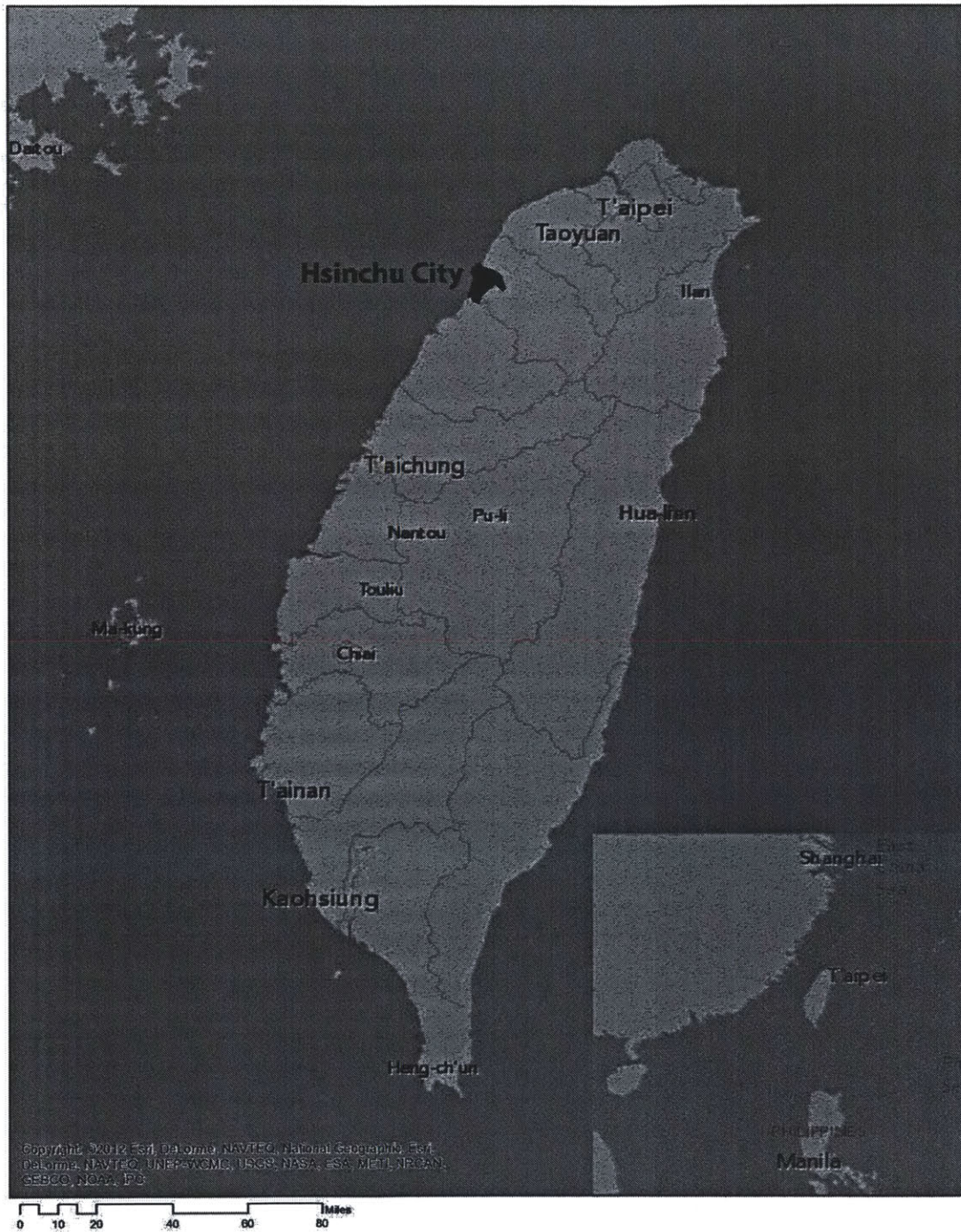
become a registered vendor is through inheritance, which is the legacy of an old social welfare system introduced in the late 1970s.

In this three-tiered vendor management system, the registered vendors' rights are strongly protected by the city government. They are guaranteed to rent subsidized booths in the government-managed Special Street Vending Areas (SSVA) or the off-street public market for their whole lives. They are consulted when new government-run public markets are planned and built. Unfortunately, the other kinds of street vendors need to survive on the street on their own.

This system results in some bizarre consequences. For example, in some public markets, it is not uncommon to find that many registered vendors end up subleasing their market booths to their undocumented counterparts at a very high price instead of running their own vending business. Though these undocumented street vendors are the people who directly eke out a living in our urban space, they are usually invisible under the bureaucratic radar. They are never notified or consulted during any urban development process.

However, my empirical cases of Zhu Lian (ZL) and Guan Dong (GD) public markets in Hsinchu City considers all three types of vendors involved and their inter-relationship. In these cases, the city worked through the institution of the street vendor organization. The literature review below discusses the various issues that have been hypothesized by the literature as being impediments to the success of previous attempts to manage street vendors through the formalization of public markets. Doing so, will also explain the significance of the ZL public market case and so deserves careful reading in this thesis. Then, the comparative GD public market case, in which the city government tried to replicate its success with the ZL market, will provide us further insights.

Figure 1.1 Geography and Maps of Hsinchu City, Taiwan



1.2 Review of the Literature

There is ample literature concerning street vendor issues from a range of perspectives, such as property rights, relocation problems, and street vendor organizations, many of which are relevant to my research.

1.2.1 Property Right

Street vendors almost always have to claim the right to space in the city before they can run their vending businesses. Though street vendors are not the legitimate owners of these spots, once they manage to peacefully occupy certain locations for a long period of time, they almost always claim themselves the de facto property owner of these urban public spaces. As Annette M. Kim (2013, p.18) writes, "The philosophical foundations of property rights are based on theories of socially agreed upon terms of exclusion. Our rights depend on the cooperation of neighbors and mutual respect for the agreed upon rights." Therefore, when being asked to leave "their" lands, angry street vendors usually refuse to budge, unless they are properly resettled, compensated, or rehabilitated.

Some literature justifies street vendors' legitimate right to trespass on urban public spaces by invoking the doctrine of necessity. Jeremy Waldron (1993) has endorsed a redistributive principle that nobody should ever be permitted to use force to prevent another person from satisfying his or her basic needs in circumstances where there seems to be no other way of satisfying them. In this regard, the callous attitude of urban planners or policy makers towards street vendors may need to be altered and the street vendors' right as an integral part of the urban development scheme should be recognized. Ray Bromley (2000, p.1) treats street vending simply as a normal economic behavior, saying that "street vending is the retail or wholesale trading of goods and services in streets and other related public axes such as alleyways, avenues and boulevards."

1.2.2 Relocation Problems

Unfortunately, in most circumstances, street vending is considered as a sign of poverty and underdevelopment, and its disappearance is considered progress toward a more prosperous and developed urban environment. A zero-tolerance policy becomes the rule of conduct for many city governments, who aggressively target any sign of this kind of informal business activities on the street. For instance, New York City Mayor Rudolph Giuliani ordered a crackdown on street vendors between 1994 and 1998; and Beijing's Chengguan (the city management officers) threatened, chased and beat street vendors before and during the 2008 Olympic Games.

Though sometimes the municipal government may enjoy some success, street vendors are very resilient. The police may be able to stamp out street vendors in certain parts of the city, but the street vendors may simply move their business to other parts of the city where enforcement is less aggressive and proactive. Once the enforcement becomes lax, street vendors never fail to return their "home base". Seldom does the municipality have the resources to patrol everywhere of the city all the time. As Gregg W. Kettles (2004, p.44) pointed out that street vendors' will to survive would make eradication of vending cost more than the city government would likely be willing to pay.

Therefore, smooth street vendor relocation processes have rarely occurred. Relocating street vendors to designated vending districts or public markets has always been a long and difficult process. In fact, forcefully relocating street vendors in downtown or densely populated areas usually ends with violent clashes involving police or even worse, the army. As Karen Tranberg Hansen said (2008, p.218), "Top-down shifts in forms of market management have sometimes triggered major clashes. In 1993, the Lusaka City Council, assisted by the police and military, undertook one of many sweeps of street vendors. It clashed with the vendors and a riot ensued".

In some African countries, such as Algiers, Kenya, Zimbabwe, the cracking down policies were carried out to extremes, when the police or paramilitary soldiers confiscate street vendors' goods, coerce, beat and expel them from the street to less desirable parts of the city.

Even though sometimes new off-street public markets have been built, many markets suffer high desertion rates and many fail altogether. In fact, it is not uncommon to observe untenanted public markets sitting idle in many rapidly urbanizing countries. John C. Cross (1998, p.173) pointed out that the most common problems leading to the failure of off-street markets relocation process were: ill-conceived development schemes of the markets; inflexible market management regulations; and the difficult transition of the nature of commercialization from an open-air to an indoor market.

(1) Ill-Conceived Location

Arguably, the major determinant of a successful street vendor relocation process is the location of the market. Ideally, the new off-street market should be highly visible to customers as well as easily accessible. Unfortunately, appropriate locations are always hard to come by - downtown residents or store merchants generally protest against their neighborhoods being designated as street vending districts or building a new public market. As The New York Times¹⁰ reports (2012), “through the years, brick-and-mortar merchants have often clashed with vendors, charging that they compete with, and undercut the prices of, stores that have to pay rent and utility bills.” Therefore, the vending districts or off-street public markets were generally placed to outlying areas — as far from the downtown residents and the storefront merchants as physically possible (Cross 1998; Kettles 2004; Pratt 2006). Paradoxically, it is the downtown areas where street vendors desire most strongly to conduct their business.

¹⁰ Please refer to: <http://dinersjournal.blogs.nytimes.com/2012/02/16/at-city-hall-street-vendors-protest-fines/>

Predictably, street vendors generally refuse to move to the peripheral parts of the city, where they claim that either contact with urban pedestrians is very limited or their customer base will be lost. Lyons and Msoka (2009, p1092) said “The relocation to customer-poor sites makes it difficult for many — and impossible for some — to rebuild their businesses following the trauma and losses of eviction.” Cross (1998) also points out that unprofitable location was one crucial factor that might have led to the rejection of enclosed public markets in Mexico City. He said (1998a, p173), “Public markets, constructed on available lots or areas of cheap land values, were usually not as centrally located as the street markets they replaced, meaning that fewer clients came to them. Although new clienteles were built up over time, many vendors left during this initial phase.”

(2) Bureaucratic Regulation

In some circumstances, even though the city government manages to build new public markets in downtown areas to accommodate street vendors, other factors (such as cumbersome application processes, expensive booth rents, rigid market vending regulations, or old trading habits) deter street vendors from moving into the new market buildings.

Once moving into an enclosed public market, street vendors generally have to face many regulatory compliance obligations (such as securing leasing contract, obtaining public liability and property damage insurance, using booths meeting certain specifications, operating in regular hours, et cetera.), which they do not when they were still on the street (Cross 1998 ; Kettles 2004; Donovan 2007). Sometimes, the lengthy permit application processes (such as attending various training workshops of finance, sales promotion, health and safety, et cetera.) or the high operation cost (such as spending extra time and money securing the necessary permits) also discourage street vendors from participating as well.

Additionally, there usually is a major difference between the city government's rigid method of allocating market booths (such as long-term lease, one to one fixed-booth assignment, and clear tenure and property right) and the street vendors' more spontaneous approach of utilizing their spaces. Street vendors generally adapt a more flexible approach to when and how they use their vending spaces (Morales 2010; Kim 2012). They usually devise a complex property right system that is able to simultaneously accommodate different types of merchants (regular, occasional, itinerant, or mobile vendors) in the market to cater to different seasonal or sporadic demands.

Morales (2006, p.12) noted, "At the street market, some temporary/experimental street vendors could get a space, even for just one week. Such vendors and the unique merchandises that they bring help to diversify the merchandise and entertainments in the market, and draw new clients." In this regard, a street market is more like a dynamic metabolic system rather than a sedimentary system. The relatively easier entry and the exit of different types of merchants allow the street market to grow and reproduce, maintain its structure, and respond to the changing customer demands. Unfortunately, most government relocation processes focus on building a static system of allocating fixed vending spaces to vendors, and forget to consider the possibilities of incorporating new and diverse merchants into the market along with the times. Therefore, the benefit of the flexibility is lost in most street vendor relocation processes.

(3) Lack of Customer Drawing Power

On the other hand, even though forcefully relocating street vendors into an enclosed public market is logistically easy, attracting customers to these new markets is relatively difficult (Bromley 2000; Donovan 2008; Lyons and Msoka 2009). The ability of a new public market to draw customers and generate sales is also one critical factor that determines the success of the street vendor relocation process. The change of vending venue from the street to an off-street

public market changes the nature of street vending and requires the relocated street vendors to modify their old way of doing business. Unfortunately, many relocation processes overestimate street vendors' ability to adapt to change, and underestimate the difficulty of retaining the support from the customers who may still prefer to shop on the street.

On the street where the pedestrian traffic is high, street vendors can increase their revenue by selling directly to passerby consumers; however, once relocating into an enclosed market, vendors no longer enjoy such a location advantage. The relocated street vendors need to adapt new marketing strategies to attract customers to follow them into the off-street markets. Unfortunately, most of the time, few vendors are prepared for the task at hand (Cross 1998).

Empirical and ethnographic researches reveal that customers enjoy the shopping and social interaction found in most vibrant public markets (Alfonso Morales 1993; Project for Public Space 2002). Morales (2006, p.11) found, "[market] merchants believe that a wide variety of businesses will draw a broader clientele and that increased clientele will be good for all merchants. A larger market makes better service possible and makes more diverse offerings available." In this sense, ensuring enough variety in the market during/after the relocation process seems to be very important.

Therefore, large off-street markets are expected to have a higher degree of customer drawing power due to their diversity. Smaller markets which house only basic food staples and offer fewer choices may have weaker customer drawing power and more likely to fail. Morales (2006, p.11) noted, "market vendors see a need for more sellers of different ethnic foods, arts and crafts, and they argue in favor of more offerings to build the market's reputation as a center for entertainment as well as inexpensive merchandise." Therefore, a homogeneous selection of merchandise or a decline in variety should be avoided during the street vendor relocation process.

Lyons and Msoka (2009, p1092) argue that poor market infrastructure may also discourage relatively well-heeled customers to come — those who will instead go to the supermarket chains or shopping centers. This will affect vendors' businesses, restricting them to a customer base with lower disposable incomes and with that decreasing their customer drawing power.

When a new enclosed public market fails to generate a strong customer base, street vendors will return to the street — even facing the threat of government harassment. Kettles (2004, p.15) shows that one third of the street vendors who have become legal have left a special vending district in Los Angeles. Many of these departing street vendors blame their desertion on lack of profitability in the district. Ray Bromley (2000, p.19) also said, “When customers fails to follow, the vendors have little choice but to return to the streets. Successful off-street market foundations may do more to increase total commercial activity than to permanently reduce the problems associated with street vending.”

To make things even more complicated, sometimes when the existing street vendors are relocated and remain in the new enclosed public market, new vendors may come to grab the territories left behind by the previous street vendors, taking advantage of the customer bases established by the previous vendors. Then, these “new” street vendors become competitors to the “old” street vendors who have been relocated into the market. Consequently, the problem remains unsolved.

Because of the failure of the attempts mentioned above, a workable process of accommodating street vendors in rapidly urbanizing countries still remains elusive and not well understood. This has resulted in a lack of enabling urban development policies and street vendor regulations. A detailed and delicate consideration of local culture, humane methods and negotiation processes,

therefore, is a must. As an EU report¹¹ (2011, p.19) said “addressing the street vendor management issues require a combination of a cultural, incentive-based, inter-governmental integration approach, and structural components”. Street vendor associations or organizations, acting on behalf of individual street vendors might play a vital role in the whole relocation process by negotiating with complex bureaucracies. As Sergio Peña (1999) said, “By having a clear understanding of the role and function of street vendor organization, city governments could design plans that are more in accordance with the current situation and they would then have a higher probability for success.”

1.2.3 Street Vendor Organization

Street vendors in major cities around the globe generally have developed their own social support networks/systems to secure access to public space livelihoods. These social networks come into many different forms and have their own norms and regulations that sometimes complement, compete with or challenge the effort of the state (Cross 1998; Pena 2000).

In cases where the municipal governments have the upper hand in regulating the use and distribution the urban space, such as New York City¹² or Los Angeles¹³, street vendor organizations act more like a means for vendors to overcome complicated bureaucracies. It helps increase its members’ income potential through various supportive services that facilitate communication with the city government. These include advocacy for additional street vending zones, more vending permits, relocation solutions, and communication among vendors and with public policy stakeholders. In this scenario, street vendor organization is acting as an interest group that seeks to publicly promote and create advantages for its cause.

¹¹ Partnership for Democratic Local Governance in Southeast-Asia (DELGOSEA), “ Best Practices of Fiscal Management and Investment Planning in Southeast-Asian Local Government”, www.delgosea.eu, Volume 4, June 2011.,p.19.

¹² Please refer to the website : <http://streetvendor.org/>

¹³ Please refer to the website : http://www.goodfoodla.org/good_food_pledge.php

In other circumstances, where government intervention and regulation enforcement is sporadic, such as Peru¹⁴ and Columbia¹⁵, street vendors may form a close-knot group to control the misconduct in the open-access urban public space without involvement of the state. As Ellickson (1996 p.1222) points out that street vendors do this by developing and enforcing social norms to deter an entrant into a space from using it in a way that would unduly interfere with the opportunities of “their members”. In this scenario, the street vendor organization acts like an informal social institution, the responsibilities of which are to administer street vendors’ usufruct rights and to overcome the problem of free riding. It minimizes the transaction costs, resolves disputes, and requires its members to work together to protect their common interest. It establishes an exclusive membership system so every member knows what is being managed for whom, and it makes sure that all street vendors are better off when everyone cooperates. As Morales (2010, P.193) points out that, “A city’s capacity to adopt and enforce formal rules is limited by a host of practical considerations. Thus, cities may find it occasionally advantageous to leave rulemaking to those ‘on the ground’ and allow street vendors to organize themselves. The stable and flexible conventions that the street vendors established in this case served succeeding waves of vendors.”

On the other hand, in situations, where there is a power vacuum on the street that the state agent is unable (or unwilling) to fill, such as Mexico City¹⁶ or Tanzania¹⁷, street vendor organizations may audaciously “assume” the roles and functions of the city government. Street vendor leaders become alternative public services providers — particularly as property rights enforcers who control access to and allocation of urban public spaces (Pena 2000). Different street vendor

¹⁴ De Soto, H (1989) *The Other Path*. New York: Harper & Row Publisher

¹⁵ Nelson, N.L. (1992) *Public Order and Private Entrepreneurs: The Pocket Economy of Street Vendors in Bogota, Colombia*. [Anthropology] University of New Mexico, p1-358 Ph.D

¹⁶ Cross (2000)

¹⁷ Lyon and Msoka (2009)

organization leaders compete for the best locations in the city to secure more economic benefit. In this scenario, vendor leaders are “mafia bosses” — who protect their street vendor members’ property right (from third parties’ harassment) in return for parts of the economic benefits the vendors generate from the urban territories under their control. Cross (1998) pointed out that “in Mexico City, rather than being ‘controlled’ by the state, some street vendor leaders seem to have remarkable success in getting what they want — commercial space and a livelihood — for a comparatively low cost.” Smith (1988) points out four reasons why the local government is absent from regulating these “mafia” street vendor leaders: 1) they are considered as part of a culture; 2) they seem too trivial to be regulated; 3) the enforcement cost is too high; and 4) they provide the necessary political capital. These mafia street vendor leaders become political and economic intermediaries between the city and vendors with an entrepreneurial incentive to increase the quantity and quality of the market areas they control.

The literature suggests that careful, detailed knowledge about the livelihoods of the vendors is key to devising any street vendor relocation policy and program. It also suggests the institutional details and in particular the relationship of any existing street vendor organizations with the city government, might be key to the failures and successes of any intervention. My thesis therefore seeks the point of view of street vendors and to understand their participation in the formulation of vendor organizations or associations in my case studies.

1.3 Statement of the problem

The urban public space war, fought between street vendors and municipal administrators, has been occurred in many rapidly urbanizing countries. In the most common scenario, the undocumented street vendors first approached urban public spaces that they did not own, rent, or otherwise have permission to use; they then claimed rights to use the space by occupation.

As the city modernizes and grows, however, when a new road, park, residential complex, or mayor inevitably comes, conflict increases. Charged with the responsibility of reimagining and upgrading the urban environment, city administrators in many developing countries treat street vendors as a symptom of poverty and underdevelopment and attempt to solve this problem by evicting or relocating them to new designated locations.

Not surprisingly, these attempts almost always encounter strong resistance from the street vendors and fail to accomplish their intended purposes. Even after being forced to leave, street vendors almost always manage to come back – law enforcement just does not have the resources necessary to patrol all parts of the city at the same time. As explained by one Los Angeles policeman¹⁸, “it is not easy to rid a neighborhood of vendors. We confiscate the goods, but they come right back.” They may keep their heads down for a while when being constantly harassed at one spot, but once the enforcement is relaxed they will return. Or they may conquer other territories in the city. We need more effective and sustainable strategies for managing and spatially planning for street vending.

My thesis therefore attempts to find possible measure by comparing one successful and one failed street vendor relocation cases in Taiwan. The goal of my research is to understand what criteria make a street vendor relocation process successful, and to use those criteria to empower street vendors and assist government in solving the street vending puzzles in the urban environment.

1.4 Research Questions

With the aims mentioned above, my thesis research questions seek to address the following larger questions:

¹⁸Gregg W. Kettles, “Regulating Vending In the Sidewalk Commons”, Temple Law Review, Spring 2004, P.26

1. How do the legal system and vendor management framework affect street vendors' property rights in the City of Hsinchu Taiwan?
2. How can we establish a humane relocation process that is more supportive of the needs of street vendors during urban public space conflicts?
3. After relocation, how do we measure the success of the newly designated sites from the perspective of street vendors, city government, and the general public? Can these models be duplicated in other parts of the world?

1.4.1 Research case one: Zhu Lian (ZL) Public Market

Street vendors first started selling on the streets around ZL Temple, a faith center with historical and religious significance in Hsinchu city in the late eighteenth century. By the late 1980s, it was estimated that more than five hundred street vendors earned their living in the ZL Street Market (ZLSM) every day. In the 1990s, the city government built a new 3-story enclosed market building to accommodate the outdoor ZL street vendors. Yet, after the new market building was completed, none of the ZL street vendors was willing to be relocated. It took the city government more than three years to negotiate with a street vendor organization, and then finally relocate around three hundred street vendors into the market. Today, the ZL public market is a thriving center of business.

Research Question 1: How did the negotiation process really work, and what made the ZL street vendor relocation process successful?

