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**Subcommittee on
Hong Kong Air Navigation (Fees) (Amendment) Regulation 2011 and
Civil Aviation (Aircraft Noise) (Certification) (Amendment) Regulation 2011
Meeting on 8 December 2011**

Background brief

Purpose

This paper provides background information on the Hong Kong Air Navigation (Fees) (Amendment) Regulation 2011 (L.N.159 of 2011) and the Civil Aviation (Aircraft Noise) (Certification) (Amendment) Regulation 2011 (L.N.160 of 2011) ("the Amendment Regulations") and summarizes previous discussions on the subject.

Background

2. The Hong Kong Air Navigation (Fees) Regulations (Cap 448 sub. leg. D) and the Civil Aviation (Aircraft Noise) (Certification) Regulations (Cap 312 sub. leg. A) ("the Regulations") provide for the fees and charges relating to civil aviation to be levied by the Civil Aviation Department (CAD). Most of the fees under the Regulations were last adjusted in 1986¹. In a review recently conducted by CAD on the fees and charges related to civil aviation under the Regulations, it is found that the fees and charges levied for some of the services do not recover all the costs of the services provided, with the cost recovery rates ranging from 5% to about 80%. Some services are also being provided free of charge to the aviation industry.

3. In line with the Government's policy that fees and charges should in general be set at a level sufficient to recover the full cost of providing services,

¹ The exceptions are certain examination fees in connection with flight crew licensing (last revised in 1990), the fees for the noise certificates (last revised in 1996) and the maximum fee for aerodrome licensing (last revised in 1998).

the Administration has made the Amendment Regulations with a view to achieving the full cost recovery for the services provided. The Administration intends to take this opportunity to adjust the over-recovery fees to the respective full costs in one go and delete the obsolete fee currently levied.

Proposed amendments

4. The Amendment Regulations include the following main provisions:
 - (a) to provide for the payment of the fees prescribed in the Schedule to the Hong Kong Air Navigation (Fees) Regulations;
 - (b) to adjust the level of certain fees with a view to achieving full cost recovery;
 - (c) to introduce new fee items in respect of certain matters provided for in the Air Navigation (Hong Kong) Order 1995;
 - (d) to streamline the structure of examination fees for the grant or renewal of a licence to act as a flight crew member;
 - (e) to delete the fee item for the renewal of a certificate of validation; and
 - (f) to reflect the abolition of official flying tests.

5. The Amendment Regulations are to come into operation on 13 January 2012.

Views of members of the Panel on Economic Development

6. The Panel on Economic Development ("Panel") was consulted on the proposed revision of fees and charges under the Regulations at the meetings on 28 March 2011 and 27 June 2011.

7. At the meeting on 28 March 2011, Panel members expressed concern about the drastic increase of some of the fees and charges. They considered that the Government's aviation policy should facilitate the conduct of business in Hong Kong, and the fee proposals should not undermine the competitiveness of Hong Kong's aviation industry. The Panel urged the Administration to address the concern as to whether the proposals would undermine Hong Kong's competitiveness as an aviation hub in the region by comparing such fees with those charged by neighbouring civil aviation authorities.

8. At the Panel meeting on 27 June 2011, the Administration explained that as the fees and charges relating to civil aviation varied from place to place depending on the specific regulatory requirements and cost structure, it was difficult to conduct a comparison on a like for like basis. The Administration advised that CAD's fees would only represent less than 1% of the aircraft operator's total operating expenses in the case of a smaller aircraft operator, and that the percentages would be even smaller in the case of some larger aircraft operators in Hong Kong. The Administration assured members that the fee proposals would not have a significant impact on the aviation industry, nor would they undermine Hong Kong's competitiveness as an aviation hub in the region. While supporting the current fee proposals, the Panel urged the Administration to explore ways to further reduce the fees and charges levied by CAD to enhance the competitiveness of Hong Kong among its neighbouring competitors.

9. Regarding the suggestion of imposing higher charges for aircraft which causes noise at a high level, the Administration explained that this was not in line with the existing policy.

Relevant papers

Discussion paper provided by the Administration for the Panel meeting on 28 March 2011

<http://www.legco.gov.hk/yr10-11/english/panels/e/dev/papers/e/dev0328cb1-1657-5-e.pdf>

Minutes of the Panel meeting on 28 March 2011

<http://www.legco.gov.hk/yr10-11/english/panels/e/dev/minutes/e/dev20110328.pdf>

Discussion paper provided by the Administration for the Panel meeting on 27 June 2011

<http://www.legco.gov.hk/yr10-11/english/panels/e/dev/papers/e/dev0627cb1-2529-5-e.pdf>

Minutes of the Panel meeting on 27 June 2011

<http://www.legco.gov.hk/yr10-11/english/panels/e/dev/minutes/e/dev20110627.pdf>