

LegCo Panel on Environmental Affairs
Subcommittee on matters relating to environmental hygiene

Restaurant Licensing : Streamlining of Licensing Process

PURPOSE

This paper informs Members of the present licensing regime for restaurants, the Consultant's study on licensing procedures and the Administration's response and action plan to expedite the licensing process and to improve our service to the restaurant trade.

BACKGROUND

2. Any food business which involves sale of food for consumption on the premises is required to obtain a restaurant licence from the licensing authority, i.e. the Director of Food and Environmental Hygiene, under the Public Health and Municipal Services Ordinance (Chapter 132). There are two main categories of restaurant licences, namely the General Restaurants (GR) and the Light Refreshment Restaurants (LRR). As at 30 April 2000, there were 6,708 licensed GR and 2,163 licensed LRR in Hong Kong.

3. At present, the Food and Environmental Hygiene Department (FEHD) operates three Licensing Offices in Hong Kong, Kowloon and New Territories respectively to handle restaurant licence applications. Licences are issued if the premises comply with all requisite health, ventilation, building and fire safety requirements. The FEHD co-ordinates and acts in concert with the Buildings Department (BD) and Fire Services Department (FSD), and other departments where necessary, in processing licence applications. In 1999, the two former municipal services departments received about 1,100 new applications for restaurant licences.

4. In response to the concern of the restaurant trade regarding the relatively long time for the licensing process, the relevant authorities introduced a provisional licence (PL) system in December 1995 to enable the trade to start their business with a PL within a reasonable timeframe pending the issue of a

full licence. The PL is valid for six months and can be issued if the basic health, building and fire safety requirements are met. A flow chart showing the existing licensing procedures is at **Annex I**.

5. Under the existing licensing system, it normally takes around 5 weeks for the issuance of Letter of Requirements (L/R) for PL while the time taken for issuance of L/R for full licence is around 6-7 weeks. However, the time taken to issue a restaurant licence depends to a great extent on when the applicant could provide the relevant authorities with the requisite certificate and reports. As such, the extent to which an applicant acts diligently to comply with the licensing requirements also affects the time required for processing the application. From our experience, long drawn cases are often due to one or more of the following reasons :

- (a) The selected premises not being fit for the purpose e.g. problems with structural safety, ventilation and fire escape;
- (b) Insufficient knowledge about the licensing requirements ;
- (c) Applicants relying too much on their contractors ;
- (d) Frequent changes of layout of the premises ; and
- (e) Change of applicants and authorized persons.

To help potential restaurateurs/operators to understand the licensing requirements, bi-monthly seminars are conducted and guidelines for applications are provided.

6. The restaurant trade has criticised the current licensing process as cumbersome, complicated and inflexible. It has urged for a simple, quick and user-friendly process and the adoption of a one-stop shop approach. In response to the concern of the trade, the Business Services Promotion Unit of the Financial Secretary's Office, engaged PricewaterhouseCoopers (the Consultant), in December 1998 to conduct a study with a view to revamping the system, streamlining the restaurant licensing procedures and shortening the processing time. As part of the study, the Consultant had sought views from the trade, the former Provisional Urban Council and Urban Services Department, BD and FSD. The Consultant delivered its Final Report in January 2000. A summary of the Consultant's recommendations is at **Annex II**.

CONSULTANT RECOMMENDATIONS

7. While the object of the Consultant study is to expedite the restaurant licensing process, it is clearly understood and accepted by all concerned that standards of public health and safety must be ensured and that they cannot be compromised. **The key recommendation of the study is the introduction of a new licensing system which provides applicants with two options, namely a normal track process and a fast track process** as set out below:

- (a) **Normal Track Process** — It aims at streamlining the current process. Under the Consultant’s recommendation, FEHD should conduct preliminary screening of layout plans instead of the existing quality audit and that the three key departments, namely FEHD, FSD and BD, should conduct separate site inspections to speed up the processing time. As a result, FEHD should be able to issue L/R for both full and provisional licences within 26 working days from the date of receiving the applications.
- (b) **Fast Track Process** — It involves the development and introduction of a **“fit for purpose” certification system by recognized professionals**. Under such system, a “fit for purpose certificate” would serve as a proof that the premises concerned meets the basic building and fire safety requirements and is suitable for restaurant operation. Moreover, the licensing bodies will provide the potential applicant with their comments on the requirements of fitting out work within 3 weeks of receiving a letter of intent for application. This would enable applicants to know the requirements before the commencement of construction and fitting work. The Consultant recommends the implementation of this system in two phases to cater for the need and enactment of legislative amendments. In the first phase, applicants can obtain a provisional licence within the same day of application upon the production of an endorsed “fit for purpose” certificate and four certificates of compliance relating to health, building, fire services and ventilation. After the successful implementation of the first phase and upon amendments of the relevant legislation, applicants will be issued a full licence upon production of the certification in the second phase i.e. FEHD will issue a full licence on the same day upon receipt of applications and upon production of the stipulated certificates.

