

**LC Paper No. CB(1)2114/99-00**  
**立法會 CB(1)2114/99-00 號文件**

**Extract of minutes of meeting of the  
Panel on Trade and Industry held on 8 June 2000**

**2000年6月8日貿易及工業事務委員會會議紀要節錄**

### III Policy and charging arrangement of the Hong Kong Trade Development Council in the organization of trade exhibitions

- (LC Paper No. CB(1)1563/99-00 - Letter from Hon MA Fung-kwok enclosing the complaint by the Hong Kong Exhibition and Convention Organisers' and Suppliers' Association (Chinese version only); and
- LC Paper No. CB(1)1762/99-00(03) - Information paper provided by the Administration)

4. The Chairman welcomed the representatives from the Hong Kong Trade Development Council (TDC), the Hong Kong Convention and Exhibition Centre (Management) Limited (HKCEC Management Ltd) and the Hong Kong Exhibition and Convention Organisers' and Suppliers' Association (HKECOSA).

#### Views of HKECOSA

5. The Chairman advised that in addition to its written representation submitted earlier on via Hon MA Fung-kok (LC Paper No. CB(1)1563/99-00 refers), HKECOSA had just presented a further submission to the Panel, stating its views on the Government's policy and mandate for TDC.

*(Post-meeting note: HKECOSA's submission was tabled at the meeting and subsequently issued to members vide LC Paper No. CB(1)1813/99-00(01).)*

6. At the Chairman's invitation, Mr Louis CHENG, Chairman of HKECOSA, briefed members on the salient points of HKECOSA's submission. He said that HKECOSA fully supported the goal of developing Hong Kong into the "trade fair capital of Asia" and was keen to help making it a success. However, as the only trade association representing the exhibition services industry, HKECOSA had identified a number of problems in the existing policies of TDC which would seriously hinder the development of the whole industry. The main concerns of HKECOSA were as follows:

- (a) A role conflict was caused by the continuous expansion of TDC's Exhibition Services Unit (ESU) and as a result, TDC had departed from its statutory functions;
- (b) As the owner of Hong Kong's largest exhibition centre, Hong Kong's largest exhibition organizer and exhibition contractor and one of Hong Kong's largest trade publishers, TDC commanded a dominant market position which was not conducive to the growth of small and medium-sized private exhibition services companies in Hong Kong;
- (c) Although the statutory functions of TDC were to promote, assist and develop Hong Kong's overseas trade, neither the Government nor TDC had indicated clearly the amount of resources earmarked for the

promotion of the exhibition services industry every year and no specific plan was put forward. As the Government had failed to monitor TDC's operation effectively, TDC had spent \$48 million to set up ESU facilities in Yuen Long and another \$180 million from its reserve was used to build a new Exhibition Services and Logistics Centre in Tseung Kwan O. Public resources were wasted on these projects; and

- (d) The policy to manage and operate the Hong Kong Convention and Exhibition Centre (HKCEC) as a private enterprise had led to high rental rates, posing formidable barriers for fledgling private exhibition services companies as well as those companies seeking to host new exhibition items.

7. Mr CHENG further said that in view of the above problems, ten recommendations had been proposed for the consideration of the Government and TDC as follows:

- (a) The Government should conduct a major review on TDC's existing policies;
- (b) TDC should allocate a fixed amount of resources to promote the exhibition services industry specifically;
- (c) In view of keen competition from other Asia-Pacific countries, the Government should address the problem of high rental of HKCEC as soon as possible and build a new exhibition venue to stimulate the growth of the exhibition services industry;
- (d) The Government should take action by ordering TDC to stop any practices that were anti-competitive and strictly monitor TDC's compliance;
- (e) The Government should encourage TDC to outsource the management of TDC fairs to qualified private exhibition services companies; and
- (f) In the longer term, the Government should encourage TDC to privatize ESU and to clearly separate its business operations from the functions on trade promotion so as to streamline the structure of its various departments and enhance the transparency of its accounts. In this way, the industry's perception that TDC had role conflicts would be changed.

