

**Fifth Meeting of
the Business Facilitation Advisory Committee**

***Agenda Item 5 : Report on the progress of the
“Be the Smart Regulator” Programme***

Purpose

This paper reports on the progress of the “Be the Smart Regulator” Programme (the Programme) since the last Business Facilitation Advisory Committee meeting on 6 March 2007.

Background

2. The Government believes that the keys to a better regulatory regime are to improve the efficiency, transparency and customer-friendliness of licensing processes and to conduct regulatory review where appropriate. The objective is to reduce compliance cost on business without compromising public interest. The Government has therefore implemented the Programme since late 2006 to further improve the licensing system and business environment of Hong Kong.

Latest Progress

Overview

3. With the cooperation of bureaux/departments concerned, we are making good progress on various fronts and the improvement measures are well received by the trade as detailed in the following paragraphs.

Business Liaison Groups (BLGs)

4. Since the last meeting, we have set up another BLG for the non-restaurant food business, bringing the total number of BLGs to eight¹. 19 BLG meetings have been held so far. The trade has raised 271 regulatory/licensing issues, of which 159 have been addressed and resolved.

¹ The eight BLGs cover the cinema, theme park, family amusement centre, hotel, recreation club, other entertainment establishment (such as mahjong club and karaoke club), restaurant food business and non-restaurant food business sectors respectively.

The remaining issues are being pursued by relevant departments. Some of the major issues are outlined in *Annex*.

5. We will encourage more departments to form their own BLGs with their respective trades. It is expected that at least three more BLGs will be formed in the coming months. Besides, we will publish a new web page on the BLG through the web site of the Economic Analysis and Business Facilitation Unit (EABFU). The public will have access to the notes of meetings and be informed of new issues/policy for consultation. They can also send their feedback or suggestion to us through the web site.

Opinion survey

6. The EABFU has commissioned the University of Hong Kong to conduct an opinion survey to collect views from the business sectors on regulatory control of business in Hong Kong. The survey covers 2 000 establishments in 20 business sectors. The contractor has submitted an interim report in mid-June based on 733 interviews completed so far. The interim result showed that there is a need to simplify the regulatory regime, to keep new regulations to a minimum and to carry out more business facilitation. The survey will be completed by early August 2007. A summary of the final survey result will be submitted in the next meeting.

Business facilitation in the Food and Environmental Hygiene Department (FEHD) and the Home Affairs Department (HAD)

7. The FEHD and HAD have been vigorously pursuing business facilitation of their licensing activities jointly with the Efficiency Unit (EU) since 1 March 2007. Business Facilitation Officers (BFOs) have been assigned to examine the licensing procedures and recommend improvements.

Review of licensing process

8. The existing licensing processes of the HAD, including those for Hotel and Guesthouse Licence and Certificate of Compliance for Club, have been reviewed and several quick-win solutions identified to streamline the licensing processes. Examples include the adoption of a computer system for better monitoring of enforcement actions against unlicensed premises; release of information on how the seating capacity of a club is derived, etc.

Review of licensing guides

9. The BFOs have prepared a licensing guide for FEHD's Outside Seating Accommodation and a layman's guide for HAD's Club Licence. In addition, they have also revised two FEHD licensing guides on Public Places of Entertainment Licence (PPEL) and Liquor Licence respectively. The new and revised guides provide comprehensive information including application requirements and procedures across departments, assessment and approval criteria, performance pledges, sample application forms as well as frequently asked questions. The FEHD has already published the licensing guide for PPEL, and the other three licensing guides have been issued to the trade for consultation before they are published.

Cultivation of customer-centric culture

10. The EU is working in partnership with the FEHD Training Section to provide training on customer-friendly licensing services to FEHD's licensing staff. The EU will also work with the Civil Service Training and Development Institute to develop similar training programmes for adoption by other bureaux and departments.

Customer satisfaction survey

11. The EU has commenced quarterly customer satisfaction survey on FEHD's and HAD's licensing services. The survey results will form the base to evaluate the effectiveness of the improvement measures.

Application Tracking Facility (ATF)

12. Since the roll-out of the ATF to 12 food-related licences of the FEHD in mid-February 2007, management reports on overdue cases have shown progressive improvement. This has demonstrated that the ATF has helped the FEHD in building up a more responsive service culture. The EU is now working with the departments concerned to prepare for the opening up of the facility to applicants for their online tracking by February 2008.

13. The EU is working with the HAD and SWD to extend the ATF to all licences under the purview of the Office of Licensing Authority of the HAD and SWD's licence for elderly homes. The system development work will start in July 2007.

