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Panel on Food Safety and Environmental Hygiene

Background brief prepared by the Legislative Council Secretariat for the meeting on 10 March 2015

Review on fees and charges for services provided by the Agriculture, Fisheries and Conservation Department

Purpose

This paper provides background information on the review on fees and charges for services provided by the Agriculture, Fisheries and Conservation Department ("AFCD") and summarizes the main concerns of members of the Panel on Food Safety and Environmental Hygiene ("the Panel") on the subject.

Background

2. The Financial Secretary stated in his speech during the Second Reading debate on the Appropriation Bill 2013 at the Council meeting of 27 February 2013 that to prevent cost recovery items being turned into heavily subsidized items, all policy bureaux and departments would be requested to carry out a review on their respective fees and charges and submit plans for their revision in one or two years. It was the Administration's plan to first deal with fees that had not been revised for years and did not directly affect people's livelihood, as well as items which had low cost recovery rates. To avoid affecting people's livelihood, the Administration undertook that there would not be substantial revisions at one go.

3. According to the Administration's reply to Members' initial written questions during the examination of the Estimates of Expenditure 2013-2014, there were 80 fee items administered by AFCD, with an overall recovery rate of about 65%. At the meeting on 11 February 2014, the Panel was briefed by the Administration on the proposals to revise 18 AFCD fee items for services provided mainly to pesticides traders, pesticides retailers, pet shops and

companies running riding establishments. Members were advised that in order to achieve full cost recovery gradually and avoid a steep fee increase, the Administration proposed to adopt an increase of about 20%, 15%, and 10% or less for items with an existing cost recovery rate of less than 40%, 40% to 70%, and over 70% respectively. Following the proposed increase, the cost recovery rates of the 18 fee items would range from 37.6% to 92.6%.

Members' concerns

4. Members' concerns expressed at the Panel meeting in February 2014 were summarized in the ensuing paragraphs.

Fee adjustment

5. While members were of the view that the proposed rates of increase in AFCD fees and charges were modest, there was concern that the increased cost of the services would be shifted onto the public. Noting that the fees and charges for most of the 18 fee items had not been revised since 1997, members considered that the proposed rates of increase might be even more modest if the Administration reviewed and revised regularly the fees and charges.

6. The Administration advised that with the economic downturn in Hong Kong since 1997, the Government had frozen a number of fees and charges to alleviate the public's burden. Following the costing review of the 18 items, the Administration would review the costs of these fee items regularly, and submit fee revision proposals as and when necessary, having regard to the "user pays" principle. While cost reviews would normally be conducted annually, cost reviews on services which involved only a few users might be conducted at longer intervals.

Efficiency improvement measures

7. Members noted that it was the Government's policy that fees and charges of Government services should in general be set at levels adequate to recover the full costs of providing the services. Concern was raised about whether the Administration had taken adequate measures to ensure the fairness of the cost computation of AFCD fees and charges, and to control and reduce the costs of the fee items.

8. The Administration advised that in computing the full costs of services provided by AFCD, it had taken into account the direct and indirect expenditure attributable to the provision of the services in accordance with generally accepted accounting and costing principles and conventions. The costing of

the proposed fees and charges had fairly reflected the work of the procedures involved, the resources deployed and the price levels concerned for the delivery of the services. AFCD would continue to enhance efficiency and streamline procedures so as to contain the costs of providing such services to the public. For example, for fee items which involved a larger number of users/applicants, AFCD would seek to further reduce their costs through computerizing the working process.

Recent developments

9. The subsidiary legislation for adjusting the 18 fee items of AFCD was gazetted on 6 June 2014 (L.Ns. 82 to 84 of 2014). Members did not set up a subcommittee to study the three Legal Notices and they came into operation on 31 October 2014.

10. The Administration will brief the Panel on the results of the review on the fees and charges for certain services provided by AFCD at the meeting on 10 March 2015.

Relevant papers

11. A list of relevant papers at the Legislative Council's website is in the **Appendix**.

**Relevant papers on
Review on fees and charges for services provided by
the Agriculture, Fisheries and Conservation Department**

Committee	Date of meeting	Paper
Council Meeting	27.2.2013	Official Record of Proceedings Pages 7428 to 7430 (Financial Secretary's speech at the Second Reading debate on the Appropriation Bill 2013 about the Government Revenue)
Financial Committee (Special meeting to examine the Estimates of Expenditure 2013-2014)	--	Administration's replies to Members' initial written questions (Reply Serial No. FHB(FE)008)
Panel on Food Safety and Environmental Hygiene	11.2.2014 (Item III)	Agenda Minutes
	2.5.2014*	Administration's letter dated 30 April 2014 providing supplementary information on the accounting principles and costing methods for the formulation of the proposed adjustment on the Agriculture, Fisheries and Conservation Department fees and charges [LC Paper No. CB(2)1425/13-14(01)]

* Issue date