# 立法會 Legislative Council

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# Bills Committee on Hotel and Guesthouse Accommodation (Amendment) Bill 2018

# **Background brief prepared by the Legislative Council Secretariat**

# **Purpose**

This paper provides background information on the Hotel and Guesthouse Accommodation (Amendment) Bill 2018 ("the Bill") and summarizes the past discussions by the Panel on Home Affairs ("the Panel") on related issues.

# **Background**

- 2. Operation of hotels and guesthouses in Hong Kong is regulated by the Hotel and Guesthouse Accommodation Ordinance (Cap. 349) ("HAGAO"). According to the Administration, the primary purpose of HAGAO is to ensure, through the implementation of a licensing regime, that premises intended to be used as hotels and guesthouses <sup>1</sup> meet the building structure and fire safety standards specified in the Buildings Ordinance (Cap. 123) and the Fire Services Ordinance (Cap. 95), so as to safeguard lodgers and the public. The Office of the Licensing Authority ("OLA") under the Home Affairs Department ("HAD") is delegated by the Hotel and Guesthouse Accommodation Authority ("the Authority") <sup>2</sup> for implementing HAGAO, including issuing licences and performing relevant regulatory and enforcement duties.
- 3. In the light of public concerns about the incident of a No. 3 alarm fire at the Continental Mansion in North Point on 29 December 2013 which caused 25 people injured, the Panel discussed issues relating to the regulation of

As stipulated by HAGAO, any premises providing sleeping accommodation at a fee shall obtain a licence unless they are exempted by the Hotel and Guesthouse Accommodation (Exclusion Order) (Cap. 349C), which provides general exemption to child care centres, bedspace apartments, elderly homes and those premises providing accommodation with a tenancy period of 28 consecutive days or more for each letting.

<sup>2</sup> In accordance with section 4(1) of HAGAO, the Secretary for Home Affairs is the Authority of HAGAO.

guesthouses with the Administration at its meeting on 10 January 2014. During the meeting, members expressed concerns that the proliferation of guesthouses in residential buildings had caused safety hazards and nuisances to the residents. The Administration advised that it had kick-started a review of HAGAO.

4. On 4 July 2014, HAD issued a public consultation document on "Review of the Hotel and Guesthouse Accommodation Ordinance" ("the consultation document"). The Panel discussed the consultation document with the Administration on 23 July 2014 and held a special meeting on 12 September 2014 to receive public views. The Panel was briefed on the outcome of the public consultation exercise at its meeting 24 March 2015. The Administration informed members that it was working closely with the Department of Justice on the preparation of the legislative amendments to HAGAO and would introduce an amendment bill into the Council as soon as practicable. Meanwhile, administrative measures to enhance the licensing regime were implemented to enhance the safety and management of hotels and guesthouses. discussed the refined legislative proposals with the Administration at its meeting on 17 July 2017. A table setting out the Administration's legislative proposals presented to the Panel in July 2014, March 2015 and July 2017 respectively is in **Appendix I**.

# The Hotel and Guesthouse Accommodation (Amendment) Bill 2018

- 5. According to the Legislative Council ("LegCo") Brief (File Ref.: HAD HQ CR/15/3/20/(C)) issued by HAD on 4 July 2018, the Bill seeks to:
  - (a) improve the existing licensing regime by empowering the Authority to take into account relevant restrictive provisions in land documents and local residents' views in the licensing process, and introducing a number of enhancement measures to better protect the lodgers and the public;
  - (b) facilitate enforcement actions against unlicensed hotels and guesthouses by introducing a "strict liability" offence and empowering the Authority to apply for search warrants; and
  - (c) enhance deterrence by increasing the penalties for offences under HAGAO, and empowering the Authority to apply for closure of premises in particular cases.

Details of the legislative proposals are set out in paragraphs 2 to 18 of the LegCo Brief.

#### **Deliberations of the Panel**

6. Members' major views and concerns in respect of the proposed legislative amendments to HAGAO are summarized in the ensuing paragraphs.

# **Licensing requirements**

7. Members expressed support for the Administration's proposal that, apart from the safety matters, the provisions in the deed of mutual covenant ("DMC") and the views of the residents should be considered when vetting and approving an application for guesthouse licence. The Administration was urged to expedite the implementation of the proposed measures so as to minimize the nuisance or impact caused by licensed guesthouses and to enhance the effectiveness of enforcement actions against unlicensed guesthouses.

