

**15 July 2024**

**For information**

## **LEGISLATIVE COUNCIL PANEL ON DEVELOPMENT**

### **Revision of Fees and Economic Costs for Excavations in Unleased Land under Land (Miscellaneous Provisions) Regulations (Cap. 28A)**

#### **PURPOSE**

This paper briefs Members on the proposed revision of eight types of fees and three sets of economic costs relating to processing the applications of excavations in unleased Government land as set out in the Schedule 3 to the Land (Miscellaneous Provisions) Regulations (Cap. 28A) (“the Regulations”) under the Land (Miscellaneous Provisions) Ordinance (Cap. 28).

#### **THE PROPOSAL**

2. In line with the “user pays” principle, it is the Government’s policy that fees charged by the Government should in general be set at levels adequate to recover the full cost of providing the services according to paragraph 2 of the Financial Circular (FC) No. 6/2016 “Fees and Charges”. The subject fees and economic costs were last amended in 2018. To support enterprises and ease the financial burden of the public, the Government implemented a fee review moratorium on government fees and charges set on a cost recovery basis from August 2019 to December 2021. Starting from early 2022, the Government has gradually re-activated the review of the fees. This is the first revision proposal regarding the subject fees and economic costs since the end of the above fee review moratorium.

#### ***Fees***

3. The eight types of fees payable in respect of excavation permits relating to excavations in unleased Government land including (1) streets maintained by the Highways Department (HyD) and (2) those other than streets maintained by HyD are prescribed in Parts I, II, and III of Schedule 3 to the Regulations. A review of the cost of providing the relevant services at the 2024-25 price level has been carried out. The result shows that the existing cost recovery rates of the eight types of fees specified in Schedule 3 (i.e. items 1 and 2(a) of Part I, items 1 and 2 of Part II and item 1 of Part III) to the Regulations range from 39% to 92%

### ***Economic costs***

4. The three sets of economic costs charged for the whole duration of the extended period of excavations in unleased Government land which is a street maintained by HyD are prescribed in item 2(b) of Part I of Schedule 3 to the Regulations. They were based on the assessment of the economic costs of traffic delay in a carriageway caused or likely to be caused by excavations on different kinds of streets. Economic costs are charged to ensure that the excavation permittees will complete their works as soon as possible to minimize the disturbance to the road users. It is our consistent principle to determine the fee level based on recovering the full economic costs. However, a review of the three sets of existing economic costs at the 2024-25 price level shows that the percentages of the existing fees only range from 80% to 81% at the 2024-25 price level.

### ***Proposed revisions***

5. It is the Government's target to achieve full cost recovery as early as practicable according to paragraph 14 of the FC No. 6/2016. We propose to increase the eight types of fees as mentioned in paragraph 3 above by about 8% to 20% in 2024-25. The proposed magnitudes of fee revisions are at similar order as the previous fee revision conducted in 2018.

6. For the three sets of economic costs as mentioned in paragraph 4 above, the legislative intent is to drive the excavation permittees to complete their works as soon as possible so as to minimize the disturbance to the road users. In order to reflect the updated economic costs of traffic delay in a carriageway caused or likely to be caused by excavations on streets, we follow the principle of charging the full economic costs adopted in the previous fee revisions and propose to increase the said economic costs by about 24% to 25% to the 2024-25 price level.

7. Details of the fees and economic costs revision proposal are at **Annex**. After the proposed revision is implemented, the cost recovery rates of the eight types of fees will be increased to 47% to 100%. The percentage of the three sets of economic costs will be resumed to 100% at the 2024-25 price level.

8. We will implement the revised fees and economic costs in 2024-25 once the legislative amendment procedures are completed. The costs of these fees and economic costs will be reviewed regularly and fee revision proposal will be submitted as and when necessary, having regard to the "user-pays" principle.

## **PUBLIC CONSULTATION**

9. The service users involved in the subject fee revisions are mainly public utilities (such as electricity companies, telecommunication companies and town gas company, etc).

