

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

***Agenda Item 4 : Report on the progress of the
“Be the Smart Regulator” Programme
– February 2008 update***

Purpose

This paper reports on the progress of the “Be the Smart Regulator” Programme¹ (the Programme) since the last Business Facilitation Advisory Committee (BFAC) meeting held on 1 November 2007.

Latest progress

Overview

2. Through the concerted efforts of Bureaux/Departments (B/Ds) concerned, we are making good progress in improving the overall licensing environment for doing business in Hong Kong. The improvement measures introduced by B/Ds concerned are well received by the trades. We have strengthened the promotion of business facilitation culture and customer-centric service within the civil service. We have seen much improvement in the Food and Environmental Hygiene Department (FEHD) and Home Affairs Department (HAD), which are the current focus of the Programme. We will promote the good licensing practices implemented in FEHD and HAD to other departments, and continue to explore ways to further streamline licensing procedures. The progress of some key improvement measures/initiatives is outlined below.

Comprehensive licensing review

3. The Government understands that it is both a regulator and a service provider for the business sector. To improve Hong Kong’s competitiveness, the Chief Executive has pledged in his 2007-08 Policy Address that the Government will conduct a comprehensive review on business licensing processes and streamline application procedures.

¹ The Government has implemented the Programme since early 2007 to further improve Hong Kong’s licensing processes and business environment. The Programme aims to improve the efficiency, transparency and business-friendliness of Hong Kong’s licensing processes with the aim of reducing compliance costs to the business community while safeguarding public interests.

4. Earlier on, the Economic Analysis and Business Facilitation Unit (EABFU) has commissioned a consultant to conduct an Opinion Survey on Regulatory Impact on Business in Hong Kong. According to the survey findings, the business community considers that more improvements in licensing work are needed in seven business sectors, namely, hotels and boarding houses, real estate, restaurant, agriculture and fisheries, food business other than restaurants, amusement and recreational services, and construction. The findings help us refine the focus of our licensing review.

5. Under the Programme, the Government has already looked into improvement work plans for licensing activities governing the restaurant/food business sectors and the hotel sector in respect of our business facilitation work in FEHD and HAD. Building on the Programme, the Government will extend the scope of its licensing review to cover the other sectors that report burdensome regulations in the above survey. The Efficiency Unit (EU) will assist the Agriculture, Fisheries and Conservation Department and Television and Entertainment Licensing Authority in improving their licensing activities in relation to agriculture and fisheries as well as amusement and recreational services. EABFU will continue with its work on improving the business environment of the construction industry under the steer of the BFAC and its Task Forces. Regarding the real estate sector, EABFU has liaised with the Estate Agents Authority for possible ways to improve the licensing services in relation to estate agents. With the extended coverage of the Programme, almost all active business licences/permits will be put under the monitoring radar. The Government will track progress accordingly and report to the BFAC in due course.

Efficiency improvement measures in response to the World Bank's "Doing Business" Report

6. The "Doing Business 2008" Report published by the World Bank benchmarked the performance of 178 economies on the ease of doing business with a view to inspiring governments to reform. Hong Kong was ranked 4th globally in the current report, up from the 5th position last year. While Hong Kong is among the world's top ranked economies in categories including ease of "enforcing contracts", "getting credit", "protecting investors", "paying taxes" and "trading across borders", Hong Kong's performance in "dealing with licences" and "starting a business" has room for improvement.

7. The World Bank's indicator of "dealing with licenses" tracked the number of government procedures and processing time in building a two-storey warehouse. As part of the efficiency improvement measures under the Programme, a Working Group, comprising the Development Bureau, EABFU and six related departments², has been formed to explore ways to streamline the licensing procedures for building a warehouse. After review, the number of procedures for small-scale building construction projects (*such as building a two-storey warehouse*) has been reduced by eight from 23 to 15, and the required processing time can be shortened by 43 days from 155 to 112 days. The improvements are mainly achieved through streamlining of workflow, elimination of unnecessary procedures, and improvement in processing efficiency. The construction industry is expected to benefit from the streamlined procedures and shortened processing time starting from mid-December 2007.

