

## Legislative Council Panel on Commerce and Industry

### **The Work and Role of the Hong Kong Trade Development Council in Promoting Hong Kong's Trade through Organising Trade Fairs**

#### **Purpose**

The Hong Kong Trade Development Council (TDC) has given a detailed account of its work and role in organising trade fairs in the paper (*Enclosure to paper no. CB(1)431/03-04(03)*) submitted to the Legislative Council Panel on Commerce and Industry on 8 December 2003. A number of chambers of commerce and trade associations have also written to the Panel to express their support for TDC's work of organising trade fairs for Hong Kong's industries. In addition, the Legislative Council Panel on Commerce and Industry acknowledged "**TDC's contribution to the promotion of the local exhibition industry**" in the conclusion part of the minutes of the above meeting (*paragraph 28 of paper no. CB1/PL/CI/1*).

2. Instead of repeating all the points put forward by TDC at the last meeting of the Panel, this paper aims to reiterate the major viewpoints of TDC, having regard to the overall interests of Hong Kong:

- (i) **Statutory functions** – organising trade fairs is the most effective means through which TDC performs its statutory functions of "**promoting, assisting and developing Hong Kong's trade with places outside Hong Kong, with particular reference to exports**". This has been recognised by the Government and various trade associations.
- (ii) **Accountability** – though operated on commercial principles, trade fairs organised by TDC are fundamentally different from those organised by private fair organisers in that TDC is entrusted with the responsibility of promoting Hong Kong's industries. Therefore, fairs organised by TDC are in collaboration with different trade associations, and have won their support and participation. TDC is also held accountable to various industries by responding to their views on the orientation, direction, organisation and practical operation of the respective trade fairs.

- (iii) **Firm commitment** – as a public business and trade promoter serving Hong Kong’s industries, TDC will not cease promoting a particular industry on the sole consideration of profitability of the trade fairs concerned, or refuse to promote those small-scale industries or new industries with development potentials. Further, TDC will not, on the grounds of profit prospects, relocate the trade fairs belonging to Hong Kong’s industries to places outside Hong Kong, hence adversely affecting the overall interests of Hong Kong.
- (iv) **Fair competition** – TDC is a promoter of the Hong Kong exhibition industry and competes healthily with other industry players on an equal footing. There is no difference in the rental fees paid by TDC and other private fair organisers with respect to their bookings of the Hong Kong Convention and Exhibition Centre (HKCEC). In 2003, among the 109 trade fairs held in HKCEC, only 23 were organised by TDC, which accounts for 21% of the total number of fairs only. There is ample room for development of the Hong Kong exhibition industry.
- (v) **Assistance to the local exhibition industry** – TDC promotes the local exhibition industry by facilitating its development through provision of facilities, promotion and publicity, researches, overseas promotional activities and business matching services etc.

## **Background**

3. The decision of TDC last year to stage the Summer Sourcing Show for Gifts, Houseware & Toys in July 2004 triggered off discussion of the issue. An account of the major events is set out in Annex I.

4. A private fair organiser raised objection to TDC’s staging of the July fair claiming that there was no such demand in July. A local university was commissioned to conduct a survey to substantiate its claim. It also expressed doubts on the role of TDC in the local exhibition industry, and requested the Legislative Council Panel on Commerce and Industry to convene a meeting to discuss the matter.

5. The facts speak for themselves. TDC's July fair this year has met with an overwhelming response. Over 1,000 exhibitors have enrolled to participate in the fair.

### **Objectives of TDC's trade fairs**

6. Organising trade fairs is the most effective means to discharge TDC's statutory functions of "**promoting, assisting and developing Hong Kong's trade with places outside Hong Kong, with particular reference to exports**". Small and medium-sized enterprises (SMEs) can meet with buyers from all over the world without having to leave Hong Kong, thus enhancing the effectiveness of their promotional activities.

