



Business Facilitation Advisory Committee Food Business Task Force

Review of Liquor Licence Progress Report

25 January 2007

Study Objectives

To improve the processing of liquor licence (I.e. Liquor Licence and Club Liquor Licence) applications with a view to –

- a) rationalising the existing regulatory regime for liquor licensing including the licensing terms and conditions;
- b) providing a more business-friendly environment for the related trade to operate in; and
- c) shortening the overall processing time.



Regulatory Regime

The Liquor Licensing Board (LLB) is the licensing authority of liquor licences.

LLB shall grant a liquor licence when it is satisfied that –

- a) the applicant is a fit and proper person to hold the licence;
- b) the premises to which the application relates are suitable for selling or supplying intoxicating liquor, having regard to the location of the premises;
- c) the premises to which the application relates are suitable for selling or supplying intoxicating liquor, having regard to the structure of the premises and the fire safety and hygienic conditions in the premises; and
- d) in all the circumstances the grant of the licence is not contrary to the public interest.



Regulatory Regime

- A Liquor Licence (LL) will only be issued when the premises have been issued with restaurant licence.
- A Club Liquor Licence (CLL) is issued subject to the production of a valid Certificate of Compliance issued by the Home Affairs Department (HAD).



Regulatory Regime

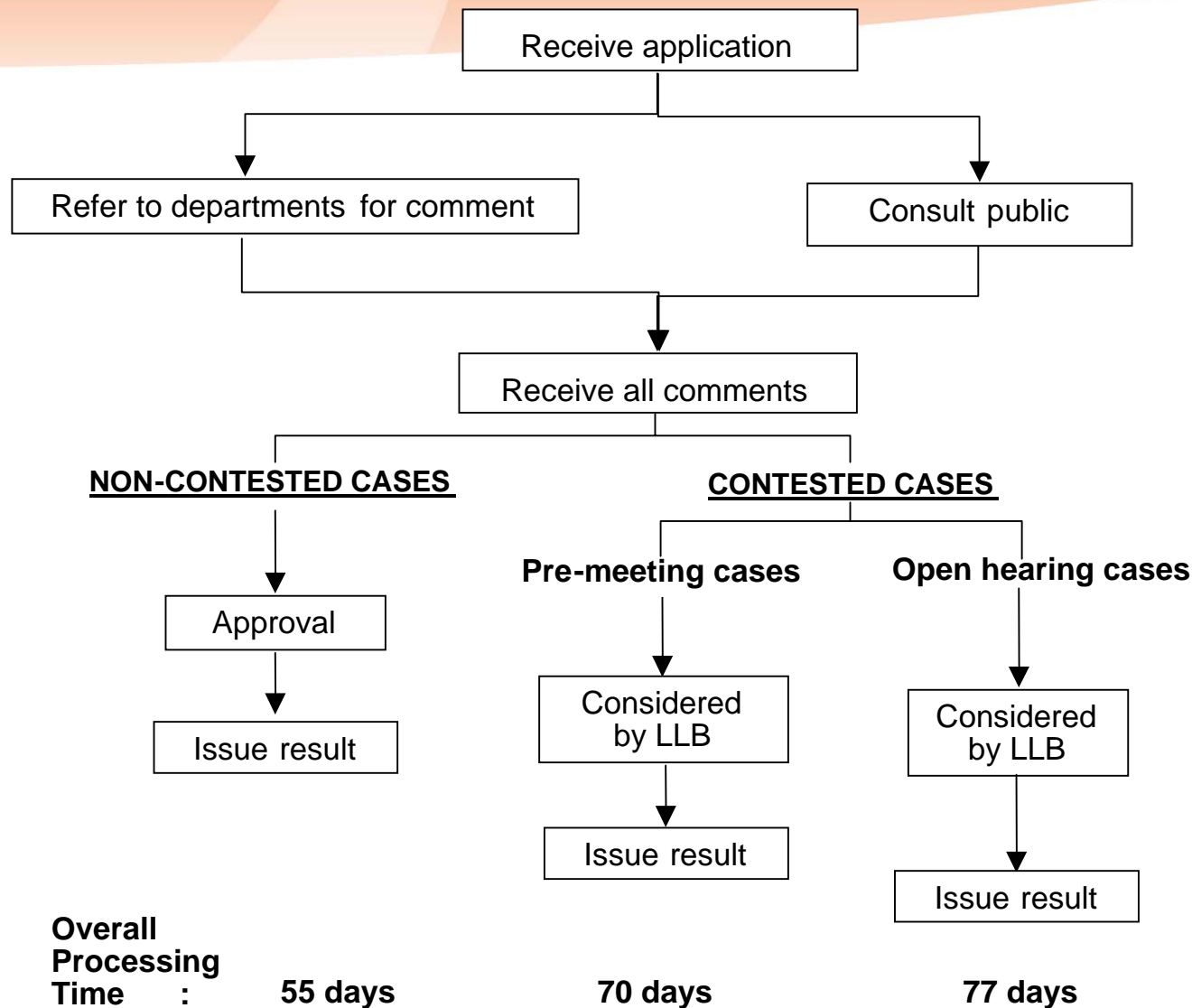
- A licence shall be valid for a maximum period of one year.
- Licensees are required to make applications if they intend to transfer or amend the licence.
- For temporary absence of the licensee for a period not exceeding three months, the licensee is required to seek approval for any person to manage the licensed premises.