#### Consultation with the residents

- 8. Members expressed diverse views on the three proposed options set out in the consultation document regarding how to gauge the views of local residents when processing a licence application. The options included: (a) conducting local consultation through District Officers ("Option I"); (b) setting up an independent panel comprising unofficial members to consider local views ("Option II"); and (c) setting up a new statutory body responsible for the licensing work ("Option III"). While some members expressed support for Option I so that the nuisance or impact caused by licensed guesthouses could be minimized expeditiously, some other members considered it more prudent to set up an independent body to consider residents' views before a decision was taken on the licence application.
- 9. According to the Administration, the written responses received in the public consultation exercise showed that 42% and 43% of the respondents supported Option I and Option II respectively. As for the consultation with the 18 District Councils ("DCs"), a majority of DC members were in favour of Option II. As pointed out by the respondents, it was more likely for Option II to strike a proper balance between efficiency and impartiality as compared with the two alternatives. Option II was considered better than Option I because the applicants would be given an opportunity to respond to objectors' concerns in front of an independent panel which would then make recommendations on licence issuance in a fair and objective manner. As such, the Administration proposed to adopt Option II, under which the Authority would be empowered, in processing new or renewal licence applications, to take into account recommendations made by the independent panel.

In response to members' enquiry on how the consultation with local 10. residents would be conducted, the Administration advised that it would propose that all applications, whether for hotel or guesthouse licences, should be subject to either one of the following consultation: (a) where statutory consultation (e.g. consultation conducted by the Town Planning Board in the context of the Outline Zoning Plan for the proposed hotel/guesthouse use) had been or would be conducted, the application would be exempted from the administrative consultation under HAGAO; or (b) if no statutory consultation had been or would be conducted on the proposed use as hotel or guesthouse, an administrative consultation under HAGAO should be conducted. The administrative guidelines for conducting local consultation would promulgated by the Authority after the enactment of the proposed legislative amendments, with reference to the existing guidelines and practice for conducting local consultation under other licensing regimes e.g. the Amusement Game Centres Ordinance (Cap. 435).

# Provisions in the deed of mutual covenant

- 11. Members noted that the Administration proposed to amend HAGAO to empower the Authority to refuse issuance/renewal of licences or to cancel existing licences, if DMC of the building concerned contained explicit restrictive provisions stipulating that guesthouse operations or commercial activities were not allowed in the building or the premises were for "private residential use" only. Concern was raised about the possible proliferation of guesthouses in residential buildings of which DMCs did not contain such explicit restrictive provisions.
- 12. The Administration advised that it also proposed that residents' views should be taken into account even if the DMC concerned did not contain any explicit restrictive provisions. The engagement of the public in the consultation process would serve to balance the interests of all parties concerned. Furthermore, to ensure that the operation of hotel or guesthouse was permissible in buildings without DMCs, the Administration proposed that the Authority should take into account any land use restrictions in the land lease when processing applications concerning premises without DMCs. The applicant concerned should, as with buildings with DMCs, provide a certificate signed by a legal practitioner affirming that there were no explicit restrictive provisions in the land lease prohibiting the premises concerned (a) to be used as a hotel or guesthouse, (b) for commercial purpose or (c) for any purpose other than for private residential purpose.
- 13. There was a suggestion that even if the relevant DMC contained explicit restrictive provisions, the Administration should exercise discretion in enforcing the new licensing requirements concerning the licensee's compliance with the

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provisions in DMC, provided that the majority of residents/occupants (say, more than 80% of them) of a building did not object to the continued existence and operation of a particular guesthouse. The Administration agreed to consider this suggestion.

