

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

***Agenda Item 4 : Common views of some business sectors  
on Hong Kong's licensing system***

**Purpose**

This paper reports on the common views expressed by some business sectors on Hong Kong's licensing system and the potential improvement opportunities to enhance the existing regulatory framework.

**Background**

2. The business community expects the Government to provide an efficient, business-friendly and transparent licensing system so that they can do their business easily without undue regulatory burden. Over the past years, a number of regulatory reviews on the licensing regimes of selected business sectors have been conducted under the Government's business facilitation programme with a view to cutting red tape, improving the business environment and reducing the compliance cost to the business sector without compromising the public interest. Some notable achievements include provisional licence for restaurant, cinema, fresh provision shop and food factory; relaxation in the Massage Ordinance to remove licensing control on foot massage; exemption of some air transshipment cargoes from import/export licence requirement; introduction of composite licence for ready-to-eat food; electronic retrieval of building plans; private certification of hygiene, ventilation, fire service installation and building works for provisional licence; reducing the categories of consumer goods from 40 to six for inclusion under the proposed regulations for Volatile Organic Compounds, etc.

3. Though Hong Kong has all along been recognized as one of the best places for doing business, there is scope to improve our licensing system, as reflected from the general feedback from the business community and Hong Kong's overall global ranking on business friendliness as well as the ranking in the individual indicator of "dealing with licences" in the latest two

World Bank Reports on Doing Business<sup>1</sup>. A comparison of the licensing systems in Hong Kong and Singapore revealed the following –

- (a) ***Licensing Approach*** – Hong Kong’s licensing approach is prescriptive in nature whereas the one in Singapore is more outcome-based.
- (b) ***Role of Licensing Authorities*** – In Singapore, the licensing authorities place their emphasis on supervision and strict enforcement action against any breach of the licensing requirements and conditions. The responsibilities of fulfilling the licensing requirements and conditions rest squarely with the applicants along with an extensive use of self or third party certification. Revocation of licences is not uncommon. In Hong Kong, the licensing authorities play an active role in the licensing processes to ensure applicants’ compliance with all the regulatory requirements before licences are issued.
- (c) ***Licensing framework*** – In Singapore, an individual licence is usually related to only one particular regulatory activity whereas an individual licence in Hong Kong often covers a full range of related regulatory activities<sup>2</sup>.
- (d) ***Use of information technology*** – The licensing processes in Singapore are highly automated whereas those in Hong Kong are mainly manual-based.

4. In order to tap the experience and knowledge of the business community who as the end-users are keenly aware of their needs regarding our licensing system, the Efficiency Unit (EU) of the Chief Secretary for Administration’s Office and the Economic Analysis and Business Facilitation

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<sup>1</sup> The World Bank Report on Doing Business released on 6 September 2006 ranks Hong Kong 5<sup>th</sup> overall out of 175 economies in terms of the ease of doing business, up from 6<sup>th</sup> position last year. Improvement is also observed in other areas including the area of “dealing with licences” which stands at 64<sup>th</sup>, when compared with the ranking of 77<sup>th</sup> in the last round of study. Singapore ranks no. 1 in the overall ranking and scores no. 8 in the area of “dealing with licences” in the latest survey.

<sup>2</sup> For example, a restaurant licence in Singapore only handles food and environmental hygiene-related issues and other licences take care of the regulatory activities associated with building and fire safety of the premises separately. In Hong Kong, the Food and Environmental Hygiene Department will issue a restaurant licence upon checking the compliance of the building and fire safety requirements which are under the respective purview of the Buildings Department and Fire Services Department respectively.

Unit (EABFU) of the Financial Secretary's Office have recently co-organized a series of focus group meetings with the business operators/trade representatives from the entertainment, food business, hotel and club sectors, which are mostly regulated by premises-based licensing systems. Although their experiences are with different licences and departments, there are some common similarities in their views which are summarised below.

### **Trade's common views on the licensing system**

5. It is the general consensus of the business operators/trade representatives that there is scope to improve Hong Kong's licensing system in the following areas.

