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Chairman and Members  
Legislative Council Panel on Economic Development  
The Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central, Hong Kong

**The remuneration of Ticketing Agents  
and  
Collection of Air Passenger Tax and Fuel Surcharges**

Jebsen Travel is specialized in the distribution of air tickets on behalf of airlines, including providing credit to ticketing agents, in Hong Kong and China. The following is our position on the issue of remuneration of ticketing agents in general, and the collection of air passenger tax and fuel surcharges specifically.

**Background**

1. Ticketing agents have seen a continuous deterioration of their operating environment over the last 20 years as gross margins (profit as a percentage of ticket value) dropped from as high as 12 per cent to an industry average below 4 per cent today.
2. This is due to developments in distribution technology and the make up of the industry with a large pool of primarily small companies operating as travel agents on one hand and a limited number of suppliers on the other hand.
3. The Travel Industry Council (TIC) has concentrated on its role as (self) regulator to protect consumers and focused primarily on tour guides, outbound and inbound tour agents. It did not assume a role as representative of ticketing agents in relations with Government and airlines.
4. Although the Society of IATA Passenger Agents, SIPA, relinquished some powers when it joined other trade groups in forming TIC, it is the representative of ticketing agents which have been accredited by the International Air Transport Association (IATA leads and represents the airline industry) and an expert in ticketing issues.
5. The Government, through the Civil Aviation Department (CAD), has maintained a close involvement with the airline industry. The CAD has powers to approve commissions paid by airlines to ticketing agents, but has no working relationship with ticketing agents.

**Airport Departure Tax Collection**

6. The Government pays the airlines for the collection of airport departure tax. Ticketing agents were instructed by the airlines to collect airport departure tax in August 1998 without provisions for remuneration for this service.
7. Ticketing agents are however responsible for ticketing, collecting the funds from passengers, the risk of defaulting passengers as well as financing the tax when they provide credit to passengers.
8. That the Government rewards airlines for their collection service but expects ticketing agents to charge the passengers for this service provided to Government is inconsistent and unfair to both agents and passengers.
9. As a matter of principle, both airlines and ticketing agents should be rewarded for their share in providing services to the Government.

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### **Fuel Surcharges**

10. Airlines have been allowed to add charges for fuel price increases separately from the airfare. By doing so, Civil Aviation Department agreed to exclude these costs of tickets from commissions payable to agents.
11. For passengers, fuel is an inextricable part of the cost of a ticket.
12. Ticketing agents take on the financial risk of collecting the full cost of tickets from passengers. They also take on the cost of financing fuel surcharges when they provide credit for the cost of a ticket beyond the time of settlement of payments with airlines.
13. As a matter of principle, all costs of an air ticket should be considered as one, and the total cost of tickets may vary in response to market circumstances.

### **Remuneration of ticketing agents**

14. We understand that an airline may wish to vary the commissions it pays ticketing agents in line with changes in its cost structures.
15. We further understand that there is a trend worldwide for airlines to reduce commissions and for ticketing agents to charge passengers fees for services rendered.
16. Although airlines have reduced commissions in Hong Kong, fee based travel service marketing has not yet been accepted in Hong Kong.
17. The result is an industry stuck in a low revenue model with deteriorating service levels, risk of failure of agents and job losses.
18. This will only improve once the industry as a whole changes its revenue model in Hong Kong, and the consumer accepts that travel agents charge fees separately from the air fare for services rendered. (We reiterate that passengers may be willing to pay for services rendered to them, but may not be willing to pay for tax collection services rendered to the Government.)

### **Government to consult ticketing agents on relevant matters**

19. Going forward, to ensure that the Government acts fairly and reasonably, and balances the interests of different stakeholders, it must ensure that it hears the opinions of ticketing agents in matters related to ticketing, and specifically in matters related to the approval of commissions, charging of taxes, and splitting the cost of tickets in different categories, prior to making decisions related to such matters.
20. We urge the Government to recognize the various trade associations, in addition to the Travel Industry Council, and their area of expertise.

Herewith we so submit for your consideration.

Yours sincerely

Paul Zimmerman  
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Jebsen Travel Limited