

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

***Agenda Item 7 : Launch of the “Be the Smart Regulator”  
Programme to Improve the Licensing System  
and Business Environment of Hong Kong***

**Purpose**

This paper reports on the launch of the “Be the Smart Regulator” Programme by the Government to further improve the licensing system and business environment of Hong Kong.

**Background**

2. In late 2006, the Economic Analysis and Business Facilitation Unit (EABFU) and the Efficiency Unit (EU) co-organised a series of focus group meetings with operators of selected business sectors to canvass their views on the local licensing system. Such cross-sector consultation identified the following areas for improvement in our licensing system –

***(a) Administration of the licensing process***

- to speed up the processing time
- to strengthen the coordination of various departments involved in the licensing process
- to improve the transparency of the licensing process
- to provide clearer, more comprehensive and open information on the licensing requirements

***(b) Communication***

- to improve the communication between the applicants and the departments that process licence applications

**(c) *Regulations and licensing requirements***

- to remove over-stringent, outdated or unnecessary regulations and licensing requirements
- to critically assess the regulatory impact and compliance costs to the business community and involve the trade early in the drawing up of new regulation or new licensing proposals

**The “Be the Smart Regulator” Programme**

3. The Government concluded that the keys to a better regulatory regime are to improve the efficiency, transparency and customer-friendliness of licensing processes and to conduct regulatory review where appropriate. The objective is to reduce compliance cost on business without compromising public interest.

4. The Government will measure its performance in regulatory activities and the regulatory impact on business, prepare plans to enhance licensing processes and communication with business, and devise measures to simplify regulations.

5. We have put together an action plan under the “Be the Smart Regulator” Programme (the Programme). The Programme aims to develop a model of best practices that can be replicated across licences and departments. Our initial focus is on premises-based licensing activities, which are more complex in nature and often involve cross-departmental coordination. The first phase will cover the food-related licences of the Food and Environmental Hygiene Department (FEHD), to be followed by the club/hotel licences of the Home Affairs Department (HAD).

6. The Programme adopts a four-pronged approach, covering performance and cost measurement, enhanced management of licensing process, strengthened communication, and regulatory assessment and review.

## **Performance and Cost Measurement**

7. The Government will collect data on the performance of its licensing processes, including the processing time and the reject/rework rates. It will conduct surveys to gauge the perception of business on the government regulatory control. It will measure the compliance cost of doing business. These performance and cost data will form the basis for establishing targets and measuring the success of the Programme.

## **Enhanced Management of Licensing Process**

8. Our aim is to improve the efficiency, transparency and customer-friendliness of licensing processes. This will be achieved through better design of the licensing processes and better case management. We will be piloting a number of measures in the FEHD, HAD and four other departments, viz. the Buildings Department (BD), the Fire Services Department (FSD), the Electrical and Mechanical Services Department and the Television and Entertainment Licensing Authority, which are involved in processing premises-based licences. These measures include the following –

### ***Customer-centric mindset of Case Officer***

9. Being the direct points of contact with the applicants, the Case Officers should possess customer-centric mindset and provide proactive, timely and helpful response to facilitate the licence applications. There will be more training on customer service for the Case Officers in the six departments handling licensing work. They will also be provided with more logistics support to facilitate their case management work.

### ***Business Facilitation Officer (BFO)***

10. To complement the Case Officer concept, the EU will deploy officers to the FEHD and HAD to act as BFOs to help departments improve their licensing processes, provide coordination for difficult cases and collect customer feedback.

### ***Application tracking system***

11. The Government will develop an inter-departmental application tracking system to monitor the processing status for milestone activities for each application. The system will be piloted to cover the food-related licences of the FEHD for internal tracking among government departments. Subject to experience, the system will be extended to cover other licences. Alongside the pilot testing of the tracking system within the Government, the EU will also be examining the feasibility of open tracking by applicants and will build necessary features into the system design as appropriate. We believe the system will enhance transparency and facilitate communication among government departments as well as between licensing authorities and applicants. The management information generated through the system will facilitate ongoing improvements in future.

### ***Process review and automation***

12. The EU will conduct ongoing process reviews for the FEHD and HAD to improve inter-departmental communication and to reduce the lead time required for the issue of licences. The feasibility of further automation of the licensing system will also be explored.

