

LEGISLATIVE COUNCIL BRIEF

Civil Aviation Ordinance
(Chapter 448)

Hong Kong Air Navigation (Fees) (Amendment) Regulation 2017

INTRODUCTION

A At the meeting of the Executive Council on 6 June 2017, the Council **ADVISED** and the Chief Executive **ORDERED** that the Hong Kong Air Navigation (Fees) (Amendment) Regulation 2017 (Amendment Regulation) at **Annex A** should be made to revise the fees and charges under the Hong Kong Air Navigation (Fees) Regulations (Cap. 448D) levied by the Civil Aviation Department (CAD) to achieve full-cost recovery.

JUSTIFICATIONS

2. There are totally 79 statutory fee items under Cap. 448D (76 fee items) and the Civil Aviation (Aircraft Noise) (Certification) Regulations (Cap. 312A) (three fee items) which prescribe statutory fees and charges related to civil aviation administered by CAD. All of these charges are unrelated to the livelihood of the general public. The Government's policy is that fees and charges should in general be set at a level sufficient to recover the full cost of providing the services. CAD has reviewed the 79 fees and charges under Cap. 448D and Cap. 312A and updated the costing for related services to the 2017-18 price level.

3. At present, the fees and charges levied for some of the services provided by CAD under Cap. 448D and Cap. 312A do not recover all the costs of the services provided, with the cost recovery rates ranging from 33% to 98%. Although the three fee items under Cap. 312A are under-recovering (with the cost recovery rates ranging from

95% to 96%)¹, the additional revenue involved in any fee increase is projected to be immaterial. Hence, it is proposed that the fees under Cap. 312A will remain unchanged. The proposals to amend fees and charges focus on Cap. 448D and aim to achieve full-cost recovery for services provided by the Government for the aviation industry. Although there has been a general cost increase since the last fee revision in January 2012, principally in staff cost (with an increase of around 30% between 2012-13 and 2017-18), CAD has also reviewed its day-to-day management and procedures with a view to identifying efficiency savings, and has factored such savings to the proposed revisions of fees and charges. The proposals do not involve any significant change to the cost structure, nor the introduction of any new fee under the relevant subsidiary legislation.

Details of the Fee Proposals

4. Among the 76 fee items under Cap. 448D, 47 fee items are charged at fixed amounts while the remaining 29 fee items are charged at the cost of investigation but subject to maximum levels prescribed in the legislation.

Fees with fixed rates

5. For the 47 fees with fixed rates under Cap. 448D:
- (a) 45 fee items are under-recovering (with cost recovery rates ranging from 33% to 98%), hence the fees are proposed to be increased; and
 - (b) two fee items are over-recovering (with cost recovery rates of 141% and 143%), hence the fees are proposed to be reduced.

6. For the 45 fee items mentioned in paragraph 5(a) above, CAD proposes to increase the fees in one go except for the following three fee items which have relatively low cost recovery rates at the current level. They will be raised gradually *over a period of three years* in accordance with established practice to alleviate the impact on users:

¹ The three fee items concern, respectively, (i) Grant of a noise certificate limited to a combination or combinations of aircraft and engine types, where a noise certificate has previously been granted in respect of the identical combination or combinations of aircraft and engine types; (ii) Grant of a noise certificate in other circumstances; and (iii) Issue of duplicate noise certificate.

- (a) Licences for Aircraft Maintenance Engineers: fees for taking examinations for the grant or variation of a licence or for the inclusion of a category or sub-division of a category or type rating in a licence – *for every multiple choice question paper*;
- (b) Licences for Aircraft Maintenance Engineers: fees for taking examinations for the grant or variation of a licence or for the inclusion of a category or sub-division of a category or type rating in a licence – *for every essay question paper*; and
- (c) Licences for Flight Crew and Ratings in Licences: fee on application for the issue of a medical certificate.

7. As mentioned in paragraph 5(b), CAD proposes to reduce two fee items; these concern respectively, the examination fee for the grant of a Private Pilot's Licence and the examination fee for the grant or renewal of a Professional Pilot's Licence. The cost for providing these services has decreased as a result of automation and thus involve less CAD manpower.

Fees with variable rates (subject to various maximum levels)

8. For the 29 fee items under Cap. 448D which are charged according to variable rates but subject to maximum levels, CAD has reviewed their prescribed maximum levels, taking into account the investigation cost of the most complicated cases of the kind in the past few years. Among these fee items, four also have prescribed minimum levels.² The minimum fee levels were also reviewed against the actual investigation cost.

9. Based on the review result, CAD proposes to maintain the maximum fee levels of 26 fee items, whereas the maximum levels set for the following three fee items will be increased in order to achieve full-cost recovery :

- (a) Licensing of Aerodromes;
- (b) Approval in respect of Aircraft and Equipment; and

² At present, the following fees are determined by reference to the cost of investigation but subject to a minimum fee :

- (a) permit for an aircraft to fly without a Certificate of Airworthiness under paragraph 3 of the Schedule of Cap. 448D - minimum fee of \$270; and
- (b) approval of persons under paragraph 8(2)(c), 8(5)(a)(iii) and 8(5)(b)(iii) of the same Schedule - minimum fee of \$16,100.

(c) Air Operator’s Certificate (AOC).

10. As regards item 9(c), at present, the maximum fees for the grant or variation of an AOC are dependent on the weight of aircraft concerned, categorised into five different weight levels. According to CAD’s experience, the differences in the cost of investigation or processing do not directly correlate to the five weight levels of aircraft. In this connection, CAD proposes to simplify the fee structure for AOC by reducing the existing five weight brackets to three weight brackets (i.e. (i) aircraft type not over 80 tonnes; (ii) aircraft type over 80 tonnes but not over 160 tonnes; and (iii) aircraft type over 160 tonnes) with a view to minimising administrative work and achieving full-cost recovery.

11. Adjustments to the maximum fee levels for items 9(b) and 9(c) which have relatively low recovery rates at present are proposed to be implemented by phases *over a three-year period* in order to alleviate the impact on the industry in accordance with established practice, while adjustment to the maximum fee level for item 9(a) will take effect immediately upon implementation of the new fee regime.

