

LEGCO QUESTION NO. 18

(Written Reply)

Date of sitting : 19 January 2005

Asked by : Hon Howard YOUNG Replied by : Secretary for Economic
Development and Labour

Question :

Recently, some owners of small-scale travel agents have reflected to me that the practice of charging travel agents annual licence fees is unfair and the rate is on the high side. In this connection, will the Government inform this Council:

- (a) of the unit cost incurred by the Travel Agents Registry in issuing licences to travel agents, the respective percentages of various cost components and the cost-recovery ratio concerned;
- (b) how the rates of licence fee payable by travel agents compare to those of other service industries (such as the catering industry and estate agents), with the figures concerned given in detail; and
- (c) of other trades in which operators are also required to pay similar annual licence fees for their operation, and the rates of the licence fee concerned?

Reply

Madam President,

- (a) The cost of issuing travel agent licences by the Travel Agents Registry (TAR) is about \$6.33 million per annum, details of which are as follows :

<u>Components</u>	<u>Estimated Cost</u> (\$ million)	<u>Percentage</u>
Staff Costs	5.48	86.65%
Departmental Expenses	0.12	1.96%
Accommodation Costs	0.49	7.66%
Administrative Overhead	0.24	3.73%
Total	6.33	100%

The revenue of the TAR varies according to the number of licences issued each year. In 2003/04, in order to help the travel agents tide over the negative impact of SARS, the Government exempted the licence fees of travel agents for one year from 1 June 2003. As a result, the revenue raised from issuing travel agent licences in 2003/04 was only \$749,000 and the cost-recovery rate was about 12%. In view of the strong tourism performance in 2004/05, the estimated revenue is about \$6.6 million and the cost recovery rate is expected to be 104%.

- (b) & (c) Apart from company registration requirement under the Companies Ordinance, many service industries operating in Hong Kong are also required to apply for the relevant licence(s) and pay licence fees under the relevant ordinances. Tourism-related industries, such as travel agents, hotels, guest houses, restaurants, tour coaches and private hire cars etc., are required to obtain their respective operating licences. Examples of other service industries include security companies and insurance companies.

Information on licence fees for travel agents and other industries are set out below :

Business	Licence fee
Travel agent	The annual licence fee of a travel agent licence is \$5,820.
Hotel and Guest house	Depending on the number of rooms and the licence validity period, the licence fee ranges from \$2,790 to \$117,220.
Restaurant	Depending on the type and area of restaurant, the annual licence fee ranges from \$1,810 to \$258,870.
Tour coach	Annual licence fee is determined in accordance with the number of seats for passengers: \$25 for the driver; and \$50 for each passenger seat. The Passenger Service Licence fee is \$396 per annum and the Passenger Service Licence Certificate fee is \$160 per vehicle per annum.
Private hire car	Depending on the cylinder capacity of the engine, the annual licence fee for private car ranges from \$3,815 to \$11,215. Moreover, hire car permits are required for hire cars, the fee is \$1,000 per annum.
Security company	Depending on the type of security work, annual licence fee ranges from \$15,610 to \$47,080.
Insurance	Depending on the type of insurance business, annual licence fee ranges from \$22,600 to \$454,600.