

Notes of the 16th Business Liaison Group Meeting With the Hotel Trade

Date: 18 September 2013
Time: 2:30 p.m. – 4:15 p.m.
Venue: Conference room 3, G/F, East Wing, Central Government Offices, 2 Tim Mei Avenue, Admiralty

Convenor: Mr CHAN Wah-chan Head, Business Facilitation Division,
Economic Analysis and Business Facilitation Unit

Trade Participants

Federation of Hong Kong Hotel Owners

Mr Michael LI	Executive Director
Miss Fanny CHAN	Association Manager
Mr Jerome LEE	Director of Engineering, Mandarin Oriental Hong Kong
Mr Drack MUNG	Food & Beverage Manager, The Emperor (Happy Valley) Hotel
Mr Chun-kit LAM	Director of Engineering & Projects, Excelsior Hotel

Hong Kong Hotels Association

Mr Nicholas YIM	Executive Committee Member (Executive Director & Group General Manager, Sino Group of Hotels)
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Chinachem Group

Mr Chris CHAN	Licensing Manager
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Government Representatives

Home Affairs Department (HAD)

Mr Winston LEUNG	Chief Officer (Licensing Authority)
Mr Timothy LEE	Building Surveyor (LA)

Food and Environmental Hygiene Department (FEHD)

Mr Eric CHEUNG	Superintendent (Licensing)1
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Economic Analysis and Business Facilitation Unit (EABFU)

Mr Peter FUNG	Chief Management Services Officer (<i>Secretary</i>)
Miss Jenny YEUNG	Business Facilitation Officer

The **Convenor** welcomed all to the meeting. He said that the notes of the last Business Liaison Group (BLG) meeting had been posted to the Business Facilitation Initiatives website (http://www.gov.hk/en/theme/bf/pdf/H_BLG_15_Notes.pdf) for the trade's reference.

2. The **Convenor** reiterated that the Terms of Reference of BLG were -
 - a) to enhance communication between the trade and the stakeholding bureaux and departments to exchange views on licensing and regulatory matters;
 - b) to solicit trade's views on the licensing regime so as to identify possible improvement opportunities; and
 - c) to serve as a platform to brief the trade about the related regulatory requirements and business compliance facilitation measures, and consult the trade on regulatory proposals.

The BLG meeting was open for enrolment and participation by members of the trade. Individual cases would not be discussed at the BLG meetings.

Briefing by department

Alignment of Fees and Charges

3. **Mr Eric CHEUNG** briefed the trade that in this 2013 Policy Address, the Chief Executive had announced an initiative to amend the legislation to align the different levels of fees and charges for similar municipal services in the urban areas and New Territories. Where the fee for a service differed between the urban areas and New Territories, the lower rate would prevail. FEHD had gazetted the amendment regulations on 24 May 2013 to align its fees and charges in the urban areas and New Territories. The aligned fee took effect from 19 July 2013. If a person chose to pay before 19 July 2013 for a service which was rendered on or after 19 July 2013, or for a licence/permit which became valid on or after 19 July 2013, he would still need to pay the old fee. A refund cheque would be mailed to the correspondence address of the relevant applicant/licensee/permittee.

4. **Mr Chris CHAN** requested for details of the new licences/permits fee. **Mr CHEUNG** advised that FEHD had posted the new fee schedule on its website (http://www.fehd.gov.hk/english/events/fees_align/fees_align_appendix_e.pdf).

Waiving referees' signature of application for liquor licence

5. **Mr CHEUNG** gave a briefing on "Waiving referees' signatures for the application for liquor and club liquor licence" with presentation slides at Annex 1. He said that to facilitate application for liquor and club liquor licence, referees were no longer required to provide their signatures since 19 June 2013. The new application forms had been uploaded to the websites of FEHD, Liquor Licensing Board and Online Licensing Services, and could be obtained from FEHD district offices.

