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Panel on Transport
Meeting on 19 May 2017

Updated background brief on
revision to fees and charges relating to road traffic

Purpose

This paper provides background information on the revisions to fees and charges relating to road traffic. It also summarizes the discussions made by the Panel on Transport ("the Panel") on the matter.

Background

2. The provision of government services is generally charged in accordance with the "user pays" principle. In line with this principle, it is the Administration's policy that fees and charges of government services should in general be set at a level sufficient to recover the full cost of providing the services.

3. According to the Administration, in 1997-1998, government services with charges determined on a cost-recovery basis generated nearly \$12 billion in revenue, equivalent to about 4% of government revenue. In 2011-2012, revenue from this source dropped to only \$10 billion, or a share of only about 2% of revenue.

4. In the 2013-2014 Budget Speech, the Financial Secretary ("FS") pointed out that the cost recovery rate for some items of fees and charges of government services was as low as 30%. FS indicated that the Administration would systematically review the fees and charges in accordance with the "cost recovery" and "user pays" principles. It would 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. It would then review livelihood-related fees and charges in the next stage.

5. FS advised that there would not be substantial revisions in one go to avoid affecting people's livelihood. In order to achieve full cost recovery gradually and to avoid a steep fee increase, the Administration adopted the following guidelines for the proposed fee increases:

- (a) for existing cost recovery rate of less than 40%, adopt an increase of about 20%;
- (b) for existing cost recovery rate between 40% to 70%, adopt an increase of about 15%;
- (c) for existing cost recovery rate of over 70%, adopt an increase of about 10% or lower; and
- (d) for fees which are recovering more than the full cost, adjust downward to full cost recovery.

6. Based on the outcome of a costing review and in the light of the above guidelines, the Transport and Housing Bureau ("THB") proposed two batches of fee revision items relating to road traffic and consulted the Panel in 2014 and 2015 respectively. Details are set out in **Appendices I and II** respectively. These proposed fee revisions involved legislative amendments. No subcommittee was formed under the House Committee to scrutinize the relevant subsidiary legislation. The relevant fee revisions in these two batches had already come into effect.

7. In the 2016-2017 Budget Speech, FS advised that the fees and charges of government services had registered an average annual increase of \$400 million in the three years since 2012-2013. In the 2017-2018 Budget Speech, FS reiterated that government departments should continue to review their fees and charges in a timely manner. The Secretary for Financial Services and the Treasury further advised that in reviewing the fees and charges, the Administration would take into account factors including policy considerations relevant to the specific service provided, fiscal discipline, public affordability and acceptability, and the views of stakeholders before making fee revision proposals. The Administration would increase fees and charges as and when necessary to preserve the revenue base. Government departments would also

keep costs under strict control, reduce the need for increasing fees and charges as far as possible.

Major views and concerns of members

8. The Panel was consulted on the two batches of fee revision items relating to road traffic at its meetings on 17 January 2014 and 27 February 2015 respectively.

9. Panel members generally supported the proposed revisions given that those fee items had not been adjusted for many years. Members considered that the Administration should conduct annual or biennial review of the fees and adjust the fees in a moderate manner. In particular, some members considered it necessary to achieve full cost recovery for punitive fee items as far as practicable. However, there was a view that it was unnecessary to increase the proposed fee items given the big surplus in the public coffer. Members also discussed means to control the costs of providing some government services, such as introducing electronic means in areas like vehicle registration and licence renewals, so as to reduce the need for or magnitude of fee increases.

10. The Administration responded that to avoid affecting people's livelihood by frequent adjustments, they would adjust fee levels when the accumulated adjustment rate had reached a certain level. Full cost recovery would be achieved gradually by adopting the established guidelines. In parallel, the Administration had been reducing costs by adopting electronic means. In the fee revision exercise in 2015, reduction of some fee items was proposed as a result of the streamlining of working procedures and the use of computers by the Transport Department.¹

11. When asked by members about other fee items to be adjusted in the future, the Administration advised that it would regularly review the costs of all fee and charge items relating to road traffic and introduce fee revision proposals as and when necessary. It would continue to enhance working efficiency and streamline procedures so as to contain the costs of the fee items concerned.