8. Other main recommendations of the Consultant which seek to expedite the licensing processing include the following:

- (a) **Fast retrieval of building plans from BD** — The BD should implement both short term measures such as establishing a database to centrally maintain building information and long term measures such as conversion of all building plans into electronic format;
- (b) **Introduction of a “Case Manager” scheme** — FEHD should appoint a case manager to act as a coordinator between the applicants and the departments concerned; and
- (c) **Provision of more support to applicants by FEHD.**

The implementation tasks and indicative implementation schedule recommended by the Consultant are at **Appendix C of Annex II**.

ADMINISTRATION’S RESPONSE AND PROPOSED ACTION PLAN

9. We are committed to improving the licensing process and welcome the Consultant’s study. We have examined all the recommendations and have taken further steps to streamline the licensing procedures. An inter-departmental working group led by FEHD has been set up to oversee the implementation of the recommendations and monitor the progress. Details of our response to the Consultant’s recommendations and action plan are also set out in **Annex II**. The main improvements to the licensing process are highlighted in paragraphs 10 to 14 below.

Streamlining of Licensing Procedures

10. As the Licensing Authority, our primary objective is to put in place an accountable, efficient, open, and transparent licensing system. As the “fast track” proposal requires further deliberation and consultation with the restaurant trade and the professionals and amendment of legislation to implement the “fit for purpose” certification system, we have given priority to implementing the **normal track proposal**. Having studied the Consultant’s recommendation and as a result of the joint deliberations by all concerned Departments, we will further streamline the licensing procedures with details as follow:

- time required for issuing a L/R for both provisional and full licences (from the date of receiving an application) will be shortened from 26 working days as recommended by the Consultant to **20 working days** ;
 - i. for provisional licences, we aim to implement the new performance pledge of 20 working days as illustrated in the flow chart at **Annex III(i)** in June 2000; and
 - ii. for full licences, our target implementation date for the new performance pledge as illustrated in the flow chart illustrating at **Annex III(ii)** is end of 2000 or early 2001 when the automation of the L/R system has been put in place.

11. As for the “fast track” proposal, we aim to implement the first phase around mid 2001. This would allow sufficient lead time for relevant departments to seek additional resources (in particular for staff and information technology) and to amend relevant legislation to implement the “fit for purpose” certification system by recognised professionals. The implementation of the second phase will depend on the results of the first phase, the evaluation of the performance of the recognised professionals and the feedback from the trade on the usefulness of the new system. FEHD also needs to put in place new accounting arrangements to enable the issue of licence over the counter.

Retrieval of Building Plans

12. Retrieval of building plans is essential for the calculation of loading of the restaurant; assessing the adequacy of means of escape; and detection of unauthorized building works. We fully accept that an efficient retrieval system is required in order to speed up and shorten the licensing process. The BD has already implemented a series of improvement measures. These include:

- (a) the provision of additional space and staff to handle building plan retrieval;
- (b) the shortening of the retrieval time from 30 days to 4 working days with effect from April 2000 ; and
- (c) the delivery of files from the Record Management Office to BD

within three working days.

13. The BD has the following plans for further improvement :
- (a) it is contemplating the establishment of a Geographical Information System and a feasibility study will commence in mid 2000 ;
 - (b) a pilot project will be conducted in one district to test the idea of converting building plans into electronic format ; and
 - (c) a trial scheme will be conducted in June to shorten the response time to revisions of layout plans from 30 to 14 working days.

More Assistance to Applicants

14. We are committed to providing quality service and assistance to applicants. We have already implemented a few measures and will undertake others shortly as detailed below:

- (a) We have introduced the “**Case Manager**” scheme since mid April 2000. Senior Health Inspectors of the three Licensing Offices have been assigned as case managers. They provide and act as the contact point for both the applicant and departments concerned. In addition, they are tasked to identify and track outstanding issues and problematic areas for action to be taken.
- (b) We have prepared and uploaded user-friendly guidelines for applicants’ reference on FEHD’s website in addition to the distribution of hard copies;
- (c) We have continued to conduct bi-monthly seminars to help potential restaurateurs/operators to understand the licensing requirements; and
- (d) As a further measure to assist applicants in making application, we will set up a **Resource Centre** in one of the licensing offices as a pilot scheme in the third quarter of 2000. A working group comprising members of the core departments, i.e. FEHD, BD, EPD and FSD, has already started work on the implementation details. We plan to provide at the Resource Centre all necessary information on restaurant licensing. Video tapes, photos and

materials presented in user-friendly manner and style will be available in the Centre to assist applicants in understanding the licensing criteria and procedures. Experienced FEHD staff will also be available to give advice and answer questions relating to compliance. We believe this service would be of particular use to operators of food business of small and medium size.

15. With the implementation of the measures outlined above, the time required for issuing a provisional licence can be shortened to about 28 working days and a full licence to four to six months. However, we would need the co-operation of the applicants themselves to achieve the aforesaid time frame.

