

## **LEGISLATIVE COUNCIL BRIEF**

Security and Guarding Services Ordinance  
(Chapter 460)

### **SECURITY AND GUARDING SERVICES (FEES) (AMENDMENT) REGULATION 2006**

#### **INTRODUCTION**

A At the meeting of the Executive Council held on 9 May 2006, the Council ADVISED and the Chief Executive ORDERED that the Security and Guarding Services (Fees) (Amendment) Regulation 2006 (the Amendment Regulation), at Annex A, should be made under section 30 of the Security and Guarding Services Ordinance (Cap. 460), to prescribe the new fees that recover the full costs involved in providing the services in relation to security personnel permits (permits) and security company licences (licences) prescribed under the Security and Guarding Services (Fees) Regulation (Cap. 460 sub. leg. A) (the Regulation).

#### **JUSTIFICATIONS**

2. 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.

3. An updated costing review of the various permits and licences stipulated under the Regulation was completed in 2005. Taking into account the estimated costs incurred for processing applications for and the issue of permits and licences (including new issue, renewal and replacement) as well as the running costs of the licensing scheme, 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.

B  
C

The existing fees should be revised downward or upward accordingly in accordance with the policy of full-cost recovery. Details of the new fees are set out at Annex B and the cost computation is at Annex C.

## **OTHER OPTIONS**

4. There are no other options. As the fees in question are prescribed by statute, the Regulation needs to be amended to give effect to the proposed fees.

## **THE AMENDMENT REGULATION**

5. The Amendment Regulation prescribes the proposed fees as follows –

- (a) **Clause 1** stipulates that the Amendment Regulation shall come into operation on 17 July 2006;
- (b) **Clause 2** provides for the revised fees for the issue and renewal of a permit; and
- (c) **Clause 3** provides for the revised annual fees of various licences and revised fee for their replacements.

## **LEGISLATIVE TIMETABLE**

6. The legislative timetable is as follows –

Publication in the Gazette	19 May 2006
Tabling at the Legislative Council	24 May 2006
Commencement date	17 July 2006

## **IMPLICATIONS OF THE PROPOSAL**

### **Financial and Civil Service Implications**

7. Based on the caseload in 2004-05, the increase of permit fees will increase revenue by \$0.5 million per annum while the reduction of licence fees will decrease revenue by \$1 million per annum. There are no staffing implications.

## **Economic Implications**

8. The reduction of licence fees will lower, albeit slightly, the operating costs of security companies. It might also to some extent facilitate the entry of new security companies into the industry. The increase in permit fees is unlikely to have significant impact on consumption expenditure and inflation. Hence, the overall economic impact of the fee revision is negligible.

## **Productivity**

9. We have been taking measures to reduce costs through implementing efficiency initiatives and streamlining procedures. These have been factored into the calculation of costs for the individual fee items.

## **Other Implications**

10. The fee revisions are in conformity with the Basic Law, including the provisions concerning human rights, and will not affect the current binding effect of the Regulation. They have no environmental or sustainability implications.

## **PUBLIC CONSULTATION**

11. We have briefed the Security and Guarding Services Industry Authority on the new fee levels and Members are generally content with our proposal. We have also informed the two major associations of security companies and four unions of permit holders of our fee proposals.

12. The Hong Kong Security Association and the Hong Kong Buildings Management and Security Workers General Union have raised concern over the increase of the permit fees. We have explained that the fees are based on the principle of full cost recovery.

13. We issued a note explaining the proposals for these and other fees to the Panel on Security of the Legislative Council on 27 June 2005. The Panel did not ask to discuss these fees.

## **PUBLICITY**

14. A spokesman will be available to answer media enquires. We will notify the associations of security companies and unions of permit holders of the revised fees and the commencement date.

## **BACKGROUND**

15. The Security and Guarding Services Ordinance 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. As at March 2006, there were 270,621 valid permits and 876 valid licences.

16. Section 30 of the Ordinance empowers the Chief Executive in Council to make regulation to prescribe the fees to be paid for the following –

For permits

- (a) application for the issue of a permit [section 14(2)];
- (b) issue of a permit [section 14(2)];
- (c) application for the renewal of a permit [section 15(2)(c)];
- (d) renewal of a permit [section 15(4A)];
- (e) replacement of a permit (section 18A);

For licences

- (f) application for the issue of a licence [section 19(2)(b)(ii)];
- (g) application for the renewal of licence [section 23(3)(c)];
- (h) annual fees of different types of licences in the case of issue (section 21A) and in the case of renewal [section 23(5A)];  
and
- (i) replacement of a licence (section 25A).

The above fees are prescribed in Schedules 1 and 2 to the Security and Guarding Services (Fees) Regulation.