¹ Please refer to items 10 and 11 on page two of Appendix II.

Latest position

12. The Administration plans to consult the Panel on the third batch of revisions to fees and charges under the Road Traffic Ordinance (Cap. 374) and its regulations at the Panel meeting to be held on 19 May 2017.

Relevant papers

13. A list of relevant papers is in **Appendix III**.

Council Business Division 4
Legislative Council Secretariat
15 May 2017

**Proposed revision to fees and charges relating to road traffic
(Batch One)**

	Fees with brief descriptions	Relevant Government department	Existing fee level (\$)	Existing cost recovery rate (%)	Proposed fee level (\$) (Proposed change in percentage)
1	<p>Fee for record of convictions (traffic convictions) (under Second Schedule of Road Traffic (Driving Licences) Regulations (Cap. 374B))</p> <p><i>Brief description:</i> Fee for the issue of a record of convictions under section 75(5) of the Road Traffic Ordinance (Cap. 374) (the Ordinance)</p>	HKPF	50	78	55 (+10%)
2	<p>Fee for certificate of no recorded convictions (traffic convictions) (under Second Schedule of Cap. 374B)</p> <p><i>Brief description:</i> Fee for the issue of a certificate of no recorded conviction under section 75(5) of the Ordinance</p>	HKPF	50	78	55 (+10%)
3	<p>Removal charge - for a vehicle having a permitted gross vehicle weight not exceeding 5.5 tonnes (under Schedule 5 of the Ordinance)</p> <p><i>Brief description:</i> Charge for removal of vehicles which were seized by a police officer under sections 95 or 103 of the Ordinance</p>	HKPF	485	59	560 (+15%)

	Fees with brief descriptions	Relevant Government department	Existing fee level (\$)	Existing cost recovery rate (%)	Proposed fee level (\$) (Proposed change in percentage)
4	Removal charge - for a vehicle having a permitted gross vehicle weight exceeding 5.5 tonnes but not exceeding 24 tonnes (under Schedule 5 of the Ordinance) <i>Brief description:</i> Charge for removal of vehicles which were seized by a police officer under sections 95 or 103 of the Ordinance	HKPF	1,110	51	1,280 (+15%)
5	Removal charge - for a vehicle having a permitted gross vehicle weight exceeding 24 tonnes (under Schedule 5 of the Ordinance) <i>Brief description:</i> Charge for removal of vehicles which were seized by a police officer under sections 95 or 103 of the Ordinance	HKPF	2,790	61	3,210 (+15%)
6	Storage Charge (per day) (under Schedule 5 of the Ordinance) <i>Brief description:</i> Charge for storage of vehicles detained under sections 103 or 104 of the Ordinance	HKPF	160	93	170 (+6%)
7	Fee payable for designation or renewal of designation of a driving school (under Schedule 9 of the Ordinance) <i>Brief description:</i> Fee for designation/renewal of designation of a driving school under section 88K of the Ordinance	TD	16,500	75	18,150 (+10%)

(Source: Annex to the Administration's paper on "Proposed Revision to Fees and Charges Relating to Road Traffic (LC Paper No. CB(1)702/13-14(03))

Proposed Revision of Government Fees and Charges Relating to Road Traffic
(Batch Two)

	Fees with brief descriptions	Relevant Government department	Existing fee level (\$)	Existing cost recovery rate (%)	Revised fee level (\$)	Fee revision in percentage (%)	Cost recovery rate after fee revision (%)
	Fees for Vehicle Examinations (under Schedule 3 to the Road Traffic Ordinance (Cap. 374)) –						
1.	Motor cycle or motor tricycle	TD	320	73%	350	+9%	80%
2.	Private Car	TD	530	71%	585	+10%	79%
3.	Taxi	TD	530	72%	585	+10%	79%
4.	Goods vehicle or special purpose vehicle not exceeding 5.5 tonnes permitted gross vehicle weight	TD	630	76%	695	+10%	84%
5.	Goods vehicle or special purpose vehicle exceeding 5.5 tonnes permitted gross vehicle weight	TD	850	79%	935	+10%	87%
6.	Light bus	TD	630	72%	695	+10%	79%
7.	Single-decked bus	TD	850	71%	935	+10%	78%
8.	Double-decked bus	TD	950	71%	1,050	+11%	78%
9.	Trailer (other than a trailer towed by a private car)	TD	530	71%	585	+10%	78%

