

Legislative Council Panel on Financial Affairs Revision of Government Fees and Charges

PURPOSE

This paper seeks Members' views on proposals relating to the remaining Government fees and charges that are due for revision following the end of the moratorium.

BACKGROUND

2. Members may recall that the Financial Secretary froze most Government fees and charges in February 1998 to relieve and help Hong Kong ride out the financial storm. The moratorium was originally intended to last for one year but was further extended pending economic recovery.

3. In view of the continuing recovery of our economy, the Financial Secretary announced in the 2000-01 Budget Speech in March this year that we would be approaching Members to discuss how to deal with the revision of fees for different categories of public services. We first dealt with fees that do not have any direct impact on people's livelihood or general business activities. From April to June this year, we consulted the relevant LegCo panels to seek their views on our revision proposals for such fees. With the exception of a few items, Members raised no objection to our proposals and these are now gradually being implemented.

4. As regards the remaining Government fees and charges, the Financial Secretary announced last Monday (27 November) that we would not increase four major categories of livelihood-related fees - namely water tariffs, sewage charges, school fees and medical fees - until an appropriate later date. The first two categories of these fees are also business-related. The decision to extend the moratorium should help to contain business costs. We do not have a predetermined timeframe as to when we will resume revision of these fees. We will keep the matter constantly under review having regard to the economic situation of Hong Kong and the community at large. In due course, Bureau Secretaries will consult the relevant Panels in LegCo on the appropriate timing of the revision.

5. Financial Secretary's decision to freeze the four main categories of fees was made having regard to the fact that Hong Kong's economy is firmly on the road to recovery. We have now six consecutive quarters of positive GDP growth - the last three recording double digit growth. Our estimated GDP growth rate for the year as a whole has been adjusted upwards to 10%. Notwithstanding the economic recovery, we fully understand that many people are still suffering from the effects of the financial turmoil and the economic adjustments that have taken place over the past two years. This is particularly true for the lower- to middle-income employees who have not yet felt the full benefits of the recovery. Pay cuts or pay freezes which were imposed at the onset of the crisis remain in place for most of these employees.

6. In addition, as from 1 December, the Mandatory Provident Fund Scheme has come into force to provide the much-needed long-term financial security for employees. This scheme is the most important social policy we have implemented in recent years, representing the consensus of the community reached in the past discussions. It has far-reaching positive implications for the benefit of our workforce and for this reason it needs to begin as scheduled on 1 December. We cannot afford any last minute hold-up. We fully understand that some employees may require some time to adjust to the new arrangements in the introductory stage because of the need to contribute their share to the MPF scheme. We sympathise with these concerns and recognise the need to minimise the impact and, at the same time, ensure the smooth implementation of the scheme.

ADMINISTRATION'S POSITION AND PROPOSAL

7. We now need to consider those regulatory fees that have little impact on the daily life of general public or the running cost of business operators. We consider it fair to suitably adjust these fees to uphold the “user pays” principle.

8. The rationale of the “user pays” principle is to ensure that those who benefit from the services provided should pay for them, so that the costs of providing the services are fully or, where appropriate, partly recovered and do not fall on general taxpayers. The importance of the “user pays” principle is illustrated by the fact that income from fees and

charges is a major revenue source, accounting for 10% (\$15.5 billion) of total recurrent government revenue (\$153.3 billion) in the 2000-01 Estimates. It underpins our low tax policy and is an important tool in helping us to strive to achieve a fiscal balance as stipulated in the Basic Law. In the current financial year, the third year of the fee revision moratorium, taxpayers will subsidize users of Government services to the amount of \$2 billion. The longer we defer a fee revision of these fees with little impact on people's livelihood and general business activities, the greater the taxpayers will need to subsidize. This is not only unfair to the general taxpayers, but would also impose no financial discipline on the consumption of the resources involved. Ultimately it could increase the pressure for tax increases or introduction of new taxes.

Annex

9. Our intention is to revise the fees at the Annex very moderately. To facilitate Members' deliberation, we have categorised the fees into twelve groups and listed their existing fee levels, last revision date, target and existing cost recovery rates and estimated current annual revenue. Because of the moratorium, most of these fees have not been revised since 1996-97 at the latest. Furthermore, as a majority of these items will require legislative amendments before we can introduce the revised fees, the new fees will not come into effect until some time next year. Thus, by the time we resume revision of any of these fees, over four years would have elapsed.

10. We shall continue to exercise rigorous cost control to reduce the pressure for any fee increases. We will continue to proceed with our Enhanced Productivity Programme (EPP). Where appropriate, savings achieved from the EPP and other efficiency improvement measures have been factored into the calculation of the cost recovery rates for individual items in the Annex. In addition, bureaux and departments are conducting reviews to identify whether or not it is still necessary to provide the services covered by various fees and charges. Where a service (e.g. a licensing function) has become non-essential through the passage of time or other factors, we will take the necessary steps to dispense with its requirement and abolish the associated fee or charge. We aim to complete the reviews by the end of the current financial year.

