

**Fourth Meeting of the
EEC Subgroup on Business Facilitation**

Agenda Item 7 : Progress Report on Business Facilitation Work

Purpose

Members are invited to note the progress of the review of cinema licensing, the regulatory impact assessment (RIA) of the proposed nutrition information labelling scheme, and the follow-up to complaints / proposals in the following areas –

- (a) Property management contract audit procedures
- (b) Release of performance bonds
- (c) Government computer procurement process

Review of cinema licensing

2. The aim of the review is to simplify the licensing regime with a view to speeding up the licensing process. The review commenced in end-November last year. A focus group meeting was held with cinema operators, contractors, authorized persons and the Hong Kong Theatres Association to understand their concerns and a file scanning exercise was conducted to walk through the processes for new applications and alteration works. The respective Government departments were also involved in the review process.

3. We are studying the overseas experience and developing recommendations for improvement. We aim to discuss with stakeholders on possible alternative measures after the Chinese New Year.

RIA on the proposed nutrition information labelling scheme

4. Initial recommendations are being considered by the Food and Environmental Hygiene Department (FEHD) and its policy bureau. The cost-benefit analysis has suggested that although the scheme is cost-effective, it could deal significant blow to the SMEs. The Consultant and FEHD are considering alternatives to minimize the impact on local businesses, and they will present the findings and recommendations to the Subgroup at the next meeting.

Making the property management contract audit procedures more business-friendly

Background

5. The EEC Secretariat met the Hong Kong Association of Property Management Companies Ltd (HKAPMC) in August 2004 to discuss its concerns related to the Housing Authority (HA)'s management services contracts.

6. At present, a housing estate is visited by 4-6 separate audit teams sent from HA each month. They audit different management aspects of a housing estate. A property management company spends a significant portion of time to deal with their queries, thus posing pressure to the daily operations.

Progress

7. HA has since reviewed the above procedures and come up with the recommendation for joint audits so that different aspects would be inspected at one single audit appointment. The revised approach has been discussed with HKAPMC which welcomes the enhancement. The new approach has been put on trial in one Region since December 2004 and feedbacks from contractors are encouraging. Full implementation will be launched in January 2005.

8. As a result, the time taken up by monthly audit visits could be reduced from 4 audits of about half-day each to one single audit of half to one day.

Prompt release of performance bonds to property management contractors

Background

9. The delay in the release of performance bonds by HA for completed contracts results in a continuation of bank charges. According to HKAPMC, some bonds are not returned to property companies 2 to 3 years after expiry of contracts in extreme cases.

Progress

10. HA has now issued clarification to all related staff to align the interpretation of the contract clauses on the release of surety bond. Staff are reminded that surety bond should be released after completion of the last Works Order of the maintenance works instead of the closing of the final account. Estate staff have proceeded to take stock of the status of all Works Orders under Property Services Contracts already expired, issue the Final Completion Certificate and arrange for the release of the related surety bond.

11. For future cases, HA expects that surety bond could be released within one month from the completion of the last Works Order as compared to previous cases which took an average of 6 months.

Making the government computer procurement process more business-friendly

Background

12. Under the current practices for the supply of computer products and IT professional services, the Government appoints 3-5 contractors for each category of computer products and services to serve on a standing list. Each contractor is required to bid every time Government departments put up a request for quotations, although only one of them would eventually get the purchase orders based on the best price offer. The number of request for quotations ranges from 30 to 60 per day. The agreement only lasts for about two years and the entire tendering process will be repeated to select new

contractors. The trade considered that the procedure and some requirements were not business-friendly.

Progress

13. The Secretariat discussed with the Government Logistics Department (GLD) and the Office of the Government Chief Information Officer (OGCIO) in August last year to explore improvement opportunities.

14. OGCIO has reviewed the procurement strategy and considered that the following improvements measures could facilitate the industry –

- (a) adding more standing contractors in the first stage tendering;
- (b) dispensing with mandatory bidding by standing contractors each time when a Government department requests for quotation;
- (c) grouping standing contractors by project value as well as project requirements; and
- (d) introducing a quality scoring process in the selection of standing contractors.

15. The revised procurement strategy is generally supported by the Digital 21 Strategy Advisory Committee and, subject to approval of the Central Tender Board, will be implemented when the current Standing Offer Agreement (SOA) expires later this year.

16. GLD has proposed the following measures to make the procurement process more business friendly -

- (a) advising bureaux and departments to check the availability of products in the current product lists before issuing invitations to bid, and to ensure specifications are general enough for sufficient competition among SOA contractors;
- (b) standardizing the information to be supplied by SOA contractors and informing them of the assessment criteria for approving the add-on items; and

- (c) advising SOA contractors to consolidate and submit contract variations on a monthly basis to avoid duplication of work; and making known the time required for processing contract variations.

17. GLD is consulting SOA contractors on the above proposals. The views of the Independent Commission Against Corruption and OGCIO will be taken into account in finalizing the improvement measures.

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