CONSULTATION WITH THE TRADE

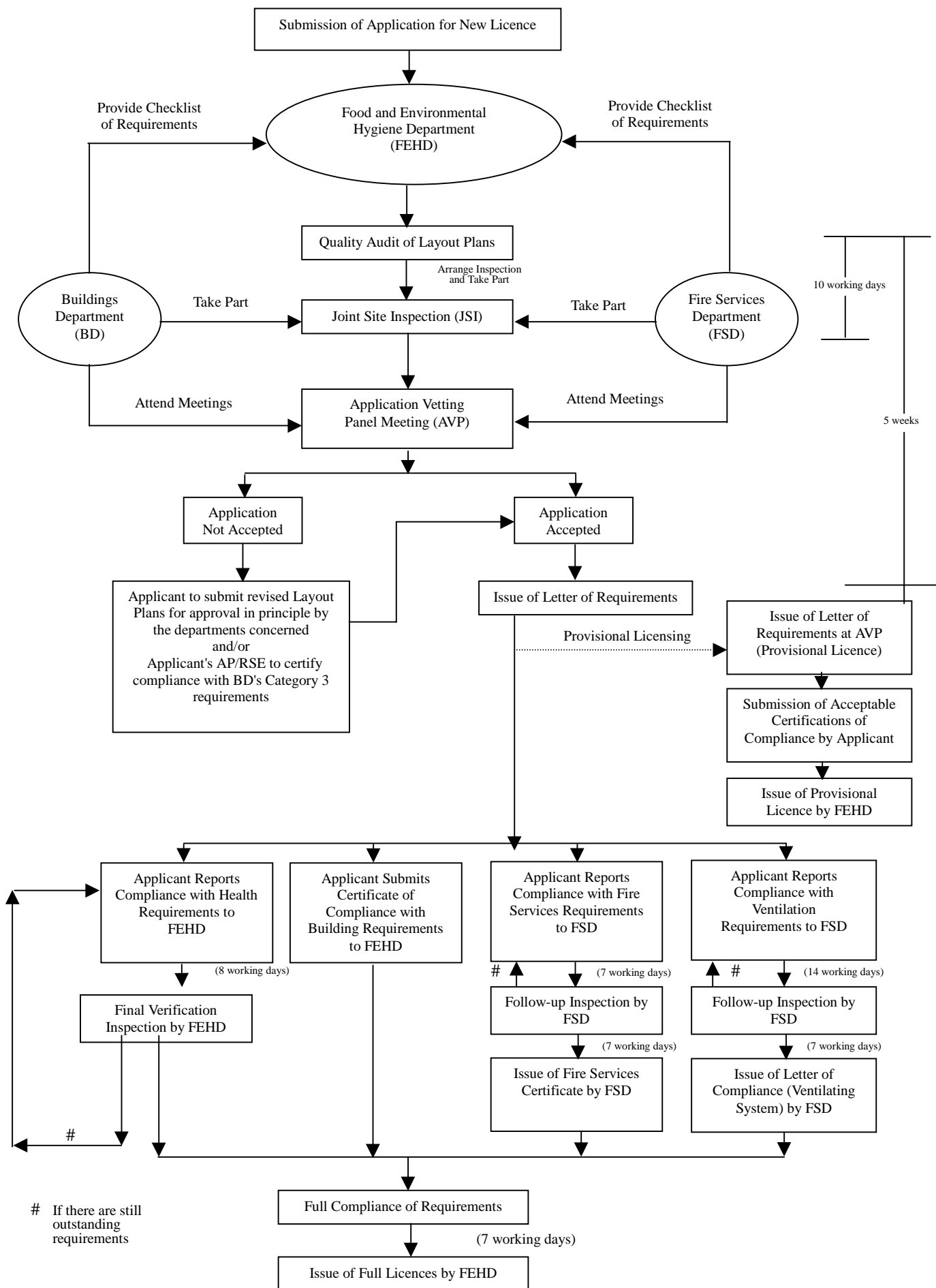
16. The Consultant had, in the course of its study, consulted the trade and its final report was circulated to the trade. We conducted two rounds of consultative meetings with the trade in early May and briefed them on our new initiatives to streamline the licensing procedures and our action plan. They expressed appreciation of the improvements already implemented by the BD which have speeded up the licensing process considerably and welcome the new measures to further streamline the existing procedures (i.e. the Consultant's normal track process). They believe the Resource Centre and the client-oriented approach adopted would be of great assistance to applicants. They have however expressed reservations on the Consultant's Fast Track Process and urged us to carefully consider the proposal and consult the relevant professional bodies before implementation. Their main concern is that the fast track process will increase their costs. Moreover, under the proposed process, they would need to finish the fitting out works before applying for the licence and such arrangement is quite risky from their point of view. As stated above, we would take into account the response from the trade in the review of the first phase of the fast track process.