#### Responses of the Administration and TDC

8. At the Chairman's invitation, the Acting Secretary for Trade and Industry (S/TI (Atg)) took members through the Government's responses to the concerns raised by HKECOSA (details of which were set out in LC Paper No. CB(1)1762/99-00(03)). Mr Michael SZE, the Executive Director of TDC, then gave an overall response to the

issues raised by HKECOSA. As for clarifications on details, he invited members to refer to the supplementary information paper tabled at the meeting.

*(Post-meeting note: TDC's supplementary information paper was subsequently issued to members vide LC Paper No. CB(1)1813/99-00(02).)*

*TDC's role conflict and departure from its statutory functions*

9. S/TI (Atg) pointed out that TDC was a statutory body established under the Trade Development Council Ordinance (Cap. 1114) where its functions were clearly stipulated. The Administration took the view that organizing trade fairs was beneficial to the growth of Hong Kong's overseas trade. Such activities were therefore consistent with TDC's statutory function of promoting Hong Kong's overseas trade. Mr SZE supplemented that TDC had been making its best endeavour to fulfil its statutory function of promoting Hong Kong's export trade. Judging from past experience, organizing trade fairs was the most effective means to promote Hong Kong's trade. For example, a total of 7 000 local companies would participate in the 20 trade fairs organized by TDC every year, attracting more than 100 000 overseas buyers. Judging from these figures, the organization of trade fairs had indeed facilitated Hong Kong's overseas trade. Any request for TDC to stop organizing trade fairs or to privatize its ESU would not be beneficial to the development of Hong Kong's industrial and commercial sectors.

*TDC's ESU in violation of the principle of fair competition*

10. As for the allegation that TDC was involved in anti-competitive practices by organizing trade fairs, S/TI (Atg) pointed out that HKECOSA had previously lodged a complaint with the Competition Policy Advisory Group (the Group) chaired by the Financial Secretary (FS) last May. After objective consideration, the Group did not find any conclusive evidence to show that the operation of ESU was anti-competitive. Moreover, ESU was primarily engaged in providing services for exhibitions organized by TDC. This had not caused any restriction to market accessibility or contestability of other exhibition services companies. Taking HKCEC as an example, among the 105 trade fairs held therein in 1999/2000, only 20 were organized by TDC. As such, there was no evidence to show that ESU had monopolized the market. In fact, since the establishment of TDC, the number of exhibition services companies in Hong Kong had been on the rise, from a dozen or so in 1998 to over 140 at present.

11. Mr Michael SZE further said that the trade fairs organized by TDC were aimed at promoting the more competitive and successful industries in Hong Kong, such as electronics, toys, clothing and gifts. As a matter of fact, ESU only had 34 staff and they were responsible for co-ordinating and overseeing the 20 trade fairs organized by TDC. With the actual building works contracted out to private firms, the exhibition services industry was placed with contracts worth about \$125 million every year. Therefore, ESU could not be said to have monopolized the market.

*Lack of Government monitoring leading to public money being misused*

12. On the issue of monitoring, S/TI (Atg) stressed that TDC's day to day operation was monitored by its Council and its estimates of expenditure had to be forwarded to FS for approval. In addition, TDC had to table its annual report to LegCo. It was the Government's responsibility to ensure that the operation of TDC was in compliance with the law and its resources were used effectively to promote Hong Kong's trade. She reiterated that TDC had not used Government subvention to cover ESU's recurrent expenditure and TDC had maintained a separate account for ESU's income and expenditure. There was no question of TDC using public money to subsidize ESU. Mr SZE also pointed out that since 1996, Government subvention to TDC from trade declaration charges had fallen by 45%, from \$588 million to \$320 million. Notwithstanding the tight resources, TDC had managed to use the surplus generated from its commercial activities to subsidize other non-profit-making services, such as trade enquiry service. With a view to repaying its clients' support, TDC had frozen the participation fees for its trade fairs for three years and the fees of local trade fairs would be lowered further from April next year.

