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**Subcommittee on
Hotel and Guesthouse Accommodation (Revision of Licence Fees)
Regulation 2007**

Background brief prepared by the Legislative Council Secretariat

Purpose

This paper provides background information on the fee revision to be effected by the Hotel and Guesthouse Accommodation (Revision of Licence Fees) Regulation 2007 (the Amendment Regulation).

**Hotel and Guesthouse Accommodation (Revision of Licence Fees)
Regulation 2007**

2. The Hotel and Guesthouse Accommodation Ordinance (Cap. 349) (the Ordinance) provides a statutory licensing scheme to regulate the fire and building safety of hotels and guesthouses. Schedule 1 to the Hotel and Guesthouse Accommodation (Fees) Regulations (Cap. 349 sub. leg. B) (the Principal Regulations) specifies the fees to be payable for the issue of licences under section 8 of the Ordinance and Schedule 2 the fees to be payable for the renewal of licences under section 9 of the Ordinance.

3. Section 22(1)(f) of Cap. 349 provides that "the Chief Executive in Council may by regulation provide for or in relation to the fees to be charged for any matter prescribed or permitted by this Ordinance". Section 22(5) of Cap. 349 provides that any regulation made under subsection (1)(f) may provide for a different fee to be payable having regard to –

- (a) the type or description of a hotel or a guesthouse;
- (b) the number of rooms where accommodation is available in a hotel or a guesthouse; and
- (c) the number of guests able to be accommodated in a hotel or a guesthouse.

4. The Amendment Regulation is made by the Secretary for Financial Services and the Treasury under section 29A of the Interpretation and General Clauses Ordinance (Cap. 1) by virtue of section 22 of the Ordinance to revise

the fees payable for the issue and renewal of licences in respect of hotels and guesthouses by repealing the old schedules and substituting the new ones. The existing and proposed fees as prescribed in the schedules to the Principal Regulations are set out in Annex B to the Legislative Council Brief issued by the Home Affairs Department in June 2007 [File Ref: HAD HQ CR/15/3/1/(C)].

5. According to the Administration, the fee revision in respect of the Principal Regulations is intended to be an annual exercise to gradually achieve full-cost recovery. The level of fee increase should be determined in accordance with the following guidelines advised by the Financial Services and the Treasury Bureau –

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

6. Following the last revision on 1 January 2006, a fresh costing exercise was carried out the fee items under the Principal Regulations. The current fee levels under the Principal Regulations cover 38% to 117% of the full cost of issue of new licences, and 90% to 104% of that of renewal of licences for hotels and guesthouses. In accordance with the guidelines in paragraph 5 above, the Administration proposes the following adjustments in 2007 -

- (a) for hotels and guesthouses with one to five rooms, the fees for the issue of new licences and for the renewal of licences to be increased by 10% to 20% and by 2% to 4% respectively;
- (b) for hotels and guesthouses with six to 100 rooms, the fees for the issue of new licences to be increased by 10% to 15% and the fees for the renewal of licences to be revised by -4% to 10%; and
- (c) for hotels and guesthouses with over 100 rooms, the fees for the issue of new licences and for the renewal of licences to be decreased by 2% to 14% and increased by 0.1% to 4% respectively.

7. The Panel on Home Affairs was informed of the fee revision proposals to be effected by the Amendment Regulation vide an information paper provided by the Administration entitled "Revision of fees and charges for items

under the (A) Building Management Ordinance (Cap. 344) and (B) Hotel and Guesthouse Accommodation Ordinance (Cap. 349)" [LC Paper No. CB(2)1690/06-07(01)] on 25 April 2007. Panel members were also consulted on whether they wished to discuss the paper at a meeting but no request was received.

Consultation with the Panel on Home Affairs on the last fee revision under the Principal Regulations

8. It is the 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. According to the Administration, most fees and charges have been frozen since 1998 as an exceptional measure to alleviate the financial burden on the public in times of economic difficulty. In the 2004-2005 Budget Speech, the Financial Secretary indicated the need to resume the revision of government fees and charges, starting with those that did not directly affect people's livelihood or general business activities, including the fee items relating to the issue and renewal of licences under the Principal Regulations.

9. Based on the outcome of the costing review conducted at 2004-2005 price level, the Administration proposed in January 2005 to revise 234 fee items, with 199 increases and 35 reductions. For fee reductions, the fees would be reduced to the full cost level in one go.

10. At its meeting on 21 March 2005, the Panel was consulted on proposals to revise the fees and charges for services under the purview of the Home Affairs Bureau, including the fees items under the Principal Regulations. Members did not raise any views on fees items relating to the issue and the renewal of licences in respect of hotels and guesthouses. The fees were subsequently revised on 1 January 2006.

Relevant papers

11. Members are invited to access Legislative Council's (LegCo's) website (<http://www.legco.gov.hk>) for the LegCo Brief on the Amendment Regulation, the report on the Amendment Regulation prepared by the Legal Service Division of LegCo Secretariat, and details of the paper and minutes of the meeting of the Panel on Home Affairs on 21 March 2005.