7. After analysing various views on TDC's work and role in organising trade fairs, TDC considers that there are now two different views:

- (i) Through their respective chambers of commerce and trade associations, over 100,000 enterprises in the manufacturing, services and exports sectors support TDC to discharge its statutory functions by organising trade fairs in Hong Kong to help them promote their products and services.
- (ii) A few private fair organisers wish that TDC would withdraw from the market, thereby allowing them to organise trade fairs for various industries to increase their market shares and profits.

The former concerns the common interests of Hong Kong's industries while the latter involves the interests of a few fair organisers. Public opinion is the best judge of the relative importance between the two. TDC undoubtedly considers the former more important, but it has also been promoting the local exhibition industry overseas as a whole (please refer to Annex II for details).

## **“To strive for public interests” — The role of TDC is recognised by various industries**

8. At the meeting on 8 December 2003, a number of chambers of commerce and trade associations made submissions expressing support for TDC to help their members promote products and services through organising trade fairs. TDC understands that at the meeting on 23 April 2004, more chambers of commerce and trade associations will show their support. Their views represent the voices of SMEs from different Hong Kong’s industries.

9. “To strive for public interests” is the prime goal of TDC in organising trade fairs. The term “public” refers to over 100,000 SMEs in the manufacturing, services and exports sectors in Hong Kong, while the term “interests” means the overall interests of Hong Kong’s industries, rather than the profits of individual private fair organisers.

## **TDC’s trade fairs belong to various industries**

10. TDC will continue to liaise with various trade organisations to keep abreast of the latest development of the respective industries, and to introduce new elements to its trade fairs with a view to facilitating the overall development of the industries.

11. For instance, since some industries are facing low price competition from neighbouring regions, they are moving from original equipment manufacturing (OEM) to original design manufacturing (ODM) and original brand manufacturing (OBM). TDC has specially provided in some of its trade fairs thematic pavilions to promote Hong Kong’s design and brands, and staged new trade fairs like “World Boutique” to help the industries develop design and brand-building services.

12. TDC has organised seminars in its fairs and commissioned market research companies to conduct large-scale sector-specific surveys, enabling industries to be updated with the latest information on market and product development. TDC has also collaborated with different trade associations to hold design competitions on jewellery, watches, fashion and spectacles etc, assisting the industries in identifying new talents.

13. In order to support promotion of the industries, TDC will liaise with the advisory committees or organising committees formed by sector representatives. Therefore, TDC's trade fairs are in fact service platforms for various industries.

**Revenue of the trade fairs obtained from the business sector to be used for the interests of the business sector**

14. TDC does not subsidise its trade fairs with public money since exhibitors can gain orders and sales from the events. The revenue generated by organising trade fairs will be used entirely to fund TDC's non-revenue generating business services in support of Hong Kong companies. These services include business matching, surveys and researches on markets and various sectors, internet portal, business advisory services, business information centres and overseas promotional activities etc.

15. Government subvention to TDC has been cut sharply by over 39% from \$588 million in 1996/97 to \$354.7 million in 2004/05. TDC has, however, managed to strengthen its services by organising more than 300 promotional events each year.

16. With decreasing annual Government subvention, TDC has deployed resources to give full support to Hong Kong businesses in tapping the new opportunities brought under CEPA. TDC's operating strategy in organising trade fairs has made this possible.

17. In the coming financial years, Government subvention to TDC is estimated to continue to decrease with an estimated total reduction of 11%. This means that by 2006/07, there will be an estimated significant decrease of 44% in Government subvention as compared with 1996/97.

18. Despite the estimated continuing reduction in Government subvention, with the increasing competition from neighbouring regions plus the next few years being the crucial period for Hong Kong to seize the CEPA opportunities, Hong Kong businessmen will have increasing needs of TDC's promotional events.

19. TDC has all along been keeping the ceiling of staff payroll cost under 35% of the total expenditure. In the coming year, the expenditure in this respect will further drop below 30% as a result of a reduction in payroll cost initiated by TDC. TDC has always tried to use public money and revenue from events to fund its services as far as possible, with a view to reducing the loading on public money.