#### ***Licensing process***

- The licensing process is lengthy and often involves many departments. Sometimes, long lead time is required in referring applications to different departments for comments and in conducting compliance inspections before issue of licence. The process may also be delayed because of a lack of communication, poor coordination or inconsistencies in assessment standards among departments over licensing issues.
- There is no performance pledge for some licences/licensing activities, making it difficult for the trade to plan and monitor their projects properly.
- Clearer, more comprehensive and open information on the licensing requirements should be made available to facilitate compliance. Clarifications and changes are often required after the first submission, leading to unnecessary delay.
- The licensing process should be more transparent. There is difficulty in tracking the status of the licence application.
- The processing of licence applications is sometimes protracted because of the loss of documents, the long time taken to transfer paper files between departments and/or limited use of information technology.

### ***Licensing staff***

- Officers can be more proactive or business-friendly to facilitate the trade to resolve regulatory and licensing issues.
- Officers tend to be rigid in interpreting the licensing requirements and are hesitant to exercise discretion.
- There is inconsistency and lack of uniformity in the interpretation of the licensing requirements by different officers.
- Due to frequent staff posting, new licensing staff need time to familiarize with their licensing duties and accumulate experience, thus affecting the efficiency of the licensing work.
- There is no proper handover of the licence applications upon transfer of staff or staff on leave, causing disruption to the licence processing.

### ***Regulations and licensing requirements***

- Some regulations and licensing requirements are over-stringent, outdated or unnecessary. Some are out of tune with the development of the industry. Different government departments may impose duplicate or conflicting licensing requirements.
- The application of a set of general licensing requirements without due consideration to the unique circumstances and needs of individual trade increases the regulatory burden.
- There is insufficient consultation with the trade prior to introducing new regulatory requirements. Bureaux/departments (B/Ds) tend to be selective in seeking feedback from the trade and industry bodies.

### **Potential improvement opportunities**

6. The EU and the EABFU are now studying the feedback from the business sectors and are looking at some broad improvement measures that may conceivably help improve the efficiency, transparency and business-friendliness of our licensing system. A more concrete work program will be developed basing on the following ideas.

### ***Licensing process***

- To establish and publish meaningful ***performance pledges*** on all licensing activities (including new, renewal, amendment/alteration and transfer cases) so that the trade can have more certainty in planning their business operations.
- To provide up-to-date, clear and comprehensive ***licensing guides*** with a view to facilitating business compliance.
- To establish an ***enquiry service for applicants*** to check the status of their applications and to develop an ***inter-departmental application tracking system*** to ensure effective communication among departments.
- To consider extending the ***Conditional Licensing System*** (currently named 'Provisional' Licensing System for premises-based licences) to more licences so as to facilitate early commencement of business.
- To explore further use of ***private certification*** for the issue of full licence on building safety, fire safety, electrical and mechanical safety and hygiene in order to shorten the queuing time for compliance inspections.
- To introduce ***more automation*** in order to further speed up the licensing processes, e.g. e-application, e-payment, e-processing, e-licence, etc.
- To ***extend good practices*** such as the Application Vetting Panel approach used in the processing of restaurant licence to other premises-based licences as appropriate.

### ***Licensing staff***

- To continue promoting a ***business facilitation culture*** in the civil service.
- To strengthen the ***customer-centric mindset*** of the officers through ***customer service training***.

- To develop/improve *training/refresher programmes for licensing staff* to keep them abreast of the latest licensing standards and business environment.
- To *strengthen staff handover arrangement* which should cover case management history of licence applications to ensure a consistent approach and assessment standards.

### ***Regulations and licensing requirements***

- To set up *Business Liaison Groups (BLGs) for more business sectors*. The BLGs will serve as formal discussion forums for the trade and the Administration to exchange views on existing regulations and licensing requirements/conditions and new regulatory proposals/requirements.
- To *evaluate the impact of existing regulatory activities* on the trade and *remove unnecessary regulations*.
- To develop a system to ensure that *only reasonable regulatory or licensing requirements* will be introduced.
- To *duly consult the trade* and *critically assess the regulatory impact* and *compliance cost* on the business community, particularly small and medium enterprises, before introducing any new regulation or new licensing proposal.

### **Discussion**

7. Members are invited to comment on the views expressed by the business operators/trade representatives as well as the potential improvement opportunities being considered, and to suggest the way forward to improve Hong Kong's licensing system.