1.4.2 Research case two: Guan Dong Public Market

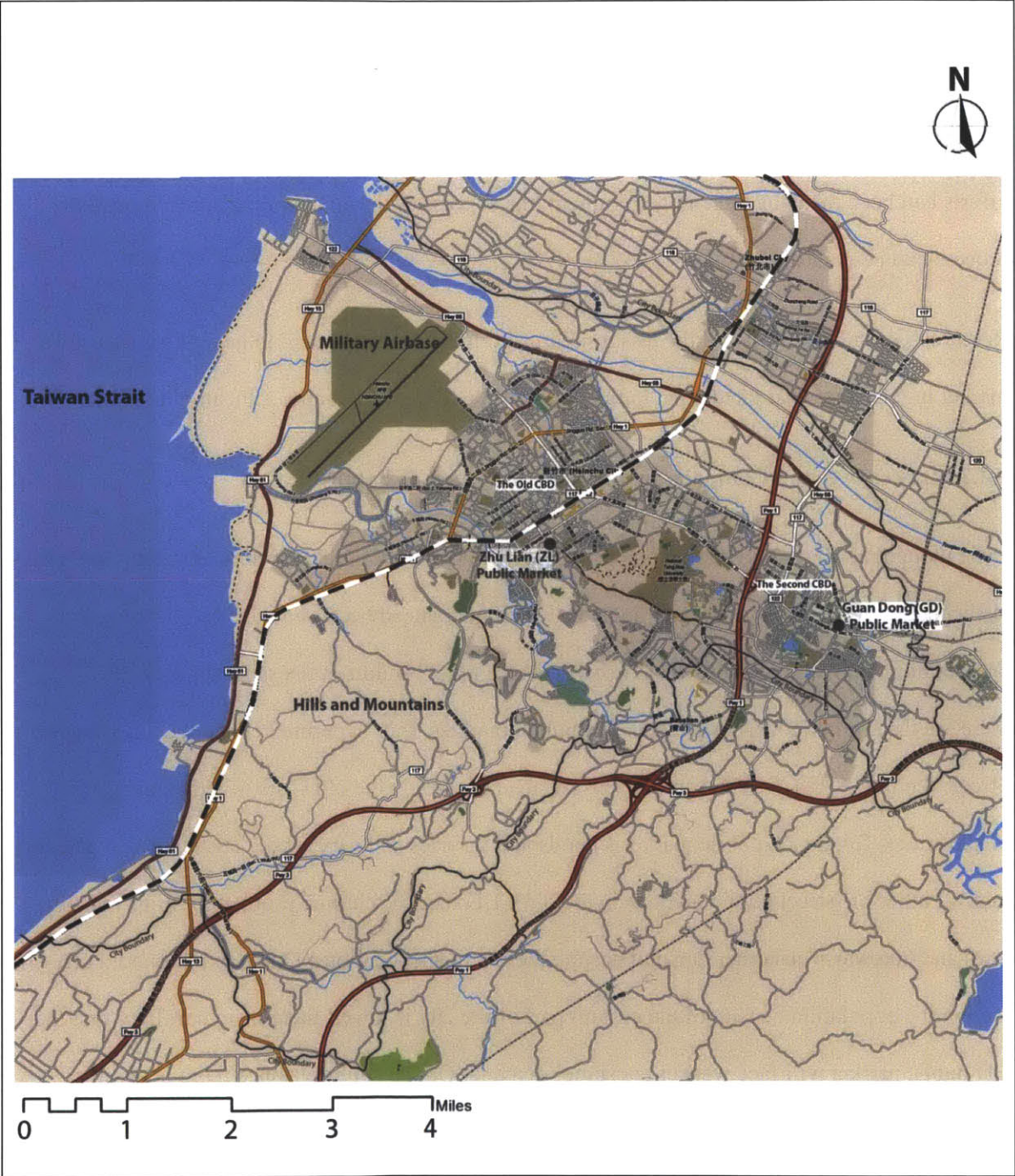
The Guan Dong (GD) open-air market first appeared in the eastern part of Hsinchu city in the late 1940's. By the late 1990's, it was estimated that around one hundred market vendors conducted their business in the market every day. In 2006, the city government built another new enclosed market building to accommodate these street vendors. Unfortunately, even though the experiences from relocating the ZL street market vendors had been applied and tremendous efforts had been made by the city government, the success of the GD public market relocation process had been meager.

Research Question 2: Why did the lessons learnt from the ZL market fail to generate a successful market in GD, and what factors led to the failure of the GD street vendor relocation process?

1.4.3 Market Demand Comparison of the ZL and the GD Public Market

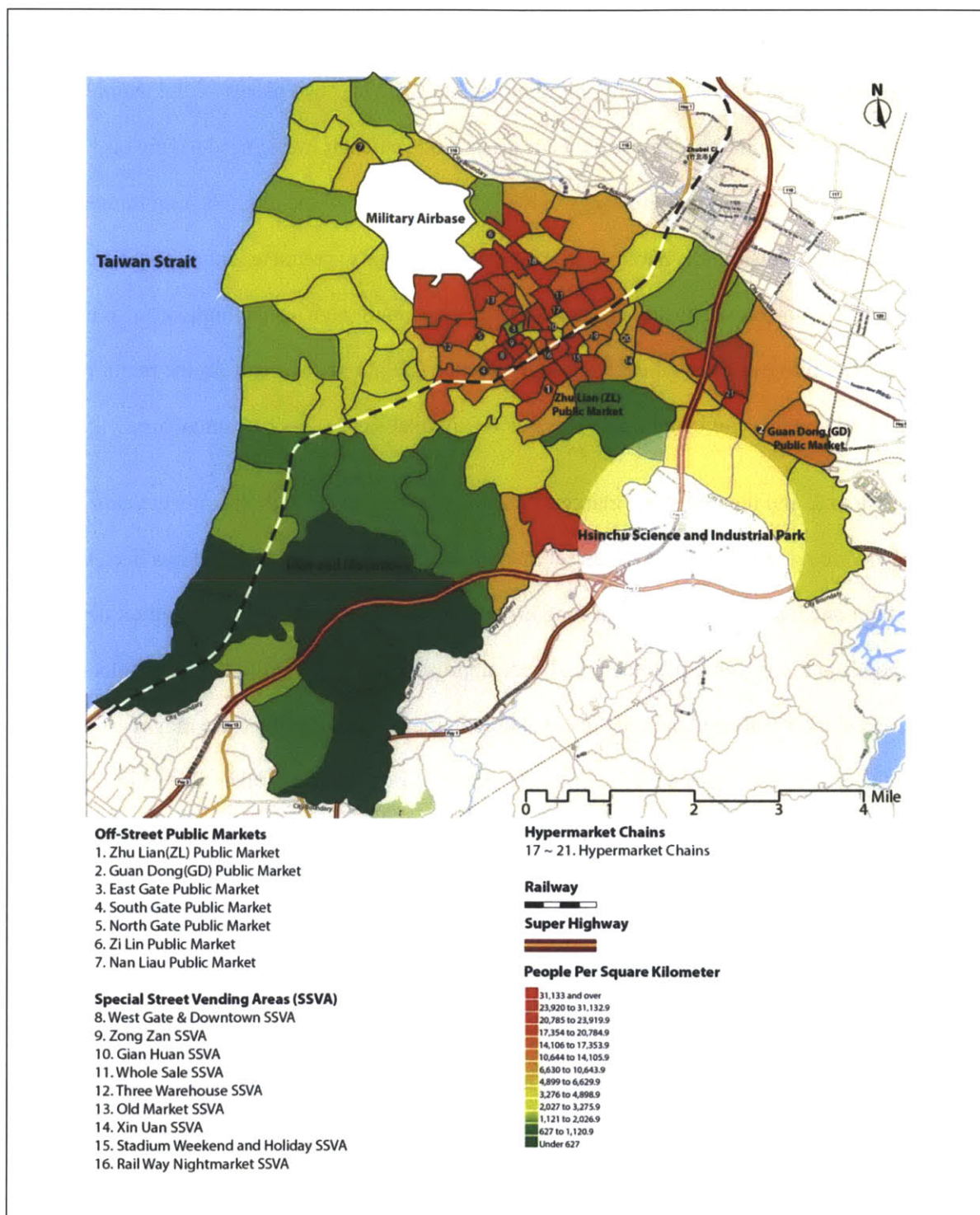
Even though the ZL public market is located closer to the old Central Business District (CBD) in Hsinchu city, its access to customer demands is not guaranteed because it also faces stronger competition from other downtown shop owners and street vendors at the same time. By 2012, there are three other government-managed public markets, four hypermarket chains, nine Special Street Vending Areas (SSVA), and dozens of supermarkets in the old CBD — indicating plenty of substitutes for the ZL public market's goods and services and very elastic customer demand. In fact, all other off-street public markets in the old CBD face the chronic problem of high vacancy rates and lukewarm customer demand despite their strategic locations. On the other hand, even though the population density of the eastern part of the city is lower, there is no corollary that the GD public market will face weaker consumer demand. On the contrary, since there is no other public market or SSVA in the eastern parts of the city, GD public market faces no close substitute and may enjoy relatively stable consumer demand pattern there.

Figure 1.2 The ZL and GD Public Markets in Hsinchu City



Source: the underlying base map was retrieved from <http://www.mapquest.com> on December 22th, 2012.

Figure 1.3 Off-Street Public Markets, Special Street Vending Areas (SSVA) and Hypermarkets in Hsinchu City, 2012



Source: Hsinchu City Government and Environmental Protection Administration Executive Yuan, R.O.C. (Taiwan), 2012.

Next, even though the ZL public market is geometrically closer to the downtown area, it is in fact physically segregated from the old CBD by a railway track. The Western Taiwan Railway (WTR) runs diagonally across the Hsinchu city, dividing the old CBD into two pieces — the major western parts and the minor eastern parts. Pedestrians and vehicular traffic need to rely on overpasses, underpasses or level-crossings to reach the other side of the city. The requirement of using detour routes puts the ZL public market at a disadvantage to compete with other SSVA street vendors for downtown customers. By comparison, even though a superhighway also cuts the second CBD into two areas, it does not segregate the GD public market from the major part of the second CBD, which can beneficially serve as GD market's customer catchment area.

Then, both the ZL and the GD street markets had stood in the city for more than forty years before they were relocated into the off-street markets. (In the ZL market's case, it has been there for more than one hundred years.) Their long history of existence implies a stable market demand for their goods and services. Since there had been approximately five hundred street vendors in the ZL street market and one hundred street vendors in the GD street market, we may reasonably infer that the established customer base of the ZL street market was bigger than that of the GD street market.

Lastly, thanks to Hsinchu Science and Industrial Park (HSIP), the population growth rate of the second CBD¹⁹ has increased faster than other parts of the city in the last decade. Established in December 1980, HSIP is a key player in Taiwan's industrial upgrade and has made direct contributions to the economic development, job creation and population growth of the eastern parts of the city. More and more high-skilled immigrants work and live there. Considering the fast growing populations in the second CBD, we can predict that the market demands for

¹⁹ Hsinchu City Government (2011), "The Statistical Abstract of Hsinchu City" Series No.29, Hsinchu City Government, R.O.C.(Tawian)

groceries and dairy products and household goods services will also increase. In fact, a new hypermarket²⁰ was opened in the second CBD in July 2009 to meet this demand. Therefore, even though the absolute population size/density of the second CBD is now smaller than that of the old CBD, the GD public market faces a growing market demand as well as more potential competitions from other retailers in the long term.

1.5 Research Methods

My research relies mainly on fieldwork undertaken in Taiwan in the summer of 2012. The fieldwork included participant observations and semi-structured interviews. All interviews were conducted in Chinese by me. The Hsinchu Street Vendors' Union (HSVU) of the ZL public market and the Guan Dong Public Market Vendor Association (GDVA) of the GD public market were used as my research cases to analyze the role that street vendor organizations play during the street vendor relocation process.

These two cases were chosen because I had existing connections to the street vendor leaders of both organizations. I worked as a civil servant in the Market Management Division of the Hsinchu city government from 2008 to 2010 and then took a leave of absence to pursue my Master's degree. I knew some of the street vendors and their leaders. I used them as my primary contacts and invited them to refer others to me from their acquaintances.

My interview questions were designed to help me understand what roles and functions a street vendor organization played during the street vendor relocation process and help me identify factors contributing to the success/failure of the street vendor relocation process. The interview questions are included in Appendices I to VI.

²⁰ Please refer to: http://www.costco.com.tw/eng/whs_001.htm

When being interviewed, the street vendors (and the leaders) knew that I was both a civil servant and a student. They understood that the purpose of my interview was for writing my Master's thesis. Depending on my interviewees' time availability, some interviews took only half an hour, others lasted up to four hours, and others were conducted intermittently. All interviews took place in the market or in the vendor organization's office.

I also conducted interviews with former and current city government officials who managed street vendors and the public markets in the city. Interview questions prompted the respondents to describe their own experiences of dealing with the street vendor problems in the past and to share their perspective on the street vendor issue. These interviews supplemented the city government's vendor management policy. Most of the interviews lasted around two hours and took place in the city government office or in the restaurants when we were having meals together.

I also held several casual conversations with shoppers in the markets. All of them were referred to me by the vendors in the market. All of them were middle-age females. They did not know I was a civil servant. The purpose of interview was to understand if the customers bought most of their food and daily groceries in the market, and what attributes of the market made them come back. All of the customers' interviews took place in the market and lasted only a couple of minutes.

In total, I interviewed thirty-four people: six ZL market customers, four ZL market vendors, five HSVU leaders, three GD market customers, two GD street vendors, two GD market vendors, three GDVA leaders, and nine Hsinchu City Government officials.

I also conducted participant observations. I visited both markets for around an hour in the morning every day for two consecutive weeks. Most of the time, I was walking around in the market, lingering in front of some market booths, observing how market vendors used their spaces and how they interacted with their colleagues and customers. I tried to find out if there

were some social norms in the market that might have contributed to its success. I also attended one general member meeting held by the HSVU leaders in a restaurant.

Besides, in order to understand the social and political evolution of the street vending in Taiwan over time, I also reviewed secondary data, such as government reports, dossiers, newspapers, official policies and academic documents. I tried to understand the complexities behind street vending and the public and the central government's attitudes toward it, and how they might have affected the city government's street vendor management policy.

Even though my interviewees were drawn from a nonprobability sampling method, and the findings might have low external validity, I tried to verify the interview answers given to me with other sources, such as other interviewees, secondary data, et cetera. Even though there is a trade-off between response errors and sampling errors, I tried to triangulate my research results with as much accuracy as I could.

1.6 Thesis Structure

My thesis is divided into six chapters. The second chapter gives the context to my two cases by describing the evolution of the street vending management policies in Taiwan, the different types of informal street markets, and the way these informal markets are managed in Hsinchu city. The third chapter chronicles the relocation process of the ZL public market. The fourth chapter discusses the major findings of the research and analyzes the crucial factors that have contributed to the success of the ZL public market. The fifth chapter examines the GD public market relocation process and discusses why it failed. The final chapter synthesizes the comparative case studies, particularly discussing the crucial role that street vendor organizations played during the relocation process, and the political and social-economic implications of having strong street vendor organizations in managing street vending in the city.

Chapter Two: Street Vending in Context

Hsinchu City, located in northern Taiwan, has a population of four hundred thousand (January 2011) and an area of 40 square miles. It has been ruled under a strong central government system for the past century — first by the Japanese occupiers and then by the Nationalist Government of China. Under the centralized government system, municipal governments have limited autonomy and have to abide the central government’s policies and laws. This chapter provides a brief review of Taiwan central government’s policies and regulations regarding street vendors in the last fifty years, and explains how their long-term impacts are still felt in Hsinchu City today.

2.1 Historical Context

Street vending has been a long-standing occupation in Taiwan. Some literature²¹ shows that street vendors had appeared in the cityscape since the late 1800s. The earliest regulations regarding street vending in Taiwan can be found in the “Police Enforcement Act (PEA)”, which was introduced during the Japanese colonial period (1895 ~ 1945). This act²² gave police powers to fine, arrest and to detain street vendors who caused congestion or blocking of pedestrian traffic on the street. After the Japanese occupiers left in 1945, the Taiwan central government adapted PEA into a similar version of law, called “Taiwan Police Enforcement Act (TPEA)”, which gave the police more authority in maintaining not only urban traffic but also hygienic urban environments. Both the main purposes of PEA or TPEA were to maintain the overall social order, not specifically aimed at regulating street vendors.

²¹ Po Fan Tai, “Who are vendors: The Historical Formation of Vendors in Taiwan” *Taiwan: A Radical Quarterly in Social Studies*, No.17, July, 1994, p 125.

²² The Article 108th of PEA

2.1.1 Policy of Open Door

In 1950, after losing the Chinese Civil War, the Nationalist Government of Taiwan, a.k.a. the Kuomintang (KMT) government, abruptly evacuated more than two million nationalist soldiers and war refugees from mainland China to Taiwan. The total population of Taiwan jumped from 6 million to 8 million in less than two years. Due to the lack of employment in formal sectors, many of these new immigrants earned income through street vending. The low initial costs of street vending provided the immigrants a route for self-employment and finding more economic opportunities. During that time, the KMT government was politically savvy and pragmatic enough not to take a tough position against the street vendors. Given that the KMT government had just lost the war and retreated from mainland China to the island of Taiwan, its main focus was to maintain the stability of its regime. It needed to win people's support and portray itself as the sole legitimate government of Taiwan. As long as the existence of street vendors did not threaten its regime (such as spreading anti-government ideology or joining anti-government rally), they were highly tolerated. During that time, street vending was explicitly treated not only as a normal economic behavior but also as a means to solve the immigrant unemployment problems. Street vendors had therefore become a fixture in the cityscape since then.

In 1952, the KMT government, recognizing street vending as a right to economic livelihood, promulgated the first version of "Street Vendor Management Act (1st SVMA)". The purpose of the 1st SVMA was to protect the rights of street vendors and regulate their activity in urban public areas. The 1st SVMA was the first law in Taiwan to tackle the social and economic problems associated with street vending. It required street vendors to acquire vending licenses and join street vendor organizations before running their business; street vendor organizations were encouraged to take on the responsibility of managing street vendors; and it mandated what

items (such as, hazardous goods or banned book) could not be traded on the street. The 1st SVMA authorized municipal governments to designate special street-vending areas (such as, public markets, public parks, sidewalks, et cetera.) in the city to accommodate street vendors; it set no quota limit on vending licenses; and it allowed street vendors not to pay retail sales tax. In short, the purpose of SVMA was not to limit the growth of street vendors, but to monitor them. However, since the KMT government already held an open door policy towards street vending, the enforcement of the 1st SVMA had been patchy at best. Most street vendors did not obtain any licenses or join any street vendor organization.

2.1.2 Policy of Deliberate Ambiguity

In the early 1970s, Taiwan was in the middle of transforming from an agricultural to an industrial society²³. However, as more people moved from rural area to work in the urban area, not everyone could find good job opportunities in the city. Under these circumstances, many uneducated or unskilled people who could not obtain employment chose to work as street vendors to make ends meet. They turned to street vending as a way to gain a foothold in the urban economy. Therefore, rather than showing any sign of abating, the number of street vendors in the city kept increasing. Consequently, more street vendors sprawled over the city without any systematic coordination, accompanying with more negative social externalities, such as the spread of foodborne diseases, the obstruction of urban traffic, and impediment of urban land use.

In 1975, after retreating from China for more than twenty years, the KMT government's regime had been gradually stabilized. Facing the social structural change, the central government devised the second version of SVMA (2nd SVMA) to try to ameliorate the gradually worsening urban

²³ Ramon H. Myers "The Economic Transformation of the Republic of China on Taiwan" *The China Quarterly*, No. 99(Sep., 1984), pp. 500-528

street vending problems. In the 2nd SVMA, the central government would subsidize the municipal governments to construct new off-street public markets; street vendors were encouraged to conduct their businesses in those enclosed markets; the guideline about where and when the municipal governments could setup special street-vending areas in the city was also stipulated; and the most major change of the 1st SVMA was — only low-income families were qualified to apply for street vending licenses (one permit per household) in the city. In this regard, street vending was no longer treated as a normal economic behavior but as a social welfare program. It was a job opportunity (or a privilege) reserved only for the poor by the state, who used it to protect the low-income families from the economic risks and the insecurities of life.

In addition to the 2nd SVMA, other laws related to street vending were also introduced around this time. The Solid Waste Management Act (SWMA) was announced in 1974; the Food Safety Management Act (FSMA) and the Traffic Management Act (TMA) were both promulgated in 1975. Legally speaking, these laws could be more than enough to control the urban problems (such as unsightly nuisances, unhygienic foods, congestions, et cetera.) caused by the street vendors. Among them, TMA, in particular, even gave police the authority to confiscate street vendors' goods and stalls if they were caught vending in none special street vending areas. However, in practice, the enforcement of these laws had been irregular and sporadic, and predictably, they posed no major deterrent to halt the sprawl of street vendors in the city.

Meanwhile, the authority's attitude towards the street vendors had remained ambiguous. On the one hand, the government acknowledged the street-vendor problem had worsened, yet on the other hand, the government recognized the crucial social security role street vendors played — i.e., street vending was acting as a social safety-net, which was much cheaper than building a comprehensive welfare system. They optimistically believed that street vending was only a

temporary development challenge. Once Taiwan had transformed into a knowledge economy, the street vendor problem will solve itself.

The authority was under the misperception that street vendors did not exist in the developed (or the western) countries. The government believed as Taiwan progressed toward a developed country of universal prosperity, the poverty and underdevelopment manifestations of street vending would disappear. In a national executive meeting on August 13th 1980, the late President, Chiang Ching-kuo (1910-1988), instructed that:

“Street vending is only a natural byproduct during the economic development process. This informal economic behavior will disappear once the per capita income [of Taiwan] has reached a higher level. The purpose of managing street vendors is not to eradicate them but to help them. We must recognize that street vending as a means of survival and earning a livelihood for the poor people. The government should regulate street vendors, but it must not do so at the expense of forgetting their wellbeing.”

However, as it later turned out, the number of street vendors showed no sign of abating as Taiwan's economy grew up; instead, the problematic situations street vendors caused in the urban areas became exacerbated with the rapid urbanization process. The government was then caught in a catch-22 situation. While they had to take action to address the urban problems (such as traffic congestion, health, informal settings, vending garbage, tax evasion, et cetera.) resulting from street vending, they also had the moral obligation to tolerate this kind of informal economic behaviors — i.e., street vending provided the necessary social security and livelihood rights to the very poor that the formal social welfare system could not reach. This ambivalent attitude displayed by the government implicitly allowed more people to work safely as street vendors in the city.

2.1.3 Policy of Formalization

In the early 1980s, the presence of street vendors in the city had become so widespread that street vending was no longer considered an informal occupation reserved only for the socially marginal. Instead, it had become a career choice. As I show later with census data, more and more people became street vendors²⁴ not out of necessity, but out of their own volition. In other words, during this time, street vending was less a social safety net than a financially rewarding opportunity.

However, as the number of street vendors increased, the formal sectors players (business owners, tax-paying commercial establishments, et cetera.) felt increasingly threatened by them and lobbied the government to restrict street vending. Protest against street vendors came mainly from the big businesses and the large store owners who see street vending as an unsightly urban vista, a source of disorder, and most important — a serious competitive threat.

Since these brick-and-mortar store owners could not price the street vendors out of the market, they had to drive them out through the political system. In February 1982, twelve major department store owners in Taipei city petitioned the government to ban “*illegal*” street vendors. In that same year, in June, the Taiwan Chamber of Commerce held a “Street Vending Conference” focusing on the unfair competitions between pickup-truck street vendors and brick-and-mortar shop owners. In 1983, more than forty department store owners in Chu Na City went on strike, demanding that the sidewalks in front of their shops be cleared of street vendors and imploring the government to abolish these “*illegal*” street vendors. In 1984, another 13 major storeowner protests were reported by the media. Since then, the rivalry between the formal sector (i.e., the shop owners) and the informal sector (i.e., the street vendors) has seemed to be

²⁴ Po-Fan Tai, p130.

escalating. To that end, claiming ignorance of the existence of street vendors was no longer an option for the Taiwan government.