Overview of Current Processes

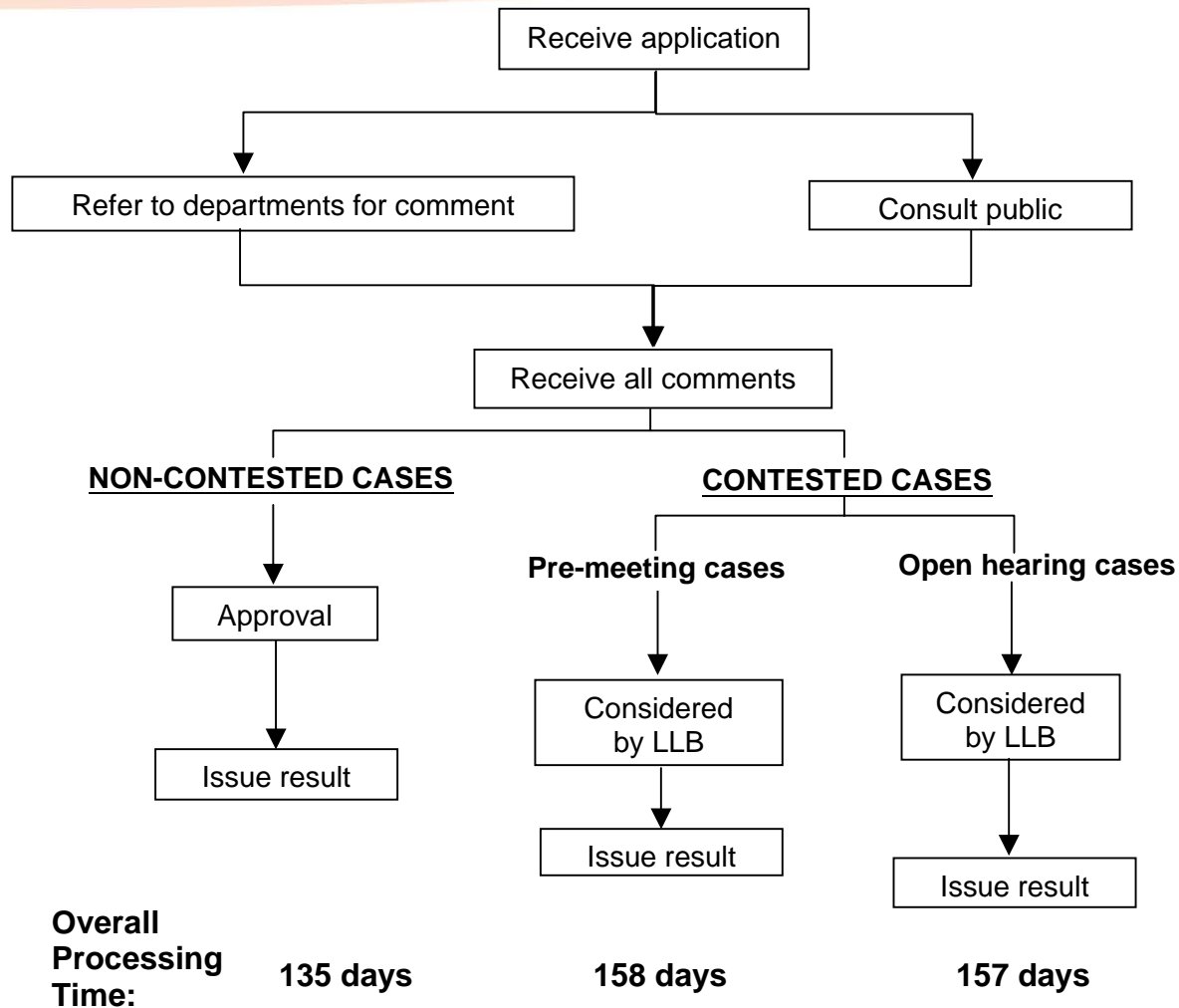
New Applications – Liquor Licence

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Overview of Current Processes

New Applications – Club Liquor Licence



- Applications for CLL are accorded with lower priority as most applicants for a Certificate of Compliance for a Club needs some 200 days to carry out the required upgrading works in order to meet the licensing conditions.
- Procedure-wise, there is no operational need to issue the CLL before the issue of Certificate of Compliance.



Current Processes

Other Applications

Transfer of Licence

- The respective average processing time was 44 days for non-contested cases and 48 days for pre-meeting cases.

Temporary Absence

- The licensee has to obtain prior approval to authorise another person to manage the licensed premises during his/her absence for a period not exceeding three months.



Cases Processed in 2005

| | Non-contested | Contested | | Total | Rejected |
|--------------------------------------|--------------------|-------------------|-------------------|--------------------|-----------------|
| | | Pre-meeting | Open hearing | | |
| Liquor Licence | | | | | |
| New Application | 214 | 159 | 303 | 676 | 1 |
| Renewal | 2983 | 328 | 415 | 3726 | 2 |
| Others (e.g. transfer and amendment) | 846 | 301 | 135 | 1282 | 2 |