### Impact on the trade

- 14. Some members expressed concern as to whether the Administration's proposal to take into account both DMC provisions and local residents' views in the license renewal process also might result in the closure of business of many licensed guesthouses. These members were of the view that in contemplating any changes to the existing licensing regime, the Administration should balance the interests of relevant parties and introduce complementary/facilitating measures to help existing licensed guesthouses operators to meet the new requirements. The Administration should also be mindful of the need of some tourists for budget accommodation when visiting Hong Kong.
- 15. The Administration advised that, in drawing up the above proposal, relevant bureaux and departments had been consulted. The Administration undertook to consider a suggestion from some quarters of the community and the trade that assistance should be provided to help existing licensees ride over the difficult time, such as the provision of platforms for parties affected to discuss and sort out their differences over a licence application. The Administration advised that to allow more time for existing operators to adapt to the new licensing regime and make necessary arrangements (such as relocation), they would be allowed to renew their licences based on existing licensing conditions once, for a period of 12 months, after the commencement of the amendment bill. Priority would also be given to processing relocation application from these operators. The Administration stressed that it was not the Government's intention to eradicate licensed guesthouses.
- 16. Noting that the Authority had, with effect from 28 December 2015, required that a 24-hour manned counter be set up in premises licensed as a "guesthouse (general)", members enquired whether alternative proposals were allowed and the circumstances under which the Authority would accept alternative proposals. The Administration advised that the "Supplementary Guideline on the Provision of 24-hour Manned Counter" issued on 3 January 2017 set out clear criteria to facilitate preparation of alternative proposals if there were insurmountable constraints to set up a 24-hour manned counter in the premises concerned. Applicants should, within areas proved to be under their management, offer means of 24-hour manned direct communication between the guesthouse operator and patrons, and implement alternative proposals (e.g. installation of closed-circuit television) to effectively monitor

the situation in the guesthouse. Applicants should also pledge that assistance would be provided at the guesthouse within around 20 minutes from the time of a patron's call.

# Appeal mechanism

- 17. Concern was raised about the appeal channels available for the aggrieved parties, including the applicant or the residents, who might be dissatisfied with the decision made by the Authority. There was a view that a fair appeal mechanism should be established to allow aggrieved parties to seek review of the Authority's decisions pursuant to HAGAO.
- 18. The Administration advised that the decision to grant or renew a licence was made after careful consideration of all relevant factors, including local views. To ensure that the process was fair and impartial, both the applicant and the objectors would be given a fair chance to express their views and make statements. In addition, the applicant and the objectors could appeal to the Appeal Board (Hotel and Guesthouse Accommodation) pursuant to HAGAO.

# Enforcement actions against unlicensed guesthouses

- 19. Some members expressed concern about the relatively small numbers of inspection and prosecutions against unlicensed guesthouses, and questioned whether the Administration had deployed sufficient and dedicated manpower to conduct inspections on suspected unlicensed guesthouses. They considered it necessary to amend the legislation in order to tackle problems such as the existence of "shadow guesthouses" (i.e. licence-holders operated unlicensed guesthouses at premises other than their licensed premises) and that some property owners operated unlicensed guesthouses by renting out their premises under "pseudo" tenancy terms and conditions. Concern was raised that the penalties imposed on convicted cases of unlicensed guesthouses might not have sufficient deterrent effect against the unlawful operation of unlicensed guesthouses.
- 20. According to the Administration, there had been multifold increases in enforcement raids including joint departmental operations against suspected unlicensed guesthouses over the past few years. However, OLA had encountered great difficulties in securing sufficient admissible evidence to prove that unlicensed guesthouse activities were taking place/had taken place at those premises and the persons therein were operating, keeping, managing or otherwise controlling that guesthouse. At present, most of the prosecution cases had to rely on decoy operations to collect sufficient evidence. It was not uncommon for OLA officers to be refused entry, even though they were undercover. Besides, with web-based mode of operation (e.g. transactions were

done online between the online platform/operator and the lodger) becoming more common, it was difficult for OLA to gather admissible evidence and institute prosecution. Even with sufficient evidence, if the owner or the operator was not caught red-handed and lodgers/tourists were unwilling to give statement or testify in court, it was still very difficult to institute prosecution against them. OLA might only be able to prosecute the keeper who was employed to manage the unlicensed guesthouse.

21. Members enquired if criminal liability would be incurred to owners of the premises if they had no knowledge that their tenants had used their premises as unlicensed guesthouses. The Administration explained that while it proposed to introduce a "strict liability" offence to HAGAO specifying that the owner, tenant or occupier of the premises concerned would be held liable for any premises used as unlicensed guesthouse, a statutory defence would be provided for innocent parties. Regarding the Administration's proposal to increase the maximum penalties for operating unlicensed guesthouses, some members suggested that consideration should also be given to specifying the minimum level of penalties to be imposed by the courts under HAGAO.