Driven by the pressure from the formal sector, the central government devised a series of policies to settle the street vendor problem. In 1981, Prime Minister Sun Yun-Suan (1913-2006) created a special “Street Vendor Management Planning Committee (SVMC)” at the central government level; in 1983 he announced “Proposals to Improve Street Vending Management (PISVM)”;

in 1984 he promulgated the “Measures to Improve Street Vending Management (MISVM)”;

and in the same year, he declared addressing street vendor issues to be one of the central government’s top priorities in order to maintain the social order and to improve the urban living environment.

Included among these measures were: (1) orders for each municipal governments to conduct a general street vendor census; (2) subsidies for local governments to construct enclosed public markets to accommodate street vendors; (3) the creation of a new government division (both at the central and the local government level) to administer all street vending related policies, previously the responsibility of the police; and (4) plans to formalize the street vendors. In 1990, the central government declared the second version of PISVM and MISVM, under which the government attempted to transform street vending into formal commercial establishments (such as grocery and convenience store chains, vending machines, retail kiosks, et cetera.); to charge street vendors booth rents and cleaning fees; and to tax street vendors according to their business hours, types, sizes, and retail sales.

At this point, the central government’s attitude towards street vending had changed. It no longer considered street vendors as socially marginally; rather it treated street vendors as ordinary citizens who had to pay taxes. Through job training and career consulting, the government tried to transform street vendors into formal business owners. By doing so, it was thought that the number

of vendors on the street would be reduced along with the associated urban problems.

Unfortunately, these central government policies failed to eliminate street vending. And since outright banning of vending or restricting vendors to less desirable parts of the city was impractical, the urban problems resulting from street vending remained unsolved.

2.2 The Profile of the Street Vendors in Hsinchu City

The first census of Taiwan street vendors was taken in 1988. Since that time the census has been taken every five years. According to the Quinquennial Taiwan Street Vendor Survey (QTSVS) carried out by the Directorate General of Statistics (DGS), the street vendor growth rate has remained positive for the last two decades (9.3 per cent in 1993, 2.79 per cent in 1998, 10.55 per cent in 2003, and 6.22 per cent in 2008). This indicates that the absolute number of street vendors in Taiwan steadily increased, and that trend is likely to continue. On the other hand, the average annual population growth rate in Taiwan has stayed below 2.5 per cent for the last two decades.

The Hsinchu city government maintains a tolerant approach to street vending. Generally, unless a street vendor causes serious problems to the general public, and the affected residents or neighborhood organizations confront the city government, the municipality city government condones the existence of street vendors in the city. The enforcement of street vending management laws is ad hoc at best. Long intervals of tolerance are sparingly interrupted by short waves of suppression. Most of the time street vending is not perceived as a problem and street vendor eviction is seldom high on the city government's list of priorities. The municipality normally remains passive unless it is occasionally prodded by the central government to take some action.

By the end of 2003, it was estimated that there were 8,351 street vendors in Hsinchu city with a total annual production of \$76 million (U.S. Dollars) and an annual net operating income of \$44 million. Street vendors accounted for around 5 per cent of total employment in the city. Over 95 per cent of street vending businesses were operated by the owners themselves or their family members. Of the vendors, 43.6 per cent were male and 56.4 per cent were female.

Street vendors sell a wide variety of goods and services, including cooked foods, perishables, meat, groceries, hardware, clothing, electrical appliances, et cetera. Food vendors accounted for the largest portion (52 per cent) of all the vendors. More than half of all street vendors had been conducting their business on the street for more than five years, indicating that street vending was a relatively stable occupation for them. More than half (64 per cent) street vendors had secondary education, and 39 per cent of street vendors had post-secondary education, showing that most street vendors were educated.

On average, a Hsinchu City street vendor's annual operating income is around \$50,000 and annual net operating income was \$14,500. Given that the per capita income of Taiwan is around \$20,000, street vendors are not the lowest income populations. With the minimum annual wage around \$7,000 in 2003, they are better paid than the unskilled manual labors in Hsinchu city. This shows that street vending in Hsinchu city has evolved from a means of earning a subsistence-level income to a profitable trade with the potential for relatively high earnings. This finding corresponds with McGee's (1973) study on street vendors in Hong Kong, and John C. Cross's (2000) research, which indicate that "street vendors feel they could earn more on the streets than in the wage sector. Street vending has become a life style choice, allowing street vendors greater personal freedom and flexibility."

2.3 The Municipal Responses towards Street Vending

Broadly speaking, there are several “hot spots” in Hsinchu City where the density of street vendors is high. There are some areas where street vendors are scarce and few residents care about how many street vendors there are; and there are other areas where literally no street vendor is in sight. Even though the “hot spots” make up a relatively small portion of the city area, they are where most of the urban problems associated with street vending take place.

In these “hot spots”, there were three kinds of street vendors. The first were the government-registered street vendors, who rent subsidized market booths in the government-managed Special Street Vending Areas (SSVA) or the off-street public markets. The second were the government condoned street vendors, who rent booths at the market price in “temporary SSVAs”, which were managed by a government-recognized street vendor organization. The third kind were the undocumented street vendors, who, depending on the situation, might or might not have to pay fees (e.g. booth rent, protection fee, or cleaning fee) under the table to a dubious entity in order to be able to conduct their business on the street. The undocumented street vendors were the invisible and voiceless people who earn their living on the street off the government’s radar.

Even though all three kinds of street vendors were socially accepted occupations and every citizen could choose to work as a street vendor of their own volition, it was extremely difficult, if not impossible, for citizens to apply to become a government-registered vendor. The city government stringently controlled the number of government-registered vendors, and they were far outnumbered by other kinds of street vendors. This was mainly because government-registered street vendors' property rights and interests were strongly protected by the law, and therefore, granting “registered street vendor status” posed high socio-economic and

environmental costs to the public. The city government could not afford to let everyone become registered street vendors.

2.3.1 The Government-Registered Street Vendors

Registered street vendors enjoy rent stabilized status and the permanent right to vend in the government-managed SSVAs where they register and are established. They use heavy stalls or kiosks (or sometimes temporary buildings) to conduct their businesses. When the registered street vendors pass away, their children can inherit their parents' status and continue to work at the same spot on the same street. In other words, once the city government grants the privilege of "being able to legally vend on the street" to a registered street vendor, it also gives that street vendor the property right of his/her market booth.

This government-registered system design is the legacy of an outdated social welfare system introduced in the 1970s. Although this system might make street vendors management job easy at the beginning, it in fact has serious urban renewal and development problems in the long term. How could city government redevelop land in the downtown areas where hundreds of legal street vendors were peddling on the street? The city government stopped designating any new government-managed SSVAs in the 1970s. By the late 1990s, there was only one government-managed SSVA left in the downtown area, with around two hundred government-registered street vendors. Most of the other originally government-registered street vendors were relocated into the off-street public markets, while some of them chose to return to the street and became undocumented street vendors.

2.3.2 The Government-Condoned Street Vendors

In some downtown areas, where street vendors are too intransigent or intractable to be relocated right away, city government will designate this area as a “temporary SSVA”, and designate a street vendor organization to manage those street vendors on behalf of the city government before any long-term accommodation solution is reached. Generally, these temporary SSVAs are in strategic high-demand locations in downtown, enjoying high level of pedestrian flow. The designated street vendor organization is responsible for the garbage collection and street cleaning and maintaining the order of that specific SSVA. Since the profit of running certain “temporary SSVAs” can be high, it is not uncommon for different street vendor organizations to compete over the right to expand “their territories”.

Sometimes, due to the difficulty of finding a successful relocation site, it was not uncommon for a temporary SSVA to become a “permanent” SSVA. For instance, one of the biggest temporary SSVAs in the city, called Zong Zan Night Market Zone, had been managed by a street vendor organization for more than forty years, while the city government still did not know how to solve this tricky problem.

The street vendors managed by a government-recognized street vendor organization are categorized as “government-condoned” street vendors. By outsourcing the work of managing street vendors to a street vendor organization, the city government does not need to cope with hundreds of street vendors individually. It only needs to deal with one entity at a time. The street vendor organization has the power, sanctioned by the city government, to set the booth rental prices, the cleaning fee, and the management fees. It can charge every street vendor who conducts business on its turf, and the organization can earn some profit. In return, the street vendor organization has the responsibility of solving vendor disputes, collecting waste, controlling environmental pollution, bringing social order, and maintaining the traffic flow on its turf.

Depending on the situation, sometimes, the street vendor organization may have to pay a nominal annual concession fee to the city government.

The major difference between being a government-registered and government-condoned street vendor is that the latter's property right and interest are protected by the street vendor organization, not by law. Therefore, the government-condoned vendors tend to be more cooperative under the aegis of the street vendor organization to which they belonged. It is worth noting that even though government-registered and government-condoned street vendors share some common benefits (such as being consulted by the city government when new off-street markets are built or new urban renewal schemes are planned, no harassment from the police, guaranteed access to vending booths, et cetera.), these benefits are all location-specific. These benefits are applicable only when the street vendors stayed in the particular SSVA where he or she operates. Once they leave their home base they are just like any other undocumented street vendors, enjoying no protection from the city government and literally left to survive on the street on their own.

2.3.3 The Undocumented Street Vendors

Undocumented street vendors are the most transient form of street vendors in Hsinchu city, who move around the most but enjoy the least formal sanction of their business. They are tolerated by the city government — as long as they do not obstruct the traffic flow or create too much inconvenience to the residents or shop owners. Some undocumented street vendors may use pickup trucks or mobile stalls; others may simply lay out their merchandise on the ground to conduct their businesses; and still others may push carts, carrying their goods with them and selling to passers-by. These street vendors may conduct their business full-time or part-time; occasionally or constantly. They may stay in one place for a while, being hassled away, and then

move to a new location; on the other hand, they may be ambulant all the time, doing their vending business at any or all times of the day and night. The city government has no specific knowledge about the numbers, locations, vending schedules and other related characteristics of undocumented street vendors in the city, and predictably, they are the most difficult to manage.

Chapter Three: The Relocation Process of the Zhu Lian (ZL) Street

Vendors

3.1 Background

Sporadic street vendors first conducted their business on the streets around Zhu Lian (ZL) Temple, a faith center with historical and religious significance in Hsinchu city Taiwan in the late 1800s. For the following one hundred years, the ZL street vendors were gradually able to expand their vending areas without outside interference. By the late 1970s, it was estimated that more than five hundred street vendors earned their living in the ZL Street Market (ZLSM) every day.

In the early 1950s, the ZLSM was self-governed by several small street vendor groups, each of which had its own turf and group membership. Each group played an important role in maintaining the social and physical order of the ZLSM i.e., cleaning streets, settling disputes, collecting service charges, negotiating with the police, et cetera. However, as the area of the market and the number of street vendors continued to grow, this decentralized managing system began to fail.

By the early 1970s, problems too big for any single vendor group to cope with (such as disputing the market-wide cleaning fee among different groups and the traffic congestion problem of the entire street market) began to arise. Residents, living in the surrounding neighborhood, started to complain about the traffic congestion, noise pollution, and trash and debris left by the street vendors. The police, running short on staff and resources, could not afford to patrol the street, evict the street vendors and maintain the traffic order on a regular basis. Meanwhile street

vendors temporarily evicted by the police never failed to return, reoccupying the same streets again and again. The ZLSM gradually spun out of control. In 1975, the police recruited one of the biggest vendor groups, the Hsinchu Street Vendors' Union (HSVU), to help restore order in the ZLSM.

3.2 The HSVU

Around twenty street-cart vendors formed the HSVU in the downtown area in 1958. At the very beginning, the main purpose of HSVU was to protect the rights of its street vendor members by building a communication bridge between street vendors and the city government. By the late 1970s, the number of HSVU members had grown to around four hundred street vendors, and was the oldest and the biggest of its kind in the city.

Between the 1970s and 1990s, HSVU was officially sanctioned by the city government as the “legitimate managing entity” of the four biggest Special Street Vending Areas (SSVA) in the downtown — i.e., the Zong Zan SSVA, the Min Fu Night Market, the Stadium SSVA, and the ZLSM. Enjoying such a special status, HSVU could assign (or rent) the stalls in those urban public spaces to its street vendor members without facing any harassment from the police or protest from other third parties (such as non-member street vendors and other vendor organizations) In return for the city government's special favor, the HSVU leaders would maintain the order of their “territories”, such as collecting garbage, ensuring traffic flow, controlling hawking noises, and solving disputes between street vendors. Under this informal contract, both the city government and the HSVU benefited — the city government was able to nominally maintain the social order of SSVAs through a surrogate without getting its hands dirty; whereas, the HSVU leaders were able to receive financial rewards (i.e., stall rents and management fees) from their monopolistic position sanctioned by the state.

After being recruited (or sanctioned) by the city government as the “legitimate managing entity” of ZLSM, HSVU started to integrate all the other small vendor organizations, set up standardized cleaning fee rates, collected market-wide garbage daily, and tried to maintain the traffic flow of the ZL Street. Since HSVU leaders were street vendors themselves, they knew how to conduct business with the street vendors. Besides, being a non-governmental organization, HSVU leaders enjoyed more leeway and flexibility than the government officials in dealing with tricky street vendor management issues, such as, requiring uncooperative street vendors to pay market cleaning fees, and mediating the territorial disputes between street vendors. Unverified sources alleged that HSVU leaders worked with some mafia groups to help them maintain the order of their territories.

Between 1975 and 1985, under the aegis of HSVU (and the countenance of the city government), the vending area of ZLSM and the number of street vendors kept growing. By 1985, there were an estimated 700 street vendors in ZLSM, and roughly two thirds of whom were HSVU members. During that time, any street vendors could choose whether or not to join HSVU of their own accord. As an HSVU leader told me, “The only requirement for obtaining an HSVU membership was being a street vendor in Hsinchu City, and paying the annual membership fee of around NT 1,200 Yuan (\$40 U.S. dollars) per year.” The dominant role the HSVU played in ZLSM later turned out to be of paramount importance in affecting the success of the ZL market relocation process.

3.3 The Construction Process of the ZL Market Building

As Hsinchu city become more modernized and car-oriented in the early 1980s, the city government's policy towards ZLSM started to change. In 1986, City Mayor Rèn (1940-2010)

started to consider ZLSM as an urban development issue - horizontal spillover of street vendors caused traffic congestion; temporary vending structures caused an unsightly urban vista; and garbage left by the vendors caused unpleasant smell. He planned a new four-story indoor market building to accommodate 500 booths and underground parking, less than a block away from the original ZLSM. City Mayor Ren said, "The ugly vending structures and shady street stalls will be removed and demolished, the dirt road will be widened and paved, roadside sewage and drainage facilities will be installed, traffic will move smoothly in the surrounding area, and the living quality will improve". Under this new policy, the city government asked the HSVU leaders to start recruiting ZLSM street vendors into the new market building once the building was completed. In 1987, City Mayor Ren gladly broke ground for the new market building. Yet, as luck would have it, something unexpected happened.

Two years into the construction process, the building contractor suddenly went out of business and filed for bankruptcy protection. The market construction ground to a halt, and the city government called off the whole plan of relocating the ZLSM street vendors. Over the following six years, the ZL market building became an abandoned construction site. Hundreds of vendors continued to conduct their daily business on the ZL street, and the HSVU leaders dutifully managed the ZLSM, mediating vendor conflicts, collecting waste, cleaning street, and maintaining traffic order.

In 1993, under the purview of City Mayor Tong, the Market Management Division (MMD) decided to restart the construction work. In order to finish the building as soon as possible, the market building was scaled down from its initial size of four stories and 500 booths to three stories with 375 booths. At long last, in May 1996, ten years after first being planned, the ZL market building was finally complete.

However, more challenging than construction was how to cajole the ZLSM street vendors into the market building and create a successful public market. Not surprisingly, even after ZL market building was finally completed, most ZLSM street vendors were reluctant to move into the multistory market building. They claimed that contact with urban pedestrians would be very limited and their existing customer base would not follow them to the new location. As we saw in the literature review, fear of losing business is a common concern that deters vendors from moving into public market buildings as well as others such as the cumbersome application processes and the rigidity of market vending regulations. Since City Mayor Tong was already in his last year in office when the market building was complete, he had no intention of solving this tricky problem urgently. Therefore, the empty market building just sat idle beside the busy ZLSM, and no one seemed to pay attention to the problem.

The situation changed in 1997. The newly elected City Mayor Tsai, a Harvard-trained politician, historian and environmentalist, was a believer of strong government. During his election campaign, he vowed to relocate the ZLSM street vendors into the empty market building and to improve the living quality in the surrounding areas. Under his watch, Mayor Tsai not only created a successful public market but also introduced many important public works and urban renewal projects that profoundly changed Hsinchu city for the years to come.

3.4 The Public-Private Partnership

Before Mayor Tsai came to office, all public market buildings in Hsinchu City were built and then directly managed by the city government, i.e., city government was the big landlord and all indoor market vendors were the small booth tenants. However, this government management model did not serve the purpose of running a successful public market very well.

According to the market regulation law, the civil servants' main responsibilities were to collect the market booth rent, maintain the safety, the order, and the environmental hygiene of the public markets. They received no bonus or punishment whether the public market business was thriving or not, and most civil servants were indifferent to the vacancy rate or the business of the government-managed public markets. Besides, according to the Hsinchu City administrative rules, public market civil servants' duties were a three-year rotation, which made these civil servants feel detached from the markets they are overseeing. Few civil servants would establish long-lasting relations with market tenants, and consider long term development strategies for the market.

On the other hand, however, market vendors themselves often failed to take on the role of overseeing the overall strategic development of the market. Since watching the overall business of the government-run public market received no remuneration or compensation, few market vendors voluntarily assumed the responsibility of overseeing the general operation of the public market. Even if volunteerism might run high at the beginning, it faded over time. Market vendors who were in charge of the market operations or long-term planning might make less money due to the managerial duties. Predictably, the result of this unsynchronized governance and management approach was that no one was providing the overall development strategies for the government-run public markets.

To avoid repeating the same mistake, the city government conceived that a new management model might be needed. In 1998, after reporting to City Mayor Tsai, then the Market Sector Chief Cheng, responsible for managing all street vendors in the city, decided to adopt a public-private partnership approach to managing the ZLSM marketing building. The city government would commission the operation of the ZL public market to a concessionaire. Upon expiration of the

operation period, the right to operate would revert back to the city government. Sector Chief Cheng conceived the concession contract could help solve the bureaucratic problems in traditional public service delivery and fix failures of the government-managed public markets.

Unlike the traditional government-managed public markets, the ZL market would have one concessionaire specifically supervising the general commercial activities. The concessionaire took the responsibilities of most aspects of the service provisions, and the city government was removed from the day-to-day operation. It was assumed that, in order to earn more profit, the concessionaire would have stronger incentives in attracting more customers and reducing the market vacancy rate than the civil servants otherwise would.

Entrusted by the Mayor, Sector Chief Cheng soon prepared to launch the tender procedure for concession for the ZL public market. An open bidding process was held by the city government in April 1997. The city government would give the concessionaire an exclusive right to operate the ZL market building for nine years in exchange for paying a minute constant annual fee of around \$ 0.2 million U.S. dollars, and for accommodating as many ZLMP street vendors in the market as possible. The idea for a concession was good. Unfortunately, after the first two rounds, no tender was submitted. It seemed that no entity was interested in operating a public market and managing hundreds of vendors on behalf of the city government. As the stalemate dragged on, not surprisingly, the HSVU were therefore, once again, conferred by the city government to help solve this problem.

3.5 The Negotiation Process

In May 1997, after no tender had been submitted for two consecutive tendering procedures, Section Chief Cheng figured that the city government cannot afford to sit in the office expecting

someone to bid. He personally reached out to the HSVU leaders, holding meetings with them, listening to their concerns, and cordially invited them to tender for the concession contract. Receiving tremendous amount of pressure from Mayor Tsai, in the meetings, Cheng let it be known clearly that if no tender was offered by the end of summer, city government might use any means necessary (i.e., forceful eviction and demolition) to relocate the ZLSM street vendors into the market building, and then operated the market itself. However, rather than the method of last resort, Cheng preferred to resolve this conflict in a more cooperative manner. Based on his experience, Cheng knew that forcefully relocating street vendors into a government-managed market building would never solve the street vendor problem at its root. As he said, "The Mayor told me to solve this problem by any means necessary. Yet, he also did not want to have any violent confrontations between the ZL street vendors and the police under his watch."

After holding several meetings with Cheng, the HSVU leaders fell into deep thought and great silence. They knew they were able to hold their dominant positions only as a result of the special favor bestowed upon them by the city government and they needed to manifest their loyalty. There was no way to avoid this destiny. After waiting and watching the ZL market building being constructed for more than ten years, the leaders of HSVU knew the day to move into the new market building had finally came.

Having long been recognized by the city government as the "legitimate managing entity" of the four biggest SSVAs in the city for more than thirty years, the HSVU leaders understood they had a "*moral obligation*" to cooperate with Cheng. In addition, to maintaining their dominant positions among other street vendor organizations, the HSVU leaders were, in fact, also under invisible pressure to demonstrate that they had the critical local knowledge and skills for solving this tricky problem. As a HSVU leader said, "During that time, we had several internal meetings.

Not everyone was confident about moving into the market building, but there was an invisible hand that forced us to assume this responsibility.”

3.6 The Structure of HSVU

In the late 1990s, the total number of HSVU street vendor members in Hsinchu City was more than one thousand. Approximately three hundred vendors operated in the ZL public market, while the rest conducted their businesses in other SSVAs. To manage such a large group of people was challenging, especially considering that the group was composed of a motley crowd of street vendors. To address this management problem, HSVU divided into roughly forty subgroups, each consisting of twenty members, around five delegates and one elected opinion leader.

Together, these opinion leaders played a significant role in helping manage HSVU's daily affairs. They not only exerted strong influence on their subgroup members' attitudes and behaviors toward major business issues, but also offered advice and mediated disputes on the street. Any important HSVU decision could not be made without first reaching a consensus among these elected opinion leaders.

The opinion leaders elected a twelve-member board of directors. The board was composed of an Executive Chairman, Vice Executive Chairman, Treasurer and several directors. The board elected the Executive Chairman, who served as the head of HSVU and its representative.

The board operated as the supervisory body of the HSVU, empowered to set market policy, establish rules, govern finances, and determine personnel decisions. All board positions were honorary and without compensation. Board members served a three-year term without term limits. The Board of Directors convened at regular meetings once a month or extraordinary

meetings at the request of Executive Director to make sure that the overall business of HSVU was running effectively and efficiently.

3.7 Signing the Concession Contract

In July 1997, after holding several internal meetings with HSVU opinion leaders and HSVU board directors, HSVU Chairman Huang (who has since passed away) agreed to sign a concession contract memorandum with the city government. In the memorandum, the HSVU leaders agreed to pay an annual fee of around \$ 0.2 million for nine consecutive years to the city government, in order for the concession right of the ZL market building. In return, the city government promised to offer any necessary assistance in helping the HSVU leaders to operate a successful public market.

This being said; however, due to the logistical and technical difficulties of relocating hundreds of street vendors into the market building (which needed to be redesigned and remodeled to fit the new demands of a modern public market) both sides agreed the concession contract would not enter into force until May 1999. For the time being, the ZLSM street vendors were still allowed to conduct their business on the street, but the clock was already ticking.

