

Legislative Council Panel on Home Affairs
Amendments to licence fees under the
Hotel and Guesthouse Accommodation (Fees) Regulations
(Cap. 349 Sub. Leg.)

Purpose

This paper briefs Members on the Administration's intention to amend the licence fees under the Hotel and Guesthouse Accommodation (Fees) Regulations (Cap. 349 Sub. Leg.) ("the Fees Regulations").

Background

The Hotel and Guesthouse Accommodation Ordinance (Cap. 349)

2. Cap. 349 was enacted in 1991 to provide for a statutory licensing scheme to regulate the fire and building safety of hotels and guesthouses. The licence fees payable are stipulated under the Fees Regulations made by the then Governor-in-Council, a copy of which is at Annex I. As at the end of March 2001, there were 971 establishments licensed under Cap. 349.

The Hotel Accommodation (Miscellaneous Provisions) Ordinance 1998 ("the 1998 Ordinance")

3. The 1998 Ordinance amended the Hotel and Guesthouses Accommodation Ordinance to provide for, among others, the issuance and renewal of licences with validity periods of up to seven years. Applications for licences of validity periods of more than 12 months would be considered on a case by case basis. In order to avoid abuse of the multiple year licensing arrangements, such licences would be issued to establishments which have good records of compliance with the fire safety and building safety standards. In addition, for licences of validity periods of more than 36 months to be issued, the Ordinance requires certification by authorized persons of compliance with the fire and building safety standards so as to ensure that safety would not be compromised. The issuance of multiple-year licences would help simplify the licensing process without compromising safety and achieve economy of scale mentioned in paragraph 6 below. In order to implement the new provisions for multiple year licences, the existing

fee structure, which only caters for the issue of one-year licences, needs to be revised and the Fees Regulations amended. With the implementation of the new provisions, the Administration would be able to achieve economy of scale in the issuance and renewal of hotel and guesthouse licences.

Full cost recovery

4. It is the Government policy that the licence fees under the Fees Regulations should be set at levels sufficient to recover the full cost of providing the services. The existing fees only recover 34% to 56% of the full cost of issuing new licences; and 77% to 100% of renewal of licences.

Proposed fees in 2001

5. In 1998-2000, most Government fees and charges were frozen as an exceptional measure to ease the burden on the community at a time of economic setback. During that period, the Administration conducted a detailed costing review of the hotel and guesthouse licence fees and came up with a proposal for a new fee structure. The proposed fees are set out at Annex II. The proposed fees for the issuance of new licences and licence renewal aim to recover the full cost within one to five years and one to three years respectively. Annex II represents the first phase to full cost recovery. The exception is the licence fees for establishments with more than 100 rooms where the Administration proposes to increase the fees to reflect the full cost of providing the service at 2000-01 prices.

6. Operators of hotels and guesthouses will in general benefit considerably from the proposed fees for new and renewed licences with validity periods of two years or more. For example, for a hotel with 101-200 rooms applying for a new licence, under the existing fee structure, the total licence fees over a period of seven years would be \$220,220 (\$31,460 x 7). Under the proposed fee structure, the fee for a seven-year licence for the hotel in question would be \$76,580, resulting in a saving of \$143,640 (or 65% of \$220,220). Similarly, for a hotel with 101-200 rooms which renews for a seven-year licence, the proposed fee to be payable would be \$42,870 and the saving would amount to \$177,350 (80% of \$220,220). For a guesthouse with 6-9 rooms applying for a new licence, under the existing fee structure, the total licence fees over a period of three years would be \$13,050 (\$4,350 x 3). Under the proposed fee structure, the fee for a three-year licence

for the guesthouse in question would be \$8,150, resulting in a saving of \$4,900 (about 38% of \$13,050).

Consultation

7. The Administration has consulted the hotel and guesthouse industries on the proposed fee structure. Both of them support the proposed fees.

Legislative timetable

8. The Administration intends to forward a Hotel and Guesthouse Accommodation (Fees) (Amendment) Regulation 2001 to the Legislative Council for negative vetting before the end of this legislative session.

