“Hong Kong occupies an enviable position as a world city – a position that many strive to emulate. To stay ahead, we must challenge ourselves constantly, seeking new ways to reduce red-tape, and facilitate continued economic development.”

Henry Tang, GBS, JP
Financial Secretary
A Smart Focus

Increasingly, governments around the world are focused on cutting red-tape to encourage vital investment and maintain competitiveness, recognising that overly prescriptive regulations actually harm the community.

The challenge for regulators is to protect public interest while providing the conditions for a vibrant economy to flourish.

Smart regulations ensure that innovation is not impeded by rigid guidelines and that barriers to trade are not created, either through high compliance costs or long processing times.

This leaflet describes a smart approach, examines the 4 stages of the regulation life-cycle and highlights a selection of the successful initiatives undertaken by departments as they develop a modern and outcome-based system of business regulation.
Evolution of the Smart Regulator

As governments seek to remove hurdles to business and allocate resources more effectively, regulators must evolve, changing from a focus on vetting and processing applications that absorbs resources and involves lengthy processing time…

… to a focus on clearly defined and well understood requirements, rapid processing and effective enforcement.

The Life-cycle of Smart Regulations

1. Plan
   - all direct and indirect costs fully understood
   - alternatives to regulation meticulously evaluated

2. Consult
   - open and inclusive consultation
   - regulatory impact assessment undertaken

3. Implement
   - clear, transparent and accessible rules and regulations
   - proportionate and effective enforcement

4. Review
   - streamlined processes
   - timetabled reviews

Following the smart approach at each of the 4 stages delivers:

- greater choice and more competitive pricing to the community
- faster results and lower costs to business
- a greater degree of compliance and better use of Government resources
- fewer complaints and greater job satisfaction for staff of the regulatory agencies
The Home Affairs Bureau

The growing popularity of web-surfing and on-line games has led to the growth of Internet Computer Service Centres (ICSCs) in Hong Kong.

The challenge:
- to address public concerns that young patrons may have access to pornographic, violent or gambling web-sites; and that the ICSCs may become additional locations for vice and triad activities
- to avoid over-regulation which may hinder the development of the trade

Government’s response:
- considered all possible regulatory options, followed by public consultation
- introduced a “Code of Practice” for voluntary compliance by operators
- adopted a notification system for commencement and closure of ICSCs

The outcomes:
- operators can commence business without the need for prior approval
- new operators have a standard to follow
- government resources are better utilised, focusing on enforcement instead of processing applications

All direct and indirect costs fully understood
- analyse the burden of regulations, including the administrative burden and compliance costs for business, higher pricing for the community, and regulator’s costs
- investigate the cost of alternatives to regulation

Alternatives to regulation meticulously evaluated
- consider industry self-regulation, codes of practice, third-party certification, etc, before prescriptive regulation
- balance risk to the community with the level of Government’s involvement and the burden on business
Open and inclusive consultation

- start early – before proposals are developed
- consult widely – include the views of industry, professionals, academics and the community
- use quantitative (surveys) and qualitative (interviews, focus groups, etc) techniques to gain a full understanding of different views
- provide easy access (typically Internet-based) to consultation papers, regulatory impact assessments, etc
- explain rationale for positive and negative decisions before they are taken

Regulatory impact assessment (RIA) undertaken

- publish the intended outcome of proposed regulation
- describe alternatives and the results of consultation
- analyse potential costs and benefits to all stakeholder groups: community, business and regulators
- prioritise preferred courses of action and detail how they will be implemented, monitored and reviewed

The Environmental Protection Department

The Government proposed a mandatory registration and labelling scheme for paints, printing inks and some 40 consumer products in order to improve air quality, by reducing volatile organic compounds’ emissions from paints, printing inks, personal care products, car care products, etc.

The challenge:

- to protect public health by reducing emissions of volatile organic compounds by 55% before 2010
- not to limit consumers’ choice by penalising products that failed to meet the registration and labelling requirements

Government’s response:

- provided a public consultation period
- canvassed views from the cosmetics, paints, printing and consumer goods trades, as well as retailers and wholesalers

The outcomes:

- the Government substantially reduced the number of regulated items to 6 major categories that were the largest emitters
- revised proposals, with less impact on business, were jointly developed with representatives from the trades
Clear, transparent and accessible rules and regulations

- use simple and unambiguous language
- apply rules openly and consistently
- issue guidance together with regulations
- make guidance readily available through the Internet, fax, service counters, etc

Proportionate and effective enforcement

- ensure enforcement to achieve desired outcomes
- encourage compliance, rather than merely penalising offenders
- target limited resources on areas of greatest risk

The Food and Environmental Hygiene Department

The sale or manufacture of food is subject to some 17 licences / permits, depending on the types of products. The long lead time to get a licence / permit inflates business start-up costs, e.g. rental charges.

The challenge:
- to speed up the licensing process without compromising public health

Government’s response:
- introduced a provisional licensing system to speed up the approval process
- published comprehensive application guides, detailing licensing requirements/conditions, safety standards, application procedures and performance pledges
- relaxed certain licensing requirements which do not pose food hygiene problems
- working towards rationalisation by replacing a number of food permits with a “composite licence”

The outcomes:
- applicants have better control of the timing for commencement of business
- business start-up costs reduce significantly
- with the composite licence, operators will have the flexibility to easily change their product mix
Streamlined processes
- review processing time and carry out process audits to identify inefficiencies
- streamline process, e.g. accept e-application
- review internal and external guidelines periodically
- ensure performance pledges regularly reviewed for continuous improvement

Timetabled reviews
- schedule periodic reviews of regulations e.g. post-implementation RIA

The Highways Department
The uncoordinated road opening works by utility companies pose traffic problems in Hong Kong.

The challenge:
- to minimise the traffic problems and inconvenience caused to pedestrians and ensure the timely start of road works

Government’s response:
- provided web-based digital maps with information of approved road works, “day-time ban” areas, etc to facilitate planning of road opening works by utility companies
- implemented an on-line application system for excavation permits
- issued timely alerts of non-compliant performance (with photo-image) via web-based Audit Inspection Management System

The outcomes:
- contractors are able to plan road works in a more coordinated manner with readily available information
- excavation permits are issued faster
- contractors can resolve issues faster upon receipt of “non-compliant” alerts
- traffic problems arising from road works are kept to a minimum
What next?

Contact the Economic Analysis and Business Facilitation Unit for more ideas and examples on emerging global best practice.

The Economic Analysis and Business Facilitation Unit coordinates Government’s efforts on business facilitation and provides a bridging point for departments seeking to engage with the broader business community.