Once the HSVU leaders agreed to assume the responsibility of relocating the street vendors into the ZL market and managing it afterward, the first thing the HSVU leaders did was to visit other successful public markets managed by other street vendor organizations in Taiwan. To create a thriving public market, these leaders knew they had to provide not only vendors a decent place to be able to work, but also attract customers a great public market to enjoy satisfying shopping experiences.

Though HSVU leaders did not have any professional degrees in business administration, they were all seasoned street entrepreneurs. They literally cut their teeth at roadside stands, having observed customer behavior all their adult lives. In the following months, HSVU leaders travelled around Taiwan carefully studying the elements (such as customer circulation, right mix of vendors, et cetera.) that made other public markets or malls successful. They then pondered how to copy and reproduce them in the ZL market building.

3.8 Re-designing the Market Building

After visiting other successful markets, HSVU leaders brainstormed about how to reincarnate the ZL market into a thriving public market — a place where customers would feel comfortable making eye contact, starting up impromptu conversations with strangers, be inspired by unexpected sensory delights and come back, again and again.

First, the HSVU leaders remodified the existing circulation system of the ZL market. Due to the constraint of the concession contract — with the exception of two new proposed escalator ramps — all other improvements had to be paid by the concessionaire. These improvements included: (1) building a new car parking ramp, enabling vendors to more easily unload their wares; (2) upgrading two dilapidated and outdated cargo elevators, which were designed and installed ten years ago; and (3) setting up public seating and indoor plantation, which would help foster a sense of community and invite customers to stay.

Then, after observing other successful shopping malls, HSVU leaders also decided to install a brand new central air condition system in the ZL market. They wanted to reverse the stereotype in the public mind that public markets were always muggy and smelly. Additionally they hired ten full-time market cleaners to scrub the floors and clean the windows. A pest control company was

also contracted to apply pesticide every two months. Next, HSVU leaders designated the market into three different zones: wet goods zone (e.g., meat, seafood, fresh produce, et cetera.); dry goods zone (e.g., handcrafts, textiles, trinkets, et cetera.); and an eating and drinking area.

3.9 The Opening of the Market

Upon signing the concession memorandum with the city government, HSVU had already started recruiting street vendors to move into the market. To reach economies of scale, and to share the renovation costs, HSVU leaders calculated they needed to rent out a minimum of 250 booths.

Each booth's tenant(s) would have to pay around \$2,000 U.S. dollars to share the cost of renovating the market. While there were approximately 700 street vendors conducting business outside the market building daily, few vendors showed interest in moving in the market. Most street vendors still felt uncertain about moving into the market. Some vendors were on the fence, while others decided to migrate to other open-air markets in the city. In private, the few street vendors who decided to move in the market admitted that they were uncertain about the change and were making "Plan B" preparation to leave if business was bad.

However, as the market remodeling work gradually come into shape, more and more street vendors, especially HSVU members, began to convert and move in. These vendors tended to trust their leaders more than they trusted city government officials. Instinctively entrepreneurial, these street vendors became willing to take the risk. "During that time, everyone was skeptical and unsure about it, but I decided to take a gamble and moved in the market with my friends. In the worst scenario, we could always retreat to and reoccupy the street again." said one street vendor.

In April 1999, the re-modification of the ZL market finished and approximately 250 street vendors moved in. HSVU's office opened in the ZL market. The street vendors who did not move into the market migrated to other places in the city or rented stalls on private vacant lots abutting the street. In June 1999, the ZL market began its trial operation. After that, the city government sent in the bulldozers and police to evict the remaining few vendors on the street, demolishing the temporary structures, shady stalls, and widening the road. Although there were some minor skirmishes, no major conflict between street vendors and the police took place.

Outside the ZL market, construction lasted more than three months (June to September). During that time, the original street market had literally become a construction site. The shoddy vending structures had been demolished. Bulldozers and tractors generated dust, noise, and smoke every day, and therefore, customers were forced to change their behaviors.

Under the scorching sun and the pollution of diesel engines, no rational consumer would linger and buy food outside, so the remaining street vendors were forced to migrate to find new customers. By contrast, the air-conditioned ZL market was hustling and bustling. There was hardly any standing room let alone walking spaces. Customers were busy bargaining with market vendors about the right price; kids were asking their parents to buy snacks from the candy booth; butchers were listening attentively to their customers' order; and wives were selecting tasty and juicy fruit, et cetera.

During the market's opening period, to retain and grow their customer base, HSVU leaders also held several promotional activities. For example, elementary students were invited to buy food and bargain with the market vendors; special discounts were offered to couples who came together to the market; and free tickets to attend community singing festivals were distributed. Three months after the opening of ZL market building, a virtuous circle was formed. As more

new customers came, more vendors were willing to stay in the market; and as more vendors offered diverse products and competitive price, more shoppers would come.

Advertised by word of mouth, the new ZL public market quickly became a huge hit, and more customers were attracted to visit this modernized public market. The business was so good that it was not uncommon that several market vendors sold out of their products within hours. "I used to sell only half a pig per day when I was on the street. Right after I moved into the market, I managed to sell a whole pig almost every day. Sometimes, on weekend, I was even able to sell two pigs. I thought I made the right decision at that time" said one ZL market butcher.

Today, ZL market building remains one of the most successful public markets in Hsinchu city. In fact, the market was so successful that in 2010 the city government built another two-story underground parking garage, which could accommodate around 200 cars, right across the street from the market. The story of the ZL market building keeps going on.

Chapter Four: Major Findings about ZL Public Market Relocation

Process

The review of literature about street vending illustrates that the street vendor relocation processes are long and difficult. Few governments in developing or developed countries have been able to implement sustainable relocation strategies. More often than not, even after street vendors have been forcefully relocated into an indoor public market, street vendors return to the street if the market is not profitable enough. This chapter investigates the factors that might help to overcome the relocation obstacles and contribute to the success of the ZL public market. By looking closely at the policies and practices of the Hsinchu city government, and at the roles played by the HSVU, this chapter tries to understand what made the ZL market relocation process work.

4.1 A Special Relationship between HSVU and the city government

One of the most crucial factors that contributed to ZL public market's success was that its relocation process was implemented by a street vendor organization, HSVU, not by the municipal government. The major reason the city government was able to ask HSVU to help relocate the ZL street vendors in the first place was that they shared a special relationship with each other for more than thirty years. This special relationship might be considered a taciturn agreement, under which both sides had an unspoken but understood responsibility. The HSVU leaders maintained social order for the city government, and the city government created commercial interests for the HSVU leaders.

From this perspective, relocating ZL street vendors into an enclosed public market was not just a problem of maintaining social order. It was in fact an opportunity for HSVU leaders to expand their territories and enhance commercial interests. So long as there were implicitly guaranteed exploitable profit margins, HSVU leaders would be incentivized to “*help*” the city government to relocate the street vendors into the market and manage it, as HSVU leaders were doing in other SSVAs in the downtown.

Before the ZL public market, all off-street market booths were rented individually to the street vendors at a symbolic cost, which was used to “*bribe*” vendors to stay in the market. In the case of the ZL public market however, the government adapted a different approach. Instead of subsidizing street vendors on an individual basis, the city government subsidized the prospective concessionaire (i.e., HSVU) as a whole through a relatively low concession fee, and let the concessionaire decide the market booth rent on its own.

The annual fee for operating the market concession was thus intentionally kept low, implicitly assuring the profit margin for the HSVU leaders. In other words, the city government was practically giving away the market concession so that the concessionaire could enjoy guaranteed profit margin without affecting their ability to recruit street vendors or necessitating any increase in market booth rents.

The city government was willing to offer such a deal because their consistent management of street vendors in other SSVAs gave HSVU leaders credibility. With HSVU leaders, the city government could rest assured that they would complete it and defer the praise to the city government. At the same time, HSVU leaders were willing to assume the task of relocating ZL street vendors because (1) there was implicit profit guaranteed by the city government; (2) they held their dominant positions only as a result of a special favor given to them by the city

government and they needed to manifest their loyalty; and (3) being the biggest and oldest street vendor organization in the city, HSVU leaders also wielded some political influence. They could ask for governmental assistance if something did go wrong.

Its strong anticipation of investment return shows that HSVU's enterprise was designed to be a serious business venture more than just to serve the public purposes. As Theodor Morro Spitzer and Hilary Baum (1995) point out that public market development and operations are entrepreneurial endeavors that demand a businesslike approach. Markets that rely perennially on operational subsidies cannot achieve stability. The successful ZL market relocation process was therefore first carried out on the foundation of this "*mutual trust and confidence*" between the city government and the HSVU leaders.

Another important aspect of ZL street market relocation process was that it had gone through a very careful planning process. After signing the concession memorandum with the city government, HSVU took two years, from 1997 to 1999, to relocate the street vendors into the ZL public market. Instead of jumping into the market, enlisting street vendors, and opening the market right away, HSVU set goals, assessed its own capacity, conducted research, physically remodeled the market, set up the management team, evaluated economic feasibility, recruited street vendors and prepared for the opening day. Careful study and planning informed how HSVU re-organized the public market both physically and organizationally. Although a very different context, I found that the literature of the strategies of American shopping malls is a useful analogy for explaining HSVU's strategy and so I deploy the analogy in the discussions below.

4. 2 Market tenants selection

As Candace K. Rice, CLS/SCMD (1999, p.39) said, “In order for the shopping center to achieve success in its overall operation, it is critical for the leasing representative to identify which tenants can provide the most advantageous merchandising mix for the shopping center,” HSVU leaders used several unique methods to create an optimal combination of market tenants that greatly increased the economic value of the ZL public market and therefore its financial success.

When enlisting street vendors for the ZL public market, HSVU leaders mainly focused on recruiting their own members who were willing to share the improvement costs of the market (around \$2,000 USD per tenant). Non-HSVU-member vendors who were willing to prepay the improvement cost voluntarily were given secondary consideration. Street vendors who were unwilling or unable to contribute to the improvement cost could not join the market. In this way, the tenant-selection policy conveniently excluded any uncommitted or low-margin street vendors from moving into the public market at the very beginning. In other words, HSVU leaders were able to select prospective market tenants on the basis of their capitalization ability. The result was a group of street vendors who were financially and mentally prepared to risk their own money, leave their comfort zone on the street and strike out into the unknown territory in the market.

Agreeing to share the initial investment cost with HSVU, the first market vendors to move in did not just enter a landlord-tenant relationship with HSVU, but in fact embarked on an ongoing, long-term joint venture with each other. Most of these tenants had either originally “*owned*” temporary vending structures, such as stable stands, fixed stalls or vending kiosks on the street; or had carried out their business at fixed locations at the street market on a regular basis for a certain

period of time. In other words, they were the street vendors who possessed the *de facto* property right of the ZL street market and had established regular customers and stable trading relationships. They had established dominant positions in the pecking order of urban public space. Therefore, they were more likely to be able to afford the capital investment necessary to secure new stalls in the new market building.

On the other hand, the street vendors who were unwilling (or could not afford) to share the upfront investment cost tended to either be stationary vendors who were still doubtful about the future prospects of the public market, or the mobile vendors who moved from place to place vending their goods either on foot or using vehicles such as pickup trucks, tricycles, et cetera. Commonly, the latter kind of street vendors did not vend continually in the ZL street market. Failing to claim their own urban territories, these vendors' survival strategy was to scavenge the inferior locations left in the ZL street market. Therefore, they were less likely to be able to accumulate a loyal customer base and invest the capitals needed to secure new stalls in the market building.

As a HSVU leader told me, "During that time, not every street vendor wanted [or could afford] to move into the ZL market building with us. For those who did not, some migrated to other markets and others operated on the private lots abutting on the street." A butcher said, "I did not move into the market with HSVU initially. I rented a stall on the private land and it was not until I was sure the business of the new public market looked good that did I decide to move in."

Had HSVU used the method of indiscriminate or forceful recruitment, the result might have been counterproductive and the market might have failed. In fact, in other government-run public markets, it was not uncommon to find uncommitted or forcefully-relocated street vendors surrender their lease and leave the market.

4.3 Planning Synergy of Stall Uses

“Formulating the right tenant mix based on zoning not only helps attract and retain customers by offering them multiple choices and satisfying multiple needs, but also facilitates the smooth movement of customers within the mall. This helps influence customers’ mall preference and frequency of visits,” said Jones Lang (2007, p.4). To create a better synergy amongst different kinds of businesses — that could increase higher total revenues for individual market vendors than they could have achieved on their own — the compatibility of selected vending business types and each vendor’s location in ZL public market were carefully designed by HSVU. By identifying tenants’ strength and weakness, and by building around and on them in advance, HSVU leaders zoned the ZL public market into three zones, i.e., the wet-goods zone, the dry-goods zone, and the food court zone.

HSVU leaders grouped similar or complementary market vendors in order to extend customers’ spending patterns in the market. The pedestrian traffic stimulated by one vendor could benefit the others. As Theodore Morrow Spitzer and Hilary Baum (1995, p.65) said, “Segregating the main categories of uses gives customers a clear message about what is available in that part of the market. Scattering vendors within categories around each part forces customers to move throughout the market to comparison-shop and many will purchase other items on impulse.”

The benefits of the separation of vendor-types are clear in the case of butcher and fish shops. People in Taiwan prefer buying meat, seafood or poultry products within hours after the animals have been slaughtered, because they believe chilled or packaged products are less fresh and tasty. For some buyers, it is very important to see the animal alive before being sold. Then, a buyer will either take the animal home as is, or have it slaughtered and gutted in the market. Therefore, it is not uncommon to see market vendors draining blood into the market ditches, discarding animal

refuses or scraps on the market floors or washing meat trims or fish scales directly into the market drainage system. The extensive use of water becomes a must for some vendors to clean their stall areas, wash animal products/by-products and to keep their animals (e.g., fish, shrimp, frog, or shellfish) alive. In less hygienic mix-used public markets in Taiwan, one can expect to smell a hint of spoiled fish, days-old seafood, or rotten food in the air.

However, not all market vendors need to use water as intensively as a butcher or a seafood monger does, and not every customer wants to shop for wet goods in the market. In fact, some market vendors, such as apparel, accessory, or shoe vendors, dislike conducting their business in a damp environment or neighboring wet-goods vendors, because their new outfits or garments may easily get stained or smudged. Separating these two vendor types is beneficial to both groups of merchants.

Apparel products vendors may also prefer to display their dresses, shoes and accessories together to suggest ensemble purchases for customers. As an illustration, when walking into the market, a customer may not specifically be shopping for a pair of shoes or accessories at the beginning of their visit. However, after stopping at one clothing stall, the customer may spot a pair of shoes or an accessory displayed at the next stalls which is a perfect match for the dress she just bought. She, then, may make an impulse purchase she may not have otherwise considered.

By the same token, snack booth owners or bakery vendors may be unhappy neighboring a poultry slaughter in the market. The poultry slaughterer may create unpleasant smells and scenes that disturb the bakers' customers and reduce their spending. The poultry slaughterers would rather cluster with green grocers or fruit mongers because customers who buy fresh produce are more likely to buy meat at the same time. Therefore, the zoning of the ZL public market not only segregated the vending types that were thought to be incompatible, but also combined the

compatible business types together to maximize the revenue of each market tenant and stimulate the market business in general.

Another important benefit of market zoning was that it reduced the market maintenance costs. By dividing the market into zones with similar water usages, sanitation and hygienic requirements, HSVU leaders could effectively deploy minimum resources with maximum benefit. For instance: (1) HSVU leaders needed only to provide dedicated water supplies, sewage system and waste collection services in the wet-goods and food court zones, and thereby reduce the operating expenses of the entire market; (2) instead of cleaning out the ditches of the entire market, market cleaners needed only focus on cleaning and unclogging the market ditches in the wet-goods zone where water was heavily used every day; and (3) the pest control company could focus on eliminating the sources of food available to pests in the food court and wet-goods zones; and avoid applying pesticides throughout the entire market.

As one HSVU leader said, “Instead of randomly allocating vending places in the ZL public market, before moving into the market, we had already decided that wet-product vendors (meat, seafood, fresh produce and et cetera.) must only conduct their business on the second floor, dry-product vendors (handcrafts, textiles, trinkets, housewares, accessories and et cetera.) would stay on the ground floor, and the cooked food vendors would concentrate in the market annex.” By locating market vendors that were complementary to each other, and by segregating market vendors that are incompatible, HSVU leaders maximize profitability for market tenants while also stimulating the overall public market business.

4.4 Scale, Merchandise Mix and Variety

The two hundred and fifty market vendors in the ZL public market were another asset to the market's success. They offered customers a wide breadth and depth of products that prompted them to return for both specialized and basic items. As one HSVU leader commented, "As a rule of thumb, I personally think a successful public market must have more than 150 booths, so the products are diverse enough to draw people back. If customers visit a public market and cannot find the stuff they need, gradually they will lose their interest in the market and not consider coming back."

On the other hand, when market vendors sell similar products in the market, customers enjoyed the opportunity to compare different options before they determined the price, flavor or fragrance that satisfied their tastes. This benign competition was equally important to ZL public market. In this case, both customers and market vendors benefitted, because it not only guaranteed a good quality product, but it also indirectly deterred merchants from competing on price, and instead encouraged them to differentiate their products or specialize in their services.

According to one ZL market customer, "The beauty of shopping in ZL public market was they [the vendors] could customize their services to meet my need. For example, even though the pork is pricier than what I would find in the supermarket, but I was definitely paying for the quality of the meat and the services of the butcher. Whenever I would like the meat further processed, the butcher at the corner would help me trim the fat from the meat, cut them into cubes or grind them into a coarse or fine grind. By watching him grinding my meat, I could be sure of what cut of meat was used and how lean it was. You could not get this kind of personal service in the supermarket. It's worth it."

Another customer mentioned that “There is a wide selection of fresh produces here, both imported and local. Moreover, in the market, I never have to buy aromatic food ingredients such as, leek, ginger or garlic because they almost always come free with my shopping. This is especially true for the fruit vendor, whom I patronize often. He always gives me an additional free apple or orange; or gives me a special discount by rounding down the price to the nearest ten. I always feel like a V.I.P. when I buy fruit from his stall.”

4.5 Sub-leasing

“Re-merchandising of a shopping center may be necessary due to the shift in customer demographics and psychographics,” said Candace K. Rice (1999, p.37). Another crucial factor that contributed to the success of ZL public market’s merchandise mix is that HSVU allowed ZL market vendors to sublease their right to sell in the market to anyone else on a daily basis — even at a higher average daily rate than the market vendors had to pay to HSVU. This policy not only encouraged ZL public market vendors to adjust their products to meet the ever-moving target of an optimum merchandise-mix, but also helped generate new types of businesses and bring in new business owners. For some budding entrepreneurs or street vendors with novel business ideas but limited resources, this daily lease option offered them an opportunity to test their products in ZL public market with little risk or capital. Although the rent on a per day basis was higher, the absolute cost was low. They only paid for the days on which they actually sold. They did not need to pay any security deposit; nor did they have to share the initial cost in outfitting ZL market.

This daily-lease strategy turned out to work particularly well for the apparel, handcrafts or accessories tenants (or the so-called fashion retailers) in ZL public market because, compared with the butchers’ or the seafood mongers’ customers, their customers’ tastes and preferences could, and usually did, change more easily over time. By subleasing their booths to other aspiring

street entrepreneurs, particularly those in the specialty apparel, designer clothing or chic accessory segment, two or three days a week, existing market vendors were able to add trendy new formats to their booths' overall product portfolio. In fact, over half of the “fashion vendors” in ZL public markets were all subtenants. “I only come here to sell clothes on Monday and Wednesday. Other people will sell different style of clothes on other days,” said one female market vendor.

These daily-lease subtenants were critical to the revitalization of ZL public market in several ways. First, sometimes a subtenant's businesses might fare even better than their “landlord’s.” In these cases, these entrepreneurial subtenants, who were optimistic that their exclusive merchandise and/or superior service would continue to thrive, might decide to “purchase” the booth from their landlord and officially become a ZL market tenant. Second, when certain type of product or service was already oversupplied, the mechanism could automatically adjust itself by discouraging market sub-tenants to lease space. The third benefit of this daily-lease policy was that market tenant could recover their lost rent and sublease their booths when they knew they would be away. In an enclosed space any unoccupied stall would be very conspicuous and hurt the market’s image. This daily-lease policy allowed subtenants to plug in to idle booths and maintain the sense of a bustling market. Thus, this prevented customers from perceiving the ZL public market as lacking.

This automatic merchandise mixing mechanism enabled ZL public market to align itself with consumer expectations and meet the real-time demands of customers. As an HSVU leader observed, “A successful public market must comprise of not only long-term vendors, but also short-term (or temporary) vendors, who were constantly evolving and who could increase the

curiosity and diversity of the market. Consequently, the market was able to remain forward thinking in anticipating and dealing with the changes of the customer market.”

4.6 The Anchor Tenants and Sub-leasing

Another factor that might have led to the success of the ZL public market was its unique three-tier tenant leasing strategy. Since the market concession contract said nothing about how many booths one vendor could rent, the HSVU leaders divided the market tenants into three categories: the anchor tenants²⁵, the ancillary tenants, and the informal subtenants. Before signing a concession contract with the city government, HSVU had first attempted to secure long-term lease commitments from prospective anchor tenants, i.e., the street vendors who were willing to rent three or more market booths in the ZL public market at one time and share the corresponding amount of market improvement cost. In return for their entrepreneurship, these anchor tenants had their pick of prime locations in the ZL public market.

Anchor-tenants were usually the patriarchs of street vending families that had participated in the original open-air ZL public market, i.e., families that had managed several market booths on the street for a long time, and whose syndicates had also cultivated a loyal customer base.

(Unsurprisingly, most of these anchor tenants were HSVU leaders.) Securing the commitment of anchor tenants was an important step in laying the foundation for the future growth of the ZL public market. The seniority and name recognition of anchor tenants attracted both customers as well as other mom-and-pop street vendors, i.e., ancillary tenants, to also join the market.

At the founding of the ZL public market, seven anchor tenants accounted for around 10% of the market's booths. Since HSVU leaders maintained good contact with their members, *they had an*

²⁵ The phrase “Market Anchor Tenant (Chinese: 組頭)” have a negative connotation in Chinese, which means gangster leader or mafia boss.

advantage when discussing with other street vendors about new retail opportunities in the ZL public market. By moving their own operations into the market early in the relocation process, HSVU leaders were able to market the ZL public market's development plan persuasively to prospective market vendors who might otherwise have felt uncertain about moving their business to a new, indoor public market.

Since street vendors rely on each other's presence to draw foot traffic, once ZL street vendors were assured that certain anchor tenants' customers would visit the public market, they became more willing to set up stores in the ZL public market. Gradually, as more floating street vendors observed their friends and colleagues relocating, they perceived the ZL public market as a potential business opportunity and decided to relocate as well.

Once anchor tenants or ancillary market tenants committed to paying the rent and sharing market renovation costs, HSVU allowed them to sublease their booths to anyone at any price for however long they saw fit. This policy inadvertently created an informal market for ZL public market booths, which allowed market booths to be bought, sold, and exchanged between different sub-tenants. And, HSVU leader/anchor tenants became the largest landlords in this market.