MEMBERS' ADVICE

11. We should be grateful for Members' views on the list of fees proposed for revision as set out at the Annex, including the appropriate level of fee adjustment. If Members consider it necessary, the relevant bureaux will brief the relevant functional LegCo Panels on the concerned fee revision proposals.

Finance Bureau
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**Revision of Government Fees and Charges
Not Directly Affecting People's Livelihood or Business Activity**

Description	Existing Fee Range		Target Cost	Last	Existing Cost	Annual
	From	To	Recovery Rate	Revision	Recovery Rate	Revenue
	\$	\$	%		(indicative) (at 2000-01 prices)	2000-01 (before Revision) \$'000
1. Fees related to immigration services						
1.1	Fees related to visa control					
1.1.1	70	135	100	Oct 97	} 38	17,257
1.1.2	105	540	100	Oct 97		83,772
1.1.3	135	-	100	Oct 97		43,228
1.1.4	500	-	100	Jan 98	35	223
1.2	Fees related to issue of travel documents					
1.2.1	260	525	100	Oct 97	67	10,601
1.2.2	40	120	100	Oct 97	} 37	9,822
1.2.3	145	155	100	Oct 97		2,213
1.2.4	45	335	100	Oct 97 to Dec 98		2
1.3	395	-	100	Oct 97	80	67,880
1.4	Fees related to births, deaths and marriage					
1.4.1	140	680	100	Oct 97	} 86	21,609
1.4.2	140	1,935	100	Oct 97		62,377
1.4.3	70	680	100	Oct 97		44
1.5	145	1,365	100	Jul 97	6-79	979
1.6	70	155	100	Jul to Oct 97	37-49	84
2. Fees for services provided to local vessels and merchant shipping						
2.1	4,290	12,700	100	May 98	92	30
2.2	Fees related to local vessels (new sub. leg. of Cap. 548)					
2.2.1	515	154,950	100	Aug 95	} 92	23,100
2.2.2	72	18,200	100	Aug 95		35,200
2.2.3	97	820	100	Aug 95		136,600
2.3	Fees related to merchant and ocean-going vessels					
2.3.1	47	69	100	Aug 95	} 92	34,304
2.3.2	2,455	3,685	100	Aug 95		34,700
2.3.3	73	1,335	100	Aug 95		19,400

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	From	To	Recovery Rate			
	\$	\$	%		%	
2.3.4 Port facilities and light dues (per 100 tons or part thereof per entry or per vessel per annum)	23	74	100	Aug 95	92	129,600
2.3.5 Miscellaneous permits and certificates (per permit or certificate)	160	875	100	Aug 95		9,359
2.3.6 Registers and records (per copy)	125	160	100	Aug 95		300
2.3.7 Charges for services outside office hours (per hour)	625	1,850	100	Aug 95		<i>minimal</i>
2.4 Survey fees related to merchant shipping (new sub. leg. of Cap. 369)						
2.4.1 Survey of life-saving and fire appliances, light and sound signals (per survey)	1,210	2,465	100	Aug 95	82	400
2.4.2 Fees related to Courts of Survey (per case)	97	1,010	100	Aug 95		
2.4.3 Fees for issue of copies of certificate of survey, permit, approval, etc (per copy)	565	-	100	Aug 95		
3. Fees related to building works and oil storage installation						
3.1 Approval of building plan (<i>fees vary with the floor area</i>)	1,740	11,200	100	Sep 95	86	251,000
3.2 Annual licence of oil storage installation	52,400	-	100	Oct 97	96	987
4. Transport-related fees						
4.1 Vehicle examination fees (per case)	530	950	100	Jun 95	87-99	35,519
4.2 Fees for various transport-related permits and certificates (per case)	45	900	100	mostly Feb 97	57-97	12,959
4.3 Designation of car testing centre (per annum)	12,100	-	100	Feb 97	86	121
4.4 Designation of driving school (per annum)	21,000	-	100	Jan 89	96	21
5. Fees related to fire protection services						
5.1 Fees for issue of fire reports and fire services certificates (per report/certificate)	380	7,060	100	Apr 97	18-95	5,352
5.2 Licence fees related to dangerous goods issued by FSD (per annum)	200	5,980	100	Mar 95	9-75	10,434
6. Fees related to control of pharmaceutical products, radioactive substances and prevention of diseases						
6.1 Pharmaceutical products, dangerous drugs and antibiotics (per annum)	120	1,760	100	Dec 94	11-97	7,983
6.2 Issue of deratting/deratting exemption certificate (per annum)	1,940	11,620	100	Nov 94	89	823
6.3 Use of radioactive substances and irradiating apparatus (per annum)	570	2,770	100	Dec 94 & Mar 97	64-93	6,116

