

LEGISLATIVE COUNCIL BRIEF

Amusement Game Centres Ordinance
(Chapter 435)

AMUSEMENT GAME CENTRES (FEES) (AMENDMENT) REGULATION 2003

INTRODUCTION

A

At the meeting of the Executive Council on 11 November 2003, the Council ADVISED and the Chief Executive ORDERED that the Amusement Game Centres (Fees) (Amendment) Regulation 2003 (the Regulation), at Annex A, should be made under section 18 of the Amusement Game Centres Ordinance (the Ordinance) to reduce the fee for grant or renewal of a licence and the fee for amending the particulars of a licence to increase the number of machines or devices (collectively referred to as “the annual licence fee”).

JUSTIFICATIONS

2. A public consultation exercise was conducted in 2002 to solicit views on whether five of the licence conditions for amusement game centres (AGCs) should be relaxed and whether the annual licence fee should be reduced. This brief deals with the reduction of the annual licence fee.

B

3. The fees payable under the licensing scheme for AGCs are prescribed in the Schedule to the Amusement Game Centres (Fees) Regulation (copy at Annex B) and have remained unchanged since 1993. In order to prevent the proliferation of AGCs, which were then perceived as causing social problems, a conscious decision was made to set the annual licence fee (items 2, 3 and 6 of the fee schedule) above cost recovery to include a deterrent element.

4. The feedback from the public consultation indicated no major objection to the proposal to reduce the annual licence fee. The trade has pressed for a fee reduction in recent years on the ground of poor business environment.

5. Proliferation of AGCs is no longer a problem. In fact, the number of AGCs has decreased from a peak of 845 in 1989 to 416 by end-June this year. Indeed, other licence conditions, e.g. the requirement that an AGC cannot be established within a radius of 100 metres from an educational institution or an existing AGC, will remain in force to prevent the proliferation of AGCs. We consider it justified to reduce the annual licence fee by removing the deterrent element.

6. A detailed costing review conducted in January 2003 revealed that the annual licence fee was higher than the corresponding cost while the one-off application fees (see items 1, 4 and 5 of the fee schedule) only recover a small percentage of the cost incurred (from 1% to 22%) (see the cost computation at Annex C). On the basis that the whole licensing regime should achieve full cost recovery, we **propose** to -

- (a) maintain the application fees and the fee for issue of a duplicate licence (items 1, 4, 5 and 7 of the fee schedule) at a flat rate of \$535; and
- (b) reduce the annual licence fee (items 2, 3 and 6 of the fee schedule) by 42% from \$920 to \$535.

THE REGULATION

7. The main provisions of the Regulation are as follows –

- (a) **Clause 1** stipulates that the Regulation is to commence on 1 February 2004; and
- (b) **Clause 2** amends the relevant items in the Schedule to the Amusement Game Centres (Fees) Regulation to reduce the existing fees from \$920 per machine or device to \$535 per machine or device.

The existing legislation being amended is at Annex B.

LEGISLATIVE TIMETABLE

8. The legislative timetable will be –

Publication in the Gazette	21 November 2003
Tabling at the Legislative Council	26 November 2003
Commencement	1 February 2004

IMPLICATIONS OF THE PROPOSAL

9. The proposal is in conformity with the Basic Law, including the provisions concerning human rights. It has no civil service, staffing or environmental implications; and no significant sustainability implications. The Regulation would not affect the current binding effect of the Ordinance.

D 10. The other implications of the proposal are at Annex D.

PUBLIC CONSULTATION

11. In the second half of 2002, Home Affairs Bureau conducted a comprehensive consultation exercise to gauge the views of various interested parties and stakeholders, including the Legislative Council Panel on Home Affairs, 18 District Councils, Information Infrastructure Advisory Committee, Committee on Home-School Cooperation, Social Welfare Advisory Committee and Commission on Youth. A meeting was also conducted with the Licensed Amusement Game Centres Trade Association Ltd to solicit their views.

12. The Legislative Council Panel on Home Affairs was consulted on 14 July 2003 about our intention to implement this proposal. The Panel has no objection.