8. On the "starting a business" indicator, EABFU has coordinated with the Companies Registry (CR) and the Inland Revenue Department (IRD) to explore room to streamline the procedures and shorten the time required for company and business registration. CR has subsequently streamlined the incorporation procedure from six to four working days. CR is working closely with IRD on longer-term measures to further shorten the "starting a business" process.

Business Liaison Groups (BLGs)

9. EABFU has established a new BLG in November 2007 for the Places of Amusement Licence, bringing the total number of BLGs³ to nine. These BLGs cover most of the active business licences of concern to the trades. The trades have raised 322 issues, of which 226 have been clarified or resolved. The remaining issues are being pursued by relevant departments.

10. Four other departments, including the Labour Department, CR, HAD and the Trade and Industry Department have established their own regular trade liaison forums which are serving similar purpose as that of the BLGs.

² The six departments are the Buildings Department, Drainage Services Department, Fire Services Department, Highways Department, Lands Department and Water Supplies Department.

³ The nine BLGs cover the cinema, theme park, family amusement centre, hotel, recreation club, restaurant food business, non-restaurant food business, other entertainment establishments (such as karaoke establishments, nightclubs, bars and entertainment clubs), and places of amusement (such as billiard establishments, public bowling alleys and skating rinks) sectors respectively.

11. We have launched a new BLG web page on EABFU's web site since mid-September 2007. The public can access the BLG meeting notes, enroll for the BLG meetings, and submit their feedback or suggestions through the web site.

Business facilitation in FEHD and HAD

12. The Business Facilitation Officers in FEHD and HAD, with the support of EU, have maintained the momentum in assisting both departments in improving their licensing activities.

Application Tracking Facilities (ATFs)

13. ATFs are web-based facilities through which Case Officers can update the processing status for milestone activities for effective communication among departments and for monitoring by the management. The management information generated through the ATFs will facilitate ongoing improvements in future.

14. Two ATFs set up for FEHD and HAD to monitor the processing of their licence applications are operating smoothly. FEHD's ATF covering 10 food business-related licences⁴ was opened up to applicants for their on-line checking of their application status on 18 February 2008. The ATF for HAD will be opened up later this year.

15. A third ATF enhanced with case management and enforcement functions was set up in November 2007 for the Social Welfare Department (SWD) to support its processing of licence applications and daily enforcement operations for the Residential Care Homes for the Elderly. The ATF for SWD will also be opened up later this year.

Review of licensing process

16. HAD has implemented a new set of internal performance targets, aiming to further shorten the overall processing time for club application by 5% from 94 to 89 working days. In addition, EU will continue to work with HAD for possible ways to further improve the processing time with the aid of the ATF. HAD is exploring the feasibility of implementing third party certification for its licence applications to help speed up the process.

⁴ The 10 food business-related licences are General Restaurant Licence, Light Refreshment Restaurant Licence, Marine Restaurant Licence, Food Factory Licence, Bakery Licence, Factory Canteen Licence, Fresh Provision Shop Licence, Frozen Confections Factory Licence, Milk Factory Licence, and Siu Mei and Lo Mei Shop Licence.

17. Two reviews, one on Food Factory Licence and the other on Transfer of Food Business Licences, commissioned by the Food Business Task Force and undertaken by EU were completed in January 2008. EU will follow up the recommendations with departments concerned.

Review of licensing guides

18. A revised licensing guide for FEHD's Outside Seating Accommodation was issued to the trade in December 2007. A revised guide for FEHD's Liquor Licence will be published once endorsement is obtained from the Liquor Licensing Board. The licensing guide for restaurants is being revised and the trade will be consulted before it is issued.

Business impact assessment (BIA) mechanism

19. EABFU is refining the BIA mechanism and will consult B/Ds on its feasibility and practicability in the next month. The BIA mechanism aims to avoid the introduction of any unreasonable regulatory or licensing requirements, and help reduce the administrative burden and compliance cost for businesses.

Platform for public consultation

20. To further engage the business sectors, EABFU is taking action to establish a platform in the revamped "Be the Smart Regulator" web site for public consultation on new regulations, administrative measures and procedures proposed by the Government that will impact business.

Way forward

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

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