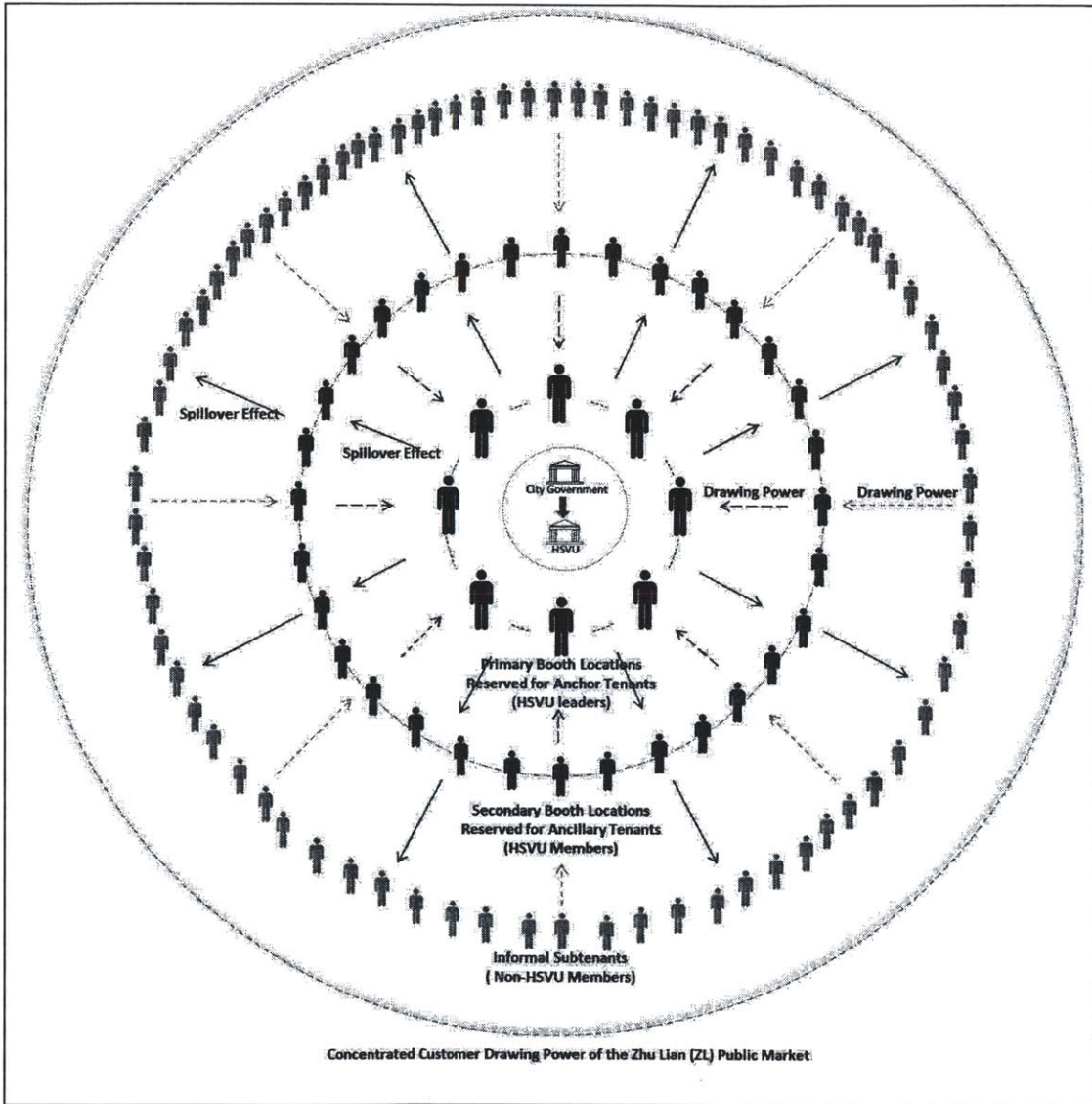
Because of this flexible sublease policy, some anchor-tenants thought of renting market booths and conducting their vending business in those booths as two different business decisions. By acquiring (or investing in) more market booths than they needed to conduct their vending businesses, some entrepreneurial anchor tenants anticipated the possibility of future sublease income streams from their spare market booths. In other words, the public market capitalized the street vendor.

Because there were only a fixed number of booths in the ZL public market, once the market started to operate, the average daily cost of market booths was determined not by the rent paid to HSVU or the cost tenants invested in market renovation, but by fundamental market forces i.e., demand (how many people wished to sell in ZL public market) and supply (how many spare booths were available). Since every anchor tenant had three or more market booths in prime locations in the ZL public market, an increase in demand for selling spots increased the economic value of their spare booths, thereby increasing their prospective sublease income. HSVU leaders had higher stakes and stronger incentives than other street vendors in creating a successful ZL public market because they could guarantee higher property value for their market booths by securing prime locations in the market, reducing the vacancy rate of it (recruiting more constant market tenants), and attracting more customers to the market.

In other words, the anchor tenants did not move into the market because they were eager to cooperate with the city government; they joined the system only because of clear economic benefits and certainty that their dominant positions would continue to be guaranteed. The HSVU leasing policy offered them tangible financial benefits from the capital appreciation of market booths and potential sublease income.

Though this three-tier leasing strategy was not without its share of controversy (for instance, some market tenants complained that HSVU leaders grabbed all the prime locations in the public market), the ZL public market was an overall success. As a city government official said during my interview, “Even though, privately, we might know that HSVU leaders were involved in some degree of conflict of interest behaviors during that time, we chose to overlook them and preferred not to know. After all, ZL public market was very successful and the benefits outweighed the bad.”

Figure 4.1 The Customer Drawing Power of the ZL Public Market



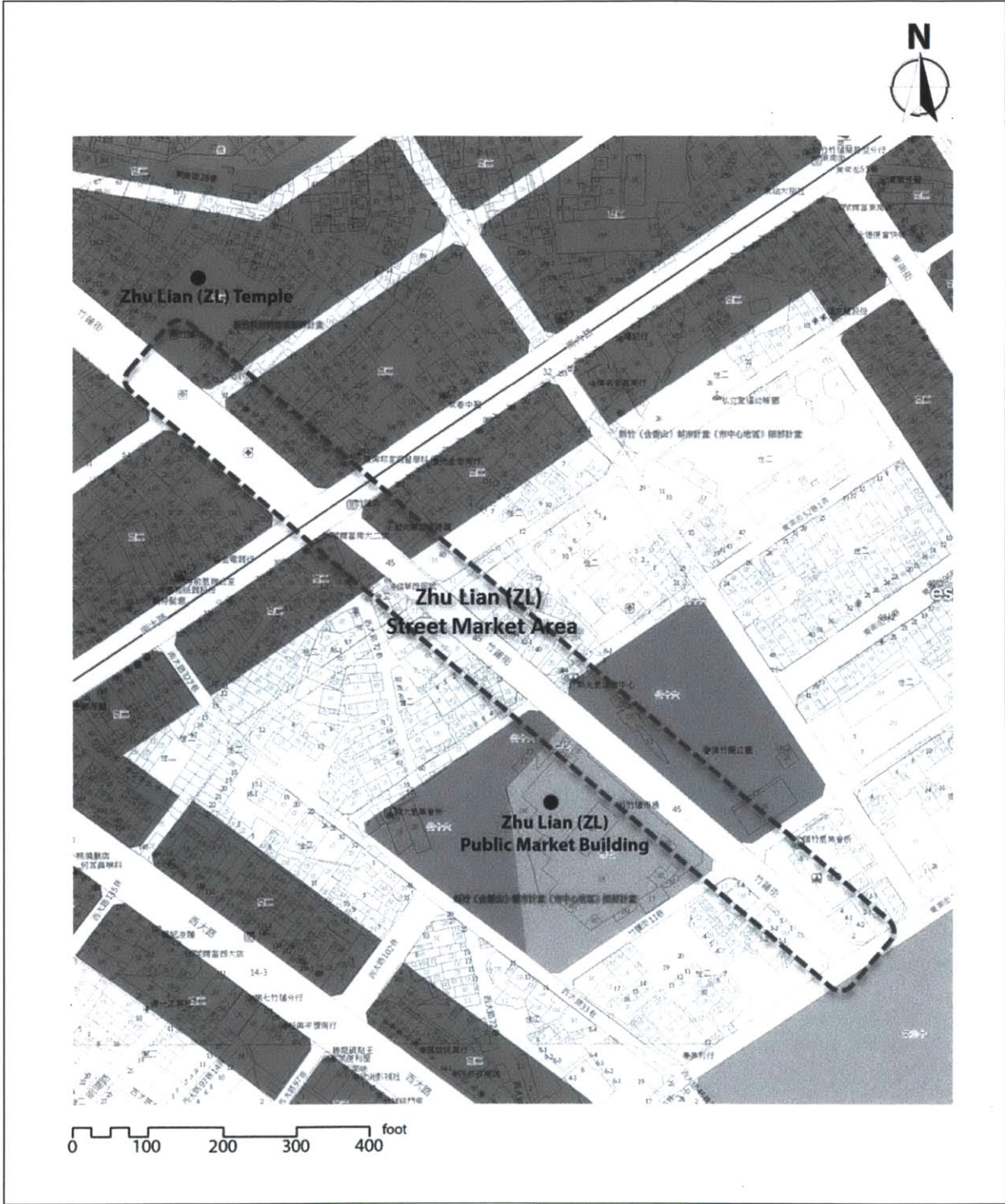
4.7 In-situ Relocation

As the well-known saying goes, "There are three things that matter in the real estate development process: location, location, location." A good or bad location can make or break the success of a commercial development project. One of the most important aspects that made the new indoor ZL public market successful was its location within the city.

At the beginning of the ZL public market's planning process, instead of uprooting the old open-air street market and transplanting it in another part of the city, the city government decided to build a new market building on a public space that was part of the original ZL street market.

Thanks to its close proximity to the old street market site, the new ZL market was able to retain the social, commercial and cultural networks of the old street market. As the literature review has shown, retaining the old street market's original customer base are key to ameliorating street vendors' anxiety of moving inside and the financial success of public market. "I knew someone who used a poster to show his customers the location of his booth in the new building, but I did not do that. I just used my finger, pointing to the new market building, and verbally invited my patrons to visit me there," said one of my interviewees.

Figure 4.2 In-Situ Relocation Map of the ZL Public Market



Source: the underlying based map was retrieved from <http://www.hccg.gov.tw/> on December 14, 2012.

Since the old street market vendors were valued for offering personal interaction and cordial receptions, most had accumulated regular customers and stable trading relationships. By locating the new market building on the site of the old street market, the city government helped sustain the new ZL public market not only by maintaining the support of a loyal customer base, which the old street market had developed for more than fifty years, but also by minimizing the impact on customers' shopping and travel patterns. Azhar Ghani (2011) pointed out that relocating street vendors into markets close to their original sites was an important factor contributing to the success of hawker centers in Singapore.

Had the new ZL public market been built in other parts of the city, fewer original street market customers might have been willing to change their travel habits to shop there; fewer street vendors might have been willing to spend another 3-5 years rebuilding their customer base and waiting for their businesses to become profitable. In fact, the only change street market customers had to make was to step inside (they did not even have to open a door). For vendors, the ZL public market never moved, it simply shifted into a different form and gained a roof. If vendors could offer the same (or even better) shopping experience for their old customers in the new ZL market, they stood a good chance of attracting and retaining additional customers, creating new relationships, and seeing their businesses grow and prosper.

4.8 Physical Design Matching Street Vending Economy & Scale

When the idea of building a new ZL public market was first initiated in 1987, the city government designed a three-story reinforced concrete building with 375 market booths. When the concession agreement was signed in 1997, HSVU leaders decided to use only the first and the second floor as a public market (which in total consisted of 250 market booths) and reserve the third floor as a vendors' warehouse. HSVU leaders understood that running a three-story ZL public market with

375 market booths would become too costly or unwieldy for the organization's resources and too risky for HSVU to bear.

“During that time, my colleagues thought that it would be really something if we were able to run a two-story public market successfully. Therefore, we focused on connecting the ground and second floor and no one talked about the third floor,” said one HSVU leader — the decision struck the right balance between what HSVU aspired to achieve and being pragmatic about what exactly could be done.

Both the city government and HSVU leaders understood that some parts of the original design were ill-considered and did not serve the purpose of public market very well. Therefore, in the concession contract, the city government permitted HSVU leaders to do any modification to the market building they deemed necessary to improve the market business. Because it was believed that since HSVU leaders had years of experiences in observing customer behaviors, they were more sensitive to the contextual issues of the design of the market, and could help ensure the market design met vendors' and the customers' needs. This end-user adaptability policy was later proven to be of paramount importance in securing the future success of ZL public market.

For example, one of the biggest challenges HSVU leaders faced was how to make customers reach the second floor effortlessly — surprisingly, the issue was not considered at all in the original market design. After visiting other successful modern shopping centers, HSVU leaders decided to install a new pair of inclined moving sidewalks at the main entrance of the market. These sidewalks turned out to be very beneficial to the market business. They moved large numbers of customers upstairs with almost no wait; they served as a visual invitation to the second floor; and they allowed customers to carry their shopping carts or baby strollers with them. As a female senior customer told me “I like this escalator very much. Its speed is

appropriate for me. I do not have to climb the stairs. I always carry my cart and come here every morning.”

In order to invite customers to linger longer in the new market, HSVU leaders installed a new central air conditioning system in the market building. As a market vendor said “supermarkets and shopping malls all have air conditioning systems to attract customers. The time has come. We must have one to compete with them.” An HSVU leader explained their rationale: “By investing in the central air condition system and other building facilities, we wanted to create a comfortable shopping experience that would attract and retain more customers to come. More customer flow in the market meant more business opportunities for us.”

Furthermore, since the original design also failed to consider how vendors would load and unload their trucks. HSVU leaders upgraded two outdated cargo elevators and built a new loading dock on the second floor. On top of that, HSVU leaders also made many seemingly cosmetic but important improvements. For example, they provided tables and chairs for the prepared-food vendors, which encouraged customers to have meals in the market; provided seats in public areas so people could easily rest and linger; set up garbage carts around the market so vendors could remove their own refuse at the end of each market day more easily; et cetera.

Figure 4.3 Inclined Moving Walk Way System of the ZL Public Market



Close Look



Look from Afar

By allowing HSVU leaders to identify their own problems and find workable solutions the city government helped ensure that the new ZL public market building met market vendors' needs and was successful. Moreover, since HSVU leaders bore the investment risk of putting all market vendors' money into the renovation of ZL public market, they had the fiduciary and moral responsibility to ensure that every penny is well invested. As one HSVU leader told me “The investment decisions were not easily made. It was a very slow process. Since it was everyone's pocket money, we had to first build consensus among our own members before making any final decision.” This helped create a process that involved the participation of all ZL market tenants.

4.9 Diverse Funding Sources

Once committed to moving into the new market, every tenant was required to pay \$ 60,000NTD (\$2000 USD) up front as the initial seed funding for HSVU. With these funds, HSVU was able to renovate the market building, hire market staff, and pay for other necessary expenses. Besides the monthly booth rental income from market tenants, HSVU had additional diverse income sources. HSVU charged the market tenants a transaction fee of around 3% of the real market price of the booth, whenever the booth was re-sold. Additionally, they optimized the underground parking garage as a source of revenue. HSVU used a progressive parking rate to encourage turnover and higher-priority uses during market hours, and rented overnight parking spaces on a monthly basis to area residents during off market hours. With these revenues, HSVU was able to recover parking facility costs and some additional funding for operation expenses.

The concession contract encouraged HSVU to create higher economic value of every square inch of the market's floor area. One strategy to maximize revenue was that HSVU set up several coin-operated children game machines in the public areas of the market. Additionally, since ZL public market was so successful after opening, HSVU received a waiting list of prospective subtenants

who wanted to join and sell in the market. Sensing another income-creating opportunity, HSVU divided some public areas of the ZL market building into a few temporary vending spots, and subleased them on daily basis to other subtenants. Since the demand of these temporary stalls was very strong, on average, a temporary-spot subtenant would pay four times more rent to HSVU than the first-move market vendors did to be able to vend in the ZL public market.

With sufficient funding on hand, HSVU can maintain the market to be a comfortable and enjoyable shopping environment at all times. Repairs and maintenance, such as a broken air conditioner, clogged building drains, peeling paint, or out of service restroom facilities could be attended to right away. This is preferable to the customers and also permits HSVU to attend to problems before they escalate.

4.10 Management Structure

HSVU leaders hired a full-time clerk, several guards and cleaners to cover the daily operations of the ZL public market. Both opinion leaders and anchor tenants acted as the main contact people for ZL public market, and were available whenever the market was open. They worked together with the HSVU board, overseeing the daily market operations, such as collecting market booth rentals and membership fees, enforcing market rules and regulations, and handling complaints and disputes.

Market tenants vending in the ZL public market were required to be members of HSVU and were given voting rights in electing their opinion leader and determining important policy issues to be raised at the board of directors meetings. On top of booth rental fees, tenants had to pay an additional \$1200 NTD (\$ 40 USD) annual membership fee to HSVU.

Since HSVU leaders were all street or market vendors themselves, they understood market vendors' specific needs. Therefore, market vendors were more likely to support their leaders' decisions, which in turn made it easier for HSVU leaders to implement new ideas and address new challenges. The management structure also allowed for quicker and easier input. This helped build market vendors' trust of their opinion leaders, instill a sense of ownership in the market, increase communication and create openness to the market's governance structure.

As HSVU leaders received the positive feedback from market vendors with regard to their decision-making and service delivery, they gained new perspectives that tested their assumptions and served as a reality check. They then benefited from learning how to improve the quality of market policies and services, and became more willing to innovate and try new ideas to make ZL public market better. A circle of positive reinforcement was therefore formed. The more innovation and improvement the HSVU leaders tried to bring to the market, the better the market's business might become. The better the market business became, the more likely the market vendors would be willing to give the HSVU leaders feedback and support their new policy.

Chapter Five: The Relocation Process of the Guan Dong (GD) Open-Air Market

5.1 Background

The Guan Dong (GD) open-air market first appeared in the late 1940s, coinciding with the end of the Chinese Civil War, when more than two million nationalist soldiers and refugees hastily fled from mainland China to Taiwan. During that time, several refugee settlements were set up by the government in the eastern part of Hsinchu City to accommodate some of these wartime refugees. To meet the basic needs of these new immigrants, an open-air public market, which traded meat, vegetables, cheap household items, locally produced goods and basic food staples, was naturally formed. When the market was first formed, it consisted of only a handful of vendors. As their vending business proved to be successful, however, more vendors were attracted to come and stay. By the late 1990s, the GD public market had become one of the biggest open-air markets in the city, with several freestanding sheds and around one hundred market vendors.

Unlike the ZL street market vendors who were managed by a vendor organization (i.e., HSVU), the GD public market vendors were managed by the city government from a very early date. Roughly speaking, there were two types of vendors in the GD public market. One type was the government-registered vendor, and the other was the undocumented vendor. The major difference between these two types of vendors was that the former was protected from police harassment — every government-registered vendor had to pay monthly rent to the city government, and was allocated to a regular stall in the market. On the other hand, undocumented vendors paid no rent

and had no formal space to conduct business in the market. The city government assigned a civil servant to oversee the day-to-day business of the market, such as resolving disputes and collecting stall rents.

By the 1990s, as the population of Hsinchu city grew larger, the GD open-air public market — once located at the fringe of the city — was enveloped by the downtown area. The crowded and unhygienic conditions of the market generated concerns that it might be detrimental to the city's image. Customers and vendors spilled over onto the roads, making it difficult for motorized vehicles to pass through. The shoddy market booths and the smell and unsightliness of open-air garbage piles caused unpleasant experiences. And, more and more undocumented vendors gathered around the streets beyond the boundaries of the GD open-air market.

In 2000, after successfully moving the ZL street market vendors indoors, the city government conceived the idea of building another new enclosed market building to accommodate the original GD open-air public market vendors. In 2003, with the favorable precedent of the ZL public market, the city government was able to assure the GD market vendors that a new enclosed market building would improve their working condition, and that they would actually benefit from this relocation.

Then, the city government temporarily relocated the registered market vendors to a privately owned vacant lot nearby, where the GD market kept operating until the construction of the new market building in its original location had been completed. Armed with the knowledge and experiences from relocating the ZL street market vendors, the city government felt confident it could recreate “another successful ZL public market relocation experiences”.

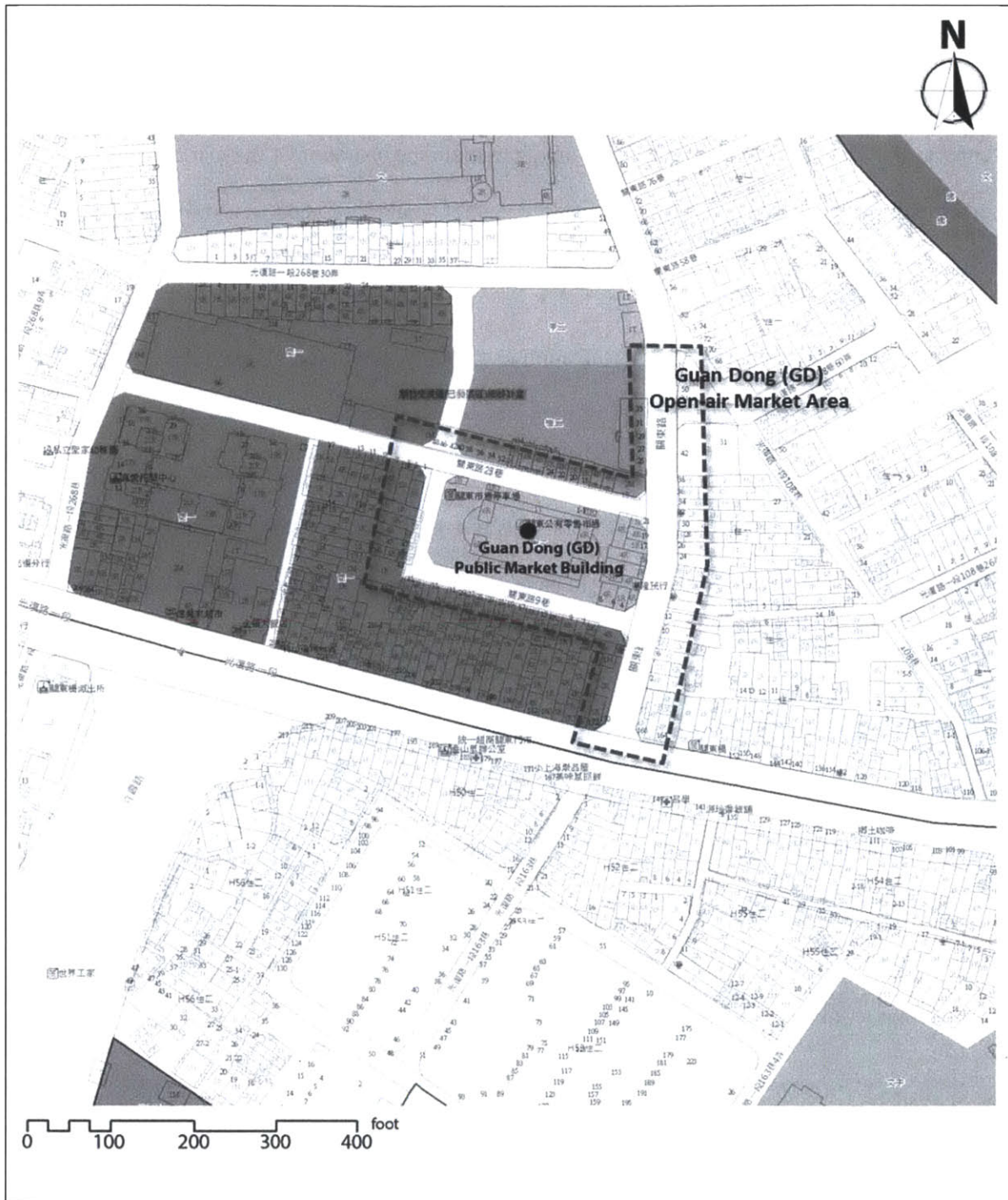
5.2 Lessons learned from the ZL Public Market

“The attempt to simply mimic success elsewhere is not only pragmatically naïve but also methodologically problematic, for it maintains the Universalist’s logic of development.” Roy Ananya (2004, p.294)

5.2.1 Location

Learning lessons from the ZL public market, the city government felt that the original site of the GD open-air market served as an ideal candidate for the new enclosed GD market building. Given that the land was already owned by the municipality, it could be utilized at no cost. Besides, the surrounding residents had already built emotional bonds with the old open-air market for more than forty years, which would help minimize opposition to the new market building. Additionally, since the original site was large enough to accommodate almost every vendor with a horizontal layout, introducing a second floor in the new market building would provide more than enough space for every market vendor, in addition to space for customer circulation and parking. Finally, since the GD open air market had accumulated its customer base for more than forty years, by setting up the new public market at the original site, the new market building could inherit an established customer base. The GD market vendors could avoid the unprofitable lag time of rebuilding their customer base all over again. So, according to the literature, one of the largest reasons for failure had been avoided: vendors were not relocated to alien locations but kept *in situ*.