12. On the other hand, CAD proposes to remove the minimum levels for four fee items mentioned in paragraph 8 above to better reflect the full-cost recovery principle.

13. The number of fee items proposed to be adjusted or remain unchanged mentioned in paragraphs 4 to 12 above is summarised in Table 1 below :

Table 1

Cap.	Fees with Fixed Rates				Fees with Variable Rates						Total (a)+(b)
	Increase	Decrease	No change	Total (a)	Increase maximum level	Reduce maximum level	No change	Remove minimum level [#]	Rationalisation of AOC	Total (b)	
312A	0	0	3	3	0	0	0	0	0	0	3
448D	45	2	0	47	2	0	22	4	1	29	76
Total	45	2	3	50	2	0	22	4	1	29	79

[#] The maximum amounts of the four fee items with minimum amounts removed will remain unchanged. Hence, a total of 26 fee items will have no change in their maximum fee levels.

B

14. A detailed comparison of the new fee levels with the existing levels is at **Annex B**.

15. Amending the legislation is the only option to revise the fees and charges under Cap. 448D in order to achieve full-cost recovery.

THE AMENDMENT REGULATION

16. The Amendment Regulation has the following main provisions:

- (a) section 3(1), (4), (5), (8), (9), (13)-(15) and (19)-(43) adjusts the level of certain fees or maximum fee amounts prescribed in the Schedule to Cap. 448D with a view to achieving full-cost recovery;
- (b) section 3(3), (7) and (11) rationalises the fee structure for AOC by reducing the existing five weight brackets to three weight brackets; and
- (c) section 3(12) and (16)-(18) removes the minimum fee of certain fee items.

LEGISLATIVE TIMETABLE

17. The Amendment Regulation will be gazetted on 9 June 2017 and tabled in the Legislative Council (LegCo) on 14 June 2017. The new fee levels will take effect from 1 November 2017.

IMPLICATIONS OF THE PROPOSAL

18. On financial implications, CAD's fee proposal, if fully implemented, will yield an additional revenue of \$5.7 million per annum, which represents about 7.7% of the total fees and charges collected by CAD in a year at prevailing rates. No additional staff will be required for implementing the fee proposal. On economic implications, the fee proposal will raise the operating costs to the aviation industry, yet the additional cost burden should be relatively small compared to the operating costs of the trade.

19. The proposal has no productivity, sustainability, environmental, family or gender implications.

20. The proposal is in conformity with the Basic Law, including the provisions concerning human rights. It does not affect the binding effect of the existing legislation.

PUBLIC CONSULTATION

21. On 27 February 2017, we consulted the LegCo Panel on Economic Development on the fee proposal. The Panel generally supported the proposal. We also consulted the Aviation Development and Three-runway System Advisory Committee, the Airport Authority Hong Kong (AAHK), the aviation industry including the local airlines, the Airline Operators Committee, the Board of Airline Representatives in Hong Kong, the Hong Kong Airline Pilots Association, the Hong Kong Region of the Honourable Company of Air Pilots, as well as other related organisations such as the Hong Kong Institution of Engineers, the Hong Kong Aviation Club, aircraft maintenance and design organisations, flight training organisations and maintenance training organisations. The fee proposal would not have significant impact on the aviation industry, nor would they undermine Hong Kong's competitiveness as an aviation hub in the region. The fees should not be an undue financial burden on the major stakeholders including airlines and the AAHK. Detailed assessment of the financial implications on the major stakeholders is at **Annex C**.

C

22. On some stakeholders' concerns about the considerable percentage increases proposed for certain items, we have explained that the fees were last revised and implemented in January 2012, and that the proposed fee revision is necessary in order to reflect the cost increases over the years. Also, we proposed to stagger the increase of certain fee rates or maximum fee levels over three years to strike a balance between users' interests and the Government's policy of full-cost recovery under established practice. Where applicable, we have also passed on the efficiency gains to users by maintaining existing fee levels and even reduce fee for certain fee items.

PUBLICITY

23. A press release will be issued on 7 June 2017. A spokesperson will be available to handle enquiries.

BACKGROUND

24. The International Civil Aviation Organisation (ICAO) is a specialised agency of the United Nations established in 1944 by virtue of the Convention on International Civil Aviation. At present, it has 191 Contracting States and China is one of them. China assumes responsibility for the international rights and obligations arising from the application of the above Convention and the relevant requirements, which also apply to Hong Kong. ICAO's objectives are to promote the development of international civil aviation in a safe and orderly manner, and to ensure that international air transport services may be established on the basis of equality of opportunity and operated soundly and economically. The ICAO promulgates the "Policies on Charges for Airports and Air Navigation Services" which list out the key charging principles, namely non-discrimination, cost-relatedness, transparency and consultation with users.

25. Cap. 312A and Cap. 448D provide for the fees and charges related to civil aviation to be levied by CAD. The 79 statutory fee items under Cap. 312A and Cap. 448D are mainly charged for the purpose of licensing of local airlines, aircrews, maintenance organisations, aeronautical engineers, training organisations and the Hong Kong International Airport, and granting of relevant certificates and permits (e.g. noise certificate, AOC, Certificate of Airworthiness and permission to carry, load or suspend dangerous goods). All of these charges are unrelated to the livelihood of the general public.

26. These fee items are reviewed and adjusted from time to time in accordance with the Government's fees and charges policy mentioned above in order to keep up with the prevailing price level. The last fee revision proposal was supported by the LegCo Panel on Economic Development on 27 June 2011, and the corresponding amendments to Cap. 448D came into operation on 13 January 2012.

ENQUIRIES

27. Any enquiry on this brief should be directed to Miss Cheng Sze ling, Acting Principal Assistant Secretary (Transport) (telephone number: 3509 8241).

Transport and Housing Bureau
7 June 2017

Hong Kong Air Navigation (Fees) (Amendment) Regulation 2017

(Made by the Chief Executive under Article 97 of the Air Navigation (Hong Kong) Order 1995 (Cap. 448 sub. leg. C) after consultation with the Executive Council)

1. Commencement

This Regulation comes into operation on 1 November 2017.