6. **Mr Michael LI** said that he was glad to know the application process for

liquor and club liquor licence had been streamlined to reduce the compliance cost. He appreciated FEHD's efforts in making good progress in business facilitation.

7. **Mr LI** suggested that, given selling liquor was important to the hotel trade, there should be a representative from the hotel industry in the Liquor Licensing Board. He requested **Mr CHEUNG** to convey the trade's suggestion to the Food and Health Bureau (FHB) for consideration. **Mr CHEUNG** agreed to follow up accordingly.

Matters arising

Business compliance costs of hotel licence renewal

8. The **Secretary** presented the results of the exercise on business compliance costs (BCC) of hotel licence renewal with presentation slides at Annex 2. The exercise was a high level estimation on the compliance cost incurred by the trade in respect of the hotel licence renewal process under the current Hotels and Guesthouses Accommodation Ordinance (Cap 349) (HAGAO).

9. The **Secretary** said that the preparatory work of the exercise started in early 2013 and a pilot was conducted in May 2013. After a briefing session was given to ten hotels on 10 July 2013, seven hotels provided their BCC data for consolidation. Major findings and observations based on the trade's BCC data and hotel profile information as at 30 July 2013 provided by HAD were –

- 82% of the hotels held licence of 1 to 3 years' validity and 18% held licence of 4 to 7 years' validity, and no hotel held 4 year's licence.
- Large hotels of 1 to 3 years' licence validity enjoyed the lowest BCC per room per year and the lowest percentage of operating expenditure (OPEX), and small hotels of 4 to 7 years' licence validity paid the highest BCC per room per year and the highest percentage of OPEX.
- Across hotels of different sizes, licence fee was the biggest component for hotels of 1 to 3 years' licence validity, whereas the cost of hiring AP for certification was the biggest component for hotels of 4 to 7 years' licence validity.

10. The **Secretary** pointed out that by breaking a 6-year licence into two 3-year ones, a medium-sized hotel (with 101-500 guestrooms) could save about HK\$285,400 over the 6-year period under the current licensing regime.

11. **Mr LI** said that the hotel industry requested the Administration to provide multi-year licence to hotel trade in about a decade ago because renewal on a yearly basis had caused great administrative burden on the trade. Most hotels were now holding licence of 3 years' validity because HAD required hotel licence of 4 to 7 years' validity to submit AP certificate annually and the cost of hiring AP was very high. As such, FHKHO had advised its members to apply for licence of 3 year's validity. He suggested that to further reduce the trade's compliance costs, the Administration would consider raising the threshold of waiving the requirement for

AP certificate from the current 3 years to a longer period (say, 5 years) in future.

12. **Mr Chris CHAN** added that by requiring the trade to provide AP certificate, HAD shifted its responsibility of safe-guarding the building and fire safety standard of the premises to the trade. Moreover, the requirement of providing AP certificate not only incurred the cost of hiring AP but also administrative burden because the hotel operators had to provide proper information to the AP and to accompany him/her to conduct inspection.

13. **Mr Winston LEUNG** explained that when HAGAO was enacted in 1991, hotel licensees were allowed to apply for one-year licence only. In 1998, in response to the request of the trade, the Administration initially intended to propose to extend the validity of licences issued under HAGAO to a maximum period of 3 years in order to obviate the need for annual licence renewal. However, the trade strongly requested for a licensing period of up to 7 years' validity to tie in with the hotels' normal renovation cycle. The trade had proposed that, during the 7-year licence period, the hotel licensee shall submit an annual certificate, signed by an AP certifying that the hotel building, among others, had not undergone substantial alteration or violated any laws. Having duly considered the trade's suggestion, the Administration considered that an AP should be competent to provide the certification as proposed by the trade. The annual submission of such a certificate should provide the Authority with information relating to the fire and building safety condition of the hotel during the validity of the licence, while the Authority retained the power under section 18 of HAGAO to enter and inspect a hotel at any reasonable times. With this understanding, the Administration had no objection to issuing a licence up to 7 years' validity as proposed by the trade.

