

**Rationalisation of the Fee Structure  
to better reflect the Relative Costs of Fee Items**

***Application for Issue of New Liquor Licence and Renewal***

Applications for issue of new liquor licence and renewal are the core business of the liquor licensing services. Out of some 8,000 service requests received by FEHD in 2016, about 5,500 cases (or 69%) are applications for new liquor licence or renewal. According to the latest costing exercise, the cost recovery rate for processing the application for new licence and renewal is about 54%.

2. At present, the fees charged for ‘new licence’ and ‘one-year renewal’ are the same. In reviewing the licence procedures, we note that the overall complexity for handling a renewal application is generally much less than that of an application for a new licence and the cost of the former is about 30% of that of the latter. Thus the fee level for ‘one-year renewal’ should therefore be pitched at 30% of that of ‘new licence’ to reflect the actual costs involved.

3. In August 2015 we introduced a new two-year liquor licence issued upon renewal, on top of the one-year licence, for those with a good track record for at least two consecutive years immediately before the liquor licence renewal application is submitted (paragraph 7 of the paper). By reducing the workload that would otherwise arise from the processing of straight forward licence renewal cases (i.e. cases with good track records), this will allow the LLB as well as relevant government departments to focus their attention on handling new applications or contested or contentious licence renewal applications. This is welcome by the trade<sup>1</sup>. As at 30 April 2017, there are 7,792 licensees. 3,745 of them are holding a one-year licence and the remaining 4,047 are holding a two-year licence. Given the longer licence coverage of two-year renewal vis-a-vis one-year renewal, we propose to maintain the broad relativity of the two fee levels at 1.5 times’ differences.

4. In the current fee structure for both new applications and renewals, there is a distinction of fee levels between “licence with bar endorsement” and “licence without bar endorsement”, as there is a higher likelihood of contested cases for the former. As hearing before the LLB is required in a contested case, the Secretariat will need to prepare a paper and provide the logistic arrangement in inviting applicants,

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<sup>1</sup> Since the implementation, there are 4 422 two-year renewal applications received (i.e. about 76% out of 5 794 liquor licences eligible for 2-year renewal applications). As at 30 April 2017, 4 272 2-year licences are granted and 4 047 of them are still valid. The remaining 24% continue to apply for 1-year liquor licence due to various reasons, including expiry of tenancy agreement with the landlord or change of shop etc..

objectors and representatives of Government departments, for example the Police, to attend the hearing, resulting in a higher cost generally as shown in the latest costing exercise. The current distinction of fee levels should therefore be maintained to reflect the relative costs.

5. The current fee structure also draws a distinction of fee levels between “liquor licence” and “club liquor licence”, but the latest costing exercise shows that the work involved in processing issue and renewal applications between the two is similar (and the caseload of the latter is only 4% of the former). We should thus remove the distinction between the two and align the fee levels to the same.

### *Application for Miscellaneous Services*

6. During the validity period of a liquor licence, the licensee may request various miscellaneous services to meet the operational needs, including the following

- (a) transferring the licence to another person, when the business has been sold to another person, or the existing licensee has resigned from the owner of the business who needs to appoint another person as a licensee;
- (b) amending the details of the licence, owing to, for example, addition of licensing conditions and change of shop sign, size of premises, nature of business (e.g. from restaurant to Karaoke) and the endorsement (e.g. bar and dancing endorsement);
- (c) requesting a duplicate licence for loss of the current licence; and
- (d) authorizing a person to manage the premises during the illness or temporary absence of the licensees.<sup>2</sup>

7. In 2016, some 2,500 cases were handled (31% of all service requests). Although the work involved is much less substantial than new issue or renewal, it is not mere formality as revealed in the costing exercise. However, the fees being charged are apparently nominal, i.e. \$140 for application of ‘licence transfer’, ‘licence amendment’ or ‘issues of duplicates’ and \$10 for ‘authorization of person to manage premises’. According to the latest costing exercise, the cost recovery rate for miscellaneous services is 2%. The current fee structure should be rationalised to set

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<sup>2</sup> Regulation 24 of DCLR provides that the maximum period (or the aggregate of the periods) for which a person may be authorized to manage the licensed premises during the illness or temporary absence of the licensee be capped at 25% of the licence duration, and for licences that bear a duration exceeding one year, each year, each period of absence must not exceed 90 days (and the total period of absence must not exceed 90 days within 12 consecutive months during the licence duration).

fees at a level to reflect the actual service costs.