### **TDC's promotion of the exhibition industry and respect for fair competition**

20. TDC is the founder and pioneer of the Hong Kong exhibition industry. Most of its trade fairs are of a history of over 10 or even 20 years, and were first organised at the request of the industries. Today's achievements are the result of years of hard work (please refer to Annex III for the years in which the fairs were first organised and the trade associations with which TDC collaborated).

21. Upon completion of the new phase of HKCEC developed by TDC in 1997, there is more room for development of Hong Kong's private fair organisers. TDC also seeks to assist their promotion by proactively disseminating information on the exhibition and convention activities in Hong Kong, providing funding to the trade associations for conducting surveys on the industry and helping them contact overseas organizations for more business opportunities.

22. HKCEC is managed by an independent company. The management company staggers bookings for trade fairs of similar themes by intervals of about three months. For instance, four jewellery fairs are held in HKCEC every year and there is sufficient time gap in between. No problems have arisen so far.

23. Being also a promoter of the Hong Kong exhibition industry, TDC competes healthily with other industry players on an equal footing. As with other private fair organisers, TDC enjoys no preferential treatment in respect of the rental fees of HKCEC.

24. TDC considers that competition facilitates development of the exhibition industry. Being a player of the industry, TDC considers that industry players should compete on the standard and quality of services. Private fair organisers should not ask TDC to withdraw from the market simply because they wish to increase their market shares. This will do no good to the promotion of industries and the well-being of Hong Kong.

### **The questionable views of the Hong Kong Exhibition & Convention Industry Association**

25. Recently, the Hong Kong Exhibition & Convention Industry Association (HKECIA) submitted a paper to the Legislative Council Panel on Commerce and Industry. TDC was consulted before the submission. As a member of HKECIA, TDC pointed out to HKECIA that the data contained in the paper was inaccurate; that the paper placed undue emphasis on the views of private fair organisers, merely focusing on their need to increase their market shares; and that the paper failed to reflect the promotional effects of TDC's trade fairs on the industries as well as the role of TDC in the exhibition industry.

26. HKECIA did not accept TDC's comments. The data and opinions set out in the paper did not reflect TDC's views at all. TDC would like to clarify certain points of HKECIA in this paper.

- (i) **Market share of TDC's trade fairs:** Among the 150 trade fairs held in HKCEC in 2002, only 20 were organised by TDC accounting for 13.3%. For the year 2003, among the 109 trade fairs held in HKCEC, 23 were organised by TDC accounting for just 21%.

HKECIA's conclusion that the number of fairs organised by TDC accounted for over 50% of the market share basing on the comparison in net area rented is absolutely inaccurate. The comparison made by HKECIA is based on estimated figures but not complete data. Further, in calculating the net area rented of TDC's fairs, those ancillary facilities such as sitting-out areas and cafes, which no rental fees have been charged by TDC, were mistakenly included as rentable area.

- (ii) **No trade fairs organised by Singapore trade promotion organisations**: Citing Singapore as an example, HKECIA opined that TDC should cease organising trade fairs so that they can be fully operated by the private sector. In fact, with the exception of Singapore, most of the trade promotion organisations (TPO) in Asia organise trade fairs on a regular basis. These include the China Council for the Promotion of International Trade (CCPIT), Korea Trade-Investment Promotion Agency (KOTRA), Japan External Trade Organisation (JETRO), Malaysia External Trade Development Corporation (MATRADE), Foreign Trade Department of Thailand (DEP) and Taiwan External Trade Development Council (TAITRA). Organising trade fairs to promote trade is one of the functions of TPOs in most Asian countries and regions.

As Singapore and Hong Kong are of different economic backgrounds and promotional needs, a comparison of the two places without taking these factors into consideration is inappropriate.

