

For discussion
On 9 June 2000

Legislative Council Panel on Economic Services Revision of Government Fees and Charges

INTRODUCTION

This paper seeks Members' views on proposals to revise the fees and charges relating to certain services provided by the Hong Kong Observatory (HKO), the Electrical and Mechanical Services Department (EMSD) and the Civil Aviation Department (CAD). They cover fees and charges which do not directly affect people's livelihood or general business activities.

BACKGROUND

2. On 13 April 2000, the Finance Bureau (FB) consulted the Panel on Financial Affairs on proposals to revise various Government fees and charges that would not directly affect people's livelihood or general business activities including those set out below. It explained to the Panel that the Government fees and charges in question had been frozen since February 1998 as an exceptional measure to ease the burden on the community at a time of economic setback. It also indicated that having considered the views expressed by the community and Members of the Financial Affairs Panel, the Financial Secretary decided last June to continue the fee revision moratorium until the year-on-year quarterly GDP growth rate turned firmly positive. In view of the recovery of Hong Kong's economy, the Financial Secretary announced in March in the 2000-01 Budget Speech that the Administration will be approaching LegCo to discuss the revision of various Government fees and charges that do not affect people's livelihood or general business activities. At the House Committee meeting on 14 April 2000, Members agreed that the Administration should consult other LegCo Panels on whether and, if so, how fees and charges under their purview should be increased.

FEE REVISION PROPOSAL

3. It has long been Government's policy that fees and charges should be set at levels sufficient to recover the full cost incurred. The full implementation of this policy has been held in abeyance for more than two years as a result of the fee revision moratorium, which is an exceptional relief measure taken at a time of economic setback. Now that the economy is bouncing back (GDP growth of 4.4%, 9.2% and 14.3% in the third and fourth quarter of 1999 and the first quarter of 2000 respectively and a projected growth of 6% for 2000 as a whole), the Administration proposes to lift the moratorium and start adjusting the level of various Government fees and charges to reduce the subsidy from taxpayers to users of government services. In line with this general approach, we propose to revise the following fees and charges that do not affect people's livelihood or general business activities and where full-cost recovery has not yet been achieved. A summary of the proposed increases and their cost computations are at Annex A. Taking into account the impact on the affected parties, our hope is to achieve full cost-recovery in one to three years.

Sale of daily weather charts

4. Daily weather charts show major weather systems over the eastern Asia region with information on wind and temperatures at selected locations. They also contain daily weather information, such as temperature, relative humidity, rainfall and wind, recorded locally in Hong Kong. They are sold through monthly subscription, annual subscription (collection of charts in person) and annual subscription (including postage for delivery of charts by mail). The current rates for subscription are \$50, \$590 and \$1,020 respectively which have remained unchanged since July 1997. We propose that the fees be revised upward by around 10% and \$5 - \$100 to \$55, \$650 and \$1,120 respectively starting from September.

5. Users of these charts are mainly educational institutes, public bodies and companies in the transport and engineering sectors. The impact of the proposed increases of around \$5 - \$9 per month should be relatively minor to the users. Furthermore, the daily weather charts are also available on HKO Internet web-site and users may obtain information from the web-site instead of subscribing for the charts from HKO.

6. Consultation on the proposed increase in the fees for subscription of daily weather charts is not practicable as there is no representative users' organisation. In view of the small amount involved and since the same information could also be obtained via the Internet, strong objection from users is not expected.

Fees for registration of electrical workers, recognized certification body/manufacturer, and endorsement of periodic test certificates

7. Under the Electricity Ordinance, the Director of Electrical and Mechanical Services shall issue to a registered electrical worker a certificate of registration which specifies the type of electrical work that the worker is entitled to do. The certificate is valid for a period of 3 years. We propose that the fee for new registration of an electrical worker as provided for under the Electricity (Registration) Regulations be increased by under 5% or \$22, from \$475 to \$497.

8. Under the Electrical Products (Safety) Regulation, the Director of Electrical and Mechanical Services may recognize :

- (a) a certification body as a recognized certification body qualified to issue certificates of safety compliance in respect of a specified class of electrical products;
- (b) a manufacturer as a recognized manufacturer qualified to issue a certificate of safety compliance in respect of an electrical product manufactured by that manufacturer.

The existing "one-off" application fee for registration as a recognized certification body/manufacturer has been set at \$5,400 since its first implementation in October 1997. We propose that the registration fee should be increased by around 10% or \$550, from \$5,400 to \$5,950.

9. Under the Electricity (Wiring) Regulations, owners of premises (such as hotels, hospitals, schools and dangerous goods stores) have to obtain the periodic endorsement of the Director of Electrical and Mechanical Services regarding the safety of fixed electrical installations. Depending on the type of premises, the periodic test should be carried out yearly or 5-yearly. The current rate of \$650 for the endorsement of test certificate has been in force since March 1997. We propose to increase the endorsement fee by around 7% or \$43, from \$650 to \$693.

10. Since all these fees are stipulated under the law, we propose to put forward the relevant legislative amendments in the next legislative session.