Discussion with members

13. Before discussion, Mr Philip WONG and Mr Kenneth TING declared interests as TDC's Council members.

14. Mr Philip WONG stated that he fully agreed with the responses given by S/TI (Atg) and Mr Michael SZE in respect of HKECOSA's concerns.

*TDC's role conflict and departure from its statutory functions*

15. Mrs Sophia LEUNG said that HKECOSA had made some very serious allegations which warranted attention. However, based on the facts presented, the complaints seemed to be unsubstantiated. She asked whether the Administration had thoroughly discussed the issues involved with the exhibition services industry and whether explanations regarding TDC's operation had been given. S/TI (Atg) replied that HKECOSA was always welcome to raise its concerns and exchange its views with the Trade and Industry Bureau (TIB). In addition, TIB had tried its best to explain the Government's position in the matter during meetings with HKECOSA's representatives and through mutual correspondences. However, she stressed that the different views held by the Government should not be regarded as a lack of initiative or sincerity on the Government's part to deal with the matter. Mr Michael SZE advised that due to the fundamental differences in viewpoints, it was difficult for the two parties to reach a consensus. In order to fulfil its statutory functions of promoting Hong Kong's overseas trade, it would not be possible for TDC to accede to HKECOSA's request and stop organizing trade fairs and providing exhibition services.

16. Mrs Sophia LEUNG opined that in such case, the Panel might have to discuss the issue from the perspective of the overall economy of the society and see whether the roles performed by TDC, such as in organizing trade fairs, should be changed or

maintained so that a comprehensive response could be given to HKECOSA. The Chairman however pointed out that it might not be necessary for the Panel to reach a consensus view on the issue. Members could express their views on the facts put forward by the parties concerned so that reference could be made to such views when further discussions were held by the Administration with TDC and the industry in future.

*TDC's ESU in violation of the principle of fair competition*

17. Responding to the Chairman's enquiry, Mr Denny YUNG, the Deputy Chairman of HKECOSA advised that in calculating the market share, the number of trade fairs should not be the only factor taken into account. Although TDC only organized 20 trade fairs each year, it could still constitute a monopolistic situation because of the large scale of these trade fairs and the large number of exhibitors participated, and the trade fairs organized by TDC might have several thousand booths. In response to Mr MA Fung-kwok's question, Mr YUNG advised that due to resource constraints, HKECOSA was not able to conduct any survey on TDC's exact market share. However, he pointed out that the industry generally felt that TDC enjoyed a substantial advantage in booking trade fair venues, thus making it difficult for private exhibition services suppliers to get prime time slots. As such, private exhibition services suppliers were unable to develop new exhibition items. Hampered by a restricted scope of development, the gap between the private sector and TDC was getting larger. He remarked that in order to achieve the goal of developing Hong Kong into the "trade fair capital of Asia", another large-scale exhibition venue should be built to meet the industry's needs.

18. While concurring with HKECOSA that efforts should be made to develop Hong Kong into the "trade fair capital of Asia", Mrs Sophia LEUNG pointed out that exhibition time slots had always been allocated on the principle of according priority to previous exhibitors. As such, she requested the Government to conduct more research on this issue by drawing reference from overseas countries, such as the arrangement to allocate a separate venue for budding industries to organize trade fairs.

19. As a related question, Prof NG Ching-fai enquired about the criteria for allocating exhibition time slots. Mr Cliff WALLACE, the Managing Director of HKCEC Management Ltd, explained that exhibition time slots had to be allocated according to the policy laid down in the management contract and the underlying principle was on a "first-come-first-served" basis. In addition, under certain circumstances, consideration might also be given to according priority to previous exhibitors, who had held trade fairs using the same time slots several years in a row, with some even dated back to 1988 when HKCEC was first opened. In that case, the exhibitor concerned would have priority in booking the same time slot. If that time slot was given up, it would be re-allocated on a "first-come-first-served" basis in accordance with the order on the waiting list. He also pointed out that there were still quite a number of time slots available in HKCEC. In order to encourage exhibitors to re-schedule their exhibition period so as to reduce costs, as well as to increase the utilization of vacant time slots, rental rates for non-peak periods had been reduced by

40%. Responding to a further question from Prof NG, Mr WALLACE said that under the existing policy, no penalty would be incurred for cancellation of venue bookings unless it had been specified in the contract.