ADVICE SOUGHT

17. We welcome Members' views on the Consultant's recommendations and our action plan.

Food and Environmental Hygiene Department
May 2000

FLOW CHART SHOWING RESTAURANT LICENSING PROCEDURES



**Restaurant Licensing :
Administration's Action Plan**

Consultant's Recommendations	Administration's Action Plan
<p>I. Licensing Process</p> <p>(a) To introduce a new licensing system which provides applicants with two options:-</p> <p>Normal Track (Flow chart at Appendix A)</p> <ul style="list-style-type: none"> ◆ Streamlining the current process (the normal track process) by replacing the quality audit by preliminary screening of layout plans, and by conducting separate site inspections instead of a joint site inspection. ◆ FEHD is expected to issue Letter of Requirements (L/R) for both full and provisional licences within 26 working days from the date of receiving application. ◆ FEHD should charge an application fee and a review fee for change of layouts. 	<p>The Administration accepts the recommendation and goes further to shorten the processing time from 26 working days to 20 working days. A flow chart incorporating the Consultant's recommendations is at Annex III . It will be implemented in two phases:-</p> <p>(a) First phase:-FEHD will issue L/R for provisional licences within 20 working days. This will be implemented in June 2000.</p> <p>(b) Second phase:- FEHD will issue L/R for full licence within <u>20 working days</u> after codifying health requirements and generating L/R by computers. This will be implemented by end 2000/early 2001.</p> <p>FEHD will examine the charging of application/review fee in the coming fees and charges alignment exercise.</p>

Fast Track (Flow chart at **Appendix B**)

- ◆ Applicants to obtain a licence within the same day of application on production of the "fit for purpose" certificate and 4 certificates of compliance from recognized professionals.
- ◆ To facilitate its implementation, BD and FSD will have to establish an administrative system to register the "fit for purpose" certificate.
- ◆ The fast track process is recommended to be implemented in two phases. In the first phase, FEHD is to issue a **provisional licence** to the applicant upon production of valid certification. After successful implementation of the first phase and upon amendments of relevant legislation, the Consultant recommends FEHD issue a **full licence** to the applicant upon production of valid certification.

The Administration accepts the recommendation as an improvement measure in the longer term. The fast track process will be implemented in two phases :-

- (a) The first phase will be implemented within 12 months from June 2000 allowing sufficient lead time for :-
 - ◆ BD and FSD to seek additional resources, e.g. staff and IT support to implement the "fit for purpose" certification scheme.
 - ◆ FSD to amend the FSD (Reports and Certificates) Regulations in order to enable the Director of Fire Services to issue the certificate and to charge the applicant for the service.
 - ◆ FEHD to put in place a new accounting system to allow for the issue of licences over the counter.
- (b) The second phase will be implemented upon successful implementation of the first phase, amendments to the Food Business Regulation and evaluation of the performance of recognized professionals as suggested by the Consultant.

<p>(b) FEHD to use "case manager" to improve co-ordination between licensing bodies and provide more support to applicants.</p>	<p>FEHD accepts the recommendation. A "Case Manager" scheme has been implemented since April 2000. An officer at the rank of Senior Health Inspector is assigned as the case manager of each application and acts as a coordinator between the applicant and the departments concerned. The case manager is required to take a proactive approach in assisting the applicants.</p>
<p>(c) FEHD to provide more support to applicants through, e.g. proper guidance on the roles of related parties and interpretation of licensing requirements.</p>	<p>FEHD accepts the recommendation and has already placed user-friendly and technically updated guidelines on the department's website since 1 January this year. Seminars with speakers from departments concerned are conducted on a bi-monthly basis to help potential restaurateurs understand licensing requirements.</p> <p>In addition, a working group comprising members from core departments, i.e. FEHD, BD and FSD has been formed to draw up proposals and the implementation plan for setting up a resource centre to provide assistance and advice to potential applicants. Videos, photos, reference material, etc to assist applicants in understanding the licensing criteria and procedures will be made available at the centre. Photos of typical cases posing problems to restaurant licensing, e.g. unauthorized building works, will also be displayed.</p>

<p>(d) FEHD to automate generation of L/R through implementing an automatic workflow based on Local Area Network.</p>	<p>FEHD accepts the recommendation. Work is underway with a view to codifying health requirements and generating L/R by computers. The computerization project is expected to be completed by the end of this year subject to funds available.</p>
<p>II. Building Plan Retrieval Process</p> <p>(a) BD to implement short term measures such as establishment of a database to centrally maintain building information, assignment of dedicated staff to dispatch building plans and provision of office space for applicants to view building plans.</p>	<p>BD accepts the recommendation and has already implemented the following measures :-</p> <p>(a) Since October 1999, BD has provided additional accommodation for plan viewing and additional staff to handle requests for building plan retrieval.</p> <p>(b) With effect from November 1999, requests for plan viewing in connection with restaurant licensing have been processed within a new target of 14 days (instead of the previous average of 30 days). The time required will be further shortened to four working days by June this year.</p> <p>(c) Since August 1999, the Record Management Office has put into effect an arrangement to deliver requested file to BD direct within three working days. Therefore there is no further need to assign dedicated staff and vehicle for file collection from the Record</p>

