

**立法會**  
**Legislative Council**

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**Panel on Economic Development**  
**Special meeting on 16 July 2009**

**Background brief on the Travel Industry Council of Hong Kong**

**Purpose**

This paper provides background information on the Travel Industry Council of Hong Kong (TIC) and summarizes concerns raised by Members on the operation of TIC.

**Establishment of the Travel Industry Council of Hong Kong**

Background

2. The TIC was established in 1978 to protect the interests of travel agents. It was incorporated under the Companies Ordinance (Cap. 32) in 1988 as a trade body for travel agents. It carries out its work in accordance with its Memorandum and Articles of Association.

3. The Government enacted the Travel Agents Ordinance (TAO) (Cap. 218) in 1985 to make it mandatory for all outbound travel agents to be licensed. Following amendments to TAO in 1988, any person carrying on business as a travel agent is required to obtain a licence from the Registrar of Travel Agents<sup>1</sup>, and to comply with the licensing requirements which include being member of TIC. Travel agents are required to abide by TIC's codes of conduct<sup>2</sup> and directives, and they are regulated by TIC. With the Travel Agents (Amendment) Ordinance 2002

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<sup>1</sup> Under the provisions of TAO, the Travel Agents Registry issues licence to inbound and outbound travel agents and carries out relevant surveillance work, including monitoring the operation and financial position of the licensed travel agents. On the other hand, TIC is responsible for regulating the day-to-day operation of the travel trade, including establishing codes of conduct and directives.

<sup>2</sup> Under Article 10 of the Articles of Association of TIC, every member of the TIC is bound by the Codes of Conduct promulgated by the Board of TIC for the purposes of regulating the conduct and business and other practices of travel agents. The Codes of Conduct include General Code of Conduct for TIC Members; Code of Business Practice on Outbound Package Tours; Code of Advertising Practice for TIC Members; Code of Business Practice on Inbound Travel Service; and Code of Business Practice on Study Tours.

taking effect in November 2002, the statutory requirement of TIC membership for obtaining travel agents' licence was extended to cover inbound travel agents.

4. The Tourism Commission (TC) is currently responsible for monitoring TIC's work. Apart from attending meetings of the Board and its various committees, TC representatives also maintain close communication with TIC on the development of the tourism market, issues affecting the trade, the operating environment of travel agents, trade practices, tourist protection, and the financial position of TIC, etc.

### Mission and Services

5. The mission of TIC is to maintain a high standard of professionalism within the industry and to protect the interests of both the trade and travellers. It works closely with the Travel Agents Registry to monitor the operation of travel agents. TIC currently provides a number of services for members and the public, such as collection of levy to the Travel Industry Compensation Fund (TICF)<sup>3</sup>, organizing training courses for the personnel of member agents and handling consumer complaints.

### Management structure

6. The TIC is managed by a Board of Directors comprising 29 members, including the Chairman, eight member-elected directors, eight Association Member representatives and 12 Government-appointed independent directors<sup>4</sup>. Under the Board, there are 17 committees, three subcommittees and the Appeal Board to discharge different responsibilities. The policies laid down by the Board of Directors are carried out by TIC's Executive Office.

### Membership

7. TIC has three types of member, namely Association Member, Ordinary Member and Affiliate Member. There are eight Association Members and about 1 400 member agents with ordinary or affiliate memberships. Each of the eight Association Members has their unique characteristics that caters for the specific needs of different markets and travel agents.

8. A travel agent shall join one of the Association Members prior to joining TIC. Ordinary Member agent of TIC may conduct any travel and tourism business, and open branch offices, whereas the business of Affiliate Members is

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<sup>3</sup> The TICF is held, managed and applied by the Travel Industry Compensation Fund Management Board set up under Section 32D of TAO. TICF derives its income from the levy contributed by travel agents in accordance with section 32H of TAO.

<sup>4</sup> TIC increased the number of non-trade independent directors from eight to 12 with effect from January 2008 with a view to bringing in more experience and knowledge from other sectors and enhancing the transparency of TIC's operation.

restricted to booking hotel rooms and air tickets, retailing package tours, and other travel related dealings.

### Income and financial control

9. Under sections 32H and 32I of TAO, a travel agent is required to pay a levy to TIC (the Council Levy) and TICF (the Fund Levy), the rates of which are set by the Secretary for Commerce and Economic Development (SCED) by notice published in the Gazette. The current rate of Council Levy is 0.15% of every outbound fare received. On 26 June 2009, SCED made the Travel Agents Ordinance (Specification of Fund Levy) Amendment Notice 2009 to reduce the Fund Levy rate from 0.15% to 0% with effect from 3 July 2009. TIC shall deploy the Council Levy only on operational expenses incurred by TIC in pursuing its objects. Apart from the Council Levy, TIC also derives income from other sources, such as training courses organized by TIC to upgrade the skills of employees of the tourism trade.

10. Under the requirements of TAO, TIC has to submit to SCED each year the estimates of its income and expenditure for the next financial year. TIC will, in accordance with the requirements of the Companies Ordinance, prepare annual accounts for audit every year and the audited statements will be presented for endorsement by TIC members at the annual general meeting. As TIC does not receive Government subvention, it is not subject to the Audit Commission's examination, nor the Commission's value-for-money-audit.

11. From 1990, the TIC has been specified as a "public body" under the Prevention of Bribery Ordinance and is subject to its regulation.