2. Hong Kong Air Navigation (Fees) Regulations amended

The Hong Kong Air Navigation (Fees) Regulations (Cap. 448 sub. leg. D) are amended as set out in section 3.

3. Schedule amended (fees)

(1) The Schedule, paragraph 1—

Repeal

“\$660”

Substitute

“\$870”.

(2) The Schedule, paragraph 2(2)(a)—

Repeal

“13 January 2012 but before 13 January 2013”

Substitute

“1 November 2017 but before 1 November 2018”.

(3) The Schedule, paragraph 2(2)(a)—

Repeal sub-sub-subparagraph (i)

Substitute

“(i)	Maximum total weight authorized	For heaviest aircraft type in applicant’s fleet of aircraft	For every other aircraft type in applicant’s fleet
(A)	not over 80 tonnes	\$1,000,000	\$500,000
(B)	over 80 but not over 160 tonnes	\$1,500,000	\$800,000
(C)	over 160 tonnes	\$3,000,000	\$1,500,000;”.
(4)	The Schedule, paragraph 2(2)(a)(ii)—		
	Repeal		
	“\$1.70”		
	Substitute		
	“\$12.60”.		
(5)	The Schedule, paragraph 2(2)(a)(iii)—		
	Repeal		
	“\$20”		
	Substitute		
	“\$147”.		
(6)	The Schedule, paragraph 2(2)(b)—		
	Repeal		
	“13 January 2013 but before 13 January 2014”		
	Substitute		
	“1 November 2018 but before 1 November 2019”.		
(7)	The Schedule, paragraph 2(2)(b)—		
	Repeal sub-sub-subparagraph (i)		

- | Substitute | | | |
|-------------------|-------------------------------------|---|--|
| | Maximum total weight authorized | For heaviest aircraft type in applicant's fleet of aircraft | For every other aircraft type in applicant's fleet |
| (i) | (A) not over 80 tonnes | \$1,450,000 | \$950,000 |
| | (B) over 80 but not over 160 tonnes | \$1,950,000 | \$1,250,000 |
| | (C) over 160 tonnes | \$3,450,000 | \$1,950,000;". |
- (8) The Schedule, paragraph 2(2)(b)(ii)—
Repeal
 "\$4.60"
Substitute
 "\$12.60".
- (9) The Schedule, paragraph 2(2)(b)(iii)—
Repeal
 "\$53.30"
Substitute
 "\$147".
- (10) The Schedule, paragraph 2(2)(c)—
Repeal
 "13 January 2014"
Substitute
 "1 November 2019".
- (11) The Schedule, paragraph 2(2)(c)—

- Repeal sub-sub-subparagraph (i)**
- | Substitute | | | |
|-------------------|-------------------------------------|---|--|
| | Maximum total weight authorized | For heaviest aircraft type in applicant's fleet of aircraft | For every other aircraft type in applicant's fleet |
| (i) | (A) not over 80 tonnes | \$1,900,000 | \$1,400,000 |
| | (B) over 80 but not over 160 tonnes | \$2,400,000 | \$1,700,000 |
| | (C) over 160 tonnes | \$3,900,000 | \$2,400,000;". |
- (12) The Schedule, paragraph 3—
Repeal
 "a fee of \$270 or, if the total cost of the investigations exceeds that amount,".
- (13) The Schedule, paragraph 4(1)—
Repeal sub-subparagraph (a)
Substitute
 "(a) in the case of a glider or balloon..... \$6,300".
- (14) The Schedule, paragraph 4(2)—
Repeal sub-subparagraph (a)
Substitute
 "(a) in the case of a glider or balloon..... \$6,300".
- (15) The Schedule, paragraph 6(a), (b) and (c)—
Repeal
 "\$340"

- Substitute**
 “\$350”.
- (16) The Schedule, paragraph 8(2)—
Repeal
 everything after “an approval”
Substitute
 “is an amount equal to the cost of making the investigations required by the Chief Executive for the purpose of the grant or any variation of the approval but not exceeding \$402,500.”
- (17) The Schedule, paragraph 8(5)(a)—
Repeal
 everything after “remains in”
Substitute
 “force—an amount equal to the cost of making those investigations but not exceeding \$402,500; and”.
- (18) The Schedule, paragraph 8(5)(b)—
Repeal
 everything after “remains in”
Substitute
 “force—an amount equal to the cost of making those investigations but not exceeding \$402,500.”
- (19) The Schedule, paragraph 9—
Repeal
 “exceeding \$266,800.”
Substitute
 “exceeding—
 (a) if the application is made on or

- after 1 November 2017 but before
 1 November 2018..... \$373,300
- (b) if the application is made on or
 after 1 November 2018 but before
 1 November 2019..... \$522,500
- (c) if the application is made on or
 after 1 November 2019 \$745,000”.
- (20) The Schedule, paragraph 11(1)(a)(i), (ii), (iii) and (iv)—
Repeal
 “\$605”
Substitute
 “\$740”.
- (21) The Schedule, paragraph 11(1)(b)(i), (ii) and (iii)—
Repeal
 “\$535”
Substitute
 “\$645”.
- (22) The Schedule, paragraph 11(1)(c) and (d)—
Repeal
 “\$310”
Substitute
 “\$375”.
- (23) The Schedule, paragraph 11(1)(e)—
Repeal
 “\$535”
Substitute
 “\$645”.