	Fees with brief descriptions	Relevant Government department	Existing fee level (\$)	Existing cost recovery rate (%)	Revised fee level (\$)	Fee revision in percentage (%)	Cost recovery rate after fee revision (%)
	<i>Brief description (items 1 to 9):</i> Fees payable in respect of an examination in connection with registration, suspension of vehicle licence orders or repair orders, etc. under sections 78, 84(3) and 85(2) of Cap. 374.						
10.	Fee payable for supply of each form of a certificate of roadworthiness (under Schedule 8 to Cap. 374) – Private car	TD	58	360% ⁶	16	-72%	99%
11.	Light goods vehicle	TD	58	360% ⁶	16	-72%	99%
	<i>Brief description (items 10 & 11):</i> Fee payable for the Transport Department (“TD”) to supply a designated car testing centre operator in respect of each form of a certificate of roadworthiness under section 88C of Cap. 374.						

⁶ The cost of these fee items has significantly been reduced following TD’s streamlining of working procedures to issue these certificates, such as the use of computers.

	Fees with brief descriptions	Relevant Government department	Existing fee level (\$)	Existing cost recovery rate (%)	Revised fee level (\$)	Fee revision in percentage (%)	Cost recovery rate after fee revision (%)
12.	<p>Registration fee (under Schedule 2 to the Road Traffic (Registration and Licensing of Vehicles) Regulations (Cap. 374E))</p> <p><i>Brief description:</i> Fee for registration of a motor vehicle under regulation 5 of Cap. 374E.</p>	TD	83	82%	91	+10%	90%
13.	<p>Fee for duplicate trade licence or permit (under Schedule 2 to Cap. 374E)</p> <p><i>Brief description:</i> Fee for the issue of a duplicate trade licence or permit under regulation 59(2) of Cap. 374E.</p>	TD	65	62%	75	+15%	71%
14.	<p>Annual licence fee for invalid carriage (under Schedule 2 to Cap. 374E)</p> <p><i>Brief description:</i> Fee for the issue of a vehicle licence for 12 months for an invalid carriage under regulation 21(1) of Cap. 374E.</p>	TD	12	20%	14	+17%	24%

	Fees with brief descriptions	Relevant Government department	Existing fee level (\$)	Existing cost recovery rate (%)	Revised fee level (\$)	Fee revision in percentage (%)	Cost recovery rate after fee revision (%)
15.	Annual licence fee for rickshaw (under Schedule 2 to Cap. 374E) <i>Brief description:</i> Fee for the issue of a vehicle licence for 12 months for a rickshaw under regulation 40(1) of Cap. 374E.	TD	50	80%	55	+10%	88%
16.	Duplicate vehicle licence fee in the case of a rickshaw (under Schedule 2 to Cap. 374E) <i>Brief description:</i> Fee for the issue of a duplicate vehicle licence for rickshaw under regulation 59(1) of Cap. 374E.	TD	10	24%	12	+20%	29%
17.	Fee for Excess Passengers Permit (under Schedule 2 to Cap. 374E) <i>Brief description:</i> Fee for the issue of an excess passengers permit under regulation 52(1) of Cap. 374E.	TD	155	82%	170	+10%	90%
18.	Fee for Movement Permit (under Schedule 2 to Cap. 374E) <i>Brief description:</i> Fee for the issue of a movement permit under regulation 53(1) of Cap. 374E.	TD	560	35%	670	+20%	42%