| <i>Sub-total</i> | <i>4043</i> | <i>788</i> | <i>853</i> | <i>5684</i> | <i>5</i> |
| Club Liquor Licence | | | | | |
| New Application | 12 | 19 | 36 | 67 | - |
| Renewal | 272 | 40 | 53 | 365 | 1 |
| Others (e.g. transfer and amendment) | 63 | 19 | 12 | 94 | 0 |
| <i>Sub-total</i> | <i>347</i> | <i>78</i> | <i>101</i> | <i>526</i> | <i>1</i> |
| Total | 4390 | 866 | 954 | 6210 | 6 |



Concerns of the Trade

- Issue a liquor licence to a natural person has imposed an excessive *administrative burden for compliance* and created a *potential threat of business discontinuity*, particularly in the following areas –
 - ❖ need to apply for the transfer of licence to another employee whenever the employee licensee resigns;
 - ❖ need for prior approval to authorise a person to manage the licensed premises during the licensee's temporary absence;
 - ❖ malicious cancellation of the licence by the employee licensee; and
 - ❖ sequential processing of revocation of old licences and new applications.



Concerns of the General Public

- The public is most concerned with the following aspects –
 - ❖ Noise and environmental nuisance caused by drunken patrons and prolonged business hours of establishments.
 - ❖ Disruption to law and order, fire safety and overcrowding problems associated with the granting of the licences.
 - ❖ Renewal of licences to certain premises despite repeated complaints by nearby residents.