- (24) The Schedule, paragraph 11(2)—
Repeal sub-subparagraphs (a) and (b)
Substitute
 “(a) for every multiple choice question paper—
 (i) if the application for taking the relevant examination is made on or after 1 November 2017 but before 1 November 2018..... \$375
 (ii) if the application for taking the relevant examination is made on or after 1 November 2018 but before 1 November 2019..... \$450
 (iii) if the application for taking the relevant examination is made on or after 1 November 2019 \$545
 (b) for every essay question paper—
 (i) if the application for taking the relevant examination is made on or after 1 November 2017 but before 1 November 2018..... \$965
 (ii) if the application for taking the relevant examination is made on or after 1 November 2018 but before 1 November 2019..... \$1,200
 (iii) if the application for taking the relevant examination is made on or after 1 November 2019 \$1,495”
- (25) The Schedule, paragraph 12(1)(a)(i)—
Repeal
 “\$2,055”

- Substitute**
 “\$2,640”.
- (26) The Schedule, paragraph 12(1)(a)(ii)—
Repeal
 “\$1,100”
Substitute
 “\$1,380”.
- (27) The Schedule, paragraph 12(1)(b) and (c)—
Repeal
 “\$595”
Substitute
 “\$785”.
- (28) The Schedule, paragraph 12(2)(a)—
Repeal
 “\$880”
Substitute
 “\$615”.
- (29) The Schedule, paragraph 12(2)(b)—
Repeal
 “\$895”
Substitute
 “\$635”.
- (30) The Schedule, paragraph 12(3)(a)—
Repeal
 “\$680”
Substitute

- “\$785”.
- (31) The Schedule, paragraph 12(3)(b) and (c)—
Repeal
 “\$595”
Substitute
 “\$785”.
- (32) The Schedule, paragraph 12—
Repeal subparagraph (4)
Substitute
 “(4) The fee on application for the issue of a medical certificate is—
- | | |
|--|---------|
| (a) if the application is made on or after 1 November 2017 but before 1 November 2018..... | \$225 |
| (b) if the application is made on or after 1 November 2018 but before 1 November 2019..... | \$325 |
| (c) if the application is made on or after 1 November 2019..... | \$475”. |
- (33) The Schedule, paragraph 12(4A), (4B), (4C) and (4D)—
Repeal
 “\$595”
Substitute
 “\$785”.
- (34) The Schedule, paragraph 13—
Repeal
 “\$485”

- Substitute**
 “\$635”.
- (35) The Schedule, paragraphs 13A and 13B—
Repeal
 “\$1,470”
Substitute
 “\$1,875”.
- (36) The Schedule, paragraph 13C(a)—
Repeal
 “\$785”
Substitute
 “\$975”.
- (37) The Schedule, paragraph 13C(b)—
Repeal
 “\$565”
Substitute
 “\$705”.
- (38) The Schedule, paragraph 13D—
Repeal
 “\$1,470”
Substitute
 “\$1,875”.
- (39) The Schedule, paragraph 14—
Repeal
 “\$10,000,000”
Substitute

“\$15,000,000”.

- (40) The Schedule, paragraph 14A—

Repeal

“\$1,470”

Substitute

“\$1,875”.

- (41) The Schedule, paragraph 15—

Repeal

“\$78”

Substitute

“\$83”.

- (42) The Schedule, paragraph 17—

Repeal

“\$1,470”

Substitute

“\$1,875”.

- (43) The Schedule, paragraph 18—

Repeal

“\$6,800”

Substitute

“\$8,110”.

Chief Executive

2017

Explanatory Note

This Regulation amends the Hong Kong Air Navigation (Fees) Regulations (Cap. 448 sub. leg. D) (*Regulations*) mainly to adjust the level of certain fees prescribed in the Schedule to the Regulations with a view to achieving full cost recovery.

COMPARISON BETWEEN THE EXISTING FEE LEVELS AND NEW FEE LEVELS

Details of Fee Items with Fixed Rates

Counting no. of fee items	Cap./ Para.	Description	Existing rate	Cost recovery rates at existing rate	Proposed rate	Fee increase
			(\$)	(%)	(\$)	(%)
(I) Fee Items with Fixed Rates proposed to be Increased (Total 45 fee items with cost recovery rate of less than 100%)						
1	448D / 1	<u>Certificate of Registration</u> Issue of certificate of registration of an aircraft	660	76%	870	32%
2*	448D / 4	<u>Issue of Certificate of Airworthiness (CoA)</u> (a) In respect of a prototype aircraft – (i) fee for a glider or balloon	5,040	80%	6,300	25%
3*	448D / 4	(b) In respect of a series aircraft – (i) fee for a glider or balloon	5,040	80%	6,300	25%

Counting no. of fee items	Cap./ Para.	Description	Existing rate	Cost recovery rates at existing rate	Proposed rate	Fee increase
			(\$)	(%)	(\$)	(%)
		<u>Renewal of CoA</u>				
4*	448D / 6	(a) Fee for a glider or balloon	340	98%	350	3%
5	448D / 6	(b) Fee for an aircraft where the maximum total weight authorised does not exceed 2,730 kg, and the period of validity applied for is 2 years	340 per 500 kg	98%	350 per 500 kg	3%
6	448D / 6	(c) Fee for any other case	340 per 500 kg	98%	350 per 500 kg	3%
		<u>Validation or Renewal of Validation of CoA</u>				
		Renewal of such certificate of validation –				
7*	448D / 7	(a) for a glider or balloon	340	98%	350	3%
8*	448D / 7	(b) for an aircraft where the maximum total weight authorised does not exceed 2,730 kg, and the period of validity applied for is 2 years	340 per 500 kg	98%	350 per 500 kg	3%
9*	448D / 7	(c) Fee for any other case	340 per 500 kg	98%	350 per 500 kg	3%

Counting no. of fee items	Cap./ Para.	Description	Existing rate	Cost recovery rates at existing rate	Proposed rate	Fee increase
			(\$)	(%)	(\$)	(%)
		<u>Validation or Renewal of Validation of CoA</u>				
		(a) Fee for a glider or balloon				
10*	448D / 7	(i) in respect of a prototype aircraft	5,040	80%	6,300	25%
11*	448D / 7	(ii) in respect of a series aircraft	5,040	80%	6,300	25%
		<u>Licences for Aircraft Maintenance Engineers</u>				
		(a) Grant of a licence without type rating or for the inclusion of a category or sub-division of a category in a licence –				
12	448D / 11	(i) for pressurised metal aircraft	605	82%	740	22%
13	448D / 11	(ii) for piston engined rotorcraft	605	82%	740	22%
14	448D / 11	(iii) for turbine engined rotorcraft	605	82%	740	22%
15	448D / 11	(iv) other than pressurised metal aircraft, piston engined rotorcraft, and turbine engined rotorcraft	605	82%	740	22%
		(b) Inclusion of a type rating in a licence –				
16	448D / 11	(i) for piston engined rotorcraft	535	83%	645	21%
17	448D / 11	(ii) for turbine engined rotorcraft	535	83%	645	21%
18	448D / 11	(iii) for other than piston engined rotorcraft, or turbine engined rotorcraft	535	83%	645	21%