PUBLICITY

13. A Legislative Council brief and a press release will be issued on 19 and 21 November respectively. A spokesman will be available to answer enquiries.

BACKGROUND

14. A public consultation exercise was conducted in the second half of 2002 to solicit views on whether five of the licence conditions for AGCs should be relaxed and whether the annual licence fee should be reduced. The proposals put up for consultation and the feedback from the public and the trade are at Annexes E and F.

E & F

OTHERS

15. For any enquiries on this brief, please contact Mrs Hedy CHU, Principal Assistant Secretary for Home Affairs (3) (Tel: 2835 1373) or Mr Sheung-yuen LEE, Assistant Secretary for Home Affairs (3)2 (Tel: 2835 1580) of Home Affairs Bureau.

November 2003
Home Affairs Bureau

**AMUSEMENT GAME CENTRES (FEES) (AMENDMENT)
REGULATION 2003**

(Made by the Chief Executive in Council under
section 18 of the Amusement Game Centres
Ordinance (Cap. 435))

1. Commencement

This Regulation shall come into operation on 1 February 2004.

2. Schedule amended

The Schedule to the Amusement Game Centres (Fees) Regulation (Cap. 435 sub. leg. B) is amended in items 2, 3 and 6 by repealing "920" and substituting "535".

Clerk to the Executive Council

COUNCIL CHAMBER

2003

Explanatory Note

This Regulation amends the Amusement Game Centres (Fees) Regulation (Cap. 435 sub. leg. B) to reduce the fee payable for a grant or renewal of a licence to operate an amusement game centre and the fee payable for an amendment or variation of the conditions or particulars of such a licence increasing the number of machines or devices.

Chapter:	435B	AMUSEMENT GAME CENTRES (FEES) REGULATION	Gazette Number	Version Date
Schedule:		SCHEDULE		30/06/1997

[section 1]

Item	Particular	Fee \$
1.	Application for the grant of a licence	535
2.	Grant of a licence	920 for every machine or device
3.	Renewal of a licence	920 for every machine or device
4.	Application for the transfer of an existing licence to another person	535
5.	Application for the amendment or variation of the conditions or particulars of a licence	535
6.	Amendment or variation of the conditions or particulars of a licence increasing the number of machines or devices	920 for every additional machine or device
7.	Issue of a duplicate of a licence	535

(Enacted 1993)

COST COMPUTATION

Television and Entertainment Licensing Authority

Fees Payable under the Amusement Game Centres (Fees) Regulation *

Cost at 2003-04 Prices

	\$'000
Staff Costs	9,671
Departmental Expenses	349
Accommodation Costs	1,113
Cost of Services Provided by Other Departments	129
Central Administrative Overhead	569
Total Cost:	<u>11,831</u>
Estimated revenue at existing fee levels (\$'000)	20,743
Existing cost recovery rate	175.3%
Estimated revenue assuming a 42% reduction in the licence fee per machine or device (\$'000)	12,110
Cost recovery rate after fee revision	102.4%

* Fees payable under the Amusement Game Centres (Fees) Regulation -

- (a) Application for the grant of a licence
- (b) Application for the transfer of a licence
- (c) Application for the amendment of licence particulars
- (d) Licence fees per machine or device upon
 - i) grant of a licence
 - ii) renewal of a licence
 - iii) amendment of licence particulars with increase in number of device
- (e) Issue of a duplicate of a licence (The number of application and the cost involved are negligibly small. It is not taken into account in the present costing.)

COST COMPUTATION

Television and Entertainment Licensing Authority

Fees Payable under the Amusement Game Centres (Fees) Regulation

(Costs of Individual Services)

	Application for grant of a licence	Application for transfer of licence	Application for amendment of licence particulars	Licence fee per machine or device upon grant of a licence, renewal of a licence or increase in number of devices
Cost at 2003-04 prices (\$'000)	1,012	713	379	9,727
Number of cases for 2003-04	17	39	158	22,422
Unit cost at 2003-04 prices (\$)	59,524	18,286	2,399	434
Existing fees (\$)	535	535	535	920
Cost recovery rate	0.90%	2.93%	22.30%	211.98%
Proposed fees (\$)	535	535	535	535 (assuming 42% reduction in the licence fee per machine or device)

**Amusement Game Centres (Fees)
(Amendment) Regulation 2003**

Implications of the Proposal

FINANCIAL IMPLICATIONS

The fee reduction proposal will lead to a revenue reduction of \$8.6 million per annum.