Proposed Revision of Fees Charged by the Private Operators of Designated Car Testing Centres

	Fees with brief descriptions	Existing fee level (\$)	Revised fee level (\$)	Fee change in percentage (%)
1. 2.	<p>Fee to be charged in respect of an examination – Initial examination (under Schedule 8 to the Road Traffic Ordinance (Cap. 374)) –</p> <p>Private car Light goods vehicle</p> <p><i>Brief description (items 1 & 2):</i> Fees charged in respect of an initial examination at Designated Car Testing Centres under section 88C(3)(a) of Cap. 374.</p>	530 630	585 695	+10% +10%
3. 4.	<p>Fee to be charged in respect of an examination – Re-examination where made within 14 days of initial examination (under Schedule 8 to Cap. 374) –</p> <p>Private car Light goods vehicle</p> <p><i>Brief description (items 3 & 4):</i> Fees charged in respect of a re-examination at Designated Car Testing Centres under section 88C(3)(a) of Cap. 374.</p>	165 210	180 230	+9% +10%

	Fees with brief descriptions	Existing fee level (\$)	Revised fee level (\$)	Fee change in percentage (%)
	Fee to be charged in respect of an examination – Issue of a duplicate copy of a certificate of roadworthiness (under Schedule 8 to Cap. 374) –			
5.	Private Car	165	180	+9%
6.	Light goods vehicle	210	230	+10%
	<i>Brief description (items 5 & 6):</i> Fees charged for issuing a duplicate copy of certificate of roadworthiness under section 88C(3)(a) of Cap. 374.			

(Source: Annexes A & B to the Administration's paper on "Proposed Revision to Fees and Charges Relating to Road Traffic (Batch 2)" (LC Paper No. CB(4)537/14-15(05))

Proposed revision to fees and charges relating to road traffic

List of relevant papers

Date of meeting	Panel/Committee	Minutes/Paper	LC Paper No.
27.2.2013	-	The 2013-14 Budget Speech	http://www.budget.gov.hk/2013/eng/pdf/e_budgetspeech2013-14.pdf
17.1.2014	Panel on Transport ("TP")	Administration's paper on proposed revision to fees and charges relating to road traffic	CB(1)702/13-14(03) http://www.legco.gov.hk/yr13-14/english/panels/tp/papers/tp0117cb1-702-3-e.pdf
		Background brief on revision to fees and charges relating to road traffic prepared by the Legislative Council Secretariat	CB(1)702/13-14(04) http://www.legco.gov.hk/yr13-14/english/panels/tp/papers/tp0117cb1-702-4-e.pdf
		Minutes of meeting	CB(1)1105/13-14 http://www.legco.gov.hk/yr13-14/english/panels/tp/minutes/tp20140117.pdf
26.2.2014	-	The 2014-15 Budget Speech	http://www.budget.gov.hk/2014/eng/pdf/e_budgetspeech2014-15.pdf
9.4.2014	-	Legislative Council Brief on Road Traffic Ordinance (Amendment of Schedule 9) Order 2014	THB(T)CR 25/5591/79 http://www.legco.gov.hk/yr13-14/english/subleg/brief/50_brf.pdf

Date of meeting	Panel/Committee	Minutes/Paper	LC Paper No.
9.4.2014	-	Legislative Council Brief on Road Traffic Ordinance (Amendment of Schedule 5) Order 2014 and Road Traffic (Driving Licences) (Amendment) Regulation 2014	THB(T)CR 25/5591/79 http://www.legco.gov.hk/yr13-14/english/subleg/brief/48_49_brf.pdf
2.5.2014	House Committee ("HC")	Legal Service Division Report on Subsidiary Legislation Gazetted on 11 April 2014	LS45/13-14 http://www.legco.gov.hk/yr13-14/english/hc/papers/hc0502ls-45-e.pdf
		Minutes of meeting	CB(2)1437/13-14 http://www.legco.gov.hk/yr13-14/english/hc/minutes/hc20140502.pdf
		Further Report by Legal Service Division on Road Traffic (Driving Licences) (Amendment) Regulation 2014 (L.N. 48) gazetted on 11 April 2014	LS55/13-14 http://www.legco.gov.hk/yr13-14/english/hc/papers/hc0502ls-55-e.pdf
9.5.2014	HC	Report No. 18/13-14 of the House Committee on Consideration of Subsidiary Legislation and Other Instruments	CB(2)1439/13-14 http://www.legco.gov.hk/yr13-14/english/hc/papers/hc0509cb2-1439-e.pdf
		Minutes of meeting	CB(2)1510/13-14 http://www.legco.gov.hk/yr13-14/english/hc/minutes/hc20140509.pdf

