

Preliminary Assessment Summary

Subdecree: Adult Entertainment Centers (licensing requirements)
Ministry: Ministry of Tourism
Ref no: 000003
Date: 25 July 2012.

This sub-decree will apply to new AECs, requiring them to conform to rules regarding distance from certain institutions (e.g. schools). It will also apply to all AECs regarding minimum age requirements for entry, licensing requirements, requirement to comply with intellectual property laws, etc. The objective of the sub-decree is to prevent the under-aged from patronizing AECs (and being exposed to alcohol, drugs, etc.), and to create a more safe and secure in the AECs and surrounding areas.

In addition to the proposal (option 1), three alternatives were considered:

- Awareness raising of parents about the dangers of children going to AECS
 - Though this option is less costly than the proposal, most parents already know the risks of children going to AECs and take measures to prevent this. So this option is unlikely to have much impact. It also will provide less benefit.
- Government starting alcohol free entertainment centers for youths.
 - Governments are usually not good at running businesses – especially entertainment business which need flexibility. This is also against the economic trend of governments divesting (rather than acquiring) competitive businesses. So though less costly than the proposal, it may result in much higher long term cost and less benefit.
- Banning of all AECS
 - Though this option provides the highest benefits (i.e. better achievement of objective compared the other options), the costs are also much higher. This is because the government may have to provide compensation to existing AECs. Also it will have substantial adverse effect on the tourist industry, which is a significant income generator. As a result, the net benefit (benefit – cost) is lower than that of the proposal.

Hence the proposal provides the best balance between costs and benefits (i.e. highest net benefit). It also improves the safety of women working in the sector and is likely to result in increased tourist revenue. However, the sub-decree can be improved by being more specific (specifying the minimum distance between AECs and the certain sites (e.g. schools, temples).

Preliminary Assessment

Proposal: Sub-decree on Adult Entertainment Centers

Ministry of Tourism

Reference no: 000003

Date started: 23 March 2012

Date finished: 25 July 2012

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A brief description of the proposal

The adult entertainment centers (AECs) include nightclubs, discotheques, karaoke bars, health, beer gardens, etc – where services are offered for adults. AECs have substantially contributed to the economic activities of the country. They have also generated employment, contributed to national budget revenues and made profit for businesses. On the other hand, AECs have caused negative impact on the society like the contributing to the gathering of gangster of children and children escaped from school, drug trafficking, sexual predation, alcohol overdose, noise pollution (disturbing the people living near the AECs) and anarchic activity affecting public order security social safety. Perhaps more importantly, the possibility of minors patronizing AECs is a major concern.

This sub-decree will apply to all AECs, except for the requirement for minimum distance from certain institutions (e.g. schools) which will apply to new AECs only. The others are minimum age requirements for entry, requirement to comply with intellectual property laws, etc. – these apply to all AECs. The AECs which do not comply will be shut down.

Is this proposal regulatory in nature? Yes

Does it change the behavior of businesses?

Law	Royal Decree	Sub Decree	<input checked="" type="checkbox"/>	Prakas	Decision	Circular	Other (describe)
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Does this proposal impact on business? Yes

1. Problem – Why are we making this regulation?

Common themes		Evidence (attach notes if necessary)
Public health and safety	Yes	<p>1. Health impact: the minors who go to the AECs are likely to drink alcohol, smoke, use drugs, etc. affecting their physical and intellectual growth.</p> <p>2. Disturbance to neighbors: Noise from AECs can affect people living nearby.</p> <p>3. There is an insecurity, and social disorder: violence, traffic accidents are common.</p>
Environmental protection & conservation	No	
Social, gender equity & cultural conservation	Yes	<p>1. Child prostitution: the minors were easily threatened, swindled and sexually abused.</p> <p>2. Children skip school decreasing their education; gangsters can gather in AECs; there is opportunity for child crime. This is the fact that the education of children will decrease.</p> <p>3. About 70%-80% of the employees in AEC are women, so there is likely to be a gender impact.</p>
Promote competition	No	
Collection of information	Yes	Licensing of AECs facilitate the collection of information, especially regarding criminal activities.
Comply with WTO and international agreements	Possibly	But licensing may facilitate collection of information regarding money laundering activities as required by international agreements.