20. Regarding the allocation of exhibition time slots, S/TI (Atg) pointed out that even exhibitions organized by the Government had to face the same tough competition for time slots in HKCEC. As such, the problem raised by HKECOSA could not be resolved simply by the provision of another exhibition venue. Mr Michael SZE also said that the allocation procedures were drawn up in consultation with the Independent Commission Against Corruption. Since HKCEC was not under the management of TDC, TDC had to face the same problem of not being able to book suitable time slots. As far as the exhibition services industry was concerned, exhibition time slot was one of the most important assets and TDC would not give up the time slots it had secured.

*Lack of Government monitoring leading to public money being misused*

21. Mr MA Fung-kwok was concerned about the industry's complaint against TDC not making enough efforts to promote Hong Kong's exhibition services industry. In this connection, he enquired about TDC's views on the industry and what promotional work had been done by its overseas and Mainland offices. S/TI (Atg) responded that as stated by the Chief Executive in his Policy Address, Hong Kong would be developed into the "trade fair capital of Asia" and the exhibition services industry was certainly one of the major industries targeted by TDC in recent years. Other relevant organizations such as the Hong Kong Tourist Association would also provide assistance in different respects. Her views were shared by Mr Michael SZE who referred members to the details of TDC's promotional activities as set out in paragraph 25 of Annex A to the paper provided by the Administration. He pointed out that apart from actively encouraging the participation of new companies, TDC also played the role of main contractor by sub-contracting the actual building works of its exhibitions to smaller companies and lending out equipment, so that those companies could play a part without making huge investments. In the long run, with China's accession to the World Trade Organization and the opening up of its exhibition services industry, Hong Kong's exhibition services contractors would have increased opportunities to enter the Mainland market. Mr SZE also added that TDC was willing to further communicate with the industry through HKECOSA so as to reduce disputes and foster mutual co-operation in achieving the common goal of promoting Hong Kong's exhibition services industry.

22. Regarding the refund of \$48 million to TDC by ESU as mentioned in paragraph 10 of the paper, Mr HUI Cheung-ching enquired about the details of the refund arrangements and whether ESU was under pressure to do so. S/TI (Atg) replied that the subvention of \$48 million would be restored to TDC general revenues over the next five years beginning from 2000/01. As for the reason of such refund, she stated that ESU was not under any pressure to do so. Besides, she also advised that as a statutory body, TDC's activities were governed by the law and unless it had violated any legal provisions, the Government had no right to order TDC to make any decisions. Hence, the Administration could not accede to HKECOSA's request by ordering TDC

to adopt certain measures or to stop certain activities. Mr Michael SZE added that notwithstanding a reduction in Government subvention, TDC's actual expenditure had increased in response to greater public expectation, and ESU had decided to refund the subvention so as to supplement TDC's income.

#### *High rental rates*

23. Mr Kenneth TING welcomed TDC's initiative to assist local businesses amidst the economic downturn by reducing exhibition venue rental rates starting from next year. He enquired about the effect the Exhibition and Logistics Centre in Tseung Kwan O had on the organization of trade fairs. Mr Frederick LAM, the Deputy Executive Director of TDC, advised that the centre was set up to reduce the time for constructing and demolishing exhibition booths during trade fairs in HKCEC so as to achieve savings. According to preliminary assessment, the centre did serve its purpose. Therefore, TDC had announced a lower rate for next year to repay the exhibitors in view of the savings achieved.

24. Mrs Sophia LEUNG asked for a comparison between the charges of TDC and private exhibition services companies. Mr Frederick LAM replied that survey results indicated that charges of trade fairs organized by TDC were generally lower. With surpluses generated from some of its successful trade fairs, TDC was able to set a lower charge.

