

**For discussion
On 30 November 2001**

LEGCO PANEL ON FOOD AND ENVIRONMENTAL HYGIENE

**Alignment of Fees and Charges under the Purview of the
Food and Environmental Hygiene Department**

PURPOSE

This paper reports on the progress and the way forward for the exercise to align fees and charges under the Food and Environmental Hygiene Department (“FEHD”) undertaken by the Administration as part of the reorganization of municipal services.

BACKGROUND

2. Of the 94 fee items inherited by FEHD from the two former Provisional Municipal Councils (“PMCs”), 78 items involved differences in fee levels between the urban area and the New Territories for the provision of the same types of service. These fees and charges pertain to the following three categories of licences and/or services -

- (a) food and trade licences/permits (including liquor licences);
- (b) hawker licences and hawker fixed pitch licences; and
- (c) cemeteries and crematoria services.

In order to ensure fairness and parity for fees charged by FEHD in both the urban area and the New Territories, the Administration undertook in 1999 to review these fees and charges within two years of 1 January 2000 with a view to aligning them eventually.

ALIGNMENT REVIEW

3. While the two former PMCs had basically the same fee structure, they had different fee levels for providing essentially identical services. The disparities were mainly attributed to the two former PMCs' dissimilar costing bases and target recovery levels, coupled with the accumulated effect of differing fee reduction/freeze decisions in the past between the two Councils.

4. It is Government's policy that, as far as possible, fees and charges should be determined on a full-cost recovery basis. This general principle was also adopted for the review exercise, save for services for which there was a conscious and well-justified policy decision that Government should subsidize a particular service (e.g. favouring cremation over burial). As a majority of the fees and charges reviewed were below cost (some substantially), the results of the initial examination and options to align the fees and charges would involve increases for a substantial number of them.

WAY FORWARD

5. In view of the prevailing economic downturn, the Administration has decided to extend the freeze for FEHD's fees and charges at the existing level up to 31 December 2002.

6. Separately, in the light of the results of the initial assessment of the options available to align the fees and charges of the two former PMCs (which involve increases of varying degrees to some of the fees under review), we consider it desirable for the Administration to look at ways of minimizing the impact of the alignment. As such, FEHD would revert to LegCo with proposals after completing the study.

7. Members are invited to note and comment on the way forward as set out in paragraph 6 above.

**Environment and Food Bureau
Food and Environmental Hygiene Department
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