# **Relevant papers**

22. A list of the relevant papers on the LegCo website is in **Appendix II**.

Council Business Division 2
<u>Legislative Council Secretariat</u>
5 November 2018

Consolidated Proposals in (i) the Consultation Paper on Review of the Hotel and Guesthouse Accommodation Ordinance (Cap. 349) (HAGAO) in July 2014, (ii) the Paper for the Legislative Council Panel on Home Affairs (HA Panel) in March 2015 and (iii) the Latest Position in 2017

	(A) Consultation Paper on Review of HAGAO in 2014	(B) Proposals in the HA Panel Paper in 2015		(C) Latest Position in 2017
<b>(I)</b>	<b>Enhancing the Licensing Regime</b>			
(a)	<b>Consideration of Land Documents</b>			
1.	To enable the Authority to refuse to issue/renew licences or cancel the existing licences where the DMC of the building concerned contains explicit restrictive provisions stipulating that guesthouse operations or commercial	1. To adopt item (1) in Column A.	1.	Apart from DMC considerations, to empower the Authority to take into account any land use restrictions in the land lease when processing applications concerning premises without DMCs.
	activities are not allowed in the building concerned, or the premises are for "private residential use" only.		2.	Applicants concerned should provide a certificate signed by a legal practitioner affirming that there are no explicit restrictive provisions in the DMC (and
2.	To require the applicant to submit a certificate signed by a solicitor affirming that there are no such explicit restrictive provisions in the DMC.			without which the land lease), prohibiting the premises concerned to be used as (i) a hotel or guesthouse, (ii) for commercial purpose or (iii) for any purpose other than for private residential purpose.

(A) Consultation Paper on Review of HAGAO in 2014	(B) Proposals in the HA Panel Paper in 2015	(C) Latest Position in 2017
(b) Consideration of Views from Residents		
<ul> <li>3. To enable the Authority to take into account local views by one of the following three options – <ol> <li>To conduct local consultation through District Officers (DOs)</li> <li>To set up an independent panel to consider local views</li> <li>To set up a new statutory body responsible for the licensing work.</li> </ol> </li> </ul>	<ol> <li>To adopt item 3(ii) in Column A.</li> <li>Views to be taken into account will be submitted by residents living in the same building.</li> <li>To ensure fairness and consistency in assessing local views, a set of guiding principles will be drawn up for panel members' reference. Reference to be made to the established guidelines of other licensing authorities.</li> </ol>	3. All applications, whether for hotel or guesthouse licences, should be subject to one consultation, either –  (a) a statutory consultation, e.g. consultation conducted by the Town Planning Board in the context of Outline Zoning Plan for the proposed use, in which case they will be exempted from the administrative consultation under HAGAO; or  (b) if a statutory consultation is not required for the proposed use, an administrative advisory consultation under HAGAO.
		4. For premises which have to be subject to the administrative consultation arrangement under HAGAO, the scope of consultation should depend on whether the premises —  (a) form <b>part of a building</b> (typically premises in multi-storey / multi-ownership buildings with DMCs), in which case, the owners, residents and business operators in the same building will be consulted;

(A) Consultation Paper on Review of HAGAO in 2014	(B) Proposals in the HA Panel Paper in 2015	(C) Latest Position in 2017
		or  (b) are a whole building, in which case, affected persons including business operators in the vicinity will be consulted, and depending on the location of the whole building, the scope of the vicinity may vary.
(c) Requirement on Applicants to be "Fit an	nd Proper"	
<ul> <li>4. To require the applicant to be "fit and proper", having regard to whether the applicant (including every partner or director if the applicant is a partnership and company respectively) – <ol> <li>(i) has been convicted of an offence against any provision of the Ordinance</li> <li>(ii) has been convicted, whether in Hong Kong or elsewhere, of a criminal offence involving fraud or dishonesty</li> <li>(iii) is an undischarged bankrupt (in the case of an individual) or is in liquidation or the subject of a winding up order (in the case of a body corporate); or</li> <li>(iv) is a mentally disordered person.</li> </ol> </li> </ul>	5. To adopt item (4) in Column A.	5. Liaising with the DoJ on the drafting of the relevant provisions. Drawing reference to other enactments, details e.g. period of conviction record will be set out in administrative guidelines.

