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**Subcommittee on Security and Guarding Services (Fees)
(Amendment) Regulation 2006**

Background brief prepared by the Legislative Council Secretariat

Purpose

This paper provides background information on the fees revision to be effected by the Security and Guarding Services (Fees) (Amendment) Regulation 2006 (the Amendment Regulation).

Background

2. The Security and Guarding Services Ordinance (Cap. 460) was enacted in 1994 to regulate the security and guarding services industry through a licensing system. An individual will require a permit and a company will require a licence to engage in security work. According to the Administration, there were 270 621 valid permits and 876 valid licences as at March 2006.

3. Section 30 of the Ordinance empowers the Chief Executive in Council to prescribe by regulation the fees in respect of security personnel permits and security company licences.

4. It is Government policy that fees charged by the Government should in general be set at levels adequate to recover the full cost of providing the goods or services. Costing reviews are conducted periodically in line with this policy. According to the Administration, an updated costing review of the various permits and licences stipulated under the Security and Guarding Services (Fees) Regulation was completed in 2005. The review has shown that –

- (a) the cost for the issue and renewal of permits is higher than the fee charged at present; and
- (b) the cost for the issue, renewal and replacement of various licences is lower than the fees charged at present.

The Amendment Regulation

5. The Amendment Regulation seeks to revise the existing fees in accordance with the policy of full-cost recovery by –

- (a) increasing the prescribed fees for issue and renewal of security personnel permits from \$110 to \$120; and
- (b) decreasing various fees in respect of security company licences.

6. A comparison of the existing fees and the new fees is in **Appendix I** (Annex B to the Legislative Council Brief issued by the Security Bureau on the Amendment Regulation in May 2006 (File Ref: SEC 9/6/11)).

7. The Amendment Regulation shall come into operation on 17 July 2006.

8. According to the Administration, the Security and Guarding Services Industry Authority has been briefed on the new fees levels and members of the Authority are generally content with the fee proposals. The Administration has also informed the two major associations of security companies and four unions of permit holders of the fee proposals. The Hong Kong Security Association and the Hong Kong Building Management and Security Workers General Union have raised concern over the increase of the permit fees. The Administration has explained that the fees are based on the principle of full cost recovery.

Consultation with the Panel on Security

9. The Administration provided a paper to the Panel on Security in June 2005 explaining the revision of fees and charges for services not directly affecting people's livelihood under the purview of the Security Bureau. The fee proposals in respect of security personnel permits and security company licences are included in the paper. According to the Administration's paper, the fees that are recovering at a rate below the full cost level should be brought to the full-cost recovery level gradually in accordance with the following Government-wide general guidelines for fee increases –

- (a) to achieve full-cost recovery within seven years for those fees with an existing cost recovery rate of less than 40% of target, through a 20% increase each year;
- (b) to achieve full-cost recovery within three to seven years for those fees with an existing cost recovery rate of between 40% and 70% of target, through a 15% increase each year; and

- (c) to achieve full-cost recovery within one to three years for those fees with existing cost recovery rate of over 70% of target, through a 10% (or lower) increase each year.

For fee reductions, it is proposed to reduce the fees to the full cost level in one go. These service-wide guidelines were applied in the 2000-01 fee revision exercise.

10. The Panel had requested the Administration to explain the factors/principles adopted in determining that the fee revision proposals would not directly affect people's livelihood. The Administration's response is in **Appendix II**.

11. The Panel on Security discussed the revision of fees and charges for services not directly affecting people's livelihood under the purview of the Security Bureau at its meeting on 6 December 2005. Members did not raise queries on the fee proposals in respect of security personnel permits and security company licences.

Appendix I

COMPARISON OF THE EXISTING FEES AND THE NEW FEES

Item	Existing Fee	New Fee	Change
<u>Permit</u>			
(1) Application fee for new issue	\$50	\$50	--
(2) Fee payable upon actual issue	\$110	\$120	+ \$10
(3) Application fee for renewal	\$50	\$50	--
(4) Fee payable upon actual renewal	\$110	\$120	+ \$10
(5) Fee for replacement permit	\$95	\$95	--
<u>Licence</u>			
(6) Application fee for new issue	\$3,500	\$3,500	--
(7) Application fee for renewal	\$3,500	\$3,500	--
(8) Annual fee payable upon actual issue/actual renewal during its validity			
Type I	\$15,610	\$14,650	- \$960
Type II	\$36,100	\$27,950	- \$8,150
Type III	\$15,810	\$14,650	- \$1,160
Type I + II	\$41,490	\$32,350	- \$9,140
Type I + III	\$21,200	\$19,050	- \$2,150
Type II + III	\$41,690	\$32,350	- \$9,340
Type I + II + III	\$47,080	\$41,200	- \$5,880
(9) Fee for replacement licence	\$140	\$130	- \$10

Appendix II

The Administration's response to the enquiry of the Panel on Security on the factors/principles adopted in determining that the fee revision proposals do not directly affect people's livelihood.

We normally consider a fee as "not directly affecting people's livelihood or general business activities" when it is assessed that the increase/decrease of such fee will not directly affect people's livelihood or general business activities and will have little impact on the daily life of the general public or the running cost of business operators. Generally, such fees will have one or more of the following characteristics –

- the number of people/business being affected by the revision is limited;
- the fees are not related to services absolutely required by people in their daily life;
- the usage of the service may only be occasional or even one-off; and
- the actual monetary impact is not significant compared with other costs of the business.