## **ENQUIRIES**

17. Enquires about this brief can be made to Ms Amy Wong, Assistant Secretary for Security, at 2810 2302.

Security Bureau  
May 2006

SECURITY AND GUARDING SERVICES (FEES)  
(AMENDMENT) REGULATION 2006

(Made by the Chief Executive in Council under section 30(1),  
(1A) and (1B) of the Security and Guarding  
Services Ordinance (Cap. 460))

1. Commencement

This Regulation shall come into operation on 17 July 2006.

2. Fees in respect of permits

(1) Schedule 1 to the Security and Guarding Services (Fees) Regulation (Cap. 460 sub. leg. A) is amended, in item 2, by repealing "110" and substituting "120".

(2) Schedule 1 is amended, in item 4, by repealing "110" and substituting "120".

3. Fees in respect of licences

(1) Schedule 2 is amended, in item 3, by repealing everything after "a licence" and before "for -" and substituting "issued (section 21A of the Ordinance) or renewed (section 23(5A) of the Ordinance) under Part IV of the Ordinance before the commencement of the Security and Guarding Services (Fees) (Amendment) Regulation 2006 (L.N. of 2006)".

(2) Schedule 2 is amended by adding -

"3A. Annual fee of a licence issued (section 21A of the Ordinance) or renewed (section 23(5A) of the Ordinance) under Part IV of the Ordinance on or after the commencement

of the Security and Guarding Services  
 (Fees) (Amendment) Regulation 2006 (L.N.  
 of 2006) for -

(a) security work type I	14,650
(b) security work type II	27,950
(c) security work type III	14,650
(d) security work types I and II	32,350
(e) security work types I and III	19,050
(f) security work types II and III	32,350
(g) security work types I, II and III	41,200

In this item, a reference to a security work type is a reference to that security work type as set out in the licence form in Schedule 2 to the Security and Guarding Services (Licensing) Regulation (Cap. 460 sub. leg. B).".

(3) Schedule 2 is amended, in item 4, by repealing "140" and substituting "130".

Clerk to the Executive Council

COUNCIL CHAMBER

2006

Explanatory Note

This Regulation amends the Security and Guarding Services (Fees) Regulation (Cap. 460 sub. leg. A) by revising certain prescribed fees for permits and licences.

**COMPARISON OF THE EXISTING FEES AND THE NEW FEES**

<b>Item</b>	<b>Existing Fee</b>	<b>New Fee</b>	<b>Change</b>
<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

**COST COMPUTATION**

**New Issue and Renewal of a Security Personnel Permit**

Average Unit Cost at 2005/2006 to 2009/2010 Prices

	\$
Staff Costs	140.70
Departmental Expenses	2.79
Accommodation Costs	6.29
Administrative Overhead	22.05
Others	0.55
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Average Unit Cost from 2005/06 to 2009/10	<u><u>172.38</u></u>

Current fees

(1) Application for the new issue or renewal of a permit	50.00
(2) Issue or renewal of a permit	110.00

New fees

(1) Application for the new issue or renewal of a permit	50.00
(2) Issue or renewal of a permit	120.00

## **COST COMPUTATION**

### **New Issue and Renewal of a Security Company Licence**

Average Annual Costs at 2005/2006 to 2009/2010 Prices

	\$
Staff Costs	11,455,109
Departmental Expenses	378,778
Accommodation Costs	973,523
Administrative Overhead	1,987,208
Others	152,132
Average Annual Costs from 2005/06 to 2009/10	14,946,750
Average Annual Revenue based on existing fees	16,096,720
Average Annual Revenue based on new fees	14,984,080

*New fees:*

<i>(1) Application for the new issue or renewal (irrespective of type of licence)</i>	<i>3,500</i>
<i>(2) Issue or renewal of a licence payable annually</i>	
<i>(a) Type I Licence (Note 1)</i>	<i>14,650</i>
<i>(b) Type II Licence (Note 2)</i>	<i>27,950</i>
<i>(c) Type III Licence (Note 3)</i>	<i>14,650</i>
<i>(d) Type I + II Licence</i>	<i>32,350</i>
<i>(e) Type I + III Licence</i>	<i>19,050</i>
<i>(f) Type II + III Licence</i>	<i>32,350</i>
<i>(g) Type I + II + III Licence</i>	<i>41,200</i>

- Note:
1. Type I Licence refers to the provision of guarding services
  2. Type II Licence refers to the provision of armoured transportation services
  3. Type III Licence refers to the handling of security devices

## **COST COMPUTATION**

### **Replacement of a Security Company Licence**

Average Unit Cost at 2005/2006 to 2009/2010 Prices

	\$
Staff Costs	94.11
Departmental Expenses	7.56
Accommodation Costs	5.15
Administrative Overhead	20.70
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Average Unit Cost from 2005/06 to 2009/10	<u>127.52</u>
Current Fee	140.00
New Fee	130.00