- (iii) **TDC squeezed HKCEC's profits**: HKECIA claimed that TDC "squeezed" profits from HKCEC's revenue. In fact, the amount is set out in detail in TDC's annual reports. This revenue is used for both maintenance of HKCEC and funding some of TDC's non-revenue generating but essential services for Hong Kong's SMEs.

HKECIA's paper is based on the profits and market shares of individual private fair organisers without taking account of the overall interests of Hong Kong's industries. TDC is greatly disappointed about this.

## **Conclusion**

27. TDC is of the view that:

- it is legitimate for TDC to organise trade fairs to help Hong Kong industries promote business as this is one of its statutory functions;



- upholding the principle of fairness and equality, it is reasonable for TDC to constantly improve its services and compete on quality; and
- TDC also initiates collaboration with individual fair organisers, seeks to assist industry players in overseas promotion and caters for the promotional needs of the exhibition industry.

In line with its statutory functions, TDC will continue to discharge its statutory functions, collaborate with various Hong Kong's industries in promoting development of Hong Kong's external trade.

Hong Kong Trade Development Council  
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**An Account of the Staging of a Trade Fair by TDC in 2004**

Last year, the SARS outbreak dealt a severe blow to various industries in Hong Kong. Both the Hong Kong Houseware Fair and the Hong Kong Gifts and Premium Fair organised by TDC in April were hard hit as a result. In order to assist industry members in their promotional efforts and alleviate the impact, TDC provided the exhibitors with the following options:

- (i) participating in April's combined fair in April as scheduled;
- (ii) participating in July's supplementary fair;
- (iii) joining both fairs; and
- (iv) withdrawing from the event with a full refund of the exhibition participation fees.

2. The fairs in April and July were both successful. Over 60 000 buyers attended the July fair, which not only broke the record for any single trade fair organised by TDC, but also opened up new promotional and purchasing opportunities for industry members.

3. In light of the results of a comprehensive survey, TDC has decided to launch an additional summer trade fair annually from July 2004 onwards.

4. A private fair organiser raised objection to this decision and challenged the role of TDC in the exhibition industry. The Legislative Panel on Commerce and Industry was subsequently requested to convene a meeting for discussion of the matter. The private fair organizer considered that the exhibition demand was slack in July and commissioned a local university to conduct a survey in support of its views.

## **TDC's Work in Promoting the Hong Kong Exhibition Industry**

Over the past three decades, TDC has been the founder and promoter of the Hong Kong exhibition industry. HKCEC, constructed under TDC's efforts, laid a solid foundation for the industry. While performing its basic functions steadfastly, TDC also helps create enormous room for development of the industry.

2. TDC employs the following strategies in assisting development of the Hong Kong exhibition industry:

- (i) **Providing the necessary facilities to the industry** -- In 1988, TDC completed phase I of HKCEC which served as a leading venue for promoting Hong Kong industries. The facility also laid the foundation for development of the Hong Kong exhibition industry.
- (ii) **Promotion overseas and in the Mainland** -- TDC has been publishing an English newsletter *Hong Kong Trader* and conducting a series of overseas publicity campaigns to send out the message that Hong Kong is Asia's trade fair capital.

Showcasing Hong Kong's status as a trade fair capital is also one of the nine major themes of TDC's services promotions. TDC has recently launched a special publication *Hong Kong First Choice in Asia for International Trade Fairs* to promote the Hong Kong exhibition industry worldwide.

TDC has been leading representatives of the Hong Kong exhibition industry to participate in a number of overseas activities such as the SISCO CEO Summit, Asia Exhibition Forum, UFI Congress, Interexpo China, and International Confex (London). TDC has regularly issued promotional supplements on the Hong Kong exhibition industry in Mainland newspapers.

TDC has also set up a dedicated website for the exhibition industry recently.