25. Mr James TIEN said that according to the views of some trade associations, the charges for participating in trade fairs in Hong Kong were higher than in countries like Singapore and Europe and he asked about the reasons for that. Mr Michael SZE replied that the rental rates of HKCEC were indeed higher than those of other countries. However, as far as the trade fairs organized by TDC were concerned, the participation fees paid by Hong Kong companies were definitely lower than those paid by overseas companies. As for trade associations which had a long history of participating in TDC's trade fairs, a higher discount rate would be offered. Hence, from his personal point of view, the level of charges was by no means absolute.

26. Given that the trade associations were asking for a reduction in trade fair participation fees and TDC took the view that the charges of its trade fairs were lower than those organized by the exhibition services industry, while HKECOSA was complaining about TDC's monopoly in the market, Mr TIEN asked whether a proper balance could be achieved so that the number of trade fairs to be organized by TDC would be kept to an optimum to the interests of all parties concerned. Mr Michael SZE replied that TDC would only organize trade fairs for competitive industries in Hong Kong. In view of limited resources, if successful fairs had been organized by private exhibition services companies for a particular industry, TDC would not organize similar trade fairs to avoid unhealthy competition. As such, if TDC was to organize new trade fairs in future, they would most likely be for the service industry or the information and technology industry. S/TL (Atg) further said that as TDC was a statutory body, the Government could not interfere with its day to day operation arbitrarily. As the ex-officio member of the Council of TDC, the



Secretary for Trade and Industry would do his best to ensure that TDC would use its resources and fulfil its statutory functions properly. While acknowledging the concerns of members and the industry on TDC's charges, she believed that market forces would bring about suitable adjustments.

27. Mr SIN Chung-kai opined that when compared with other countries in the Asia-Pacific Region, the cost of holding trade fairs in Hong Kong was on the high side and this might be a cause of complaint of the industry. In this connection, he asked about the Administration's long-term plans to provide large-scale exhibition venues. S/TI (Atg) replied that a consultancy study was commissioned by the Economic Services Bureau (ESB) in 1998 to examine whether additional exhibition venues were needed in Hong Kong. According to the findings of the study which was completed in the end of last year, exhibition venues in Hong Kong would reach their full capacity around 2007, and thus, it would be necessary to build a multi-function exhibition venue in 2005 or 2006 with an area of about 50 000 m<sup>2</sup>. The consultancy report also mentioned that a suitable location for the exhibition venue would be near the new airport. In November last year, ESB had submitted the consultancy report to the Task Force on Services Promotion (Task Force) led by FS for consideration and the report was subsequently referred to the Airport Authority (AA) upon the recommendation of the Task Force. As far as she knew, a further consultancy study had been commissioned by AA to examine the proposal. In response to Mr SIN's further enquiry about the financial arrangements, S/TI (Atg) advised that it was still too early to say given that a final decision on the proposal had yet to be made. However, as the new exhibition venue was required by 2005 to 2006, planning for the project would commence in the next one or two years.

28. Mr James TIEN sought the views of the industry on the specific requirements of the new exhibition venue. Mr Denny YUNG responded that it was a pity that ESB had failed to consult HKECOSA in the course of the study. As Hong Kong was lagging behind China and other Southeast Asian countries such as Singapore in developing the exhibition services industry, there should be no delay in the building of a new exhibition venue. HKECOSA took the view that the new exhibition centre should have at least 20 000 m<sup>2</sup> of exhibition area for staging large-scale exhibitions. In addition, the location should be within 10 minutes' walk from stations of mass transport systems. He explained that for the new exhibition venue to serve its purpose, it had to be large enough to accommodate large scale exhibitions. If the new venue was not large enough, such as the International Trademart in Kowloon Bay which was only 6 000 m<sup>2</sup> in area, it could only accommodate small-scale exhibitions. Furthermore, Mr YUNG stressed that the new exhibition centre should not follow HKCEC's existing mode of operation, under which its management was entrusted to a private company. Instead, it should be a public exhibition venue for rent to private exhibition services companies so that the rental rates could be lowered.

29. In concluding the discussion, the Chairman said that he hoped further discussions could be held among the industry, the Administration and TDC to explore ways to address the industry's concerns, thereby promoting a continuous development of the exhibition services industry.