Figure 5.1 In-Situ Relocation Map of the GD Public Market



Source: the underlying based map was retrieved from <http://www.hccg.gov.tw/> on December 14, 2012.

5.2.2 Foster a Vendor Organization

Having had the positive experience of working with the HSVU in the ZL public market relocation process, the Hsinchu city government decided to hand off more responsibilities to the GD market vendors, allowing them to maximize their own input into the operation of the market. The city government believed that a self-managed public market would give vendors a stronger sense of ownership. This would lead to a greater commitment to the market's success.

In order to introduce the idea of an organization to market vendors, the city government initiated a draft of the GD public market bylaws when it started recruiting street vendors. The city government educated prospective vendors about the role of a vendor organization, along with the potential benefits and costs of operating with such an organization. The city government also made it clear that all market vendors would have to play by their self-selected rules once they moved into the GD market.

This initiation process gave the city government the opportunity to explain the importance of participating in a self-regulated vendor organization. It also gave the city government an opportunity to answer questions the incoming market vendors had about the management and governance structure of the GD public market. After prospective vendors had been recruited, several pre-meetings were held in anticipation of a general meeting, where the vendor organization would vote to ratify the GD market by-laws.

From a legal perspective, the establishment of the GD market bylaws was critical to the market's operation because the bylaws were the official covenant between market vendors and the market itself. As opposed to the market stall lease agreement, which solely focused on the property right issues between landlord (the city government) and tenants (market vendors), the GD bylaws

clearly connected each vendor's rights and obligations to the market, and gave the market vendors a formal operating process.

The Guan Dong Public Market Vendor Association (GDVA) was established as a for-profit legal entity at the general meeting, where vendors also ratified the GD market by-laws. The first GDVA board of directors was elected in 2003. It was assumed that the GDVA would strive to further the common interests of its members, such as maintaining a clean shopping environment, attracting more customers and increasing foot traffic. It was also assumed that these actions would create a prosperous GD public market. Unfortunately, these assumptions later turned out to have little if any merit.

5.2.3 User Participatory Design

In the past, market buildings were designed entirely by the Hsinchu city government. The municipality would evaluate the spatial needs of a new market building, hire an architect to draw up a professional design, find a contractor to build the market, and then assign the market booths to street vendors — this is how the ZL public market building was originally designed and built. However, the policy of empowering the HSVU to make modifications to the design of the ZL market building enhanced the business of the market. The city government felt that a public market planned and designed with greater involvement of its vendors would be more responsive and appropriate to vendors' practical needs, thereby leading to higher customer satisfaction.

The GDVA was, therefore, fully consulted during the entire design and development process. The city government conferred with the GDVA about market program information, including facility and space requirements. The GDVA was also asked about what the size and character of the market should be; it was consulted on such matters as customer circulation and market booth

materials, along with major design decisions. In short, the city government not only built a new market building for the GD open-air market vendors, but built it with them as well.

5.2.4 Escalators, Central Air Conditioning System and Other Building Elements

After the HSVU's experiment of introducing the inclined moving walkway system in the ZL public market successfully moved customers smoothly to the second floor, thereby increasing the market value of the second floor. The moving walkway system was considered by the city government as a silver bullet to eliminating the hassle of climbing stairs for the customers in the new GD market building. A pair of inclined moving walkways was, therefore, to be installed in the middle of the building.

Similarly, the central air conditioning system in the ZL public market informed the city government's decision to set up a similar air conditioning system in the GD public market to provide its customers with comfortable and enjoyable shopping experiences throughout the seasons. It was expected that customers would want to linger longer in the market, and thereby shop more. On top of that, the city government copied additional building elements from the ZL public market, such as, its loading dock, modern cargo elevator, and sewer system, et cetera., in the hope that it would make the GD public market just as successful.

5.2.5 The Market Building

The new market building was completed in 2006. The mixed-use five story building, which included two levels of underground parking, was built at the cost of \$165 million NTD (\$3.5 million USD). The ground and second floors were designated as the new market with 112 market booths while the remaining floors were designated as a community activity center. The new

market had a modern cargo elevator, two passenger elevators, an inclined moving walkway system, a central air conditioning system, and a loading dock. Each floor featured an open layout, with 63 market booths on the ground floor and 49 market booths on the second floor. The ground floor had doors on all four sides. Every market booth had its own sewer, water, and electrical power connections. In short, the new GD market building was a scaled-down version of the ZL public market.

5.3 Outcomes

In fall 2006, the new GD public market was open. The tidily arranged market booths and the elegantly paved floor tiles, together with the ivory white walls and ceilings, created a neat and orderly atmosphere in the new market. Ironically, this neatness seemed way too much than it needed. The hustling and bustling scene of the original open-air market, alive with bargaining and trading hubbub between the customers and the vendors, was missing.

The new GD public market did not generate the same amount of foot traffic as the original open-air market did; instead, it was a rather quiet place. In fact, the city government and the GDVA failed to recruit enough market tenants to fill up the empty public market in the beginning — the total market booths were only sixty percent full. Particularly, on the second floor, only eight market vendors had moved in and the rest of the market booths (forty-one) were standing unoccupied. Unsurprisingly, the cash flow from the market booths rental did not match the investment scale of the market building, either.

However, once walking outside the enclosed the GD market, right across the street, one would find a very different world. Lot of street vendors still crowded along the sidewalk, selling from temporary stalls, pushcarts, or mini trucks. Everywhere, there was energy and excitement, full of

sensory stimulating experiences. Butchers, noodle sellers, bakers, fish mongers, and greengrocers plied their trades. Spare ribs were chopped, dumplings wrapped, onion peeled, dough kneaded, fruit arranged, and fish gutted. Vendors and customers were rubbing elbows, busily chatting, bargaining, and trading goods in the open air.

These street vendors' choices of conducting their business outside (and facing sometimes harsh and unfriendly weather conditions), rather than moving in the air-conditioned GD market building, explicitly showed that the city government's relocation policy did not work. Even though significant efforts had been made by the city government to encourage street vendors to move into the new market, their desire to stay outside did not meet with the city government's ultimate intention.

5.4 Major Findings about the GD Public Market Relocation Process

Even though the lessons of relocating the ZL street market vendors had been applied and tremendous efforts had been made by the city government, the result of the GD public market relocation process had been mediocre. Uncovering the latest reasons why the GD market was not successful despite mimicking the "best practice" ZL case is an important step in improving the viability of street vendor relocation processes in the future. Difficult aspects, failings, and miscalculations of developing a successful GD market were discussed as follows.

5.4.1 Management Structure

Regrettably, even though a grassroots vendor organization, GDVA, was intentionally fostered by the city government to take on more management responsibility for the new market, its board of directors and its members were not ready for the tasks at hand. They were all independent street

vendors who had never conducted their business under the same roof as an organization before. None of them had any hands-on experiences of managing public markets or working as a large organization. Worse, some of them could be self-interested or simply cantankerous. Unlike the HSVU leaders, very few GDVA leaders had the appropriate knowledge and skills to manage a market; or given their own vending businesses, very few GDVA leaders had enough time to devote to the market at large. Most of them faced a steep learning curve and had to learn their new skills on the job.

Given that the original GD market had been managed by the city government and that the GDVA leaders still needed more on-the-job training, the city government designated one civil servant as the interim-administrator of the new market. The civil servant was in charge of recruiting prospective market tenants and running the market during the beginning years. It was hoped that once the new GD market had accumulated some history, the GDVA leaders could eventually take the lead role in the day-to-day management responsibilities and be capable of dealing with problems and resolving disputes as they arose.

Under this model, the management of the markets was therefore implicitly divided into two parts: the task of long-term strategic business development was supposed to be carried out by GDVA; and the task of immediate daily management chores was assumed by the civil servants in the city hall. It was hoped that once the function of the GDVA became more stable, its leaders would be in a better position to manage their own vending business and set up strategic plans for enhancing the market profit margins. At that moment, the city government would just let it stand on its own.

Unfortunately, the assumption that the GDVA would become stronger and have no trouble in asking its members to voluntarily make all the necessary contributions or sacrifices, later turned out to be too naive. Even though the GDVA had its own bylaws, disobedience to the chain of

command among the GDVA members caused part of the management problem. In fact, it later turned out that the GDVA leaders were not able to take a cohesive role in overseeing the overall operation and the strategic development of the GD market.

On the other hand, since the interim-administrator was assigned only to collect the rent, maintain the public safety and the hygiene of the market and was not responsible for promoting the market business, he/she was acting more like a market booth lease enforcer, and less like a market general manager. Eventually, the civil servant was only nominally overseeing the overall business of the GD market, but, in reality, no one was actually deciding what the future of the market businesses would be.

The confusion over managerial responsibility was to be blamed for the failure of the GD market. For the most part, the result of this unsynchronized management approach was that neither the city government nor the GDVA leaders were providing the overall direction and policy during the GD market planning and developing process. This boded ill for the strength and sustainability of the market in the future.

In contrast, even though the purpose of establishing the GDVA was to help create a successful GD public market, the GDVA failed to promote all vendors' common interest. Instead it only acted in some particular vendors' interest and restricted the development of the GD market in the future.

The main reason the GDVA had failed to function properly was the problematic way it was constituted. Since the GDVA was artificially fostered by the city government, the way the city government fostered it had a direct impact on how it would evolve in the future. Here, the city

government adopted a two-phased GDVA member recruitment strategy — this policy later turned out to be very detrimental to the market’s development.

In the initial development process of the GDVA, the city government first invited the government-registered (GR) vendors to join the GDVA and recruited the other undocumented (UN) vendors to join the GDVA later. The reason the city government had done so was that it had already known who those GR vendors were, where to find them and how to contact them. The city government had kept an official recorder of these GR vendors for a long time — i.e., their names, contact information, booth size, locations, and merchandise types. Therefore, these GR vendors served as ideal candidates for the founding fathers of the GDVA.

Since the city government had not kept any official recorder of those undocumented street vendors (UN vendors), the city government did not even know their names, their merchandise types or whether they would come to sell in the market again. These UN vendors’ background information had to be totally built from the ground up; therefore, for the time being, they were not invited to join the GDVA. It was planned that after the city government had finished the field survey and established the database of these UN vendors, they would be invited to join the GDVA.

Unfortunately, the problem with this convenient recruiting was that the UN vendors were less likely, if not unlikely, to be consulted in the GDVA’s initiation development process. In fact, it later turned out that all of the GDVA founding fathers were GR vendors. Unsurprisingly, the result of this recruiting bias was that the UN vendors were shorn of the power to represent themselves when the GDVA fathers were holding general meetings to proceed with the vendor association and ratify the GD market by-laws, which were literally the constitution of the GD public market, and were crucial in forging the market’s spatial and economic structure. Somehow,

this storyline of the GDVA founding fathers vis-à-vis the UN vendors bore some similarities to the history and development of the American West and Native Americans. Many of the GDVA fathers' decisions conveniently forgot to take the UN vendors' need or interest into consideration.

(1) Membership and Market Zoning Code

For instance, to encourage the GDVA members to promote the success of the new GD market, the GD market bylaws required that the GDVA membership status could only be granted to the people who had fully committed to moving into the market. Since the city government used a two-phased tenant recruitment process, predictably the first-recruited market tenants (i.e., the GR vendors) would obtain the GDVA membership status earlier before the second-recruited market tenants (i.e., the UN vendors) did. On the other hand, while approving the GD market bylaws, the GDVA founding fathers also decided to abolish the GD market zoning code, so the GDVA members could freely choose the floor where they wanted to conduct their businesses.

Sadly, these two seemingly irrelevant decisions, acting together, conveniently gave the early bird GDVA members (i.e., the GR vendors) the green light to grab all the market booths on the first floor, and then, left all the empty market booths on the second floor to the GDVA members who might (not) move into the market later.

To make matters worse, as it turned out, under this system, the GDVA bylaws could be changed only by the GDVA members. Therefore, the UN vendors could not change the system unless they had joined the GDVA first. However, since all the market booths on the first floor had already been grabbed up by the GR vendors, if the UN vendors really wanted to change the way market booths were assigned, the only way they could achieve this aim would have been to first rent the market booths on the second floor of the market. Not surprisingly, it turned out that none of the

UN vendors decided to join the GDVA, and most of the UN vendors remained on the sidewalk where foot traffic was supposed to be higher than it was on the second floor of the GD market.

The resulting feeling of cynicism had completely undermined any faith the UN vendors might have had in the city governments and any inclination to participate in the GDVA. All market booths on the first floor were inaccessible to the UN vendors, and the GDVA membership recruitment had therefore virtually stopped.

It would be irrational for the UN vendors to sacrifice their time and money to support the GDVA or the GD market, where they could only move to the booths on the second floor. The city government had lost its credibility because it obviously was not able to ask the wet-goods GR vendors to go back to the second floor and preserve the market booths on the first floor for the UN vendors.

(2) Floor Plan Layout

On the other hand, right after the GDVA had abolished the market zoning code, the GDVA leaders asked the city government to change the market floor plan layout because all of the GR vendors wanted to stay on the first floor and refused to go to the second floor. At the beginning of the the market design process, the numbers of market booths on the first floor and the second floor were roughly equal. However, since the number of the GR vendors who wanted to stay on the first floor far outnumbered the available market booths there, the GDVA leaders asked the city government to add as many market booths to the first floor as was physically possible.

In particular, the GDVA Chairman himself was a butcher and a wet-goods vendor, who was originally supposed to go to the second floor of the market. However, instead of following the

market zoning code, the GDVA chairman led all wet-goods GR vendors to abolish the code and sought help from the city council members to ask the city government to change the original design of the market. The result was that, when the market was open, there were 63 market booths on the first floor and 41 market booths on the second floor even though the gross floor areas of both floors were roughly the same.

The problem of trying to squeeze more market booths on the first floor was that each market tenant's vending area became smaller and more crowded and even the market aisles became narrower as well. Every vendor had less spaces to exhibit his/her goods to customers, and thereby hurt the diversity of merchandise mixes one could offered. Worse, being squeezed together with the wet-goods vendors, the dry-goods vendors could not enjoy the positive customer spillover effect from each other. In fact, GD market vendors' business might be disturbing each other. During my summer field survey, I found that only the wet-goods vendors were still conducting their business on the first floor. All dry goods market vendors had left the market.

Ostrom (1990, p.5) pointed out, "individually rational strategies might lead to collectively irrational outcomes"; this was exactly what happened in the GD market. From the wet-goods GR vendors' individual perspectives, staying on the first floor might be the benefit maximizing decision for them, but it might be bad for the overall market. After all, an overcrowded market environment might be detrimental to the customers' shopping experiences and thereby reduced the customer drawing power of the market.

5.4.2 Lack of Market Goals and Priority Setting

Since the GD public market was run by the city government and funded solely by taxpayers' money in the first place, the goals and priority setting of the GD market were, therefore, very

different from that of the ZL public market (which was operated under concession by the HSVU leaders who had strong anticipation that their businesses would be profitable).

From the civil servants' point of view, the GD market relocation process was a means to address the urban problems (i.e., traffic congestion, unsightly vista, unhygienic condition, and et cetera) and less of a business venture. In other words, running the GD market as a business did not suggest that the city government would transform itself into a for-profit company and fixate on the market's bottom line. Instead, most of the city government's tenant recruitment strategies showed no strong expectation or ambition that a financial gain must result.

For instance, to incentivize the street vendors to move and feel secure about their lives after relocating into the GD market, the city governments rent booths to the street vendors at a subsidized price. A GD market tenant received rental subsidies from the city government every month, and was granted the right to renew the 4-year-lease under the same terms for an indefinite period of time. The market tenants could surrender their lease at any time as they liked without first obtaining the permission of the city government, and by convention, they would not be held responsible for any financial penalty because of the early lease termination.

Even in the rare situation when a market tenant fell behind on his/her rent payment, the city government would give the tenant at least three months to correct the problem before commencing any eviction proceedings on the basis of the nonpayment. Furthermore, when the tenant was deceased, his/her family members had the legal right to inherit the right to sell in the market and the market booth from generation to generation. It was expected that, with strong security of tenure, market vendors would steadily accumulate a solid customer base to expand, flourish, and most important, be willing to stay indoors. Unfortunately, even though these

intentions were all good, running a public market that chronically relied on taxpayer subsidy would never achieve stability.

5.4.3 Tenant Recruitment

(1) A Two Phased Recruiting Strategy Went Astray

One crucial factor that might have led to the failure of the GD market was its two-phased recruiting strategy. As already mentioned above, at the beginning of the market tenant recruitment process, the city government first focused on recruiting the government-registered street vendors (GR vendors). After that, the city government then started recruiting the other undocumented street vendors (UN vendors). The major reasons why the city government gave the first priority to recruit the GR vendors were that they had been paying monthly rent to the city government; they had been assigned regular stalls in the open-air market; and they had established a loyal customer base. It was hoped that once securing the GR vendors' intentions to move into the market, their seniority and name recognition would help generate the drawing power to their customers as well as the other UN vendors to follow them into the market.

Unfortunately, when the city government started first assigning market booths to the GR vendors, things started to go wrong. According to the original market's original zoning plan, the wet goods vendors should conduct their businesses on the second floor, and only dry goods vendors should stay on the first floor. It was hoped that by assigning GR vendors to two different floors, they could exert their own drawing powers to the UN vendors on the first and the second floor respectively, and thereby, decrease the overall vacancy rate of the public market. Unfortunately, this scenario did not follow the path as the city government had planned.

Unfortunately, when the city government finished assigning the market booths to the GR vendors, the market's zoning code was abolished by the GR vendors. The booths on the first floor were all grabbed by the GR vendors, and only 5 GR vendors moved to the second floor. All of the unoccupied booths were on the second floor. Unsurprisingly, this result gravely diminished the UN vendors' incentive of moving into the market later.

Given that moving to the second floor of the market, the UN vendors could not share the customer spillover effect generated by the GR vendors on the first floor, their survivability in the GD market would become very uncertain. Even though the city government had installed inclined moving walkway systems to move customers to the second floor, the mental barrier that there would be no foot traffic on the second floor was insurmountable. Since then, the city government had had great difficulty in recruiting the UN vendors to the second floor and the vacancy rate of the GD market has remained high. During my 2012 summer field survey, all of the market booths on the second floor were empty.

(2) A Game Theory

Why this regrettable situation had happened was because in the first tenant recruiting process, the wet goods GR vendors, strongly resisted to go to the second floor when they knew there were still empty market booths on the first floor — those which were purposefully reserved for the UN vendors by the city government. The wet-goods GR vendors required the city government to abolish the market's zoning code. They sought political help from the city council members, and threatened that they would not move into the market unless they could move to the first floor.

From a game theory point of view, wet goods GR vendors shared a common interest in decreasing the overall vacancy rate of The GD public market, because the lower the vacancy rate

was, the more diverse merchandise mix the market could offer, and thereby, the higher customer drawing power the market would possess. Since all market booths must be rented out to decrease the vacancy rate, wet goods GR vendors could not expect low vacancy rate in the market unless all other empty market booths, especially those on the second floor, had all been rent out to UN vendors — this was a big risk and uncertainty for them.

But wet goods GR vendors also had individual interests in staying on the first floor, where the customer foot traffic was supposed to be higher than that of the second floor. In this regard there was no common interest for them; wet goods GR vendor's interest was directly against other vendors' interests. In short, even though all public market tenants had a common interest in decreasing the vacancy rate of the market, they also had opposing interests wherever the location of their market booths was concerned.

Since, in the first relocation process, the number of market booths on the first floor exceeded the number of dry goods GR vendors who were first assigned there, it was normal for some wet goods GR vendors requiring migrating to those empty spots. But as more wet goods GR vendors moved to the first floor, the drawing power of the second floor grew weaker. On the other hand, if a wet goods GR vendor, foreknowing a high vacancy rate on the second floor resulting from other wet goods GR vendors' migration to the first floor, still chose to stay on the second floor, he/she would lose his/her business because the customer drawing power of the second floor would drop and he/she could not enjoy the customer spillover effects from other market vendors. In other words, he/she was forced to move to the first floor as well. Then, each wet goods OR vender would find that as long as there was still empty spot on the first floor, to maximize personal interest, he/she should move there to the point until there was no empty spot available, and to ignore the effects of his/her personal movement on the market.