	(A) Consultation Paper on Review of HAGAO in 2014	(B) Proposals in the HA Panel Paper in 2015	(C) Latest Position in 2017
(II)	<b>Enhanced Enforcement Powers</b>		
(a)	"Deeming Provision" and Circumstanti	al Evidence	
<ol> <li>6.</li> </ol>	To add new "deeming provisions" to the effect that until the contrary is proved, any premises which are found to be offering or have provided short-term sleeping accommodation at a fee shall be deemed to be used as a guesthouse.  Property owner, tenant or occupier of the premises should be deemed to be the operator of the guesthouses.	offence (instead of a "deeming provision" owing to human right concerns).  7. To specify in the provisions that any premises must not be used as a guesthouse without a valid licence. If there is sufficient evidence, circumstantial or otherwise, showing that any premises are used as unlicensed guesthouse, the owner, tenant, or occupier will be liable.  8. To provide a statutory defence for	6. Liaising with the DoJ on the drafting of the relevant provisions.
		innocent parties that do not have control over the use of the premises.	
<b>(b)</b>	Entry to a Suspected Unlicensed Guesth	T	
7.	To allow the Authority to apply to the Magistrate's Court for warrants to facilitate its public officers to enter into, and break in if necessary, individual premises for inspection and enforcement actions.	9. To adopt item (7) in Column A.	7. Liaising with the DoJ on the drafting of the relevant provisions.

	(A) Consultation Paper on Review of HAGAO in 2014	(B) Proposals in the HA Panel Paper in 2015	(C) Latest Position in 2017		
(III)	) Greater Deterrence				
(a)	Imposition of Heavier Penalties				
8.	To increase the maximum fines for operating unlicensed guesthouses from \$200,000 to \$500,000 and imprisonment from 2 years to 3 years.	10. To adopt item (8) in Column A.	8. Liaising with the DoJ on the drafting of the relevant provisions.		
<b>(b)</b>	Closure of Premises				
9.	To empower the Authority to apply to the Court, upon the second conviction of an unlicensed guesthouse, to issue a Closure Order against relevant premises for six months.  Reference to be made to the established practice of closing vice establishments pursuant to relevant provisions in the Crimes Ordinance (Cap. 200).	11. To adopt items (9) and (10) in Column A.	9. Liaising with the DoJ on the drafting of the relevant provisions.		
(IV	(IV) <u>Transitional Arrangement</u>				
	Nil	12. To empower the Authority to renew the existing licences once, for a period of 12 months, after commencement of the Bill on the basis of the existing licensing requirements.	10. In response to the trade's request for a longer licence duration and taking into account the lead time for completing the legislative exercise, to better prepare existing licensees to migrate to the new regime, the Authority has resumed		

(A) Consultation Paper on Review of HAGAO in 2014	(B) Proposals in the HA Panel Paper in 2015	(C) Latest Position in 2017
	<ul> <li>13. To issue a special alert to the affected operators of the new licensing requirements and advise them to seek legal advice as early as possible.</li> <li>14. Priority be given to the processing of relocation applications.</li> </ul>	issuing 3-year "Guesthouse (General)" and "Guesthouse (Holiday Flat)" licences with effect from 1 March 2017, provided that (i) the applications have complied with the administrative measures and (ii) there is no indication that the operation of "hotel" and "guesthouse" in the premises concerned will contravene restrictive provisions in the DMC, failing (ii), only 1-year licence will be issued.
(V) Administrative Enhancement Measure	<u>s</u>	
(a) Third Party Risks Insurance		
11. To require the licensees to procure third-party risk insurance for their guesthouses.	15. To include a new condition in the guesthouse licences (for both new and renewed licences) requiring the procurement of third party risks insurance with the minimum insured amount of \$10 million per event.	<ul> <li>11. All licensees are required to procure a third party risks insurance policy with a minimum limit of indemnity of \$10 million per event.</li> <li>12. Up to 31 May 2017, of the 695 licences which are subject to this requirement upon application / renewal (i.e. 12-month grace period expired), 389 (56%) have complied with the requirement, and the remaining 306 applications are being processed by the Authority. Moreover, 228 licences,</li> </ul>