PRODUCTIVITY

2. We consider that the reduced fee is cost-recovery and will not affect the productivity of the Licensing Authority.

ECONOMIC IMPLICATIONS

3. The proposal will help the business of AGCs by reducing their operating costs.

**Proposals to Relax Licence Conditions of
Amusement Game Centres (AGCs)**

- (a) To remove the requirement that new AGCs can only be located in solely commercial buildings and hence to allow operation of AGCs in composite commercial-cum-residential premises provided that there are separate entrances for the commercial and the residential sections.
- (b) To relax the restriction on operating hours for adult AGCs as long as noise control requirements can be met; e.g., to allow adult AGCs to extend closing hours from 12:00 midnight to 2:00 a.m..
- (c) To allow AGC operators to offer non-cash prizes as long as this does not contravene the Gambling Ordinance.
- (d) To remove the requirement that no person in school uniform is allowed in adult AGCs.
- (e) To remove the requirement (the 100-metre rule) that an adult/children's AGC cannot be established within a radius of 100 metres of an existing AGC.
- (f) To reduce the licence fee of AGCs by removing the deterrent element embedded in the existing licensing fee resulting in an approximate 29% decrease in licensing fees per machine or device.

Summary of Comments Received regarding the Six Relaxation Proposals for AGCs

Proposal	General Comments	Comments from AGC Operators
To remove the requirement that new AGCs can only be located in solely commercial buildings.	Many respondents had reservation over this proposal. They considered that AGCs are “crime-breeding grounds”, and therefore should be located away from residential areas as far as possible. They also thought that AGCs in mixed user building may pose nuisance to and threaten the safety of nearby residents.	Operators in general did not agree with the proposal. This may lead to “abuse” by some operators who are ready to close down their existing AGCs.
To relax the restriction on operating hours for adult AGCs, e.g. from midnight to 2am.	A vast majority of the respondents objected to the proposal. They were concerned about the potential nuisance to the residents nearby should such proposal be adopted.	Operators supported the proposal. They hoped that the Government would implement this relaxation as a matter of urgency in order to save their “dying” trade. They proposed that AGCs in busy areas such as Mong Kok and Causeway Bay should be allowed to operate around-the-clock.
To allow AGCs to offer non-cash prizes.	Most respondents opposed the proposal. They considered such proposal would be perceived by the general public as if the Government was promoting gambling. Many quoted the case in Japan in which people can exchange non-cash prizes obtained from entertainment centres for cash in nearby shops.	Operators welcomed the proposal and considered that it would be conducive to reviving the business.
To remove the requirement that no person in school uniform is allowed in adult AGCs.	Respondents overwhelmingly opposed to the proposal. They considered such requirement reflected the common view that AGCs were places which should not be frequented by students. Notwithstanding that such a requirement is difficult to enforce, they considered that the restriction is effective in the sense that it has some deterrent effect on students in uniform who wanted to patronize AGCs.	Operators had divided views on the proposal. They admitted that it was sometimes difficult to enforce the rule. The rule would generate unnecessary dispute and management problems.
To remove the 100-metre rule.	None of the respondents supported relaxing the “100-metre” rule in relation to education institutions. However, views were diverse on whether the “100-metre” rule of establishing a new AGC in the vicinity of an existing AGC should be relaxed. Some considered that allowing AGCs to be concentrated in an area could facilitate management and inspection, but others considered such mode of operation could aggravate the already serious nuisance to the nearby residents.	Operators did not favour removing the “100-metre” rule because they were afraid that the business environment would be further worsened as it would lead to unhealthy and unnecessary competition amongst them.
To reduce the licence fee by removing the deterrent element embedded in the existing licence fee.	Most of the respondents did not have any objection to the proposal. A few queried if the reduction would have any significant impact on the operating costs, while there is the risk that the Government would be seen as endorsing the business.	Operators welcomed the proposal.