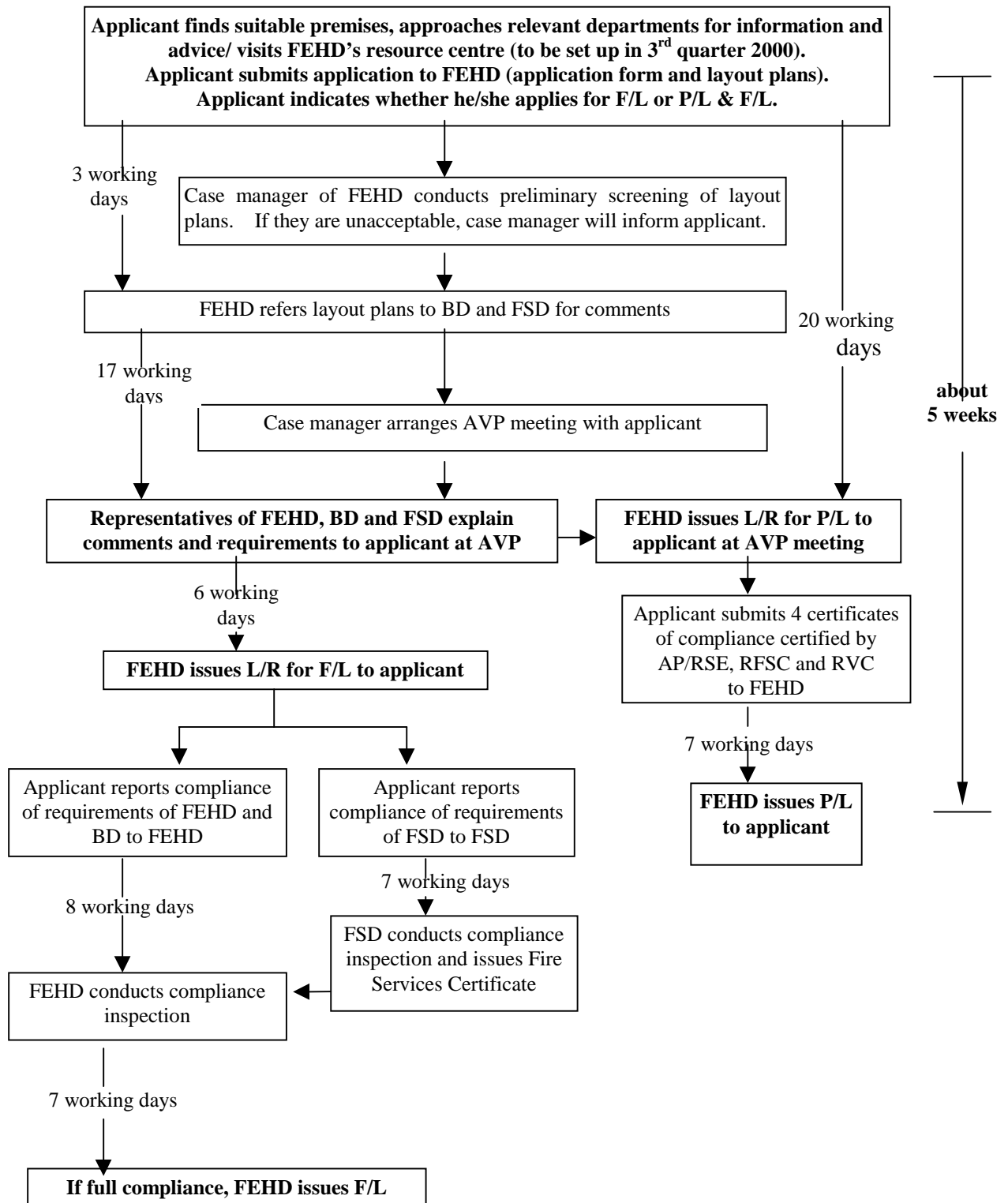
	<p>Office.</p> <p>BD is also contemplating the establishment of a geographical information system (GIS) to link up the new information system of Lands Department and the old information in BD files. A feasibility study on the GIS will commence in mid-2000.</p>
(b) BD to implement long term measures to expedite the building plan retrieval process by converting all building plans into electronic format.	BD is actively studying the recommendation in BSPU's feasibility study and will conduct a pilot project in one district to test the idea prior to implementation.
<p>III. Enforcement Procedures</p> <p>(a) FEHD to clarify ambiguous criteria under the Demerit Points System (DPS).</p> <p>(b) Criteria for Selective Inspection System (SIS) to be consistent with those used for DPS.</p> <p>(c) FEHD to review frequency of SIS.</p>	<p>FEHD accepts the recommendations and will review the criteria for the DPS and SIS, and the frequency of SIS. The review is expected to be completed by the end of this year.</p>
<p>IV. Licensing Requirements</p> <p>FEHD and EPD to reconcile the inconsistent requirement on discharge of exhaust air.</p>	<p>FEHD and EPD have considered the recommendation. EPD's 5m requirement might be applicable to certain food processes e.g. deep frying or roasting while the FEHD's 2.5m requirement could be applied</p>