Counting no. of fee items	Cap./ Para.	Description	Existing rate	Cost recovery rates at existing rate	Proposed rate	Fee increase
			(\$)	(%)	(\$)	(%)
19	448D / 11	(c) Variation of a licence	535	83%	645	21%
20	448D / 11	(d) Grant of a licence by validation	310	83%	375	21%
21	448D / 11	(e) Renewal of a licence	310	83%	375	21%
		<u>Licences for Flight Crew and Ratings in Licences</u>				
		(1) Grant or renewal of a licence to act as a flight crew member –				
		(a) licence for a professional pilot, private pilot or flight engineer –				
22	448D / 12	(i) where an applicant holding a licence to act as a flight crew member issued in a jurisdiction outside Hong Kong	2,055	78%	2,640	29%
23	448D / 12	(ii) in other circumstances	1,100	80%	1,380	26%
24	448D / 12	(b) renewal of a professional pilot's licence or a licence to act as a flight engineer	595	76%	785	32%
25	448D / 12	(c) grant or renewal of a flight radio-telephony operator's restricted licence (except in the case of an applicant holding a professional pilot's licence or a licence to act as a flight member)	595	76%	785	32%

Counting no. of fee items	Cap./ Para.	Description	Existing rate	Cost recovery rates at existing rate	Proposed rate	Fee increase
			(\$)	(%)	(\$)	(%)
26	448D / 12	(2) Inclusion of the following ratings in a licence – (a) inclusion of a flying instructor’s rating or assistant flying instructor’s rating in a pilot’s licence	680	87%	785	15%
27	448D / 12	(b) inclusion of an additional aircraft type or an additional group of aircraft in a flying instructor’s rating or assistant flying instructor’s rating in a pilot’s licence	595	76%	785	32%
28	448D / 12	(c) inclusion of an additional aircraft rating in a professional pilot’s licence, or a flight engineer’s licence	595	76%	785	32%
29	448D / 12	(3) Inclusion of an instrument rating in a professional pilot’s licence or private pilot’s licence	595	76%	785	32%
30	448D / 12	(4) Inclusion of an additional aircraft type rating in a Private Pilot’s Licence (Helicopters)	595	76%	785	32%
31	448D / 12	(5) Inclusion of an additional group rating in a Private Pilot’s Licence (Aeroplanes)	595	76%	785	32%
32	448D / 12	(6) Inclusion of an endorsement in respect of language proficiency in a pilot’s licence	595	76%	785	32%

Counting no. of fee items	Cap./ Para.	Description	Existing rate	Cost recovery rates at existing rate	Proposed rate	Fee increase
			(\$)	(%)	(\$)	(%)
33	448D / 13	<u>Validation of a licence</u> For the issue of a certificate of validation rendering valid for the purposes of the Air Navigation (Hong Kong) Order 1995 (Cap. 448C) (Order) any licence as a member of the flight crew of aircraft granted under the law of any country other than Hong Kong	485	77%	635	31%
34*	448D / 13A	<u>Permission to drop articles etc. from aircraft</u> Permission to drop articles or wind drift indicators from an aircraft	1,470	78%	1,875	28%
35*	448D / 13B	<u>Permission to drop persons from aircraft</u> Permission to drop persons from an aircraft	1,470	78%	1,875	28%
36	448D / 13C	<u>Permission to carry munitions of war</u> Fee for permission to carry munitions of war – (a) for permission for a specified period of time	785	80%	975	24%
37	448D / 13C	(b) for a single consignment	565	80%	705	25%

Counting no. of fee items	Cap./ Para.	Description	Existing rate	Cost recovery rates at existing rate	Proposed rate	Fee increase
			(\$)	(%)	(\$)	(%)
38	448D / 13D	<u>Permission relating to captive balloons etc.</u> Fee for the grant of permission in respect of captive balloons, kites, balloons, airships, gliders or parascending parachutes	1,470	78%	1,875	28%
39	448D / 14A	<u>Permission for aerial photography or aerial survey etc.</u> Fee for the grant of permission in respect of aerial photography, aerial survey or any other form of aerial work	1,470	78%	1,875	28%
40	448D / 15	<u>Copies of Documents</u> Fee for issuing a copy or replacement of a document issued under the Order or under regulations made thereunder	78	94%	83	6%
41	448D / 17	<u>Permission for Low Flying</u> Fee for the grant of permission for low flying	1,470	78%	1,875	28%
42	448D / 18	<u>Permission for carriage etc. of dangerous goods</u> Fee for permission to carry, load or suspend dangerous goods	6,800	84%	8,110	19%

Counting no. of fee items	Cap./ Para.	Description	Existing rate	Cost recovery rates at existing rate	Proposed rate	Fee increase
			(\$)	(%)	(\$)	(%)
		<u>Licences for Aircraft Maintenance Engineers</u>				
		Examinations for the purpose of the grant of, inclusion in or variation of a licence –				
43	448D / 11	(a) for every multiple choice question paper	315	58%	375 (1st year) 450 (2nd year) 545 (3rd year)	19% (1st year) 20% (2nd year) 21% (3rd year)
44	448D / 11	(b) for every essay question paper	775	52%	965 (1st year) 1,200 (2nd year) 1,495 (3rd year)	25% (1st year) 24% (2nd year) 25% (3rd year)

