

For information**Subcommittee on Dutiable Commodities
(Amendment) Regulation 2008****Background Information Requested by the Subcommittee Secretariat****Purpose**

This paper sets out the information, as requested in the letter dated 27 May 2008 from the Clerk to the Subcommittee on Dutiable Commodities (Amendment) Regulation 2008 (the Subcommittee), relating to the Administration's proposal to increase the fee for the issue of a temporary liquor licence with effect from 11 July 2008.

Existing licensing regime for premises selling liquor

2. Although the Dutiable Commodities (Liquor) Regulations (Cap. 109B) provides the legal basis for the issue of both liquor licences (including club liquor licences) and temporary liquor licences, the nature and the licensing regimes for the two types of licence are different. A liquor licence is granted to a licensed food business or a clubhouse by the Liquor Licensing Board¹ (LLB) for the purpose of sale or supply of liquor for consumption on premises. Temporary liquor licences, on the other hand, are issued by the Commissioner of Police to holders of liquor licences for the retail sale of liquor at any public entertainment or public occasion of a temporary nature. The captioned amendment regulation concerns solely the revision of fee payable for temporary liquor licences.

Liquor licence**Arrangement for and processing of application**

3. LLB will consider an application for a liquor licence if the food

¹ The Liquor Licensing Board is an independent statutory body established under Regulation 2A of the Dutiable Commodities (Liquor) Regulations (Cap. 109B) for granting of liquor licences. Its deliberations cover new applications, renewal, transfer and amendments to existing licences. By statute, it shall comprise a Chairman, a Vice-chairman and nine members appointed by the Chief Executive.

premise or clubhouse concerned has been issued with a full or provisional restaurant licence by the Food and Environmental Hygiene Department (FEHD) or a Certificate of Compliance (CoC) by the Home Affairs Department (HAD).

4. FEHD is the executive arm of LLB for the processing and issue of a liquor licence. Upon receiving an application for a liquor licence, FEHD will consult other relevant Government departments (the Police, Buildings Department, Housing Department and Fire Services Department). It will also consult local personalities and residents through HAD. At the same time, FEHD will request the applicant to place a newspaper advertisement to consult the public. LLB, as the licensing authority, will on the basis of the result of the consultation exercise decide whether the application should be granted and if so whether conditions should be imposed on the licence.

Existing and future cost recovery rate

5. The liquor licence fees were last adjusted by the former Provisional Municipal Councils. Liquor licence fees in the urban area were revised to achieve full cost recovery in 1997 by the former Provisional Urban Council, and were reduced by 30% in 1998 due to the economic downturn. Liquor licence fees for the New Territories were revised to achieve full cost recovery in 1997 with no fee revision since then. The fees for liquor licence are set out as follows –

	Liquor Licence	Club Liquor Licence
Urban Area (with bar endorsement ²)	\$3,940	\$3,940
Urban Area (without bar endorsement)	\$1,990	\$1,990
New Territories (with bar endorsement)	\$4,300	\$1,100
New Territories (without bar endorsement)	\$2,200	\$1,100

² Bar business and dancing are not permitted on the premises except with the Board's permission by means of endorsements.

Temporary liquor licence

6. According to Regulation 25 of Cap. 109B, the Commissioner of Police may, on payment of the prescribed fee and subject to such conditions as he thinks fit, issue to the holder of a liquor licence a temporary liquor licence for the retail sale of liquors at any public entertainment or on any public occasion.

Arrangement for and processing of application

7. Application for a temporary liquor licence should be made in writing to the Police Licensing Office, to be accompanied by a copy of the valid liquor licence or club liquor licence. The application must be made at least 14 working days before the commencement of the proposed public entertainment or public occasion.

8. Upon receiving the completed application form, the Police Licensing Office will refer the application to the frontline division concerned for processing. To ensure public safety, police officers at the relevant divisions will conduct site visits and contact the applicant for detailed information. Appropriate licensing conditions may then be drawn up and recommended by the division concerned to the Police Licensing Office, with the Divisional Commander's comments as to whether the application is supported. The Police Licensing Officer, who is the ultimate licensing authority, considers each application on its individual merits. In considering an application, the officer examines every recommended licensing condition to ensure a balance is struck between public safety and the organiser's / participant's interests. Communication with the organiser is often necessary. If an application is approved, the Police Licensing Office will issue a temporary liquor licence upon payment of licence fee.

9. In 2005 to 2007, the Police Licensing Office received 146, 141 and 161 applications respectively, out of which 134, 128 and 147 cases were approved. The number of days for which the licence was granted ranged from 1 day to 45 days, with an average of 23 days per licence.

Existing and future cost recovery rate and justification for the fee revision

10. The existing fee for a temporary liquor licence is \$335. The latest costing review at 2008-09 prices shows that the unit cost of the temporary liquor licence is \$630 and the recovery rate is 53%. We propose revising the fee upwards by 15% to \$385. The cost recovery rate will be 61% if the fee revision proposal is approved.

11. It is the Government's established policy that fees charged by the Government should in general be set at levels adequate to recover the full cost of providing the goods or services. The proposed fee increase is in line with the Government-wide general guidelines for gradually bringing fees that are recovering at a rate below the full-cost level to the full-cost recovery level, i.e. to achieve full-cost recovery within three to seven years for fees with an existing cost recovery rate of between 40% and 70% of target, through a 15% increase each year.

12. The last two occasions on which the fee for the issue of a temporary liquor licence was revised were 2001 (from \$240 to \$290) and 2006 (from \$290 to \$335) respectively. Details are set out in the table below –

Price Level	Unit Cost (\$)	Licence Fee (\$)	Commencement Date
2008-09	630	385 (proposed) (+15%)	July 2008 (Pending approval)
2005-06	583	335 (+16%)	April 2006
2000-01	1,633	290 (+21%)	January 2001

From the statistics above, it is noted that the unit cost for processing the licence has in fact decreased substantially in the past eight years, mainly due to the introduction of a computer system in 2001 (Central Licensing and Registration Phase II). The mild increase in unit cost in the latest costing exercise was mainly due to the increase in staff cost (by \$51 per licence (from \$547 at 2005-06 prices to \$598 at 2008-09 prices)) arising

from the increase in salary of the officers deployed to process applications. The proposed fee revision to reflect such cost increase is considered justified.

Initiatives and plans for enhancing the efficiency and effectiveness of the licensing regime for temporary liquor licences

13. The Police Licensing Office is committed to providing an efficient and professional service to members of the public. The arrangements for handling applications for temporary liquor licences are reviewed from time to time with a view to streamlining application procedures, as reflected by the reduction in unit cost for processing licence applications set out in para. 12 above. The actual time required to process an application for a temporary liquor licence much depends on the quality of information provided in the application. Taking into account the average time required to handle such applications, the current performance pledge for processing an application is 14 working days. The performance pledge is met for all applications processed in the last three years. Officers of the licensing office stand ready to work with the applicants to process licence applications in an efficient manner, and will be prepared to explain the reasons for the time required for handling a particular application should an applicant feel that his / her application has not been dealt with as speedily as it could be.

Security Bureau

Food and Health Bureau

Hong Kong Police Force

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