Major Issues

The Study Team has identified the following major issues -

- a) Issuance of a licence to a natural person which created a vacuum for legal operation and imposed an excessive administrative burden for compliance due to the lead time required for transfer and temporary absence applications
- b) Interruption of LLB operation during summer recess which causes delays to the processing of contested cases
- c) Submission of contentious cases with no objection raised by any party to pre-meetings, thus unnecessarily prolongs the processing time



Major Issues (cont'd)

- d) Sequential processing of revocation of old licences and new applications which causes unnecessary delays to the processing of the new applications
- e) Lengthy licence processing time
- f) Inconsistent practices on waiting for restaurant licence and Certificate of Compliance in the course of processing liquor licence applications, leading to lengthened processing time
- g) Unclear guide and application form
- h) Lack of performance pledges and effective progress monitoring
- i) Case status not transparent



Major Recommendations

Long Term

- Review of legislation covering the followings -
 - ❖ the feasibility of issuing a liquor licence to a corporation
 - ❖ allowing multiple authorised persons to supervise the premises if the review confirms a “natural person” requirement should be maintained
 - ❖ extension of the licence duration
 - ❖ obviating the need for a newspaper advertisement



Major Recommendations (cont'd)

Short Term (to be implemented within 6 months)

- Certification of licence applications by owners / business operators to avoid malicious cancellation of licences by the employee licensees and to allow them to make leave and transfer applications on the licensee's behalf
- Clearer rules on when to conduct pre-meetings so as to avoid unnecessary lengthy processing of those cases without objections raised by any party
- Parallel processing of new applications alongside revocation of old licences



Major Recommendations (cont'd)

Short Term (to be implemented within 6 months)

- Delegation of authority to the Licensing Offices for approval of non-contested cases and issuance of notice of hearing to shorten the licence processing time
- Well-defined referral rules to avoid unnecessary referrals to other government departments
- Enhanced counter service for provision of one-stop service so that the applicants can immediately be informed of whether any information is missing
- Better use of computer-generated templates for preparing submission papers



Major Recommendations (cont'd)

Short Term (to be implemented within 6 months)

- Removal of dependency on restaurant licence and Certificate of Compliance to speed up the case processing
- Dispensing of the redundant confirmation of the transferee's acceptance of the conditions of the current licence when processing transfer applications
- Introduction of notification system for short term (i.e. within one month) temporary absence and also during the processing for internal transfer applications



Major Recommendations (cont'd)

Short Term (to be implemented within 6 months)

- Improved licensing guide and application form to facilitate applicants in submitting their applications
- Setting up of an application tracking system to facilitate monitoring of the processes to ensure timely action on the application processes and to allow applicants to track their case status on-line at a later stage
- Introduction of performance pledges for all kinds of applications
- Improved communication with the trade and departments concerned



Major Recommendations (cont'd)

Medium Term (to be implemented within 12 to 18 months)

- Round-the-year operation of the LLB to consider and approve the contested cases in a timely manner
- Exploring use of IT to support e-submission and e-processing of licence applications



Expected Benefits

Shortened licence processing time – new applications

| Case Type | Current Performance (days) | | Target Performance (days / improved %) | |
|---------------|-------------------------------|-----|---|----------|
| | LL | CLL | LL | CLL |
| Non-contested | 55 | 135 | 29 (47%) | 29 (79%) |
| Pre-meeting | 70 | 158 | 40 (43%) | 40 (75%) |
| Open hearing | 77 | 157 | 45 (42%) | 45 (71%) |



Expected Benefits

Shortened licence processing time – transfer

| Case Type | Current Performance (days) | Target Performance (days / improved %) |
|---------------|-------------------------------|--|
| Non-contested | 44 | 24 (45%) |
| Pre-meeting | 48 | 35 (27%) |
| Open hearing | No record* | 40 (NA) |

* There was no open hearing transfer case in the sample cases examined.



Expected Benefits

- Enable concurrent issuance of restaurant licence and liquor licence as the revised average processing time for liquor licence is shorter than that for provisional restaurant licence (around 48 days)
- Greater transparency in the licensing process
- Better communication with the trade and departments concerned



Potential Financial Implications

- In connection with the shortened processing time for new applications by around one month, the trade* estimated that there will be an opportunity cost of around \$200 million for those new food businesses in a year.

* *The estimated cost avoidance is based on the figures provided jointly by the Hong Kong Federation of Restaurants and Related Trades, Association of Restaurant Managers and The Association for Hong Kong Catering Services Management Limited. They claim that they are representing nearly 70% of restaurant operators.*



Way Forward

- Subject to the views of the Members of the Food Business Task Force, the Liquor Licensing Board and the bureau/departments concerned, the stake-holding bureau/departments will work together and proceed to the implementation of the recommendations.