- (iii) **Raising the industry's standard** -- As a pioneer of the Hong Kong exhibition industry, TDC has continuously introduced new elements and services into its fairs, which have been adopted by the industry. These include the Dragon Lounge, computerised buyers registration system, virtual exhibition, on-site business matching service etc.
- (iv) **Survey and research** -- In order to ascertain the functions and needs of the industry, TDC subsidised a survey carried out by HKECIA in 2000. Its findings gave industry players a better understanding of development of the industry and assisted them in their forward business planning.

The survey revealed that income generated by the Hong Kong exhibition industry soared by 41% to \$7.8 billion between 1996 and 1999. This figure reflected the prosperous development of the industry after construction of the HKCEC Phase II.

- (v) **Dissemination of information** -- TDC has been publishing the Businessmen's Calendar: Trade Exhibition & Conferences in Hong Kong. This went online last year. All buyers can have access

to the information of Hong Kong exhibitions through online searching for the titles, organisers and dates.

All event information is readily accessible from the online database through hyperlinks to the respective official event websites or organiser websites. This service is provided free of charge and has been warmly welcomed by users.

Following the signing of CEPA, TDC has compiled research reports with one specifically on the impact of CEPA on the Hong Kong exhibition industry. Another report will be released soon to help industry players capitalise on the opportunities offered by CEPA.

**TDC's Trade Fairs To Promote Hong Kong's Major Industries**

TDC's Fairs	Found in
<p><b><u>Hong Kong Fashion Week</u></b></p> <p>Supporting organisations: Hong Kong Fashion Designers Assn, Hong Kong Garment Manufacturers Assn Ltd, Hong Kong Knitwear Exporters &amp; Manufacturers Assn Ltd, Hong Kong Woollen &amp; Synthetic Knitting Manufacturers' Assn Ltd, Textile Council of Hong Kong Ltd, The Federation of Hong Kong Garment Manufacturers, The Woolmark Company, Greater China Region</p> <p>TDC staged a spring/summer version of the fair from 1994. In 2003, TDC added a “World Boutiques” to promote Hong Kong fashion brands at the event.</p>	1970
<p><b><u>Hong Kong Toys &amp; Games Fair</u></b></p> <p>Sponsors: Federation of Hong Kong Industries, Hong Kong Productivity Council, Hong Kong Toys Council, The Chinese General Chamber of Commerce, The Chinese Manufacturers' Association of Hong Kong, The Hong Kong Exporters' Association, Hong Kong General Chamber of Commerce, The Indian Chamber of Commerce Hong Kong, Trade and Industry Department, HKSAR Government</p>	1975
<p><b><u>Hong Kong Electronics Fair</u></b></p> <p>Sponsors: The Chinese General Chamber of Commerce, The Chinese Manufacturers' Association of Hong Kong, Federation of Hong Kong Industries, The Hong Kong Electronic Industries Association, The Hong Kong Exporters' Association, The Hong Kong General Chamber of Commerce, The Indian Chamber of Commerce Hong Kong, Trade and Industry Department, HKSAR Government</p> <p>In 1997, TDC began to co-operate with a private organisers to stage the electronicAsia, a fair on components and parts.</p>	1981