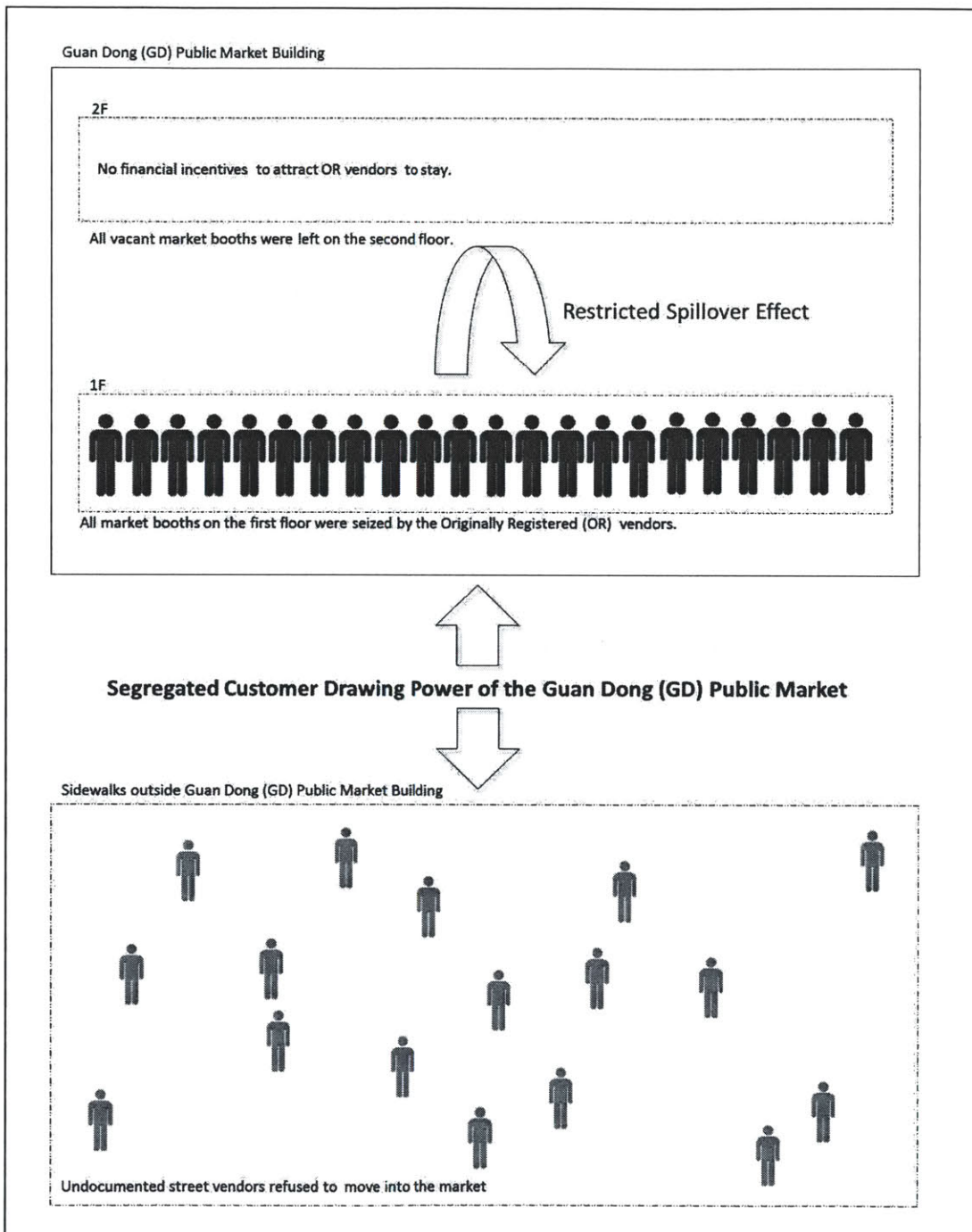
The net result of this game was that the customer drawing power of the second floor became almost zero (i.e., almost every wet goods GR vendor had migrated to the first floor); very few UN vendors wanted to move in; and the vacancy rate of the public market remained high. Though all of the market tenants had a common interest in decreasing the vacancy rate of the market, it was in the best interest of wet goods GR vendors that UN vendors go to the second floor and bear the higher risk.

Had wet goods GR vendors not been maximizing their personal interest, the total vacancy rate of the market might have been lower than it might otherwise be. The only thing that would have kept this from happening was an outside intervention (such as, the market zoning code, the government price support, the supervision of a vendor association, and et cetera., that might have kept wet goods GR vendors from acting contrary to the common interests of all other prospective market tenants.) Olso (1990, p.2) pointed out that “Unless there is coercion or some other special device to make individuals act in their common interest, rational, self-interested individuals will not act to achieve their common or group interests.” Unfortunately, even though such intervention mechanism did exist in the GD market, it did not work properly.

5.4.4. Problems of a Government-Managed Public market

Another reason the GD market failed to operate successfully was that it was managed by the city government. Since the civil servants had to obey the system of rules and follow a procedural routine to carry out their duties, the management of the market could sometimes become very inflexible. From time to time, the rigid bureaucratic process made the civil servants unable to respond to the sudden shifts in the environment; and worse, it even restricted the civil servants from solving the problem efficiently and effectively when facing the complex and changeable situations in real life.

Figure 5.2 the Customer Drawing Power of the GD Public Market



(1) Public Market Management Law (PMML)

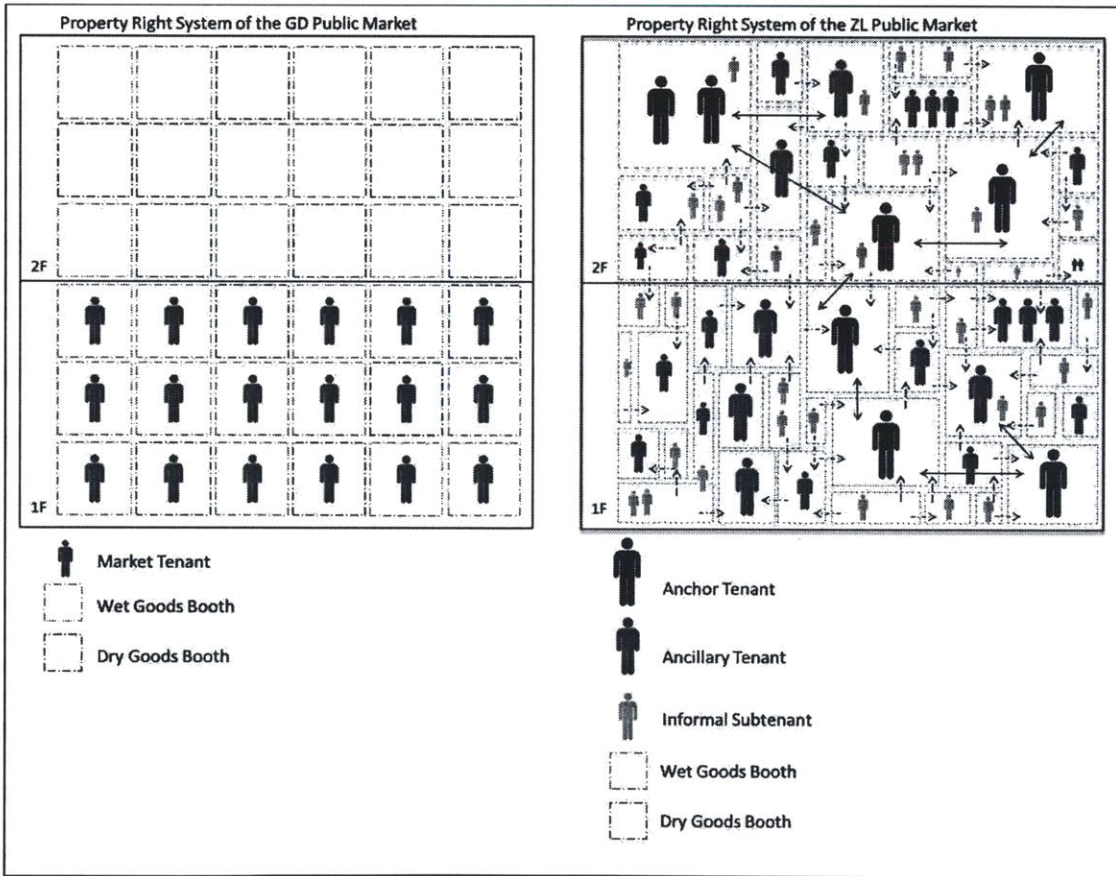
For instance, the major reason the city government could not provide the wet-goods GR vendors strong incentives to stay on the second floor was that the law did not allow the city government to do so. The law required the city government to treat every market tenant equally — i.e., to treat all market tenants literally in the same way. The Public Market Management Law (PMML) required that all market booths “managed by the city government” should be rent-controlled; a lottery should be used to ensure all market booth locations were equitably assigned (which, unfortunately, also lead to some circumstances where two vendors selling the same things ended up side by side); every household should acquire no more than one market booth; the tenant should own and operate the booth themselves; and the tenant should not transfer (or sublease) the booth to another person, except for his/her family members. Since the ZL market was managed by a street vendor organization not by the city government, the PMML did not apply in the ZL public market.

In other words, the purpose of the PMML was to ensure that affordable market booths would be fairly distributed among street vendors, who would maintain the market booths as their primary business venue and actually be in physical occupancy of them. Unfortunately, applying PMML might make sense when lots of low-income street vendors had difficulty finding affordable market booths. In the case of the GD market, the supply of market booths on the second floor was larger than the amount demanded by the wet-goods GR vendors, the application of the PMML seemed redundant and totally out of place.

Sadly, even though the city government knew that enticing the wet-goods GR vendors to stay on the second floor was necessary for the financial stability of the GD market, handicapped by the PMML, the city government was not able to offer any benefits to compensate the risks and

uncertainty the wet-goods GR vendors might face. In other words, because of the PMML, the wet-goods GR vendors were not able to capitalize on their first-mover advantage. They could not select prime locations for themselves; their rent per square foot were not discounted compared to the late-movers' rent; they received no cash inducement from the city government; and they could not invest in spare market booth to anticipate the possibility of a future sublease income stream. Unsurprisingly, lacking of strong incentives from the city government, most of the wet-goods GR vendors would refuse to move to the second floor of the market at the first place.

Figure 5.3 Comparison of the Property Right System in the ZL and GD Public Market



(2) Civil Service Code of Standards and Behavior (CSCSB)

On the other hand, even after the GR vendors had moved into the GD market, the civil servants still were not able to manage them properly. For example, theoretically, the market vendors who violated the market regulations or the lease agreement, depending on the gravity of their misdemeanors, should be fined, have selling privilege conditioned or be removed from the market, so market vendors could have dependable expectations about the operation of the market. Unfortunately, this was not the case in reality.

According to the Civil Service Code of Standards and Behavior (CSCSB) in Taiwan, the GD market administrator did not have final authority in taking any disciplinary action in the market. They must first get written permission from their supervisors before they could mete out any punishment to GD market vendors. Especially, in situations when the rules did not provide a clear answer, they must wait for order of action. Unlike police officers, who had greater discretion and power to hand out tickets or take needed action for an immediate correctable violation in a timely manner, the market administrator could not administer penalties right away as the market operated.

This code handicapped the civil servant from promptly responding to customer complaints or market vendors' misdeeds, such as, violation of maximum stall width, piling up private goods on public areas, failing to clean their waste after the market ended, et cetera. Not surprisingly, without the deterrence of immediate punishment for violating market regulations and facing no threat of any legal repercussions, the GD market vendors generally felt it was safe to behave the way they behooove.

For example, it was not uncommon to find meat, seafood or vegetable vendors habitually throw out their byproducts, such as raw lard, fish scales, or rotten greens directly on to the market floor — just like what they used to do on the street before. In some cases, poultry vendors even gutted chickens right at their booths, generating vast amounts of waste and pollutants in the market. Unfortunately, when this happened, except giving oral warnings, there was just no other expeditious method that the civil servant could do to change these market vendors' old bad habits.

To make matters worse, sometimes even after a punishment decision had been reported by the civil servant, the affected market vendors could always manage to get off scot-free through “telephone appeal” — the practice of asking city council members or some influential figures to make a phone call and request for a review of the punishment decision. When this happened, the GD market administrator would always come under heavy pressure from their supervisors, who usually would like to show their respect to the city council members, especially as they were involved in reviewing and approving the city government's budget requests each year.

Given the difficulty of enforcing market regulations, the civil servants eventually chose the safe response of silence, adopting the strategy of managing by fulfilling their minimum legal obligation. They might symbolically give market vendors oral warning, indicating their "petty" offense and requesting compliance with the market regulation once in a while. However, most of the time they would turn a blind eye to, and hold a laissez faire attitude towards what was really going on in the GD market.

Regrettably, the failure to enforce market regulations made it easier for the GD market vendors to think they could choose to ignore certain rules. Once this norm was established, it would become extremely difficult to change course and begin to enforce laws in the future. The GD market

vendors would expect that the conduct taken in the past, i.e., not strictly enforcing the market regulations, to continue forever.

The result was that, when visiting government-run The GD public markets, one would not be surprised to see some market vendors using stands that exceeded the width of their spaces, conducting their businesses outside the designated area, leaving product debris on the market floor, draining animal body fluid onto the market premises, opening and closing their businesses at different times of the day, et cetera. Even though after they had moved into the enclosed market buildings, not aware of market rules, the GD market vendors still behaved as if there were still on the street. Therefore, one would not be surprised to learn that the GD market's vacancy rate was always hovering around forty percent, and it was having a difficult time of maintaining its customer base while facing competitions from other big boxes, supermarkets and the other street vendors right outside the market.

Chapter Six: Discussion and Conclusion

Both the ZL and the GD public markets are located in the same administrative district in Hsinchu city. Besides, both markets are rather close to each other — the Euclidean distance between these two markets is less than 4.4 miles. The ZL market was open in 1999, and the GD market was open in 2006. Both markets sell basic staples such as perishables, meat, and daily groceries. Yet, thanks to its larger scale, the ZL market also sells hardware, clothing, and electrical appliances. Both markets are located in the middle to upper middle class neighborhood, and most market vendors in both markets have secondary education.

The city government utilized the same relocation strategies in both markets: (1) in-situ relocation, both new market buildings were constructed near their original sites; (2) user participatory design, in both cases, street vendors were fully consulted during the design and development process; (3) a two story market, both markets use the first and the second floor to accommodate street vendors; and (4) modern building facilities, both markets have escalators, central air conditions, electricity, running water, sewerage system and the like.

The two major differences between these two markets are: (1) the scale, the ZL market has 250 booths, whereas the GD market only has 112 booths; and (2) the institutional capacity, the ZL market was managed by a self-organized and self-governed street vendor organization, whereas the GD market was managed by the municipality.

This chapter discusses why even though the ZL market experiences had been applied, the success of the GD market remained elusive; and what can be learned from these two cases that will

contribute to a better understand of the crucial role street vendor organizations play in the whole street vendor resettlement process. In the end, this chapter also discusses the implication of having strong street vendor organizations in managing street vendors in the city.

6.1 The Puzzles in the Street Vendors Relocation Process

Relocating street vendors into an enclosed public market is similar to solving a communal property resource problem (Ostrom 1990) — how a group of street vendors in an interrelated situation can organize and govern themselves to move into a new enclosed public market, avoid the unfavorable outcomes of uncoordinated actions (e.g., high desertion rates) and create joint benefits for everyone (e.g., attract the maximize number of customers).

A public market can be thought of as a collectively-owned resource system, and the market booth is thought of as the unit that each market vendor appropriates from the system. Since the market is jointly provided, maintained, and used by the market vendors, externalities can be realized through cooperation, such as higher customer foot traffic, more comfortable and cleaner shopping environment, et cetera. Enjoying the higher individual net benefits from joint cooperation requires an institution that can effectively regulate the costs and benefits of each of the members.

On the other hand, if the institution either does not adequately disperse the benefit/cost ratios or tolerates free-riders, the common goods will devolve into a sub-optimal and dysfunctional arrangement and eventually collapses. Accordingly, the common goods of public markets require sufficient scale and distribution of risks. Low move-in rates, high move-out rates, and high vacancy rates are all potential risks and uncertainties that “first-mover” street vendors have to face when they decide to move into a new enclosed public market. Should these problems become severe, the market loses its customer drawing power and destroys its financial

sustainability. In such a scenario, the “first-mover” street vendors will lose their investments, whereas the “late-mover” street vendors face no such risk. Even though a “cooperate strategy” of moving into the market as a group maximizes the benefits for all vendors, a prisoner’s dilemma may arise in which every street vendor’s dominant strategy is to be a late-mover. When every street vendor prefers the late move strategy, no vendor will move into the market.

In the ZL case the street vendors resolved these challenges, but in the GD case the vendors did not. A close look at how these two vendor organizations differed shed light on the question of how to achieve success in collective action, and enables the development of better street vendor relocation policies in the future.

6.2 The Crucial Role of a Robust Street Vendor Organization

6.2.1 An Institutional Approach

Street vendors conducting their businesses in the same street market are jointly affected by each other’s behaviors. When being asked to relocate to an off-street market, street vendors must consider their colleagues’ decisions before assessing their own – because they are not only physically but also economically tied together. In the case of the GD public market, where the originally registered vendors acted independently, showing no concern for how their behaviors would affect other undocumented street vendors, the total net benefits they obtained (i.e., the customer drawing power and the diversity of the merchandise mix) were far less than could have been otherwise. By the same token, had the ZL street market vendors acted individually without any coordination, they could not have generated the same synergistic benefit as they do now.

Olson (1965, p.2) points out, “unless the number of individuals in a group is quite small, or unless there is coercion or some other special device to make individuals act in their common interest, *rational, self-interested individuals will not act to achieve their common or group interests.*” In this regard, the critical problem facing the street vendor relocation process is how to organize street vendors' collective action and change the situation from one in which vendors may act opportunistically to one in which they follow coordinated strategies (such as market zoning, and prime market booth location reservation scheme) to create the maximum synergistic benefit for each other.

My research shows that solving this synergistic problem involves the creation of an institutional arrangement so the sets of working rules regulating each street vendor's behavior can be clearly defined, effectively enforced, and mutually monitored.

Literature review points out that one of the critical challenges facing relocated street vendors is to create a strong customer drawing power of the market. Generally, the market needs to reach a certain scale so it can offer the necessary diverse merchandise mix to retain or expand its customer base. Paradoxically, as the size of the market becomes bigger, so does the difficulty of arranging synchronized collective actions among street vendors. What is more, in the case of the ZL market, the diverse merchandise mix is not created only by the HSVU members (i.e., the anchor tenants and the ancillary tenants) — the breadth and depth of the products of the ZL market is, in fact, created also by cooperating with lots of non-HSVU vendors (i.e., the informal subtenants). Working with these “outsiders” makes the coordination work of the ZL market even more complex and intricate. However, HSVU leaders were able to perceive the potential values that those “outsiders” could add to the ZL market and devised a complex property right system to realize them. An institutional approach that conceives a set of rules determining what actions are

required, forbidden or permitted is therefore essential in solving the tricky problem of coordinating collective actions between the insiders and the outsiders during the ZL market relocation process.

Besides, through market zoning and settling the anchor tenants on the second floor (with the help of the inclined moving walkway system and the central air conditioning system), HSVU was able to convince market tenants to trade off the short-term personal interest (i.e., grabbing the booths on the first floor) for the higher future economic return (i.e., enjoying the higher property value of their market booths). By creating strong customer drawing power on both the first and the second floor of the market, HSVU was able to ameliorate its members' anxiety and help them gain a more accurate understanding of what to expect from the market. In such a setting, HSVU leaders share norms about abstaining from the temptation of taking opportunistic actions, and their vendor members can expect all other vendors to follow the zoning scheme accordingly. Therefore, ZL street vendors were able to develop a stable, long-term institution.

6.2.2 Tailoring the Rules to Local Conditions

Another crucial role a robust street vendor organization plays is setting rules that take into account the cultural values, business norms, as well as economic and political relationships that existed in the original public market. In other words, the vendor organization tailors the development approach to local conditions. In this way, the relocated street vendors can avoid the pitfalls that they may otherwise encounter under a uniform relocation process imposed by an external government agency.

For instance, ZL public market's success can be attributed to its unique booth leasing strategies and location assignment rules. These rules followed the original socioeconomic structure of the

old market — prime locations were reserved for senior street vendors with the strongest customers-drawing power; marketable property rights for booths were developed so the booths could be subleased or resold, hedging the investments of all vendors; daily booth rentals were retained for floating street vendors to test market; et cetera. No external government agency could have devised such nuanced rules without in-depth knowledge of this particular market.

In other words, devising the “right rules” to relocate street vendors into enclosed new public markets is never an easy task. It is a complex system design process that requires sufficient and accurate knowledge about time, place, and people — especially street vendors' needs, perceptions, motives, and behaviors. Therefore, unsurprisingly, rules supplied by an external authority and directly imposed on the street vendors generally are counterproductive to the relocation process. For instance, in the GD public market, the law imposed by the central government forbids the Hsinchu city government from providing financial incentives for first-mover street vendors to stay on the second floor of the market. Consequently, with no anchor tenant on the second floor and all prime first floor locations seized by the first-mover street vendors, late-mover vendors refused to move into the market and the vacancy rate of the GD market remains high.

6.2.3 Arrange Collective Action

Another important function a robust street vendor organization plays is that it serves as a platform for the street vendors affected by the rules to participate in optimizing them. So long as the cost of changing the rules is low, the street vendors who work directly with one another can modify the rules to better fit their specific needs. Then, with strong member engagement, a street vendor organization is better able to tailor the rules to the situation.

For instance, in the ZL public market, the regular meetings of the opinion leaders of the street vendors serve as a forum for face-to-face discussion of collective problems and potential joint strategies; therefore, all decisions of the street vendor relocation process are made collectively — with every player knowing what the other players will be doing. Even though the forum *per se* may not change street vendors' dominant strategy of maximizing one's self-interest, the forum helps lead to devising the rules of the game, e.g., ZL public market zoning code, which may.

Furthermore, this forum also serves as a mechanism for providing ZL street vendors complete information about the possible different outcomes of the relocation process and the payoffs attached to each outcome. With complete information and thorough communication, ZL street vendors learn that it is possible to accomplish maximum synergistic benefit by acting together. They can obtain accurate information about the vacancy rate of the new market and the likelihood that other street vendors will commit themselves to moving into it. Therefore, instead of being trapped in a non-cooperative prisoner's dilemma in which each street vendor has a dominant strategy to stay on the street, the forum is able to provide an optimal solution in which every ZL street vendor has a dominant strategy to cooperate.

On the other hand, however, in the GD public market, the member engagement mechanism is not built as part of the system. The communication among players (the GR vendors and the UN vendors) is not possible. Even though the UN street vendors are affected by the relocation rules, given that the up-front cost of changing the rules for them is so high, there is simply no room for them to participate in modifying the rules. Regrettably, their only choice is not to join the system. With no UN vendors willing to move into the GD market, it is not surprising to see it fail.

6.2.4 Enforce the Rules of the Game

Another crucial role played by a robust street vendor organization during the relocation process is that it helps ensure the enforcement of the rules. The problem of gaining compliance with the rules is especially important during the street vendor relocation process. Agreeing to conform to the rules before the process is one thing, actually complying with the rules when strong temptations arise during the process is quite another. When street vendors devise their own rules to be enforced by them, using sanctions that expel free riders and effectively regulate new market booth allocation activities, the second-order dilemma (Ostrum 1990) is naturally puzzled out in a complex manner — this can dramatically change the outcome.

For instance, ZL street vendor leaders are financially rewarded for doing a good job of guarding the market zoning code and encouraging other street vendors to comply with the rules. These leaders are willing to put personal time and effort into undertaking the mutual monitoring and enforcement roles which produce public good available to every market vendor — because such actions will also produce personal benefits only available to them.

Then, the ZL street vendors comply with the market zoning code because they can perceive that other players will follow suit as well. In short, the conformity of the market zoning code of each street vendor relies on the conformity of the other street vendors. No one wants to be a sucker. Since the information about compliance rates is available from the regular face-to-face meetings with street vendor leaders, street vendors can acquire the information needed to formulate their future strategic decisions. When they know more and more affected street vendors agree to comply with the market zoning code, they are more likely to make the same commitment and act accordingly.

After moving into the market, by observing the behaviors of other vendors, each market vendor can learn the actual compliance rates in the market. If no market vendor is found breaking the

market zoning code, it is then reasonable for each market vendor to keep complying with the rule. They believe that the rules of the game will be effective in creating maximum synergistic benefits and that rule enforcement will protect them from being suckered. This contingent commitment to the market zoning code and mutual monitoring reinforce one another.

Additionally, thanks to the rules in use, the operational cost of enforcing the market zoning code in the ZL public market is low. Though the wet goods vendors may still want to migrate to the first floor (and thus increases their exposure to customer foot traffic), a zero vacancy rate and the omnipresence of dry-goods vendors on the first floor deter them from acting opportunistically. Therefore, dry-goods vendors on the first floor do not have to spend the extra time and effort enforcing the market zoning code. The law enforcement is a natural by-product of the dry-goods vendors' incentives to use their market booths to the fullest extent possible. The costs and benefits of the rule enforcement are interrelated with the rules.