Regulatory impact assessment mechanism

14. The EABFU is devising a system to avoid the introduction of any unreasonable regulatory or licensing requirements to the business community. A draft proposal is expected to be ready for internal consultation by September 2007.

Way Forward

15. Members are invited to note the progress of the Programme. The Secretariat will report further progress in due course.

Efficiency Unit,
Chief Secretary for Administration's Office
Economic Analysis and Business Facilitation Unit,
Financial Secretary's Office
July 2007

Highlights of issues raised in the Business Liaison Groups (BLGs)

(I) Examples of issues clarified in BLGs

Theme Parks

Trade's concern

- ♦ Paint, kerosene, etc were basic materials required for daily operations of a theme park. A theme park was regarded as a single dangerous goods (DG) store. Only a limited amount of DG was allowed to be kept on-site, leading to operational difficulties.

Response from government

- ♦ After the BLG meeting, the Fire Services Department (FSD) has flexibly taken individual buildings within the theme park as separate DG store, thus allowing more DG to be kept on-site.

Food Business (Non-restaurant)

Trade's concern

- ♦ The trade is concerned that the ISO 22000 Scheme recently promoted by the FEHD for food safety management will increase the operating cost of the trade.

Response from government

- ♦ Food premises acquiring the ISO 22000 certificate will be subject to a more relaxed inspection regime and be exempted from the penalties of the Demerit Points System. Participation in the Scheme is on a voluntary basis.

(II) Examples of progress made on some issues through BLGs

Hotel Business

Trade's concern

- ♦ The Buildings Department (BD) plans to limit the number of suite rooms in new hotel development to a maximum of 20% of the total number of rooms, which the trade believes will affect their business.

Progress

- ♦ The BD clarified that it had initially consulted the building professionals on this new condition. It is now studying the collected views and will consult hotel developers and operators in the next round of consultation before making decision. No new measure has yet been introduced.

Food Business (Restaurant)

Trade's concern

- ♦ There are conflicting requirements among the Labour Department (LD), BD and FSD, and it is difficult for the trade's compliance:
 - The BD allows an exit door to open inwards or outwards according to different situations, but the LD requires all exit doors to open outwards. This creates confusion and affects the design and the size of the restaurant's seating area. It is also an embarrassment to the Government while approval of a building plan has been obtained from the building safety authority i.e. the BD, but the establishment is prosecuted on the same subject by another department later.
 - Signage for "Exit" at every exit door as required by the LD is more stringent than that required by the FSD and BD. The trade is confused whether they should follow the requirements of the fire safety authority i.e. the FSD or that set by the LD.
- ♦ Not many restaurants are aware of the exit door requirements of the LD. Most are not in compliance with the LD's more stringent requirement. The trade will be much affected if the LD is to enforce the regulation.

Progress

- ♦ Relevant departments are now working out pragmatic ways to address the trade's concern.

Theme Parks and Family Amusement Centres

Trade's concern

- ♦ There was no application guide to help the trade understand

the licensing requirements and application procedures, hence causing much delay in obtaining a licence.

Progress

- ♦ The EABFU has compiled an application guide setting out in layman terms the requirements using an applicant's perspective.

(III) Examples of new issues raised in BLGs

Hotel Business

- ♦ The hotel trade experiences a significant shortage of well-trained English speaking spa therapists and at the same time, great difficulty in obtaining visas for spa therapists, especially those from Thailand and the Philippines.

Cinema

- ♦ The trade would like to know if they are legally allowed to install mobile phone immobilisers in the cinemas in order to provide a quiet environment for the audience.

Theme Parks

- ♦ After the FSD had certified full compliance of safety requirements, the LD imposed additional fire safety requirements, e.g. exit signs, fire extinguishers, etc, during its regular inspections.

Food Business (non-restaurant)

- ♦ The trade complains that since the implementation of some new licensing requirements in 2006, many food factory operators, especially the soybean products and noodle manufacturers, have difficulties in transferring their food factory licences, albeit for the purpose of transferring ownership to the next generation. Many of these food factories were set up years ago and are not profitable enough to bring their factories up to the present-day more stringent licensing requirements.

Karaoke, Bar and Nightclub Business

- ♦ The trade complains that some police officers are rude during liquor licence inspections. They claim that the trade is cooperative in assisting police operations but still the policemen are impolite and unreasonable to their customers. To allow better communication between the trade and the police officers, we arranged a meeting in July for the trade to convey their difficulties to the police licensing unit direct.