	(A) Consultation Paper on Review of HAGAO in 2014	(B) Proposals in the HA Panel Paper in 2015	(C) Latest Position in 2017
			which are still entitled to the 12-month grace period, had voluntarily complied with this requirement, making up a total of 617 licensees complying with the requirement.
<b>(b)</b>	<b>Continuous and Personal Supervision</b>		
12.	To specify in the licensing conditions that the licensee shall provide a 24-hour manned reception counter inside their guesthouses.	<ul> <li>16. To include a new condition in the guesthouse licences (for both new and renewed licences) requiring the provision of a 24-hour manned counter in the guesthouses.</li> <li>17. If there are insurmountable physical constraints in the premises, the applicant may submit an alternative proposal for the Authority's consideration and approval.</li> </ul>	<ul> <li>13. The Authority promulgated on 3 January 2017 the "Supplementary Guideline on the Provision of 24-hour Manned Counter", which sets out the following criteria for an alternative proposal to meet the requirement – <ul> <li>(a) To provide some other means of 24-hour manned direct communication between the guesthouse operator and patrons, in tandem with the installation of closed-circuit television;</li> <li>(b) Licensee / applicant to pledge that assistance would be provided and requests attended to at the guesthouse concerned within around 20 minutes from the time of a patron's call; and</li> <li>(c) To provide documentary proof that the means of 24-hour manned direct communication and the installation of CCTV are in a location under</li> </ul> </li> </ul>

	(A) Consultation Paper on Review of HAGAO in 2014	(B) Proposals in the HA Panel Paper in 2015	(C) Latest Position in 2017
			management / control.  14. Up to 31 May 2017, of the 603 guesthouse (general) licences which are subject to this requirement upon application / renewal (i.e. 12-month grace period expired), 290 (48%) have complied with the requirement, and the remaining 313 applications are still being processed by the Authority. Moreover, 143 licences, which are still entitled to the 12-month grace period, had voluntarily complied with this requirement, making up a total of 433 guesthouses complying with the requirement.
(c)	<b>Different Types of Licences</b>		
13.	To issue "hotel licence" to purpose-built hotels and "guesthouse licence" to other types of short-term sleeping accommodation located in residential buildings.	<ul> <li>18. To issue four types of licences based on the use of the premises approved or accepted by the other authorities i.e. Buildings Authority and the Director of Lands, etc. – <ul> <li>(a) "hotel licence" for purpose-built hotels;</li> <li>(b) "guesthouse licence" for short-term sleeping accommodation located in residential buildings;</li> <li>(c) "holiday camp licence" for short-term sleeping accommodation</li> </ul> </li> </ul>	<ul> <li>15. To issue hotel licence and the three types of guesthouse licences, namely, guesthouse (general), guesthouse (holiday camp) and guesthouse (holiday flat).</li> <li>16. Guesthouse licensees should indicate clearly "(licensed guesthouse)" in all promotional materials/advertisements related to the guesthouse. The font size shall not be smaller than the smallest print of the promotional</li> </ul>

(A) Consultation Paper on Review of HAGAO in 2014	(B) Proposals in the HA Panel Paper in 2015	(C) Latest Position in 2017
	within camp sites; (d) "holiday flat licence" for short-term	materials/advertisements.
	sleeping accommodation in village type houses in the New Territories.	17. Liaising with the DoJ on item (19) in Column B.
	19. To specify in the licence condition that other than hotel licensees, holders of other licences shall not use the word "hotel" in their business names.	

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Source: Annex to the Administration's paper provided for the meeting of the Panel on Home Affairs on 17 July 2017 [LC Paper No. CB(2)1874/16-17(01)].

# Relevant papers on the Hotel and Guesthouse Accommodation (Amendment) Bill 2018

Committee	Date of meeting	Paper
Panel on Home Affairs	10.1.2014 (Item V)	Agenda Minutes
	23.7.2014 (Item IV)	Agenda Minutes
	12.9.2014 (Item I)	Agenda Minutes Administration's paper providing supplementary information in response to members' requests at the special meeting (LC Paper No. CB(2)535/14-15(01))
	24.3.2015 (Item IV)	Agenda Minutes
	17.7.2017 (Item IV)	Agenda Minutes

Council Business Division 2
<u>Legislative Council Secretariat</u>
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