8. For “transfer” and “amendment” applications for liquor licences, the procedures are similar to “new issue” applications but fewer departments may need to be consulted. For example, for “transfer” applications, consultation through HAD is not necessarily required if there is no objection received and no complaint in the past. The latest costing exercise suggests that the processing cost of a ‘transfer’ and ‘amendment’ application is only about 60% of that of a ‘new issue’ and the relative fee levels should be set accordingly.

9. As in the case of new application and renewal, there is a higher likelihood for a “licence with bar endorsement” to involve a hearing before the LLB. Therefore, we propose to introduce a distinction of fee levels in transfer and amendment between “bar endorsement’ and “no bar endorsement” to reflect their relative costs. On the other hand, the fee levels of “liquor licence” and “club liquor licence” should remain the same as the processing work is similar.

10. For “authorization of person to manage premises” during the illness or absence of licensee, the cost for a period of more than 30 days is substantially higher as it involves the processing by the Police. Thus, we propose to set two fee levels accordingly to reflect the respective costs.

**Annex B**

**Fee proposals of Liquor Licence  
Cap. 109H Dutiable Commodities (Liquor Licences) (Fees) Regulation**

**2-year Scenario**

Fee description	Date of last revision/ first introduction	No. of Cases in 2016	Current Fee (\$)	Year 1 (2017/18 price level)		Year 2 (2018/19 price level)	
				Proposed Fee (\$)	Change in amount (\$)	Proposed Fee (\$)	Change in amount (\$)
<b>New Issue &amp; Renewal</b>							
<b>(i) New issue</b>							
(a) LL (bar)	1 Nov 1998	75	3,940	13,150	9,210	17,580	4,430
(b) Club LL (bar)	1 Apr 1997	5	1,100	13,150	12,050	17,580	4,430
(c) LL (no bar)	1 Nov 1998	1 107	1,990	6,580	4,590	8,790	2,210
(d) Club LL (no bar)	1 Apr 1997	15	1,100	6,580	5,480	8,790	2,210
<b>(ii) Renewal – one year</b>							
(a) LL (bar)	1 Nov 1998	433	3,940	3,940	-	5,280	1,340
(b) Club LL (bar)	1 Apr 1997	28	1,100	3,940	2,840	5,280	1,340
(c) LL (no bar)	1 Nov 1998	2 206	1,990	1,990	-	2,640	650
(d) Club LL (no bar)	1 Apr 1997	60	1,100	1,990	890	2,640	650
<b>(iii) Renewal – two year</b>							
(a) LL (bar)	3 Aug 2015	229	5,910	5,910	-	7,920	2,010
(b) Club LL (bar)	3 Aug 2015	30	1,650	5,910	4,260	7,920	2,010
(c) LL (no bar)	3 Aug 2015	1 295	2,990	2,990	-	3,960	970
(d) Club LL (no bar)	3 Aug 2015	84	1,650	2,990	1,340	3,960	970

