

L/M(2) IV to HB 9/7/35

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19 October 2001

The Honourable Mr Chan Kam-lam
Chairman, LegCo Sub-Committee on the
Estate Agents (Licensing) (Amendment) Regulation 2001
Room 523F, West Wing
Central Government Offices
Hong Kong

Dear Mr Chan,

Estate Agents (Licensing) (Amendment) Regulation 2001

Following the discussion at the LegCo Subcommittee Meeting on 9 October 2001, you moved a motion to extend the scrutiny period of the captioned regulation from 17 October 2001 to 31 October 2001 to enable the Estate Agents Authority (EAA) to consider, among other things, the request of the Subcommittee for further licence fee reduction.

The EAA has carefully and thoroughly considered the request of the Subcommittee. The EAA is of the view that it would be inappropriate to introduce further reduction in fees at this point in time owing to the following reasons -

- (a) The number of licensees has been decreasing since the early days of the implementation of the licensing scheme, and it is difficult if not impossible to realistically estimate the further decrease envisaged after the close of transition at the end of this year. It would not be prudent for licence fees to be reduced drastically before concrete numbers of licensees are available.
- (b) It is anticipated that licensee numbers will drop further upon passage of the proposed 24-month unconditional re-entry arrangement. The EAA is already aware of the fact that a fair number of existing licensees are dormant practitioners and they are likely to take advantage of the 24-month unconditional re-entry arrangement.

- (c) While the EAA has spared no effort in facilitating licensees' attendance at training courses and participation at the qualifying examinations, it is inevitable that a number of practitioners will not be able to fulfil the training / examination requirements before transition expires.
- (d) The ratio between salespersons and estate agents has already dropped from 1:6.14 in early 2000 to 1:3.5 at present. This is a healthy trend since new entrants to the trade should start with the salesperson licence and seek the estate agent licence later as they progress in their careers and become due for managerial positions. The EAA anticipates that the ratio between the two categories of licensees will be further narrowed, thereby affecting the income of the EAA.

In consideration of the downturn in the property market and the difficulty faced by the trade, the EAA introduced a fee reduction of 20% in January 2000, one year after licensing system came into force. The present proposal for a further fee cut of 20% is its second attempt to lower fees in three years. Proactive efforts will continue to be made to streamline operation, to extract added value from manpower and resources, and to downsize.

The EAA fully appreciates the concerns of the Subcommittee and the difficulty faced by the trade. The EAA has pledged to conduct a review on licence fees immediately after the 2001 licence renewal exercise, by which time more concrete numbers of licensees will become available. The renewal exercise is expected to complete by February 2002. By that time, subject to room for further fee concessions, the EAA will vigorously pursue the partial refund of the fees paid by licensees for the year 2002 as a more timely and immediate form of relief to the trade. Should the funding situation of the EAA allow, further fee cuts to be introduced in 2003 may also be contemplated.

With best regards,

Yours sincerely,

(Ophelia Tsang)
for Secretary for Housing

c.c. Estate Agents Authority (Attn: Mrs Grace Chow)
Clerk to Subcommittee (Attn: Miss Becky YU)