

**Legislative Council Bills Committee on
the Provision of Municipal Services (Reorganization) Bill**

(25 June 1999)

**Future Policies on Setting Fees and Charges
for Leisure and Cultural Services**

This paper sets out the Administration's proposed broad principles for setting fees and charges for leisure and cultural services after the reorganisation of municipal services.

Previous Discussion

2. In our earlier papers, we have made the following points concerning the fees and charges for leisure and cultural services after the reorganisation -

- (a) we shall continue to follow the well established policies for setting fees and charges according to the nature of the services provided. While costs and market conditions are relevant considerations, of paramount importance will be our policy objective of promoting arts, culture, recreation and sports. We will continue to subsidise fees and charges for leisure and cultural services and ensure that they are kept at reasonable levels;
- (b) we propose to preserve the current structure of fees and charges in force immediately before 1 January 2000 and reconcile the different fee levels and fee setting mechanisms between the Provisional Urban Council and the Provisional Regional Council, where appropriate, within two years;

- (c) we welcome discussions in Leg Co on pricing principles and subsidy levels in general;
- (d) subsidy levels are one of the important elements in determining fees. We see difficulties in prescribing subsidy levels or ranges of subsidy levels by legislative means. The precise subsidy levels actually achieved in effect are results determined by an interplay of costs and patronage. If subsidy levels are entrenched in law, all fees and charges will become challengable in court. The petitioner has only to show that a particular fee or charge can be above the stipulated level or outside the prescribed range. Very often, exact subsidy levels are known only post facto; and
- (e) tying fees and charges to subsidy levels will discourage management incentives in cost control and proactive marketing. Rigidity in the rules will not ensure better or more services. Flexibility does.

Broad Principles of Future Fee-setting Policies

3. We will essentially follow the two Provisional Municipal Councils' existing fee-setting policies for leisure and cultural services, including the following elements -

- (a) to set fees and charges at affordable levels so as to promote arts, culture, recreation and sports in Hong Kong;

- (b) to offer concessionary rate tickets/admission charges for cultural programmes, leisure facilities and museums etc. to children, students, senior citizens and the disabled, etc.;
- (c) to allow fee reductions/waivers for venue hire charges for nonprofit making organizations (e.g. National Sports Associations, bona-fide district/cultural organizations);
- (d) to maximise usage by setting differentiating charges for different time-slots or venues at different locations to take into account users' demand and popularity of the facilities concerned;
- (e) to differentiate between hiring of a commercial and non-commercial nature, and to set higher charges for profit-making events;
- (f) to continue to charge nominal fees for certain services for crowd control purpose or discourage misuse of services (e.g. library cloakroom services); and
- (g) to take into account changes in operating costs, market situations, inflation rate in revising fees and charges.

Legislative Council's Involvement

4. The Bill proposes that fees and charges for leisure and cultural services should be determined by the Director of Leisure and Cultural services subject only to the approval of the Financial Secretary. Nevertheless, LegCo will continue to have a role in monitoring the setting of fees and charges, although it will not be involved in vetting individual fee levels.

5. We propose to consult LegCo on the future fee-setting policies for leisure and cultural services, including the following aspects -

- (a) submit information on existing fees and charges and the current subsidy levels to a LegCo panel for discussion. Transparency in our pricing policy and price-setting mechanism is guaranteed;
- (b) submit to the Panel for discussion our pricing policy before any major fees and charges review;
- (c) consult the Panel on any changes to the fees setting mechanism as stated above; and
- (d) consult the Panel if in future contracting out or corporatisation schemes would require a degree of autonomy in fees and charges setting by the operators.

Constitutional Affairs Bureau

Home Affairs Bureau

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