14. Furthermore, **Mr LEUNG** said that the Administration was of the view that the requirement of submission of annual certificate by an AP should not apply to licence of 3 years' validity or less. This would reduce the compliance cost for licensees of the smaller hotels or guesthouses by obviating the need to hire an AP to inspect the premises and submit certificate annually. For hotel licensees, they would have a choice to apply for licences of up to 3 years' validity (without the need for annual AP's certification) or over 3 years' validity (with a requirement to submit an annual certificate by an AP). As could be seen from the example in the above exercise, BCC incurred on the hotel trade could be significantly reduced if a hotel applied for a licence of 3 years' validity instead of 6 year's validity over a 6-year period.

15. **Mr LI** appreciated the efforts of the Administration to introduce multi-year licence to hotels in 2001.

New items

Definition of hotels under the Hotel and Guesthouse Accommodation Ordinance

16. **Mr LI** said that in Hong Kong, a lot of establishments which claimed themselves as hotels were actually guesthouses or even unlicensed premises. The services provided by these establishments deviated greatly from the expectations one would have on a normal hotel. Under the Trade Descriptions (Unfair Trade Practices) (Amendment) Ordinance 2012 (TDO) which came into effect on 19 July 2013, should a tourist who made a reservation at such an establishment complain

that he/she was being misled, it would be difficult for the government to take enforcement actions against the establishment because the definition of hotels in HAGAO did not include the services or range of facilities/amenities to be provided. As such, he was preparing a letter suggesting to the Commissioner for Tourism three essential elements to define a genuine hotel. They were -

- there should be a front office (or a front-desk for smaller hotels);
- there should be Food and Beverage service (or a lounge for in-house guests for smaller hotels); and
- there should be house-keeping service.

Mr LI opined that the above three elements should be able to facilitate the enforcement actions under TDO against establishments which were not classified as hotels. He also suggested HAD to amend HAGAO accordingly.

17. **Mr LEUNG** advised that Mr LI's letter to the Secretary for Home Affairs (SHA) requesting a statutory definition for hotels was received by SHA. HAD was authorised to reply to Mr LI and the reply had been sent to Mr LI before the BLG meeting. As regard to Mr LI's concern over the enforcement of the amended Trade Descriptions Ordinance which was under the purview of CEDB, HAD had conveyed Mr LI's views and concerns to CEDB and the Tourism Commission for their reference and consideration.

18. The **Convenor** enquired on the overseas practices as many patrons of hotels in Hong Kong were international travellers. **Mr Jerome LEE** advised that for international chain hotels, there were internal grading standards (or star system) on the basic services or facilities/amenities provided by their hotels of different brand names. **Mr LI** echoed that though there was no unified international standard for hotel definition or grading, travellers knew what services or facilities to be expected from different hotel brands. **Mr Nicholas YIM** supplemented that overseas hotel operators were very serious in providing services according to the industry norm.

19. In response to **the Convenor**, **Mr LI** said that he had issued a paper on the possible implications of the TDO on the hotel industry to alert the trade.

A.O.B

Mobile Application for Business Consultation e-Platform

20. The **Secretary** briefed the trade on the "Business Consultation e-Platform" mobile application (Apps) launched on the iPhone platform. It served as a one-stop shop for accessing Government's regulatory proposals with business impact. The business community could browse and download regulatory proposals and related consultation information and offer their views and comments on the proposals directly to the bureaux/departments concerned. Moreover, there was a "Push Notification" function which alerted the user of any new consultation exercises. The Apps was available for free download on the iPhone App Store by searching for "consultation". The Apps for the Android platform would be launched by end of 2013.

Date of next meeting

21. The Secretary would inform members of the date of the next meeting in due course.

Economic Analysis and Business Facilitation Unit

October 2013