<b>TDC's Fairs</b>	<b>Found in</b>
<p data-bbox="201 327 756 365"><b>Hong Kong Watch and Clock Fair</b></p> <p data-bbox="201 421 1219 501">Co-organisers: Hong Kong Watch Manufacturers Association Ltd., The Federation of Hong Kong Watch Trades and Industries Ltd.</p>	1982
<p data-bbox="201 557 1219 678"><b>Hong Kong Houseware Fair</b> (Previously known as Hong Kong Gift and Houseware Fair. The fair was split into two fairs and were staged consecutively in April)</p> <p data-bbox="201 730 1219 981">Sponsors: Federation of Hong Kong Industries, The Hong Kong Exporters' Association, Trade and Industry Department, HKSAR Government, The Hong Kong General Chamber of Commerce, The Chinese General Chamber of Commerce, The Indian Chamber of Commerce, Hong Kong, The Chinese Manufacturers' Association of Hong Kong</p>	1986
<p data-bbox="201 1037 1219 1158"><b>Hong Kong Gifts and Premium Fair</b> (Previously known as Hong Kong Gift and Houseware Fair. The fair was split into two fairs and were staged consecutively in April)</p> <p data-bbox="201 1211 1099 1249">In cooperation with The Hong Kong Exporters' Association</p>	1986
<p data-bbox="201 1305 868 1344"><b>Hong Kong International Jewellery Show</b></p> <p data-bbox="201 1395 1219 1561">In cooperation with Hong Kong Jewellers' &amp; Goldsmiths' Association, Hong Kong Jewellery &amp; Jade Manufacturers Association, Hong Kong Jewelry Manufacturers' Association, Diamond Federation of Hong Kong, China</p>	1987
<p data-bbox="201 1619 560 1657"><b>Hong Kong Book Fair</b></p> <p data-bbox="201 1709 1219 2040">Supported by: Anglo-Chinese Textbook Publishers Organization, HK Publishers &amp; Distributors Association, Educational Booksellers Association, HK Publishing Federation, HK Arts Development Council, HK Publishing Professional Society, HK Book &amp; Magazine Trade Association, Sino United Publishing (Holdings) Ltd, HK Book &amp; Stationery Industry Association, United Christian Publisher's Service (HK), HK Educational Publishers Association</p>	1990

<b>TDC's Fairs</b>	<b>Found in</b>
<p><b>Food Expo</b></p> <p>Sponsored by: Federation of Hong Kong Restaurant Owners Ltd, Hong Kong &amp; Kowloon Confectionery, Biscuit &amp; Preserved Fruit Wholesalers Association, Hong Kong &amp; Kowloon Sauce &amp; Preserved Fruit Amalgamated Employers Association, Hong Kong Hotels Association, Ng Fung Hong Ltd, Po Sau Tong Ginseng &amp; Antler Association HK Ltd, The Hong Kong &amp; Kowloon Provisions, Wine &amp; Spirit Dealers Association, The Hong Kong Food Council Ltd</p>	1990
<p><b>Hong Kong Optical Fair</b></p> <p>In cooperation with Hong Kong Optical Manufacturers Association.</p> <p>Sponsored by: China Optometric &amp; Optical Association, 20/20 Asia, Fukui Optical Association, Korean Optometric Association, Malaysian Optical Wholesalers Association, Singapore Optical Trade Association, Taipei Optical Association, Thai Optometric Association, The Hong Kong Optometric Association</p>	1991
<p><b>Education and Careers Expo</b></p> <p>Co-organised with the Labour Department</p>	1990
<p><b>Hong Kong International Stationery Fair</b> (Previously known as Pen &amp; Paper)</p> <p>Co-organised with Messe Frankfurt (HK) Ltd</p>	1996
<p><b>Hong Kong International Hardware &amp; Home Improvement Fair</b></p> <p>Sponsors: Hong Kong Metal Merchants Association, The Hong Kong Metals Manufacturers Association, Hong Kong Diecasting Association, Hong Kong Marble &amp; Granite Merchants Association</p>	1997



<b>TDC's Fairs</b>	<b>Found in</b>
<p data-bbox="201 327 738 360"><b>Hong Kong Film and TV Market</b></p> <p data-bbox="201 416 1222 707">Supporting organisations: Film Services Office, Television and Entertainment Licensing Authority (TELA), Hong Kong Special Administrative Region, Federation of Hong Kong Film Workers, Movie Producers and Distributors Association of Hong Kong Ltd (MPDA), Hong Kong, Kowloon &amp; New Territories Motion Picture Industry Association Ltd (MPIA), Hong Kong Productivity Council</p>	1997
<p data-bbox="201 768 1222 846"><b>International ICT Expo</b> (Previously known as Hong Kong Information Infrastructure Expo)</p>	1998
<p data-bbox="201 902 839 936"><b>Hong Kong International Lighting Fair</b></p>	1999