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Panel on Economic Development Meeting on 27 June 2011

Background brief on proposed revisions of fees and charges under Civil Aviation (Aircraft Noise) (Certification) Regulations (Cap 312A) and Hong Kong Air Navigation (Fees) Regulations (Cap 448D)

Purpose

This paper provides background information on the proposed revisions of fees and charges under Civil Aviation (Aircraft Noise) (Certification) Regulations (Cap 312A) and Hong Kong Air Navigation (Fees) Regulations (Cap 448D). It also provides a summary of views expressed by members of the Panel on Economic Development (the Panel) on the subject.

Background

2. It is Government policy that fees and charges should in general be set at a level sufficient to recover the full cost of providing the services. The Civil Aviation Department (CAD) reviewed the fees and charges related to civil aviation prescribed under Cap 312A and Cap 448D. The fees and charges under Cap 312A were revised in 1996, while most of those under Cap 448D were last adjusted in 1986¹.

Proposals for revision of fees and charges

3. At the meeting of the Panel on 28 March 2011, the Administration put forward the following proposals on revision of fees and charges under Cap 312A and Cap 448D:

¹ The exceptions are certain examination fees in connection with flight crew licensing (last revised in 1990) and the maximum fee for aerodrome licensing (last revised in 1998).

(a) Fee adjustments to achieve full cost recovery

As six fee items, (three in Cap 312A and three in Cap 448D) were over-recovering, CAD proposed to adjust these fees downwards to reflect the full costs. For the 48 items in Cap 448D which were under-recovering, CAD proposed to increase the fees in one go, except for the following three items for which a phased implementation over a three-year period would be proposed through legislative amendments:

- (i) the components of the maximum fee for the grant or variation of an Air Operator's Certificate (AOC);
- (ii) the minimum and maximum fees for the inspection of a maintenance or design organization for the purpose of granting approval of persons; and
- (iii) the fees for the issue of a Certificate of Airworthiness, and of a Certificate of Validation of a Certificate of Airworthiness, in the case of a glider or balloon.

(b) Streamlining the structure of the examination fees for the grant or renewal of flight crew licences

CAD proposed to streamline the structure of the examination fees for the grant or renewal of flight crew licences in Cap 448D by consolidating the examination fees into two items relating to a Private Pilot's Licence and a Professional Pilot's Licence/Flight Engineer's Licence.

(c) Deletion of an obsolete fee item

As CAD no longer renewed the certificate of validation of a licence, it proposed to delete the renewal fee under Cap 448D.

(d) New fee items

To provide the legal basis for recovering the costs of providing certain services which were now being provided free of charge, CAD proposed to introduce 19 fee items under Cap 448D.

(e) New provisions to charge for withdrawn or unsuccessful applications

CAD proposed to introduce provisions to recover the cost of investigations conducted in connection with an application that was withdrawn by the applicant, refused by CAD or otherwise ceased to have effect.

Panel discussions

4. At the Panel meeting on 28 March 2011, members expressed reservation about the proposed revisions of fees, as these might weaken Hong Kong's competitiveness with the increased costs passing on to the consumers. The following concerns were expressed by members:

- (a) some of the proposed fee adjustments were considerable and might lead to a rise in air ticket prices and air cargo handling fee, thereby undermining Hong Kong's competitiveness as an aviation hub;
- (b) the fee proposals might have adverse impact on the local airlines, air passengers and air cargo industry;
- (c) how the proposed fees compared to those levied by civil aviation authorities in the Mainland, Singapore and South Korea; and
- (d) whether certain operation costs should be included for calculation of the charges for granting the aircraft noise certificate.

Latest position

5. In view of members' concerns, the Administration will further brief the Panel on 27 June 2011 on the proposals to adjust certain civil aviation-related fees and charges. The Administration plans to table the relevant subsidiary legislation at the Council for negative vetting in the fourth quarter of 2011.

References

6. The relevant papers are available at the following links:-

Administration's paper and minutes for the Panel meeting on 28 March 2011

<http://www.legco.gov.hk/yr10-11/english/panels/edev/papers/edev0328cb1-1657-5-e.pdf>

<http://www.legco.gov.hk/yr10-11/english/panels/edev/minutes/edev20110328.pdf>

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