	to general applications. FEHD and EPD will conduct further discussions to formulate guidelines for applicants.
<p>V. Liquor Licences</p> <p>(a) To control the location through inspection and survey by Liquor Licensing Board (LLB).</p> <p>(b) To control eligibility by restricting certain unsuitable persons from obtaining liquor licences.</p> <p>(c) To control over renewal of licence by introducing a demerit points system and a mandatory server training programme.</p>	<p>The majority of the recommendations, except the demerit points system, is already in place in the existing liquor licensing system. The Consultant's recommendations will be referred to the LLB for its consideration.</p>
<p>VI. Club Licences</p> <p>To subject eating and drinking clubs to same hygiene requirements as restaurants.</p>	<p>HAD does not license clubs but is empowered under the Clubs (Safety of Premises) Ordinance to issue Certificate of Compliance in respect of building and fire safety. Clubs providing food and drinks, though exempted under the Food Business Regulation from licensing requirements, are subject to regular inspections by FEHD staff who will provide proper advice and hygiene guidelines to the operators. The Administration considers that the present control mechanism over these clubs is generally adequate. FEHD will keep this under review.</p>

<p>VII. Light Refreshment Restaurant Licences</p> <p>FEHD to regularly review the definition of light refreshment restaurants (LRR).</p>	<p>In December 1999, BSPU engaged PricewaterhouseCoopers to conduct a study on this subject. The Consultant delivered a final report in April. The main recommendation is to remove the restriction on food items for LRR and to establish a qualifying criterion based on the total heat generation. FEHD has studied the recommendations and is drawing up an action plan and aims to complete the task by end of July.</p>
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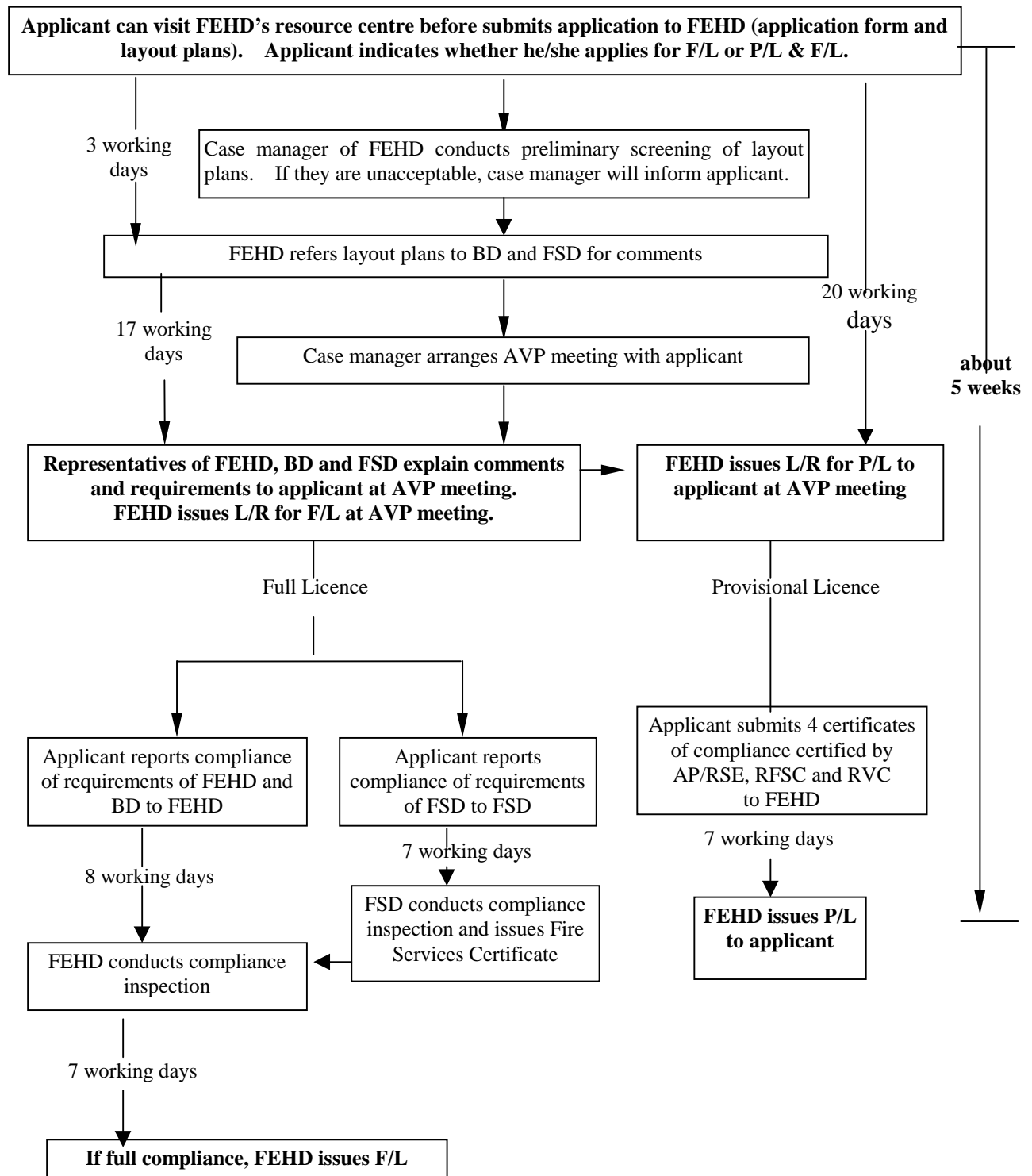
<p>Consultant's Recommended Implementation Schedule</p>	<p>Administration's Action Plan</p>
<p>The Consultant's recommended implementation tasks and schedule are at Appendix C</p>	<p>An inter-departmental working group chaired by DFEH has been set up to oversee the implementation of the above- mentioned tasks and monitor the progress.</p>