10. The subject fees and economic costs should represent a minute portion (amounting around 0.1%) of the total operating cost of the public utilities. Thus the proposed increases should have limited impact on their operations. The relevant stakeholders have been consulted on the proposed fee adjustments. They did not raise any objection and comment on the proposed fee adjustments.

## **EFFICIENCY IMPROVEMENT MEASURES**

11. The Administration will continue to enhance efficiency and streamline procedures for administration of excavation permits relating to excavations and emergency excavations in unleased Government land so as to contain the costs of providing these public services.

## **FINANCIAL IMPLICATION**

12. When the proposed revised fees and economic costs are implemented, the increase in revenue is estimated to be about \$37.2 million per annum.

## **WAY FORWARD**

13. Members are invited to note the proposal as set out in this paper. We will proceed with the necessary legislative amendment by negative vetting. We will table the proposed subsidiary legislation at the Legislative Council for negative vetting in Q4 2024 tentatively and will implement the revised fees and economic costs in end-2024.

**Development Bureau**  
**Highways Department**  
**Lands Department**  
**July 2024**

**Revision of Fees and Economic Costs for Excavations in Unleased Land  
under Land (Miscellaneous Provisions) Regulations (Cap. 28A)**

Item	Fee Description	Existing Fee (\$)  (a)	Cost Recovery Rate at 2024-25 Price Level	Proposed Fee (\$)  (b)	Proposed Amount of Increase (\$)  (b)-(a)	Proposed Percentage Increase  [(b)- (a)]/(a)	Cost Recovery Rate after Fee Adjustment
<b>A) Fees</b>							
1.	Issue or deemed issue of an excavation permit (per permit) for streets maintained by Highways Department (HyD)	2,360	39%	2,830	<b>470</b>	20%	47%
2.	Issue or deemed issue of an excavation permit – daily fee for the whole duration (per day) for streets maintained by HyD	40	63%	46	<b>6</b>	15%	72%
3.	Extension of an excavation permit (per extension) for streets maintained by HyD	750	74%	825	<b>75</b>	10%	81%
4.	Extension of an excavation permit – daily fee for the whole duration of the extended period (per day) for streets maintained by HyD	40	63%	46	<b>6</b>	15%	72%
5.	Emergency excavation during the initial period (per emergency excavation) for streets maintained by HyD	2,360	39%	2,830	<b>470</b>	20%	47%
6.	Emergency excavation during the initial period – daily fee for the whole duration (per day) for streets maintained by HyD	40	63%	46	<b>6</b>	15%	72%
7.	Issue of an excavation permit (per permit) for unleased land other than streets maintained by HyD	3,700	90%	4,110	<b>410</b>	11%	100%
8.	Extension of an excavation permit (per extension) for unleased land other than streets maintained by HyD	485	92%	525	<b>40</b>	8%	100%

Item	Fee Description	Existing Economic Costs (\$)	Percentage of the Economic Costs at 2024-25 Price Level	Economic Costs at 2024-25 Price Level (i.e. Proposed Economic Costs) (\$)	Proposed Amount of Increase (\$)	Proposed Percentage Increase	Percentage of the Recovered Economic Costs at 2024-25 Price Level after Adjustment
		(a)		(b)	(b)-(a)	[(b)-(a)]/(a)	
B) Economic Costs							
9.	Extension of an excavation permit – economic costs for a strategic street – for the whole duration of the extended period (per day) for streets maintained by HyD	23,600	81%	29,200	5,600	24%	100%
10.	Extension of an excavation permit – economic costs for a sensitive street – for the whole duration of the extended period (per day) for streets maintained by HyD	9,120	81%	11,330	2,210	24%	100%
11.	Extension of an excavation permit – economic costs for a remaining street – for the whole duration of the extended period (per day) for streets maintained by HyD	1,850	80%	2,310	460	25%	100%