State how the regulation will improve the situation

The ministry of tourism believes that this sub-decree will improve the situation by making the owners and managers of businesses understand their obligations.

2. Objective - What do we want to achieve?

The objectives of this sub-decree is to reduce:

- sales of illegal drugs and prostitution
- violent crimes at bars, nightclubs and other venues that sell alcohol
- the rate of alcohol consumption by minors and to implement measures to prevent minors patronizing AECs.

3. Options - Consider all alternatives

3A List any (existing) regulations that are related or similar?

1. The article 56 and 57 of tourism law states that the minors should not be allowed near adult entertainment centers. The manager or owner of the businesses must ensure this by taking appropriate measures to ensure that minors are not present in the periphery and must check and verify the identification card of all minors to comply with this law. The law specifies that the procedures to implement this objective will be spelt out in the sub-decree (which is this).
2. Labor law prohibits employing under-aged workers.
3. Law against human trafficking and sexual exploitation.
4. Law on drug control.

However, it has been observed that minors are still going to some AECs often causing trouble, disturbing public order, and endangering public security and safety.

State why these regulations are inadequate?

The existing laws focus on overall objectives and often rely on implementing sub-decrees or prakas to specify more precise details. Then the ministry of tourism has drafted this sub-decree on adult entertainment centers as specified in the Tourism Law. This sub-decree contains specific implementation mechanisms to solve problems identified to ensure the sustainable tourism development.

Alternatives

It is important to explore all alternatives, noting that regulating should not be the first option.

3B. Feasible alternatives (for impact analysis)

2. Promote the campaign to parent of minors highlighting the dangers of minors going to AECs.
3. The Government establishes Entertainment Centers (EC) without alcohol drink targeting youth.
4. Complete ban on AECs activity.

4. Preliminary estimate of compliance costs and competition impacts

4-1 Identification of tasks and cost-categories

4-2 Scope of the options

Cost categories (4.1), scope (4.2) and the details of calculations estimating the compliance cost increases are included in the attachment.

4.3 Estimate the level of compliance cost *increases*

Business	Level	Justification
Proposal	Non-significant	The licensed fee is cost of \$1,100 per business per year. This amount is not so much compared to their profit.
Option 2	Non-significant	NIL. The businesses paid nothing for the campaign.
Option 3	Non-significant	Businesses are not affected. Government funds this venue, the costs however, are not material.
Option 4	Non-significant	More than the proposal, as complete ban will further shut down all these types of business.
Government		
Proposal	Non-significant	Cost of inspection in whole country was \$28,800/year.
Option 2	Non-significant	Similar to proposal, \$30,000 per year
Option 3	Significant	More severe than the proposal. It is not likely to be valued the cost for finding the venue and construction.
Option 4	Significant	It is very hard to evaluate the cost for compensate and for enforcement.

4.4 Estimate the level of benefits

Options	Level	Reasons
Proposal	Significant	The benefit to Cambodia by preventing the insecurity, trouble, violence, and crime are very critical for society. It is also helps to maintain Cambodia's image as a safe destination for tourists and is likely to enhance tourist revenue which is an important component of Cambodia's income. Also, this contributes to the well-being of young people helping them to become responsible adults.
Option 2	Not significant	Parents usually will discourage children from going to AECs. So additional benefits by the promotional campaign is likely to be limited.
Option 3	Difficult to estimate	Similar to option 1. But it would be less effective in reducing the risks.
Option 4	Significant	If there are no AEC, children cannot go there. In terms of achieving the objectives, this option is even better than the proposal.

4.5 Is there any competition impact? NO

4.6 Is there any gender impact?

Does the regulation affect women (individuals and women owned businesses) more than men?
Yes

About 70%-80% of the AECs workers are women. They get a lot of money from these services to support their family and themselves. However, it will also likely to increase their safety.

Gender Specialist – Dork Sinara – Chief of Restaurant Office was consulted.