Flow Chart Showing Restaurant Licensing Procedures under the Normal Track Process (First Phase to be implemented in June 2000)



- | | | |
|-----------|---|---|
| Legend :- | FEHD :- Food and Environmental Hygiene Department | AVP :- Application Vetting Panel |
| | BD :- Buildings Department | AP :- Authorized Person |
| | FSD :- Fire Services Department | RSE :- Registered Structural Engineer |
| | F/L :- Full Licence | RFSC :- Registered Fire Services Contractor |
| | P/L :- Provisional Licence | RVC :- Registered Ventilation Contractor |
| | L/R :- Letter of Requirements | |

**Flow Chart Showing Restaurant Licensing Procedures
under the Normal Track Process (Second Phase) ***

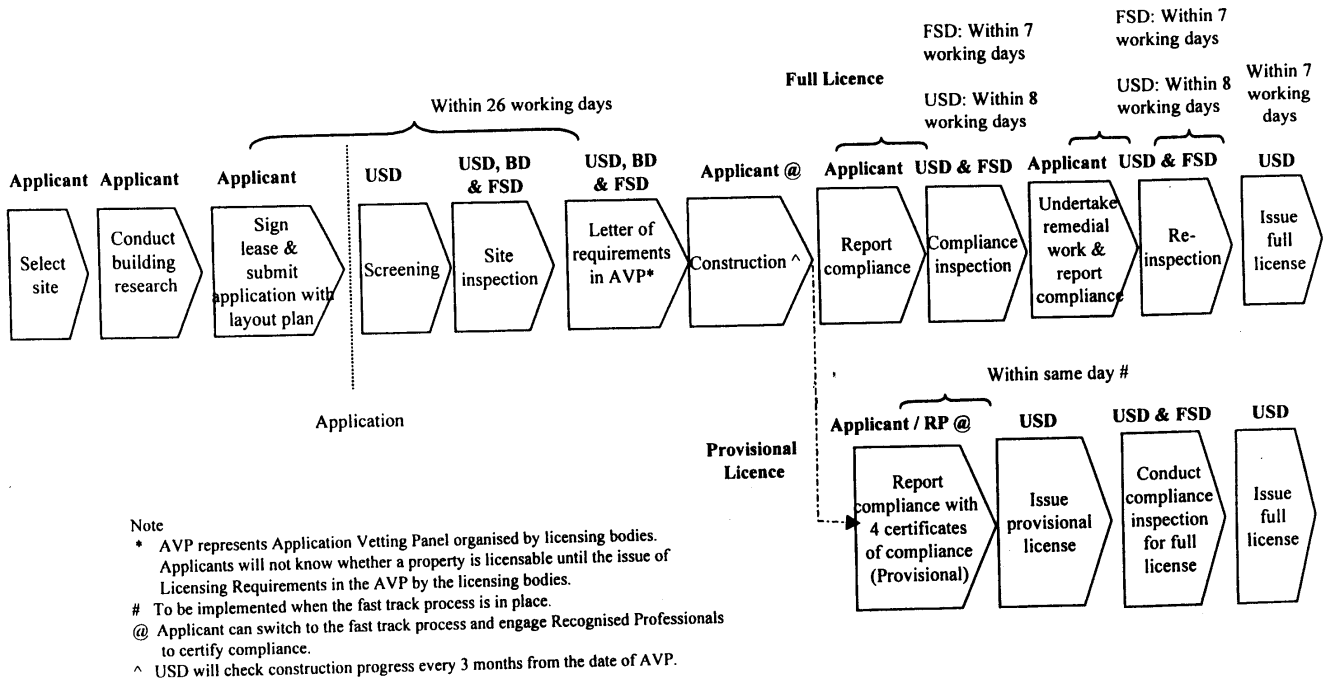


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|-----------|---|---|
| Legend :- | FEHD :- Food and Environmental Hygiene Department | AVP :- Application Vetting Panel |
| | BD :- Buildings Department | AP :- Authorized Persons |
| | FSD :- Fire Services Department | RSE :- Registered Structural Engineer |
| | F/L :- Full Licence | RFSC :- Registered Fire Services Contractor |
| | P/L :- Provisional Licence | RVC :- Registered Ventilation Contractor |
| | L/R :- Letter of Requirements | |