Counting no. of fee items	Cap./ Para.	Description	Existing rate	Cost recovery rates at existing rate	Proposed rate	Fee increase
			(\$)	(%)	(\$)	(%)
45	448D / 12	<u>Licences for Flight Crew and Ratings in Licences</u> Application for the issue of a medical certificate	155	33%	225 (1st year) 325 (2nd year) 475 (3rd year)	45% (1st year) 44% (2nd year) 46% (3rd year)

Counting no. of fee items	Cap./ Para.	Description	Existing rate (\$)	Cost recovery rates at existing rate (%)	Proposed rate (\$)	Fee decrease (%)
(II) Fee Items with Fixed Rates proposed to be Decreased (Total 2 fee items with cost recovery rate of over 140%)						
		<u>Licences for Flight Crew and Ratings in Licences</u>				
46	448D / 12	Examination fee – (a) For each examination for the grant of a private pilot’s licence, the inclusion of a rating, the inclusion of an endorsement or restriction in the licence, or the renewal of any such inclusions	880	143%	615	-30%
47	448D / 12	(b) For each examination for the grant or renewal of a professional pilot’s licence or a licence to act as a flight engineer, the inclusion of a rating, an endorsement, restriction in the licence, or the renewal of any such inclusions	895	141%	635	-29%

Counting no. of fee items	Cap./ Para.	Description	Existing rate	Cost recovery rates at existing rate	Proposed rate	Change
			(\$)	(%)	(\$)	(%)
(III) Fees with Fixed Rates proposed to remain Unchanged (Total 3 fee items with cost recovery rate of about 95% but revenue involved is likely to be immaterial)						
48	312A / 1	Grant of a noise certificate limited to a combination or combinations of aircraft and engine types, where a noise certificate has previously been granted in respect of the identical combination or combinations of aircraft and engine types	505	96%	Unchanged	0%
49	312A / 2	Grant of a noise certificate in other circumstances	505	96%	Unchanged	0%
50*	312A / 3	Issue of duplicate noise certificate	200	95%	Unchanged	0%

* Fee items with little traffic/ rare caseload, thus the impact on stakeholders is minimal.

Details of Fee Items with Variable Rates (subject to various maximum levels)

Counting no. of fee items	Cap./ Para.	Description	Existing maximum amount	Cost recovery rates at existing maximum fee amount	Proposed maximum amount	Fee increase
			(\$)	(%)	(\$)	(%)
(I) Fee Items charged at Cost of Investigation but subject to a Maximum Amount - Propose to Increase/Rationalise the Maximum Amounts (Total 3 Maximum Amounts)						
1	448D / 14	<u>Licensing of Aerodromes</u> Fee for the issue of an aerodrome licence	10 million	85%	15 million	50%

Counting no. of fee items	Cap./ Para.	Description	Existing maximum amount	Cost recovery rates at existing maximum fee amount	Proposed maximum amount	Fee increase
			(\$)	(%)	(\$)	(%)
2	448D / 9	<u>Approval in respect of Aircraft and Equipment including modification, repair, etc. (excluding Engines and Radio Apparatus)</u> Fee for an approval pursuant to any requirement of Part III of the Order (other than engine or radio apparatus)	266,800	36%-100% (Only the most complicated cases are under-recovering.)	373,300 (1st year) 522,500 (2nd year) 745,000 (3rd year)	40% (1st year) 40% (2nd year) 43% (3rd year)

Counting no. of fee items	Cap./ Para.	Description	Existing maximum amount (\$)	Cost recovery rates at existing maximum fee amount (%)	Proposed maximum amount (\$)	Fee increase (%)
3	448D / 2	<u>Air Operator's Certificate (AOC)</u> Grant or variation of an AOC Maximum total weight authorised – Heaviest aircraft type in applicant's fleet of aircraft	<u>(a) not over 2 tonnes</u> 147,000 <u>(b) over 2 but not over 55 tonnes</u> 730,900 <u>(c) over 55 but not over 100 tonnes</u> 974,600 <u>(d) over 100 but not over 160 tonnes</u> 1,470,300 <u>(e) over 160 tonnes</u> 2,940,600	51%-100% (Only AOC fees collected from AOC holders who operate with lighter aircraft types are under-recovering.)	<u>(a) not over 80 tonnes</u> 1,000,000 (1st year) 1,450,000 (2nd year) 1,900,000 (3rd year) <u>(b) over 80 but not over 160 tonnes</u> 1,500,000 (1st year) 1,950,000 (2nd year) 2,400,000 (3rd year) <u>(c) over 160 tonnes</u> 3,000,000 (1st year) 3,450,000 (2nd year) 3,900,000 (3rd year)	N/A; Simplify the structure of the maximum fee amount and increase it over three years

Counting no. of fee items	Cap./ Para.	Description	Existing maximum amount	Cost recovery rates at existing maximum fee amount	Proposed maximum amount	Fee increase
			(\$)	(%)	(\$)	(%)
		For every other aircraft type in applicant's fleet	<u>(a) not over 2 tonnes</u> 73,500 <u>(b) over 2 but not over 55 tonnes</u> 365,500 <u>(c) over 55 but not over 100 tonnes</u> 487,300 <u>(d) over 100 but not over 160 tonnes</u> 735,100 <u>(e) over 160 tonnes</u> 1,470,300		<u>(a) not over 80 tonnes</u> 500,000 (1st year) 950,000 (2nd year) 1,400,000 (3rd year) <u>(b) over 80 but not over 160 tonnes</u> 800,000 (1st year) 1,250,000 (2nd year) 1,700,000 (3rd year) <u>(c) over 160 tonnes</u> 1,500,000 (1st year) 1,950,000 (2nd year) 2,400,000 (3rd year)	

Counting no. of fee items	Cap./ Para.	Description	Existing maximum amount	Cost recovery rates at existing maximum fee amount	Proposed maximum amount	Fee increase
			(\$)	(%)	(\$)	(%)
		Others:	12.6 for each 1,000 passenger kilometres		Unchanged	
			147 for each 1,000 freight tonne kilometres		Unchanged	