Is the impact significant? Yes

Yes, but it is likely that women will benefit from a more secure environment.

Can you quantify the impact? No

Wes

5. Initial consultation

<i>Group</i>	<i>Firms</i>	<i>Method</i>	<i>Summary of views</i>
Business		Note 1	
Govt.	Phnom Penh Municipality MoC and MIME	Note 1	Supported. Issues: distance from 200 meters to appropriate.
Gender	MoWomens Affairs, MoLabour, NGO-UNESCO, and Dork Sinara, Gender Specialist, Chief of restaurant office.	Note 1	
NGO	ADHOC	Telephone meeting with Ms LyMony, deputy director, ADHOC re. children's & women's issues.	Supported the sub-decree in general but stated that it could be improved.

Note 1

Two consultation activities were held. The first was a meeting conducted in January 2012, where about 30 stakeholders from government ministries, private sector (e.g. hotels, discos, karaoke bars) etc. participated. The second consultation was a workshop, which was held on 27 June 2012, where more than 400 stakeholders participated, this included NGOs and well as many more private sector participants. About 8 experts made presentations. And the participants separated into groups to discuss the issues.

Most participants supported the sub-decree.

6. Conclusion

6-1: Summary of incremental costs and benefits

<i>Option</i>	<i>Cost- industry</i>	<i>Cost- govt</i>	<i>Benefits</i>
Option 1: Proposal/licensing	Non-significant	Non-significant	Significant
Option 2: Awareness raising	Non-significant	Non-significant	Non-significant
Option 3: Govt invest in AEC	Non-significant	Non-significant	Difficult to estimate
Option 4: Ban AEC	Significant	Significant	Significant

6-2 Is a RIS required? YES.

This proposal has a major impact and is complex, hence will benefit from a RIS.

6-3 Selected option

<i>Criterion</i>		<i>Reason</i>
Is this the least cost option to industry and community?	No	Option 2 and 3 are less costly.
Does this option offer the greatest benefit?	No	Option 4 offers maximum benefit.
Is this the least risk option to public?	No	Option 4 offers least risk.
X	<i>Combination of criteria was favorable, even though each individual criterion was negative. See below for justification.</i>	
<p>Option 1 –Total cost less than \$1m a year, of which about 75% license fee which becomes income to the government. Therefore for a cost of around \$300,000 the proposal results in significant benefits such as reduction in minors attending AECs, crime, drug offenses, disturbances to neighbors, etc. It creates a safe environment for tourists, thus likely to enhance tourism revenue. It also creates a safer environment for women.</p> <p>The options 2 & 3 though less costly, provide far less benefits, compared to the proposal.</p> <ul style="list-style-type: none"> • Option 2, awareness raising among parents is unlikely to be effective – as most parents are already aware of the dangers of children patronizing AECs. • Option 3, government running non-alcohol ECs is unlikely to be effective. Governments usually not good at running such businesses and it is against the current economic trend. • Option 4, (banning AECs) is likely to reduce crime rates and minors attending. But there is a risk some young people will resort to illegal drugs and alcohol. Prohibition has never succeeded anywhere. It will substantially reduce tourism revenue. And will be very expensive for both private sectors because it loses revenue and the government because it has to provide compensation for existing AECs. Therefore although the total benefits are higher than that of the proposal the total costs are also even higher– hence the net benefits are lower than that of option 1. Option 4 is far more costly to the government and the industry. Option 1 is likely to offer the maximum net benefit. However, it would be advisable to specify a minimum distance where new AECs can be built away from sensitive areas (e.g. schools) to give certainty. 		








7. Implementation

7.1 What measures were adopted to enhance transparency and good governance during the implementation stage?

The tourism industry department in MoT will oversee the implementation in cooperation with inspection department of the MoT. It will work closely with the local authorities, police and military police. Prakas will be issued under this sub-decree to specify particular requirements for implementation.

7.2 Should this regulation be reviewed post implementation?
If so when and how should it be reviewed?

The sub-decree is scheduled to be reviewed in 3 years' time.

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