11. The proposed increase in fees for registration as an electrical worker, registration as a recognized certification body and recognized manufacturer and endorsement of periodic test certificate represent only a very small percentage of the income/expenditure of persons/institutions concerned. The increase should therefore not cause hardship to them or affect their livelihood.

12. The EMSD has consulted the trade who have indicated no objection to the proposed increase in the fee for registration of electrical workers. In parallel, EMSD has initiated measures to streamline inspection, registration procedures as well as the processing of the various fees and charges. These initiatives include rationalization of working procedures and computerization of the registration procedures. The implementation of Electronic Services Delivery in future will help to improve efficiency further and reduce the cost of the services.

En-route Navigation Charges and Helicopter Movement Fees

13. The "en-route navigation charges" are payable by operators of aircraft which do not land or take off in Hong Kong but pass through the airspace under the control of the Civil Aviation Department. The present rate is \$4.20 per nautical mile flown, which has been in force since July 1990. We propose to revise upward the charges by around 14% or \$0.60 to \$4.80 per nautical mile flown.

14. Since the en-route navigation charges are payable by operators of aircraft which only pass through the airspace under the control of CAD, the proposed increase should not affect Hong Kong's position as an aviation hub. Moreover, the proposed increase (ranging from over \$23 to \$426 per flight) will only constitute an insignificant amount as compared to the total operating costs of a flight (which are usually in the order of hundreds of thousands of dollars). A comparison of the charges levied by different aviation authorities within the Asia-Pacific Region is at Annex B. It shows that Hong Kong ranks 7th for a B737 and 5th for a B747, both before and after the proposed increase.

15. The “helicopter movement fees at the Hong Kong-Macau Ferry Terminal Helipad” are payable by helicopter operators in respect of each landing or take-off at the helipad. The current rate of \$110 per movement has not been revised since November 1990. We propose that the fees be increased by 10% to \$121 per movement. The proposed increase of \$11 is less than 1% of the standard fare for a ticket for a helicopter flight between Hong Kong and Macau. Therefore the impact upon helicopter operators should not be substantial.

16. We propose to effect the increases of the en-route navigation charges and the helicopter movement fees in September 2000. The International Air Transport Association Hong Kong User Charges Board (IATA HKUCB) is being consulted. The IATA HKUCB will meet CAD to discuss the matter in late July/early August. The concerned helicopter operator has been consulted and has no objection to the proposed revision of the helicopter movement fees.

17. To enhance cost effectiveness, CAD has reviewed the equipment maintenance programme and drawn up new maintenance schedules with reference to the actual wear and tear of the equipment and the optimal mode of carrying out maintenance work. Energy-saving measures to further enhance the efficiency in energy consumption have also been implemented.

OTHER MATTERS

18. In the paper submitted by the FB to the Panel on Financial Affairs in April, fee for the supply of meteorological information was included. This item has now been removed because a further review showed that full cost recovery has already been achieved.

19. In tandem with the above proposed revisions, we will continue to push ahead with the Enhanced Productivity Programme and other efficiency improvement measures to contain cost and alleviate the pressure for fee increases. We will also review whether it is still necessary to provide the services covered by the various fees and charges under our purview.

FINANCIAL IMPLICATION

20. If the proposed increases of fees and charges as set out above are implemented, the additional annual revenue generated is estimated to be \$19.3M.

ADVICE SOUGHT

21. We should be grateful for Members' view on -
- (a) the list of fees proposed for revision in the coming months as set out above; and
 - (b) the level of fee revision for these identified fees.

Economic Services Bureau
Civil Aviation Department
Hong Kong Observatory
Electrical and Mechanical Services Department
June 2000

**Comparison of En-route Navigation Charges
Levied by Authorities within the Asia-Pacific Region**

<u>737-300 (61 tonnes)</u>		<u>747-400 (395 tonnes)</u>	
	<u>En-route Charge HK\$</u>		<u>En-route Charge HK\$</u>
1. Singapore (note c)	0	1. Singapore (note c)	0
2. Malaysia	210	2. Malaysia	315
3. Korea	848	3. Korea	848
4. Philippines	1,466	4. Taiwan	1,658
5. Taiwan	1,658	5. Hong Kong (existing)	2,134
6. Australia	1,983	5. Hong Kong (proposed)	2,438
7. Hong Kong (existing)	2,134	6. Philippines	3,152
7. Hong Kong (proposed)	2,438	7. Thailand (note d)	4,185
8. Thailand (note d)	2,854	8. Australia	5,046
9. India	2,938	9. India	5,224
10. Japan	6,610	10. Japan	6,610
11. China	7,328	11. China	7,328

Notes :

- (a) For the purpose of comparison, it is assumed that the rates charged by individual places are applied to a most common-used route in Hong Kong of 508 nautical miles (or 941 km).
- (b) The charging rates were based on the IATA Airport and En Route Aviation Charges Manual, Feb, 2000 edition.
- (c) Singapore recovers part of its costs for providing en-route navigation services from neighbouring states and the costs so recovered is not published in IATA's manual as it is considered a commercial dealing.

- (d) For Thailand, a monthly charge equivalent to HK\$642 is not included in the calculation.