Counting no. of fee items	Cap./ Para.	Description	Existing maximum amount	Cost recovery rates at existing maximum fee amount	Proposed maximum amount	Fee increase
			(\$)	(%)	(\$)	(%)
(II) Fee Items charged at Cost of Investigation but subject to a Minimum and Maximum Amount - Proposed to Remove the Minimum Amounts (Total 4 Minimum Amounts)						
4*	448D / 3	Permit for an aircraft to fly without a CoA Fee equals to the cost of investigations, but not – (a) less than (b) exceeding	 270 (min. fee) 140 per kg	 100% 100%	 Remove the min. fee Unchanged	 N/A 0%
5	448D / 8	<u>Approval of Persons</u> Application fee for the grant or variation of an approval of a maintenance organisation – if the cost of investigations exceeds \$16,100, an amount equal to that cost but not exceeding	 16,100 (min. fee) 402,500	 100% 100%	 Remove the min. fee Unchanged	 N/A 0%

Counting no. of fee items	Cap./ Para.	Description	Existing maximum amount	Cost recovery rates at existing maximum fee amount	Proposed maximum amount	Fee increase
			(\$)	(%)	(\$)	(%)
6*	448D / 8	Investigation fee for the purpose of the grant of the approval (including any subsequent approval) –	16,100 (min. fee)	100%	Remove the min. fee	N/A
		(i) for the initial period if the cost of investigations exceeds \$16,100, an amount equal to that cost but not exceeding	402,500	100%	Unchanged	0%
7	448D / 8	(ii) for each subsequent financial year	16,100 (min. fee)	100%	Remove the min. fee	N/A
		if the cost of investigations exceeds \$16,100, an amount equal to that cost but not exceeding	402,500	100%	Unchanged	0%

Counting no. of fee items	Cap./ Para.	Description	Existing maximum amount (\$)	Cost recovery rates at existing rate (%)	Proposed maximum amount (\$)	Change (%)
(III) Fee Items charged at Cost of Investigation but subject to a Maximum Amount - Maximum Amounts remain Unchanged (Total 22 Maximum Amounts)						
		<u>Issue of CoA</u>				
8*	448D / 4	(a) In respect of a prototype aircraft – for any aircraft other than a glider or balloon	33,800 per 500 kg	100%	Unchanged	0%
9	448D / 4	(b) In respect of a series aircraft – for any aircraft other than a glider or balloon	16,900 per 500 kg	100%	Unchanged	0%
		<u>Approval of Engine</u>				
10*	448D / 5	(a) for a gas turbine engine	574,600	100%	Unchanged	0%
11*	448D / 5	(b) for any other engine of 300 kW or less	47,300	100%	Unchanged	0%
12*	448D / 5	(c) for any other engine over 300kW	94,600	100%	Unchanged	0%

Counting no. of fee items	Cap./ Para.	Description	Existing maximum amount	Cost recovery rates at existing rate	Proposed maximum amount	Change
			(\$)	(%)	(\$)	(%)
13*	448D/7	<u>Validation or Renewal of Validation of CoA</u> Issue of a certificate of validation – (a) in respect of a prototype aircraft	33,800 per 500 kg	100%	Unchanged	0%
14*	448D/7	(b) in respect of a series aircraft	16,900 per 500 kg	100%	Unchanged	0%
15*	448D / 10	<u>Approval of type, etc., of Radio Apparatus</u> Approval for radio apparatus/ radio navigation equipment installed or modified in an aircraft registered in Hong Kong or carried on such aircraft for use in connection with the aircraft	53,300	100%	Unchanged	0%

Counting no. of fee items	Cap./ Para.	Description	Existing maximum amount	Cost recovery rates at existing rate	Proposed maximum amount	Change
			(\$)	(%)	(\$)	(%)
		<u>Licences for Aircraft Maintenance Engineers</u>				
16	448D / 11	(a) Approval of any course of training or instruction	192,800	100%	Unchanged	0%
17*	448D / 11	(b) Authorisation of a person to conduct examinations or tests	192,800	100%	Unchanged	0%
18*	448D / 11	(c) Authorisation (including any subsequent authorisation) to a person to conduct examinations or tests in respect of each financial year	192,800	100%	Unchanged	0%
19*	448D / 11	(d) Approval to a person to provide or conduct any course of training or instruction	192,800	100%	Unchanged	0%
20*	448D / 11	(e) Approval (including any subsequent approval) to a person to provide or conduct any course of training or instruction in respect of each financial year	192,800	100%	Unchanged	0%
21*	448D / 11	(f) Approval to a person as qualified to furnish reports	192,800	100%	Unchanged	0%
22*	448D / 11	(g) Approval (including any subsequent approval) to a person as qualified to furnish reports in respect of each financial year	192,800	100%	Unchanged	0%

Counting no. of fee items	Cap./ Para.	Description	Existing maximum amount	Cost recovery rates at existing rate	Proposed maximum amount	Change
			(\$)	(%)	(\$)	(%)
		<u>Licences for Flight Crew and Ratings in Licences</u>				
23	448D / 12	(a) Approval of a flight simulator	209,700	100%	Unchanged	0%
24	448D / 12	(b) Approval of any course of training or instruction	1,033,700	100%	Unchanged	0%
25	448D / 12	(c) Authorisation to conduct examinations or tests	209,700	100%	Unchanged	0%
26*	448D / 12	(d) Approval to provide any course of training or instruction	209,700	100%	Unchanged	0%
27*	448D / 12	(e) Approval as a qualified person to furnish reports	209,700	100%	Unchanged	0%
28*	448D / 15	<u>Copies of Documents</u> for preparing a copy or replacement of a flight manual or performance schedule relating to a CoA equal to the cost of preparing the copy or replacement but not exceeding	2,180	100%	Unchanged	0%
29*	448D / 16	<u>Approval to furnish reports</u> Grant or variation of an approval of a person as qualified to furnish reports to the Chief Executive in relation to any of his functions pursuant to any of the provisions of the Order	192,800	100%	Unchanged	0%

*Fee items with little traffic/ rare caseload, thus the impact on stakeholders is minimal.

