

**For discussion
on 4 April 2005**

**LegCo Subcommittee
to Study the Streamlining of Food Business Licensing**

Fees for Food Business Licences

Purpose

This paper sets out the basis of determination of current licence fees and our initial thinking on the way forward.

Existing Licence Fees

2. The current licence fees were set by the former Provisional Urban Council (PUC) and Provisional Regional Council (Pro RC).

Provisional Urban Council

3. The PUC classified food business licences into three licence categories, namely, restaurant licence, other foods and drinks licence and permit, and liquor licence. The PUC determined the fees on a cost recovery basis for each category. Due to historical reasons, in computing the cost, the PUC took into account its own cost but excluded costs incurred by other departments (e.g. Buildings Department, Fire Services Department) which invested substantial manpower in processing such applications. Furthermore, the fees for the following licences were classified into various ranges based on the area of the premises:

- (a) General and marine restaurant licences;
- (b) Light refreshment restaurant licences;
- (c) Food factory – general licences;
- (d) Frozen confection factory licences;
- (e) Milk factory licences;
- (f) Factory canteen licences;
- (g) Food factory – bakery licences; and

(h) Cold store licences.

4. Under the PUC's practice, fees and charges were reviewed annually. In 1998, as a result of the economic downturn, the PUC reduced all fees and charges, including food businesses fees and charges, by 30%.

Provisional Regional Council

5. The Pro RC classified food business licences into two licence categories, namely, food and drink licence and permit, and liquor licence. Like PUC, the Pro RC determined its fees on a cost recovery basis for each category to recover its own costs but not that incurred by other departments. Licences listed in paragraph 3(a) to (h) were also charged in accordance with the area of the premises.

6. The Pro RC also reviewed the fees and charges on an annual basis. In 1998, in view of the economic downturn, the Pro RC decided not to impose a fee increase even though full cost recovery could not be achieved.

Review on Fees and Charges

7. The Administration is embarking on a review on fees and charges for food business licences. In line with Government's full-cost recovery principle, we will include the costs of all Government departments in the calculation of the fees in relation to the licensing of food businesses. We will also continue to adopt scales of charges based on the area of the premises. Over the past three years, about 24% of the licence applications were withdrawn by the applicants during processing. Departments have invested a lot of time in processing these withdrawn applications and such resources could have been redeployed to expedite the processing of the other applications. In addition, we could not recover the administrative cost from the applicants under the current system when they withdraw their applications. We consider that there is a need to introduce measures to encourage applicants to only submit an application when they have genuine interest in operating a food business

and when they have all the available information. To this end, we will consider the feasibility of charging, in addition to the licence fee, an application fee (covering the cost of processing an application) and an additional fee (covering the cost of processing each request) for a change of layout plan. Comparing with the scenario where application fee and fee for change of layout plan are not charged, the charging of application fee and fee for change of layout plan separately will result in a lower licence fee.

Advice Sought

8. Members are invited to note the basis of determination of the current licence fees as set out in paragraphs 2 to 6. Members are also welcome to comment on the initial thinking in our review on fees and charges as set out in paragraph 7. We will take into consideration the views of this Subcommittee in our further deliberations.

Health, Welfare and Food Bureau
Food and Environmental Hygiene Department
March 2005