Advice sought

9. Members are requested to note the content of this paper. Members' views on the proposed fees are welcomed.

Home Affairs Bureau
May 2001

**Hotel and Guesthouse Accommodation (Fees) Regulations
(Cap. 349 sub. leg. B)**

The fee payable to the Authority upon the issue of a licence under section 8 or the renewal of a licence under section 9 of the Hotel and Guesthouse Accommodation Ordinance (Cap. 349) shall be determined as follows-

<u>Number of rooms in which accommodation is available</u>		<u>Fee</u> \$
1-	5	3000
6-	9	4350
10-	20	7930
21-	30	12915
31-	40	17140
41-	50	22255
51-	100	26475
101-	200	31460
201-	300	31460
301-	400	31460
401-	500	31460
Over	500	31460

Annex II

**Revision of fees payable under the
Hotel and Guesthouse Accommodation (Fees) Regulations**

Proposed fees for new licences

No. of rooms in which accommodation is available	Existing fee	Proposed fee for new licence (with validity of 1 year to 7 years)						
	1 year <i>(at 1997-98 prices)</i> \$	1 year \$	2 years \$	3 years \$	4 years \$	5 years \$	6 years \$	7 years \$
1 - 3	3,000	3,450	4,320	5,200	8,770	10,540	12,310	14,080
4 - 5	3,000	3,450	4,510	5,570	9,330	11,290	13,250	15,210
6 - 9	4,350	5,220	6,690	8,150	12,320	14,690	17,060	19,420
10 - 20	7,930	9,520	11,050	12,580	16,810	19,240	21,680	24,110
21 - 30	12,915	14,850	16,520	18,180	22,540	25,100	27,660	30,220
31 - 40	17,140	19,710	21,470	23,240	27,700	30,360	33,030	35,690
41 - 50	22,255	25,590	27,430	29,270	33,810	36,550	39,280	42,020
51 - 100	26,475	30,450	32,380	34,310	38,940	41,770	44,600	47,430
101 - 200	31,460	58,750	60,820	62,890	67,660	70,630	73,610	76,580
201 - 300	31,460	66,120	68,400	70,670	75,650	78,830	82,000	85,180
301 - 400	31,460	73,490	76,030	78,570	83,810	87,250	90,690	94,130
401 - 500	31,460	80,850	83,650	86,440	91,930	95,620	99,310	103,000
over 500	31,460	92,790	95,970	99,150	105,030	109,110	113,190	117,270

**Revision of fees payable under the
Hotel and Guesthouse Accommodation (Fees) Regulations**

Proposed fees for renewed licences

No. of rooms in which accommodation is available	Existing fee	Proposed fee for renewed licence (with validity of 1 year to 7 years)						
	1 year <i>(at 1997-98 prices)</i> \$	1 year \$	2 years \$	3 years \$	4 years \$	5 years \$	6 years \$	7 years \$
1 - 3	3,000	2,790	3,660	4,530	8,100	9,870	11,650	13,420
4 - 5	3,000	3,300	4,360	5,420	9,180	11,140	13,100	15,060
6 - 9	4,350	5,000	6,470	7,940	12,100	14,470	16,840	19,210
10 - 20	7,930	8,720	10,260	11,790	16,020	18,450	20,880	23,320
21 - 30	12,915	14,210	15,870	17,530	21,890	24,460	27,020	29,580
31 - 40	17,140	18,260	20,020	21,780	26,250	28,910	31,570	34,240
41 - 50	22,255	19,990	21,830	23,670	28,210	30,940	33,680	36,420
51 - 100	26,475	22,230	24,160	26,090	30,720	33,550	36,380	39,210
101 - 200	31,460	25,040	27,110	29,180	33,950	36,920	39,890	42,870
201 - 300	31,460	27,260	29,540	31,810	36,790	39,970	43,140	46,320
301 - 400	31,460	29,400	31,940	34,480	39,720	43,160	46,600	50,040
401 - 500	31,460	31,750	34,540	37,330	42,820	46,510	50,200	53,890
over 500	31,460	36,360	39,540	42,720	48,600	52,680	56,760	60,840