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	\$	\$	%		(indicative) (at 2000-01 prices)	2000-01 (before Revision) \$'000	
7. Fees related to animal exhibition, keeping livestock and pesticides							
7.1	Permit fee for temporary exhibition of animals (e.g. for circus, dog show, etc) (per permit)	1,380	-	100	Dec 97	51	28
7.2	Licence fees for keeping livestock (valid for 3 years) (per licence)	750	4,500	100	Jul 94	77	675
7.3	Permit and licence fees related to pesticides (per permit/licence)	155	2,500	100	Nov 97	71-99	1,067
7.4	Laboratory diagnostic and examination of animal tissue samples (per case)	120	800	100	Aug 96	22-99	85
8. Fees related to registration of aircraft, licensing of aircraft personnel and related matters							
8.1	Certification of registration on aircrafts (per certificate)	50	500	100	Before 95	6-63	2
8.2	Approval of Persons (max. fee) (per case)	5,330	133,400	100	Before 95	42	2,087
8.3	Licensing on air transport services (per licence/permit)	5,170	5,650	100	May 95	60-76	306
8.4	Licence and examination fees for engineers and flight crew						
8.4.1	Licence for Aircraft Maintenance Engineers (per licence)	80	230	100	Before 95	} 40 }	} 1,706
8.4.2	Licence for Flight Crew and Ratings (per licence)	120	170	100	Before 95		
8.4.3	Exam Fee for Grant/Renewal of Flight Crew Licence (per examination)	50	1,800	100	Before 95		
8.4.4	Issue of a Certificate of Validation of a Licence (per certificate)	90	100	100	Before 95		
8.4.5	Copies of Documents (per copy)	50	2,180	100	Before 95		
8.5	Publications (annual amendments)	62	920	100	May 96 to Jul 97	55-99	290
9. Fees related to gas safety							
9.1	Permit for construction work, notifiable gas installation and gas vehicle (per application)	1,560	13,750	100	Mar 97	27-89	} 1,530
9.2	Registration of gas supply companies, gas installers and gas contractors (per application)	5,110	18,940	100	Mar 97	14-80	
10. Licence or registration fees for specific trades and organisations							
10.1	Annual licence for employment agency	385	2,000	100	Jan 98	77-99	2,186
10.2	Registration of distributors and importers of motor vehicles (per annum)	390	-	100	Jun 94	40	27
10.3	Registration of news agencies, local newspaper and newspaper distributors (per annum)	83	785	100	May 94	3-81	678
10.4	Fees for issue and renewal of plumber's licence (per case/licence)	67	815	100	Jul 96	70-91	192

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	\$	\$	%		(indicative) (at 2000-01 prices)	2000-01 (before Revision) \$'000
10.5 Certificate of competency for operating boilers or steam receivers (per annum)	330	610	100	Feb 97	86-97	238

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10.6 Fees related to registration of owners' corporation (per application)	10	900	100	May 97	11-49	591
10.7 Issue of certificate to childminder (per certificate)	390	-	20	Oct 97	13	4
10.8 Fee for registration as a health worker (per registration)	164	-	100	May 96	98	77
10.9 Annual licence for bedspace apartments	370	1,480	Note	Feb 95	18-71	31
10.10 Licence/permit for the transhipment of controlled chemicals (per annum/case)	510	790	100	Jun 97	58-62	265
10.11 Licence fees for manufacturing, storage and delivery of dangerous goods charged by CED (per annum/application)	2,560	44,300	100	Nov 97	87-99	25,308
10.12 Registration fee for stock borrowing and lending agreement (per agreement)	270	-	100	Jul 94	8	220
10.13 Charge for calibration service (per hour)	340	-	100	Sep 97	76	1,965
11. Fees related to medical services for non-entitled persons						
11.1 Public ward inpatient charges (per day)	3,130	-	100	Nov 96	86	} <i>minimal</i>
11.2 Specialist out-patient clinic (per attendance)	455	-	100	Nov 96	86	
11.3 General out-patient clinic (per attendance)	195	-	100	Nov 96	90	
11.4 Dressing and injection (per case)	58	-	100	Nov 96	87	
11.5 Attendance at child assessment centre (per attendance)	2,520	-	100	Nov 96	86	
11.6 Attendance at methadone clinic (per attendance)	1	-	Note	Jul 86	5	
11.7 Attendance at integrated elderly health centre (per annum/attendance)	58	550	100	Jul 98	99	
12. Fees for miscellaneous services						
12.1 Application fee for requiring Board of Review to state a case (per case)	640	-	100	Jul 93	2	10
12.2 Subsistence fee for imprisoned debtors (per day)	660	-	100	Sep 95	92	31
12.3 Fees for reconnecting water supply and resealing fire service or meter (per case)	165	240	100	Jul 96	64-92	1,562
12.4 Charges for examination of water sample (per case)	185	2,220	100	Jul 96	62-84	1,717
12.5 Licence to fish in reservoirs (valid for 3 years) (per licence)	24	-	100	Aug 98	89	24
12.6 Adoption fee (per case)	2,840	-	20	May 97	15	474
12.7 Charging of residents of Half-way Houses (per day/month)	16	485	Note	Sep 96 & Apr 97	2	275
12.8 Board and lodging fees collected at Kwun Tong Hostel (per month)	610	-	100	May 97	79	308
						1,118,358

Note: The current policy for these subsidized fees is to maintain their real value.