On the other hand, in the GD public market, the rules of the game were devised without the participation of the UN vendors, and not surprisingly, the rules failed to bring off the level of organized action to allocate market booths or to maintain the cleanliness of the market. Unfortunately, the external governmental civil servant does not have sufficient capacity (or coercive powers) to enforce the rules. If any market vendor deviates from the agreement, all other market vendors will follow suit immediately (and everlastingly). Consequently, it is not surprising to see a failed GD public market.

6.2.5 Can the City Government Foster a Robust Street Vendor Organization?

Why is it that the ZL market vendors, under the sanction of the city government, manage to supply themselves with a functioning institution, comply with its rules and monitor each other's

conformance to its rules; while the GD street vendors, also under the aegis of the same city government, cannot? Can external governmental authorities impose institutional solutions on street vendors during the relocation process? On the basis of my empirical case studies, I argue that the policies and activities of the municipal government can be both positive and negative factors in affecting street vendors' collective actions during the relocation process.

In the GD public market, a group of around 100 street vendors was not able to enforce the market zoning code. Several wet-goods GR vendors required the city government to connive with them to prevent the code from being enforced. And with that prevention, these vendors grabbed all the market booths on the first floor and excluded any new entrants from the market. By comparison, in the ZL public market, a bigger group of around 300 street vendors was able to devise and maintain their unique property right system and carry on a strong social institution — all the while gaining full recognition from the city government.

The GR vendors focused on their own private interests and did not coordinate their collective actions. During the GD market relocation process, the market bylaws devised by the GR vendors failed to consider the attributes of the community of the vendors; the market booth property right system was imposed by the central government; the market zoning code was monitored by the vested interest groups accountable only to themselves; and there was no punishment for rule breakers from the city government. Unsurprisingly, in such a setting, few GD street vendors were willing to make credible commitments to obey the rules. The failure of the city government's efforts to effectively monitor the GD vendors indicates that adopting an institutional approach to solve the street vendor relocation puzzle does not mean simply creating a "shell" vendor organization. Rather, institutionalizing street vendors should be considered as an engagement process, and a robust street vendor organization is the by-product of that process, not vice versa.

On the other hand, in the ZL market relocation process, the new institutional arrangement was easier and cost less because the original informal social institution was accepted as efficient by the city government. Being recognized as legitimate by the municipality, HSVU leaders were able to devise local rules that would reduce monitoring and enforcement costs, and effectively allocate property rights and customer drawing duties among ZL street vendors.

6.3 The Implications of Having Strong Street Vendor Organizations

More cities are recognizing that street vending cannot be eradicated but must be managed. By recognizing and incorporating the existing activities of street vendor organizations, the government is able to make policies that are more resonant with the local conditions and that are more likely to succeed. In return, once the street vendor organization gets the government's de facto recognition, it can make and enforce the rules itself. The power dynamics between the government and the governed has naturally morphed into a symbiotic relationship, in which the government and the street vendors share a dependent relationship. In other words, by uniting as a strong street vendor organization, street vendors can create a new political order.

6.3.1 Street Vendor Organizations as Political Interest Group and Patronage

In some circumstances, the change in power dynamic is so great that the street vendor organization gains even more bargaining power than the government. For instance, when the city government first announced the ZL public market concession bid in 1997, HSVU leaders felt the price of the concession fee was unacceptably high; therefore, they refused to bid. Not until the city government voluntarily lowered the concession fee twice (to \$ 20,000 U.S. dollar per year) and announced the bid for the third time were HSVU leaders willing to bid on the concession contract. The reason HSVU had the audacity to force the city government to lower the concession

fee was that during that time, no other entity, except HSVU, had the necessary skills and knowledge to relocate the ZL street vendors into the ZL public market. Not surprisingly, lacking competition, HSVU had the ability to set its own price.

In other circumstances, when the members of the street vendor organization reach a certain number, the organization leaders wield political influence over the government civil servants rather than vice versa. Again, in the case of HSVU, which had around 1200 members by the end of 2011 when combining the vendors' friends and relatives, they comprise a politically significant voting bloc that is strongly motivated to protect HSVU members' rights and promote their interests. In other words, at this size, HSVU is no longer merely a group of street vendors on the sidewalks. It has become an advocacy group that carries strong political clout in the street vendor policy decision-making process. By way of illustration, with the help of certain city council members, HSVU was able to ask the city government to designate special new street vending areas exclusively for its members in the city in 2009. In return for political protection, these city council members gained crucial political support and votes from their HSVU constituents; these city council members had pressed for HSVU members' rights because they could not ignore the vendors' voting power. In fact, this special interest relation is not unique to HSVU. In many countries, where the size of the street vendor organization is large, politicians generally mobilize street vendors for their political gains (John C. Cross 1998, Sharit K Bhowmik 2005).

As one city government official remarked, "The HSVU voting bloc alone can regularly return at least two City Council members to their offices during the election years. HSVU leaders have lots of political influences." During an interview, one HSVU leader also admitted frankly, "We established very good relations with several city council members, as well as the mayor. In fact, I just had a face-to-face meeting with the mayor last week. He [the mayor] is our good friend."

These sayings were corroborated by my personal observation — right after finishing my interview, when I was leaving HSVU’s office, I saw one city council member chatting happily with several HSVU leaders in the office foyer.

6.3.2 Case Epilogue: Competition between Street Vendor Organizations

Another important unintended consequence of formalizing the legal personality of the street vendor organizations is that it encourages vendor organizations to behave like competitive firms. Consequently, as long as the business of managing spaces for street vendors yields high profit margins, it will attract new entrants (i.e., new street vendor organizations) to enter.

As an example, in the ZL public market’s case, since the concession fee the HSVU leaders paid to the city government was so low during the first 9-year concession period, their profits were very high. Unsurprisingly, some other street vendor leaders who did not belong to HSVU, or who were pessimistic about the prospects of the ZL public market at the beginning, later became jealous of the huge profits the HSVU leaders possessed, and aspired to share a piece of the pie. Some of these street vendor leaders managed to garner enough political and social support to unite as a second big street vendor union, called Night-Market Vendor Union (NMVU), to compete with HSVU. In fact, unverified sources alleged that NMVU is an exclusive membership “street vendor leaders’ organization”, constituted by 40 ‘local street vendor leaders’. NMVU does not accept any new member. Unverified sources also said that the City Council Chairman was a close friend of the NMVU Chairman, and they both co-invested in many adult entertainment industries in the city.

When the ZL public market’s first 9-year concession period expired in 2008, the city government announced a bid for the second concession period. A closed-door meeting over which method to

award the concession contract soon took place between the NMVU-backed and HSVU-backed politicians. Interestingly, both sides quickly reached a mutual agreement that “The Most Economically Advantageous Tender (MEAT)²⁶” ran a high risk of manipulation — which each side feared the other would do — and that “Selecting the Best Price Tender (SBPT)²⁷” was the most objective and impartial way to award the contract. The city government followed these city council members’ requests accordingly.

In the end, three street vendor organizations participated in the bidding for the second 9-year concession period. One of them was the HSVU, the other was the NMVU, and the third was a street vendor organization from the nearby county. Thanks to the competition, the city government was able to acquire a concession fee of \$60,000 per year, which was three times higher than it did the first time; and NMVU outbid HSVU in winning the exclusive rights for the ZL market building.

6.3.3 A Property Management and Development Cabal

A strong street vendor organization provides vendor leaders with an instrument to facilitate engagement in higher value-added “commercial property management and development” activities rather than just laborious, cost-based street vending. For example, in the first case study of the ZL public market, some HSVU leaders (i.e., anchor tenants) are in the unique positions of “landlord” and therefore able to receive extra market booth sublease income that is in fact more financially rewarding than earnings from running their own vending businesses. In some cases,

26 Under the MEAT, the mayor will appoint a committee of five people to evaluate the tender submission. The bidder is graded according to their “qualitative, technical and sustainable” aspects as well as price for value. The contract is awarded to the bidder with the “best grade”. This method is susceptible to the problem of public official corruption because sometimes committee members enjoy the freedom to grade the bidder subjectively.

27 Under the SBPT, the contract is awarded to the bidder who pays the most. Since the city government will publish every bidder’s price after awarding the contract, there is less room for manipulation.

HSVU leaders can afford to live solely on this alternative source of income. By way of illustration, HSVU leaders not affiliated with the ZL public market spend time and energy seeking underutilized urban public spaces that have the economic potential to become Special Street Vending Areas (SSVA). Such spaces include plazas, parks, sidewalks, and empty market halls in the downtown area which according to the urban zoning code can be converted into SSVAs at night, on the weekends, during certain holiday seasons, and in other situations.

After identifying a prospective site, HSVU leaders work with certain city council members (who then ask the city government civil servants) to figure out a legitimate route to acquisition and exclusive “development rights” of the urban space in question as an SSVA. But before a new SSVA can be approved, it must be circulated to various relevant city government departments for comments, and must ultimately be recommended by the Market Management Division (MMD) in the Economic Development Department. This legalizing process can be complicated, time consuming and sometimes impossible due to uncooperative residents, the sudden appearance of a third party (e.g., NMVU) or the lack of support from the government civil servants. However, sometimes it works.

Once these HSVU leaders gain the usufruct right to an urban space, they will divide it into lots and establish a system for respecting each stakeholder’s property rights. Next, booth layout and assignment plans, rental/sublease schemes and other programmatic and formal elements are determined for the space. Generally, the city government is acquiescent of the property right system devised by HSVU leaders. Like the ZL public market development process, conflicts of interest are typical, but city government officials generally prefer not to know (or pretend not to know).

Once HSVU leaders manage to change an underused urban public space into a successful SSVA, such as a night market, or holiday open-air market, the real market value of the land will typically increase to several times what it was when HSVU leaders first leased the land from the city government. Since SSVA is rent off by booth unit to street vendors at the real market price, any increased rent will be realized by the HSVU, these leaders and their protégés.

In this sense, the relocation process of the ZL public market is in fact a different form of SSVA development scheme in which the HSVU leaders act not merely as street vendor leaders but also as a cabal of retail real estate developers and managers. During my interviews, I notice that the HSVU chairman drove a black Mercedes-Benz S-Class 550, and he said that his relatives look after his street vending business for him (in other words, he does not run the street vending business himself, which also implied that perhaps his primary earnings are made from *real estate development*.)

6.3.4 A Route to Upward Mobility

A strong street vendor organization provides informal street vendors with a path up the social ladder. In giving competent street vendors from humble backgrounds an opportunity to earn greater income; street vendor organizations promote social mobility.

For example, HSVU provides its members with opportunities for advancement in its five-tiered hierarchy structure. Talented HSVU members, who can accumulate sufficient social capital from their interpersonal networks, will have the chance to be elected as a street vendor leader, advancing from entry-level membership status to delegates to the opinion leaders to a place on the board of directors, and ultimately, to executive chairman. The higher they climb the greater

prestige and status they enjoy. Such success may result in greater self-respect and self-confidence, and most importantly, greater material and economic benefits.

As one HSVU director said, “I started to work as a butcher’s assistant at the ZL street market when I was only 14 years old. I got six siblings and my family could not afford to send me to school during that time. I joined the HSVU in my early 20s. When my boss decided to move into the ZL public market, I decided to start up my own butcher business there. Luckily, I was able to raise enough money from my family members and friends, and co-invest in a prime-location market booth with my ex-boss, who later endorsed me as a candidate for the HSVU opinion leaders. My business turned out to be very good. I can afford to send my two children to graduate schools. Now, besides running the business, I also work with other HSVU leaders to develop other SSVAs in the city and to create more job opportunities for HSVU members.”

Under the aegis of HSVU, informal street vendors are able to become leaders of a property development syndicate, creating more economic value for themselves while improving their social status.

6.3.5 Formalize the informal

While large street vendor organizations are able to gain more political influence and with that, additional legal protection and formality (such as a stable business environment free from police harassment, a lower risk of capital confiscation, et cetera.), this condition also inevitably attracts more regulatory attention. Therefore, for a large street vendor organization, the goals of gaining more legal protection and evading authoritative supervision are sometimes incompatible with each other. To avoid any external monitoring, a street vendor organization has to stay small and invisible, which will restrict it from garnering strong political influence.

In other words, when a street vendor organization increases its size and its capacity, it also increases the risk of being watched. An organization's size not only makes it more noticeable to regulatory officials, but also makes it an easy target for the outside entities (such as other street vendor organizations, community groups, et cetera.) that may use existing regulatory norms to weaken the larger organization's competitive advantage. So long as a street vendor organization keeps growing and gaining more political influence, it may have to begin to formalize in some measure.

An example of this formalization happened during the first 9-year concession period of the ZL public market. Even though its dominant position gave the HSVU leaders a particular leeway to bargain down the concession fee with the city government, the high-profit margin on the concession contract somehow attracted the attention of Taiwan's Internal Revenue Service (TIRS), a central government agency. By conducting a rental survey to assess the "rental property market" in the ZL public market, TIRS agents were able to assess HSVU's income and tax liability, and then required HSVU to pay its fair share of the tax.

As an HSVU director said to me, "When we first received the *Notice of Tax Due and Demand for Payment* letter from TIRS, our ex-chairman Mr. Huang did not give a damn about it. We [street vendors] never paid taxes, and we simply ignored the letter. However, TIRS' letters kept coming back with the additional penalties and interest; and it threatened to levy HSVU's and the Chairman's bank accounts if no corrective action was taken. We began to realize this time might be different. We consulted with the city government officials, filed requests for hearings, and appealed to administrative court to protest TIRS's collection action. Unfortunately, all these efforts were to no avail. We paid our taxes in full to TIRS in the end."

In this sense, in order to maintain and profit from its dominant position in the formal business of managing and allocating spaces for street vendors, HSVU had to agree to follow the regulatory norms and formalize itself as a taxpayer. In return, the state was willing to protect its capital investment in the market and sanction it as the legitimate management entity of the ZL public market.

In another example, even if a new Special Street Vending Area (SSVA) development scheme is proposed by the HSVU leaders to the city government, the HSVU leaders still have to go through a formal bidding process to outbid all others and officially gain the exclusive concession right of that urban area from the city government. Unlike unorganized and independent street vendors, who may sneakily occupy one or two spots at the street corner without attracting too much fuss, as a group of street vendors, HSVU can hardly expand into any new territory without drawing attention. With so many eyes watching, if there were no such formal bidding process, HSVU would face challenges from other big street vendor organizations that may question why only HSVU can vend in that urban space. Other street vendor organizations might feel that they could expand their territories with no need to ask for permission. Predictably, there would be conflicts of interest between different street vendor organizations fighting for control of the new SSVA, and as a result, the cost of developing the new SSVA would become too high. The way to minimize the cost of conquering new territories, therefore, is through a formalized bidding process (the cost of fighting is low) and then officially gaining the city government's permission to expand into new urban territory. In this regard, HSVU also puts itself under the supervision of the government. In short, once the magnitude of a robust street vendor organization (i.e., an informal social institution) has reached certain economies of scale, it may make more sense for it to become formal in order to protect its capital investment and resources.

6.3.6 Collusion

Since the allocation of urban public spaces (such as the ZL public market, the special street vending zones, et cetera.) to street vendor organizations is generally sanctioned by the state, street vendor leaders will find it necessary to create collusive relationships with the agents of the state to maintain their organizations' dominant positions in the city.

By way of illustration, even being the biggest street vendor organization in the city, HSVU still needs to win the bidding war to defend (or expand) its urban territories. However, if every entity bids on a level playing field HSVU's chances of outbidding others cannot be guaranteed every time. To increase the possibility of winning, HSVU naturally wants to create a seemingly fair bidding process that is in fact only favorable to its organization, even though for the sake of appearances several other entities also present a bid.

In that sense, from HSVU's point of view, the real battle for expanding its urban territories is no longer the bidding process per se, but is how to *rig the bid* without being caught. Since there are many situations where the state agents can help HSVU do this, having the ability to manipulate collusive relationships with some of these key agents becomes essential. For instance, city officials can help a street vendor organization bid successfully by simply shortening the bid waiting period (to the minimum time required by law) so that it becomes unfairly favorable to the particular bidder who has already been fully prepared due to its insider knowledge. City officials can also use an invited tender to weed out unwanted tenders and only open to the prequalified bidders who are considered to *have the necessary capabilities* to fulfill the requirements.

Therefore, street vendor leaders will use political influence to help promote certain city government officials to higher positions, and in return for this assistance, these officials will help

ensure the urban territory bidding process is favorable (or at least not unfair) to those street vendor leaders. Unsurprisingly, this patron-client relationship also works the other way around — for the uncooperative city government officials, the leaders can use their political influence to transfer them to different government departments.

As it turns out, because the stakes are high, the two biggest street vendor organizations in Hsinchu city (i.e., HSVU and NMVU) both sponsor their own “clients” in the city hall. By doing so, both organizations’ leaders are able to check on each other to ensure they’re not being taken advantage of. However, in one rare circumstance, where the financial risk of developing an underused urban public space was so large and the potential return on investment was so immense, both the HSVU and the NMVU leaders decided to share the pie together. They worked together to ensure that the bidding result unfolded as originally planned. Their aim was to acquire the usufruct right of a very big lot in the downtown area and then subdivide the benefits amongst themselves. In this scenario, the HSVU and the NMVU leaders were able to totally undercut the administrative authority of the city government, and reconfigure the political and economic structure of Hsinchu city.

As a former city government official who had voluntarily transferred to another department told me, “I told the mayor that there was a better way to use X urban public space, rather than develop it as a public market. However, since that location had been decided by both Y and Z leaders, the mayor said nothing. To make matters worse, since the A officer is a client of Y, and the B officer is a client of Z, there was nothing I could do to reverse the situation. Therefore, I decided to leave.” In this regards the provision of street vending areas in the city no longer depends only on the Mayor’s or the government official’s attitudes but also on how strongly a street vendor organization can press for its demand.

The urban territory battle takes place not only on the sidewalk, but at the city hall. The battle starts when the street vendors and the city government need to find a way to co-exist. Once it starts, it never ends.

6.4 Conclusion

My research points out the important functions a robust street vendor organization plays during the street vendor relocation process. This question was approached by comparing two street vendor relocation cases in the same district in Hsinchu City, Taiwan. In the first successful case, ZL public market was relocated by a robust street vendor organization; whereas, in the second failed case, the GD public market was relocated by the city government with no help from such an informal social institution.

At first blush, we might think the problem of relocating street vendors into an enclosed public market is a one person static game — each affected street vendor decides for him/herself whether or not to move into the market, fill one empty market booth at one time, one by one, until all booths in the market are filled. However, my research points out that the street vendor relocation process is in fact a multi-player dynamic game. A robust street vendor organization plays a crucial role in solving the street vendor relocation puzzle, and is an important component in the relocation process.

The robustness of a street vendor organization affects street vendors' incentives in such a way that they may be more willing to commit themselves to acting together and contributing to the success of the street vendor relocation process. It is a social network that bonds street vendors together and bridges between diverse interests, with its own social norms and etiquette. It wields

great influence on street vendors' decisions of whether or not to move into the new enclosed public market, and therefore can make or break the relocation process.

However, in the final chapter I also discussed the strong political influence street vendor organization leaders may possess. Even though the city government may attempt to control and regulate street vendors with the help of the street vendor organization leaders, this approach is a double-edged sword. The recognition from the city government enables street vendor leaders to strengthen their organization's position, expand their territory and attract more street vendor members, and with that, street vendor leaders are able to accumulate more political influence.

Once gaining sufficient political clout, street vendor leaders will wield substantial influence over not only their own members but also the same city government who sanctions them in the first place. Consequently, they can use their political connections to bypass lower-ranking officers and negotiate directly with high-ranking officers and politicians, effectively fostering a patron-client relationship that undermines the sovereignty of the city.

The future of street vendor relocation policies therefore should be designed in such a way that the city government and the street vendor organization can both participate in. The city government may set the principal rules and the vendor organization becomes the mechanism that implements and monitors these rules. This organization-oriented approach may represent an alternative way to solve the relocation problems; however, the system of checks and balances should also be carefully designed as well. Even though the city government may need to rely on street vendor leaders' help to facilitate the relocation process, these leaders' power should still be kept under control. The city government and the leaders should formalize a social contract with clearly-defined rights and obligations for each other. Officially creating competition from different vendor organizations leaders may offer a possible solution to prevent certain leaders' power from

getting too far out of control. However, when all major vendor organizations' leaders unite as a pan-street vendor organization to outmaneuver the city government officials, the problem can become even trickier.

With the help of strong vendor organizations, the city government may be able to design street vendor relocation plans that are more in accordance with the local conditions and that are more likely to succeed. However, who is the winner or the loser of the political wrangling between the street vendor leaders and the city government during the relocation process? The answer is still far from certain.

Appendix I: Interview Questions for the General Street Vendors

1. How many street vendors were there in this market before the relocation?
2. How many street vendors are there in the market after the relocation?
3. How long have you been vending in this market?
4. Where have you been vending before the relocation?
5. Do you sell at the same location on a regular basis before/after the relocation, or do you vend at other place at the same time as well?
6. How does your working condition have changed in the new place versus the old one? (e.g. water, sanitation, public bathroom, and electricity.)
7. Who represents you as a spokesperson to the government? Do you have a "vendor leader" in the market?
 - a. If yes, what is the responsibility of that leader, and
 - b. how is the leader chosen?
8. What kind of fee did you have to pay before the relocation?
9. What kind of fee do you have to pay now?
10. Do you own more than one stall in the market? How do you "obtain the ownership" of the booth?
11. How many customers are there before/after the relocation?
12. Before/after the relocation, have you been hassled by neighboring residents, store merchants, police, or any entity? (Have you been fined, or having goods been confiscated before?)

Appendix II: Interview Questions for the Street Vendor Leaders

1. When was the street vendor association formed?
2. How can other people join the association? Is there a waiting list of vendors who want to get into the market?
3. How many members are there in the association now?
4. What are the main role and the structure of this organization?
5. Where did you turn to help when facing the demand of relocation from city government?
6. Did you establish special relation with other organizations or political parties?
7. What kind of support did you find during the relocation process?
8. How did you negotiate with and defend your right against the city government?
9. Where and how did you find the new relocation site?
10. Did you participate in the public market design process?
11. What was the market design process? Who designed the new market? Who paid for the new market?
12. What is an ideal market place?
13. When the relocation occurred, did any street vendor voluntarily choose to leave the market? Where did they go? What did they do?
14. After the relocation, does any street vendor leave the market and start his or her own business in brick and mortar stores? Where are those stores?
15. What is the relationship between this organization and the street vendors outside of the market?

Appendix III: Interview Questions for the Market Customers

1. How often do you come to this market?
2. What do you buy today? How much money you spend in this market per week?
3. Is this market the place where you buy most of your food and daily groceries?
4. If the answer is yes, what attributes of the markets attract you most?

Appendix VI: Interview Questions for the City Government Officials

1. Would you please describe the street vendor relocation process of the ZL and GD public market?
2. What kinds of relocation strategies did the city government use in these two markets?
3. What is the biggest challenge facing the city government during the relocation process?
4. How did the city government overcome those challenges?
5. What is the city government's attitude towards the street vendor issue in the city?

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