Fee description	Date of last revision/ first introduction	No. of Cases in 2016	Current Fee (\$)	Year 1 (2017/18 price level)		Year 2 (2018/19 price level)		
				Proposed Fee (\$)	Change in amount (\$)	Proposed Fee (\$)	Change in amount (\$)	
<b>Transfer &amp; Amendment</b>								
<b>(i) Transfer</b>								
(a) LL (bar)	1 Nov 1998	303	140	7,890	7,750	11,120	3,230	
(b) Club LL (bar)	1 Nov 1998	18		7,890	7,750	11,120	3,230	
(c) LL (no bar)	1 Nov 1998	1 123		3,950	3,810	5,560	1,610	
(d) Club LL (no bar)	1 Nov 1998	56		3,950	3,810	5,560	1,610	
<b>(i) Amendment</b>								
(a) LL (bar)	1 Nov 1998	34		7,890	7,750	11,120	3,230	
(b) Club LL (bar)	1 Nov 1998	0		7,890	7,750	11,120	3,230	
(c) LL (no bar)	1 Nov 1998	81		3,950	3,810	5,560	1,610	
(d) Club LL (no bar)	1 Nov 1998	2	3,950	3,810	5,560	1,610		
<b>Issue of Duplicate</b>	1 Nov 1998	7	140	255	115	440	185	
<b>Authorisation of person to manage premises</b>								
(a) not more than 30 days	24 Apr 1970	641	10	400	390	720	320	
(b) more than 30 days		209		2,560	2,550	4,400	1,840	

## Annex C

### **Improvement Measures Identified by the Review Team In Processing Liquor Licence Applications**

The Team has identified the following improvement at various stages of processing a liquor licence application:

(a) Engage the business owners –

- Most of business owners may be restaurant licence applicants/licensees or club licensees, who may not be fully aware of the progress of liquor licence applications, as all the correspondences related to the applications are addressed to the applicants. With a view to engaging the business owners at an earlier stage of application, the following measures have recently been implemented:
  - i. Upon receipt of a duly completed application form for new issue with required supporting documents, an acknowledgement letter will be issued to the applicant and copied to the respective restaurant licensees/club licensee;
  - ii. To provide more information in the acknowledgement letter and enhance the transparency of the application, the applicant will be advised to (a) place advertisement early on the newspapers; (b) attend an interview with the Police; and (c) track the status of the application by making use of the online licence services; and
  - iii. Three weeks after the issue of the acknowledgement letter, the applicant will be reminded in writing to place an advertisement which will also be copied to the respective restaurant licensees/club licensees.

(b) Enhance coordination among processing departments –

- i. To ensure timely processing, the HAD/Police have been reminded of working target to process referrals from FEHD;
- ii. In case of an outstanding reply, FEHD will provide weekly alert reports to HAD/Police on overdue cases in 3 bandings with different colours; and

- iii. Overdue cases will be escalated to the management level so that they will identify the problems on specific cases.
- (c) Improve management information and internal monitoring –
- i. It is noted that some applicants do not duly complete the application form or submit the required supporting documents. The liquor licence processing system (“the System”) has been enhanced to record (a) the date of acceptable application, meaning the date when a duly completed application form is submitted with required supporting documents and the processing of application starts; and (b) the outstanding documents. Such measure can improve management information in the sense that applicants can be reminded to submit the outstanding items to facilitate timely processing; and
  - ii. The System will be enhanced with colour features for overdue reports to alert the management levels of the processing departments to take early action (referring to item (ii) of paragraph II above).
- (d) Specific measures for summer recess arrangement –
- The trade has raised concerns on the possible delay in handling new liquor licence applications arising from the existing summer recess arrangement, though all non-contested cases are being handled through a year. With a view to minimizing the impact to applications received in May and June, the following measures have been taken:
    - i. A timeline for processing an application for new issue received in May from date of acceptable application to approval of application has been worked out for licensing staff to follow so as to ensure that consideration of all acceptable applications by LLB shall be held in July;
    - ii. A monitoring mechanism of the progress of each application with a report listing the milestones, such as receipt of acceptable application, referral to and reply from departments and posting advertisement etc., has been set up to ensure all applications are processed within the agreed timeframe. The

report will be sent to the management levels of FEHD. Should any applications be processed beyond the timeframe, immediate follow up action will be taken including urging concerned departments to reply or sending reminders to the applicants; and

- iii. FEHD will closely liaise with the LLB Secretariat to arrange hearings in July for cases received in May and in the first LLB hearing in September for those received in early June.

With the above improvement measures, the applicants/business owners and concerned departments can be better informed of the progress of the applications and take early action if necessary. In addition, strengthened monitoring mechanism can help the management level of concerned departments effectively identify the difficulties in the processing of the applications.