Date of meeting	Panel/Committee	Minutes/Paper	LC Paper No.
25.2.2015	-	The 2015-16 Budget Speech	http://www.budget.gov.hk/2015/eng/pdf/e_budgetspeech2015-16.pdf
27.2.2015	TP	Administration's paper on proposed revision to fees and charges relating to road traffic (Batch 2)	CB(4)537/14-15(05) http://www.legco.gov.hk/yr14-15/english/panels/tp/papers/tp20150227cb4-537-5-e.pdf
		Updated background brief on the revision to fees and charges relating to road traffic prepared by the Legislative Council Secretariat	CB(4)537/14-15(06) http://www.legco.gov.hk/yr14-15/english/panels/tp/papers/tp20150227cb4-537-6-e.pdf
		Administration's follow-up paper	CB(4)716/14-15(01) http://www.legco.gov.hk/yr14-15/english/panels/tp/papers/tp20150227cb4-716-1-e.pdf
		Minutes of meeting	CB(4)1191/14-15 http://www.legco.gov.hk/yr14-15/english/panels/tp/minutes/tp20150227.pdf
30.3.2015	Finance Committee ("FC")	Speaking note of the Secretary for Financial Services and the Treasury	http://www.legco.gov.hk/yr14-15/english/fc/fc/sp_note/session4-fstb-fs-e.pdf

Date of meeting	Panel/Committee	Minutes/Paper	LC Paper No.
13.5.2015	-	Legislative Council Brief on Road Traffic (Public Service Vehicles) (Amendment) Regulation 2015	THB(T)CR 25/5591/00 http://library.legco.gov.hk:1080/articles/1179165.264395/1.PDF
13.5.2015	-	Legislative Council Brief on Road Traffic (Registration and Licensing of Vehicles) (Amendment) Regulation 2015	THB(T)CR 25/5591/79 http://library.legco.gov.hk:1080/articles/1179080.264227/1.PDF
22.5.2015	HC	Legal Service Division Report on Subsidiary Legislation Gazetted on 15 May 2015	LS66/14-15 http://www.legco.gov.hk/yr14-15/english/hc/papers/hc20150522ls-66-e.pdf
7.10.2015	-	Legislative Council Brief on Road Traffic Ordinance (Amendment of Schedule 3) (No. 2) Order 2015 and Road Traffic Ordinance (Amendment of Schedule 8) Order 2015	THB(T)CR 25/5591/79 http://library.legco.gov.hk:1080/articles/1182499.269532/1.PDF
16.10.2015	HC	Legal Service Division Report on Subsidiary Legislation Gazetted on 9 October 2015	LS2/15-16 http://www.legco.gov.hk/yr15-16/english/hc/papers/hc20151016ls-2-e.pdf
24.2.2016	-	The 2016-17 Budget Speech	http://www.budget.gov.hk/2016/eng/pdf/e_budgetspeech2016-17.pdf

Date of meeting	Panel/Committee	Minutes/Paper	LC Paper No.
22.2.2017	-	The 2017-18 Budget Speech	http://www.budget.gov.hk/2017/eng/pdf/e_budgetspeech2017-18.pdf
3.4.2017	FC	Speaking note of the Secretary for Financial Services and the Treasury	http://www.legco.gov.hk/yr16-17/english/fc/fc/sp_note/session8-fstb-tsy-e.pdf

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