IMPLICATIONS ON STAKEHOLDERS

The Airport Authority Hong Kong (AAHK)

Under paragraph 14 of the Schedule to the Hong Kong Air Navigation (Fees) Regulations (Cap. 448D), a fee payable for the issue of an aerodrome licence is an amount equal to the cost of the investigation into the adequacy of the operational and safety facilities provided but shall not exceed \$10 million. In the context of the Hong Kong International Airport, the size and complexity of the facilities to be inspected is such that a fee of \$10 million is not enough to recover the cost incurred by the Civil Aviation Department (CAD). Thus, the maximum fee is proposed to be adjusted to \$15 million to reflect the increasing cost of the investigation. In any event, even assuming the maximum fee is charged, the licence fee payable represents less than 0.1% of the annual revenue of the AAHK and therefore should be affordable to it.

Air Operator's Certificate (AOC) Holders

2. An AOC is an official document granted to allow an aircraft registered in Hong Kong to fly for the purpose of public transport. AOC holders would mainly be affected by the increase in the maximum fee for AOC³ under paragraph 2 of the Schedule to Cap. 448D due to the full-cost recovery principle.

3. Commercial airlines and some business jet operators operating heavier aircraft weighing over 55 tonnes would not be affected by the rationalisation of aircraft weight brackets as they are already paying the full cost of investigation. To alleviate the impact on other operators, the new fee level will be implemented by phases over a period of three years until it takes full effect in 2019-20.

³ The fee for the grant or variation of an AOC is equal to CAD's cost of investigation but subject to a maximum fee calculated in accordance with paragraph 2 of the Schedule to Cap. 448D. AOCs are renewed every two years.

4. Aircraft owners would be affected by the increase of fee for the issue of a Certificate of Registration (CoR)⁴ of an aircraft from \$660 to \$870 and for the renewal of a Certificate of Airworthiness (CoA)⁵ of an aircraft from \$340 per 500 kg to \$350 per 500 kg. Aircraft owners may also be affected by the proposed increase in the maximum fee for the approval of aircraft and equipment, based on CAD's certification work required for the most complicated case of the kind. Nevertheless, we are not aware of any existing projects that will require such complex and significant certification work and hence it is expected that no aircraft owner would be liable to the maximum fee in the foreseeable future. The likely impact of the proposed fee increases on airlines is illustrated in the table below:

	Size of Airline/Helicopter Company		
	<i>(Examples for illustration only)</i>		
	Airline with a fleet of over 140 aircraft	Airline with a fleet of 20 aircraft	Helicopter company with 4 helicopters
Average weight of the aircraft (tonnes)	320	80	3
Major Annual Fee Payment Before New Fee Regime (\$M)			
AOC#	4.6	1.0	0.5
CoA (renewal)	31.2	1.0	0.006
CoR* (issue)	<i>insignificant</i>	<i>insignificant</i>	<i>insignificant</i>
Total	35.8	2.0	0.5
Major Annual Fee Payment After New Fee Regime (\$M)			
AOC#	4.6	1.0	0.7
CoA (renewal)	32.1	1.1	0.006
CoR* (issue)	<i>insignificant</i>	<i>insignificant</i>	<i>insignificant</i>
Total	36.7	2.1	0.7
Change	0.9	0.1	0.2
Percentage Change	2.5%	5.0%	40.0%

⁴ An aircraft shall not fly in or over Hong Kong unless it has a CoR which indicates that it is registered in Hong Kong, another Contracting State of ICAO or some other country in relation to which there is in force an agreement between the Central People's Government or the Government of the Hong Kong Special Administrative Region and the Government of that country which makes provision for the flight over Hong Kong of aircraft registered in that country.

⁵ A CoA is issued to certify that an aircraft is fit to fly having regard to: (a) the design, construction, workmanship and materials of the aircraft (including in particular any engines fitted therein), and of any equipment carried in the aircraft which it is considered necessary for the airworthiness of the aircraft; and (b) the results of flying trials, and such other tests of the aircraft as required. An aircraft shall not fly unless there is in force a CoA issued or rendered valid under the law of the country in which the aircraft is registered.

(Continued from the table above)

* *Assuming one CoR is issued for a new aircraft in each company (i.e. proposed to increase from \$660 to \$870).*

AOC is renewed on a biennial basis. The above AOC figure is an average annual amount over two years.

5. In respect of carrying munitions of war and dangerous goods, local and overseas airlines have to pay additional sums of \$190 (from \$785 to \$975) and \$140 (from \$565 to \$705) under paragraph 13C of the Schedule to Cap. 448D for the permission to carry munitions of war for a specified period of time and a single consignment respectively, and \$1,310 (from \$6,800 to \$8,110) for the permission to carry dangerous goods under paragraph 18 of the Schedule to Cap. 448D. Despite the increase, the number of cases requiring such permission is minimal and will therefore have little impact on aircraft operators.

Flight Crew and Aircraft Maintenance Engineers

6. For licensing of professional pilot, an applicant undertaking CAD's Approved Integrated Course of Flying and Ground Training will, in accordance with paragraph 12 of the Schedule to Cap. 448D, pay an additional sum of \$980 (from \$2,445 to \$3,425) upon the full implementation of fee adjustments in 2019-20, whereas an applicant holding a Foreign Airline Transport Pilot's Licence will pay \$15 less (from \$7,875 to \$7,860) in order to obtain a professional pilot's licence. When an application is made for applying a Private Pilot's Licence, an applicant would pay \$1,065 less (from \$8,010 to \$6,945) because of decreases in the fees for examinations.

7. For the licensing of aircraft maintenance engineers, under paragraph 11 of the Schedule to Cap. 448D a person will have to pay, upon the full implementation of fee adjustments, an additional sum of \$3,845 (from \$5,475 to \$9,320) for taking relevant examinations in order to obtain an Aircraft Maintenance Engineer's Licence. Having considered the magnitude of the proposed increase for achieving full-cost recovery, this fee is proposed to be increased gradually over a period of three years in order to alleviate the impact on the users.