

**For information
on 16 July 2009**

Legislative Council Panel on Economic Development

Operation of the Travel Industry Council of Hong Kong

Purpose

This paper briefs Members on the composition and operation of the Travel Industry Council of Hong Kong (TIC) and the arrangements by which Government monitors TIC's work and use of resources.

Composition and Operation of TIC

2. When TIC was established in 1978, its objective was to protect the interests of travel agents. In 1988, TIC was incorporated under the Companies Ordinance (Cap. 32) as a limited company to regulate the outbound business of travel agents. The roles and functions of TIC have expanded in tandem with the development of the tourism industry, and its current objectives are to enhance the professional standards of Hong Kong's travel industry, drive the overall development of the trade as well as protect the consumer rights of both inbound and outbound travellers. TIC performs its duties in accordance with its Memorandum and Articles of Association. Its duties include drawing up codes of practice for travel agents as well as handling complaints and non-compliance cases. Under the Travel Agents Ordinance (Cap. 218) (the Ordinance), all licensed travel agents in Hong Kong must be TIC members.

3. TIC's Board of Directors (the Board) is responsible for TIC's operation and use of resources. At present the Board comprises a chairman from the trade and 28 directors. Eight directors are TIC Association Member representatives while another eight are elected by member travel agents at annual general meetings (AGMs). The remaining 12 are non-trade independent directors, who come from different sectors including professionals from the legal and accountancy sectors and from consumer protection groups. The independent directors are appointed by the Secretary for Commerce and Economic Development (SCED). There are 17 committees, three ad hoc groups and one Appeal Board under TIC responsible for the wide variety of work covered by the Council. Under the principles of self-regulation and self-discipline, TIC is committed to ensuring independence, impartiality and transparency in its work.

4. The day-to-day operation of TIC is undertaken by the Executive Office (EO) with about 50 staff. Its areas of work include outbound and inbound travel matters, members services, registration of information of Mainland's inbound tour groups, TIC publications, homepage set-up and update, training and administration, as well as handling complaints lodged by consumers against travel agents. The EO is responsible for carrying out the decisions of the Board, including enforcing directives on regulating outbound and inbound travel business, etc. It also provides various services for member travel agents, which include vetting and approval of membership, resolving disputes between tourists and member travel agents and providing training on a wide range of market-oriented courses for members (such as ticketing courses, courses for tour escorts and tourist guides, and courses on Putonghua and complaint handling). The EO also organises seminars, gatherings and other activities for members, maintains close liaison with them and provides them with the latest information. The EO also helps promote travellers' awareness of travel protection and safety.

Council Levy

5. As an approved organisation under the Ordinance, TIC is charged with the important responsibilities of regulating travel agents and acting as a co-ordinator for the agents on issues of common concern. Section 32I of the Ordinance stipulates a Council levy to provide financial resources to TIC for discharging these responsibilities.

6. Since its introduction under the Ordinance in 1993, the Council levy has been maintained at a rate of 0.15% of every outbound fare received, and is payable by travel agents. It is TIC's main source of income. In the 2007-08 financial year, \$16.2 million of Council levy was collected, representing 70% of the overall expenses of TIC. Other sources of TIC's income include membership fee and income from organising training courses, etc.

7. Apart from the Council levy, TIC is authorised by the Travel Industry Compensation Fund Management Board to collect the Travel Industry Compensation Fund levy¹ from travel agents.

1. Introduced in 1993, the levy was initially set at 0.35% and was later reduced to 0.15% in 1997. It has been further reduced to 0%. With the agreement of the Legislative Council Panel on Economic Development, the reduction took immediate effect upon gazettal on 3 July 2009.

Accountability and Transparency of TIC's Work

8. The Board oversees TIC's work and finances. As mentioned in paragraph 3 above, its directors include trade representatives and independent members. To bring in more experience and knowledge from other sectors and to enhance the transparency of its operations, TIC decided to increase the number of non-trade independent directors from eight to 12 in November 2007. The new arrangement was implemented in January 2008.

9. Among the committees under TIC, five are responsible for disciplinary matters related to travel agents, tourist guides and tour escorts, namely the Compliance Committee, Committee on Shopping-related Practices, Consumer Relations Committee, Mainland China Inbound Tour Compliance Committee and Tourist Guide and Tour Escort Deliberation Committee. To ensure impartiality of the above committees, the convenors are all non-trade independent directors and majority of their members are from non-trade background.

10. To enhance transparency, TIC uploads disciplinary information (including those on travel agents' non-compliance cases, revoked or suspended Tourist Guide Passes and Tour Escort Passes, records of demerit points of registered shops, and names of suspended or revoked registered shops) onto its website for inspection by its members and the public. Important decisions and reports of the Board's monthly meetings are also uploaded onto the website for members' reference.

11. To handle appeals on disciplinary matters lodged by members, TIC's Memorandum and Articles of Association provides for an Appeal Board. For appeal hearings, the Appeal Board must consist of three independent members and two trade members, with the Chairman to be elected from the independent members.

12. TIC has to appoint an auditor to audit the income and expenditure accounts annually. The audited accounts are then submitted to the Board for examination and adopted at AGMs after voting. A copy of the TIC annual report, which includes the audited accounts, is issued to every member.

13. The above arrangements aim to enhance the independence, impartiality and transparency of TIC in trade regulation and disciplinary matters.

Monitoring of TIC

14. Although TIC is neither a statutory nor a subvented organisation,

the Government has been monitoring its finances and daily work, which have implications for both outbound and inbound travellers. On its finances, TIC is required under the Ordinance to submit to SCED each year the estimates of its income and expenditure in respect of the next financial year. On its daily work, representatives of the Tourism Commission (TC) participate in meetings of the Board and its various committees as member or observer. TC also maintains close contact with TIC to provide advice and assistance on matters related to the tourism market and development of the industry, the operating environment of travel agents, tourist protection, as well as the financial position of TIC, so as to facilitate TIC's regulatory work and its effective use of resources.

15. TIC was specified a "public body" under the Prevention of Bribery Ordinance (Cap. 201) in 1990 and all its Directors are therefore "public servants" subject to the regulation of the Ordinance. With the assistance of the Independent Commission Against Corruption, TIC issued the General Code of Conduct for the TIC Board of Directors to ensure that its Directors discharge their duties in an impartial and honest manner with the objective of protecting the interest of both the consumers and the travel industry.

Conclusion

16. As an essential component of the current two-tier system for regulating travel agents, TIC strives to strike a balance between the healthy development of the travel industry and the protection of consumer rights. The system has been operating smoothly overall for over 20 years and has obtained recognition from the community. The Administration welcomes views and proposals from the industry and relevant parties on how to improve the framework. It also has frequent exchanges with TIC to ensure that its operation meets public expectations as well as the needs of the industry. The travel agents, being members of TIC, can also provide their views and suggestions to TIC any time to facilitate the overall development of the industry.

17. Members are invited to note the information set out above.

Tourism Commission
Commerce and Economic Development Bureau
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