13. The effectiveness of the above measures will be reviewed in a year's time. The application tracking system and other good management practices will be rolled out to other departments as appropriate.

## **Strengthened Communication**

### ***Business Liaison Groups (BLGs)***

14. The Government will set up BLGs for more business sectors to help resolve regulatory and licensing issues. A BLG comprises representatives from departments and business sectors. It functions as a regular discussion forum between departments and trades. Through the BLG, the representatives from both sides can communicate freely on existing regulations, licensing requirements/conditions and new regulatory proposals.

### ***Performance pledges***

15. All departments responsible for licensing work will review their performance pledges on licensing activities for improvement opportunities and to consider introducing performance pledges for the whole spectrum of licensing activities including new cases, renewals, amendment/alteration and transfer cases as appropriate. The provision of clear and reasonable performance pledges will help provide more certainty for the business sector in planning their business operations.

### ***Licensing guides***

16. Additionally, the departments will also review their licensing guides in respect of availability, accessibility, updatedness, reasonableness, clarity and comprehensiveness. The provision of clear licensing guides will make the licensing processes more transparent and efficient. It will also enhance compliance.

### **Regulatory Assessment and Review**

17. The Government will conduct a study on how to develop a system to strengthen the assessment/evaluation of the impact of new regulations in order to avoid the introduction of unreasonable regulatory or licensing requirements. A programme to review existing regulations will also be developed in order to help identify cases that would justify legislative amendments to modify or remove statutory requirements that are no longer appropriate.

### **Latest Progress**

18. The EABFU is now working on an opinion survey to collect views from the business sectors on regulatory control of business in Hong Kong. The result of the survey will help establish the parameters for measurement and comparison over time on the compliance cost of the business sectors, the impact of regulations on business operations, and the general opinion on licensing services. The survey will be conducted in April. The findings will be available by July 2007.

19. To improve their customer service, the FEHD, BD and FSD have already assigned respective Case Officers to look after individual food-related licence applications. The HAD has also implemented similar measure for hotel and club licences.

20. The EU will deploy officers to the FEHD and HAD to act as BFOs with effect from 1 March 2007. The BFO will assist in reviewing licensing guides, reviewing the existing licensing processes, exploring the deployment of IT to support the licensing processes, identifying the training needs for licensing staff in customer service culture, collecting comments from the trades on existing licensing regimes and providing coordination for difficult cases.

21. The EU has developed an application tracking system for food-related licences of the FEHD. The system initially covers 12 licences, namely, the General Restaurant Licence, Light Refreshment Restaurant Licence, Marine Restaurant Licence, Factory Canteen Licence, Bakery Licence, Food Factory Licence, Fresh Provision Shop Licence, Frozen Confection Factory Licence, Milk Factory Licence, Siu Mei and Lo Mei Shop Licence, Liquor Licence and Club Liquor Licence. The system was rolled out in February 2007.

22. The EABFU has so far set up seven BLGs with the cinema, theme park, family amusement centre, hotel, club<sup>1</sup>, and restaurant businesses. These seven BLGs have held their first meetings. The representatives from the businesses have found the meetings to be very useful and informative. One more BLG with the non-restaurant food business will be set up shortly. Departments were also encouraged to form BLGs with their respective trades.

23. All departments are reviewing their licensing activities including performance pledges and licensing guides. The EU/EABFU will provide advisory and co-ordination services.

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<sup>1</sup> Two BLGs have been set up for the club businesses, one for recreation clubs and another for other entertainment establishments (e.g. mahjong clubs, karaoke clubs) and bars.

24. To further promote the business facilitation culture within the Government, the EABFU has recently issued a brochure to bureaux/departments on the importance of smart regulations and to promote an approach that covers the four stages of planning, consultation, implementation and review in regulatory work. A website on the Programme was set up internally to promote good practices within the Government. At a meeting of the Liaison Officers of departments concerned in January 2007, the Financial Secretary in his address urged departments to work together to take forward the Programme. The Government issued a press release on 14 February 2007 to announce the launch of the Programme.

### **Way Forward**

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

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