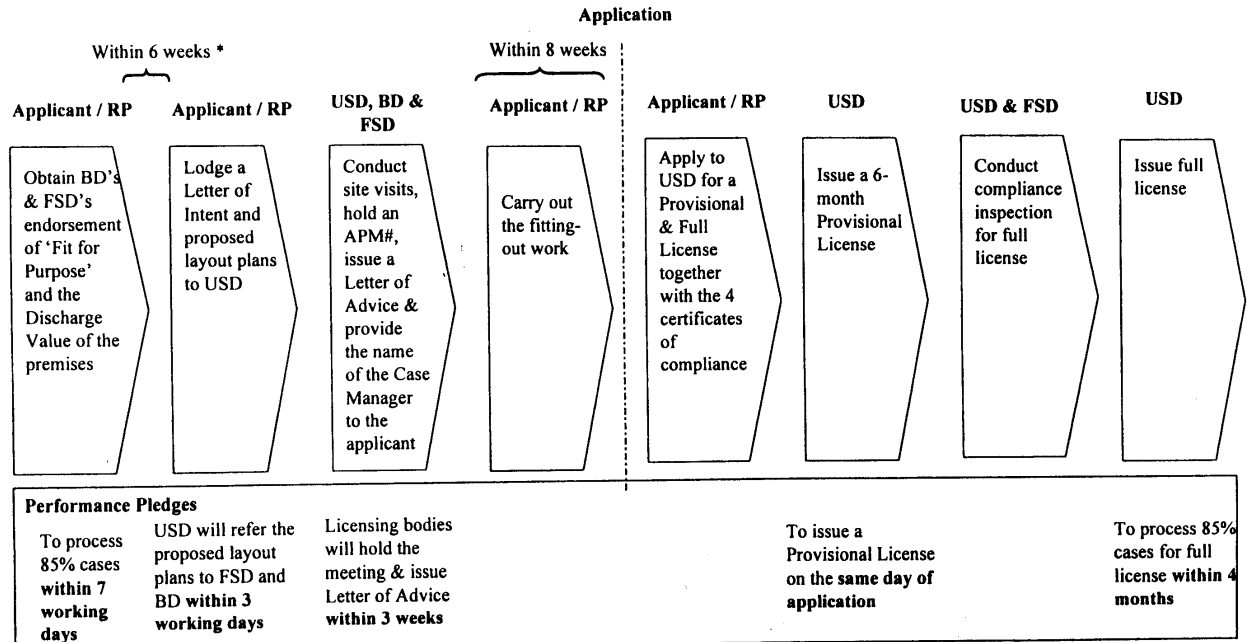
* To be implemented in end 2000 or early 2001 when automation of the L/R system has been put in place.

Normal Track Process

High Level Process Flow



High Level Process Flow



Note

- * The certificate of fit-for purpose will remain valid for a maximum period of 6 weeks from the date of issue. Thereafter, the discharge value of the subject premises will be released to other applicants on a first come first serve basis.
- # APM represents Advisory Panel Meeting organised by the licensing bodies. The licensing bodies will issue their comments on the requirements of the fitting out work to the applicant before the APM.

4. The Way Forward

To maintain the momentum of change that has been built up during the study, we propose that the following high level implementation plan be adopted by the licensing bodies:

Implementation tasks	Indicative Implementation schedule	Responsible parties
Process improvements: Option 1: Fast Track Process <ul style="list-style-type: none"> • Consultation • Establish administrative system for 'fit for purpose' registration • Strengthen monitoring of Recognised Professionals • Legislation change proposal Option 2: Normal Track Process <ul style="list-style-type: none"> • Establish administrative procedures for application fee and resubmission review fee • Change procedures for Quality Audit and site inspection • Automate generation of Letter of Requirements • Revise performance pledges 	Immediately Within 12 months Within 12 months Immediately Immediately Immediately Immediately Immediately	USD USD,BD,FSD USD,BD,FSD USD,BD,FSD USD USD,BD,FSD USD USD,BD,FSD
Assign case manager	Immediately	USD
Improve support to applicants	Immediately	USD,BD,FSD
Streamline building plan retrieval process	Immediately	BD
Enforcement procedure improvements: <ul style="list-style-type: none"> • Simplify prosecution procedures • Enhance Demerit Point System 	Immediately Immediately	USD,UC USD
Reconcile inconsistent requirements: <ul style="list-style-type: none"> • Reconciliation between USD and EPD • Redefine Light Refreshment Licenses 	Immediately Immediately	USD,EPD USD

Most of the recommendations can be implemented within one year as the implementation does not require substantial investment in capital or labour.