

**Administration's Comments on
Three Reports Prepared by Northcroft Hong Kong Ltd. on
Estimated Cost for Alteration Works at Karaoke Establishments**

We have the following observations on the cost estimates prepared by Northcroft Hong Kong Ltd.:

- The average cost of complying with building safety requirements in all three cases, excluding the consequential decorative works, roughly correspond to the cost estimates provided in the Regulatory Impact Assessment (RIA) report (see the ranges for building and decoration works in *Table 5.1*)
- Two out of the three cases submitted fit with the model used by the Consultant in the RIA report (see *Table 5.1* as well as average FSI costs in *Table 5.2 and 5.3*).
- It is noted that all the three KE in question are holding light refreshment or general restaurant licences. One of the KE has applied for certificate of compliance under the Clubs (Safety of Premises) Ordinance (Cap.376). Some of the work items should have already been covered in the restaurant/clubhouse licensing requirements e.g. fire retardant paint treatment on the work of Fire Service System, supply and installation of automatic cut-off devices for mechanical ventilation system, upgrade of furniture, emergency lighting etc.
- Some of the work items appear to be not arising from the proposed licensing requirements for KE e.g. new TV cabinets.
- It is common practice in the trade that in general KE would carry out renovation works at 2-3 years interval and such works include renewal of wall papers and furniture. It appears that the compliance cost prepared by the surveyor firm has included cost which otherwise will be spent on renovation works.

As regards the other non-works related “losses” provided by the Karaoke Requirements Concern Group (Concern Group), we have the following comments to make:

- The average duration for closing down the establishments during renovation was estimated to be about one month in the Regulatory Impact Assessment report (page 40). The time is much shorter than the 2½ to 3 months as used in the assessment by the Concern Group.
- The computation on other “losses” such as salary, management fee etc. has presumably also worked on the longer renovation period of 2½ to 3 months.
- The expenditure on electricity and water bills would have been drastically reduced during the closing down of the establishments.

Security Bureau
November 2001

L:\B-DIV\As(s)b2\KE2000\BILLSCOM\AR Northcroft.doc