### **Past discussions**

#### Issues raised at Panel meetings

12. The role and functions of TIC had long been of concern when issues related to the development of tourism were discussed. At the meeting of the Panel on Economic Services<sup>5</sup> on 23 April 2007, some members urged the Administration to review the regulatory framework of the travel industry as part of the measures to combat unscrupulous sales malpractices in the trade, as industry self-regulation could not adequately protect visitors' interests. The Administration was requested to enhance TIC's credibility by introducing more independent directors to its Board or set up an independent body to regulate the travel industry. When members were briefed on the policy initiatives featuring in the Chief Executive's Policy Address 2007-2008 and 2008-2009 in respect of tourism at the meetings of the Panel on Economic Development (EDEV Panel) on 22 October 2007 and 24 October 2008, members raised similar concerns about the effectiveness of the

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<sup>5</sup> The Panel on Economic Services has been renamed as the Panel on Economic Development with effect from the 2007-2008 session.

self-regulatory regime of the travel trade industry. The Administration advised that measures had been taken by TIC to enhance its independence and transparency, such as appointment of more independent members to the Board of Directors of TIC.

13. Panel members were keen to ensure that there was proper coordination among tourism-related departments/agencies, i.e. TC, TIC and the Hong Kong Tourism Board (HKTB), to implement tourism initiatives and projects cost-effectively. In response to concerns raised by members on related issues at the Panel meeting on 24 October 2008, the Administration advised that TIC, TC and HKTB had their distinct roles in tourism development and they would maintain close and effective communication among themselves to take forward tourism initiatives.

14. At the meeting of the EDEV Panel on 22 June 2009 when members were briefed on the legislative proposals relating to the Fund Levy, members questioned the effectiveness of self-regulation for the travel industry as this approach would lead to channelling of benefits or conflict of interests. The Administration was requested to review the institutional framework and operation of TIC. There was a suggestion that value-for-money-audits should be conducted for TIC, having regard to the extent of the powers of TIC in regulating the industry and the substantial amount of revenue it received from the Council Levy.

#### Issues raised at Council meetings

15. Members have raised a number of questions at Council meetings on issues related to TIC, including regulation of travel industry, training courses for the travel trade and measures to assist tourism industry. Details are hyperlinked in the **Appendix**.

16. A motion on "Fostering the development of the tourism industry" was moved for debate at the Council meeting on 30 May 2007. Some Members suggested that the Administration should review the composition of TIC in order to foster the development of Hong Kong's tourism industry. There was a suggestion to turn TIC into a statutory body so as to provide a legal basis for its regulatory work. Some Members took the view that TIC should implement an insurance system to strengthen the protection for the industry and tourists.

17. In a motion debate held at the Council meeting on 13 May 2009, a Member suggested that a Tourism Bureau should be established to formulate tourism policies and promote the development of Hong Kong's tourism industry in a more systematic manner.

18. At the Council meeting on 17 June 2009, a question was raised on the training courses organized by TIC and how TIC made use of the income so derived. In view of the severe blow dealt by the financial tsunami to the tourism industry, a question was raised at the Council meeting on 25 February 2009 which inter alia

suggested that the Administration should review the mechanism of collecting Council Levy and the levy rate to assist tourism industry. The Administration considered that as the mechanism of collecting both Council Levy and Fund Levy by TIC was widely accepted by the travel trade and consumers, and had been operating smoothly for many years, there was no need for a review.

#### Other issues

19. Members were briefed on the review of The Ombudsman's jurisdiction at the Legislative Council Members' meeting with The Ombudsman held on 9 December 2008. A member raised concern about public complaints on the licensing system of TIC, and suggested that TIC be brought within The Ombudsman's jurisdiction. Members however noted that the TIC did not satisfy the criteria for inclusion in The Ombudsman's purview having regard to TIC's executive powers, its interface with or impact on the public and its main source(s) of funding.

#### **Latest development**

20. In response to the concerns raised by members about the operation of TIC, the Panel has agreed to hold a special meeting on 16 July 2009 with deputations and the Administration to discuss the operation of TIC.

#### **References**

21. A list of the relevant papers is in the **Appendix**.

Council Business Division 1  
Legislative Council Secretariat  
13 July 2009

## List of relevant papers

Committee	Paper	LC Paper No.
Council Meeting on 10 March 2004	Hon LAU Kong-wah raised an oral question on "Tourists' complaints against local service industry"	Hansard (Pages 46 to 49) <a href="http://www.legco.gov.hk/yr03-04/english/counmtg/hansard/cm0310ti-translate-e.pdf">http://www.legco.gov.hk/yr03-04/english/counmtg/hansard/cm0310ti-translate-e.pdf</a>
Council Meeting on 26 January 2005	Hon Howard YOUNG raised an oral question on "Tourist guides without tourist guide permit"	Hansard (Pages 186 to 188) <a href="http://www.legco.gov.hk/yr04-05/english/counmtg/hansard/cm0126ti-translate-e.pdf">http://www.legco.gov.hk/yr04-05/english/counmtg/hansard/cm0126ti-translate-e.pdf</a>
Council Meeting on 19 October 2005	Hon Fred LI raised an oral question on "Travel agents charging administrative fee"	Hansard (Pages 105 to 109) <a href="http://www.legco.gov.hk/yr05-06/english/counmtg/hansard/cm1019ti-translate-e.pdf">http://www.legco.gov.hk/yr05-06/english/counmtg/hansard/cm1019ti-translate-e.pdf</a>
Council Meeting on 9 November 2005	Hon CHAN Yuen-han raised an oral question on "People without tourist guide passes serving as tour guides"	Hansard (Pages 83 to 87) <a href="http://www.legco.gov.hk/yr05-06/english/counmtg/hansard/cm1109ti-translate-e.pdf">http://www.legco.gov.hk/yr05-06/english/counmtg/hansard/cm1109ti-translate-e.pdf</a>
Council Meeting on 22 November 2006	Hon Howard YOUNG raised an oral question on "Monitoring of industry conduct"	Hansard (Pages 60 to 63) <a href="http://www.legco.gov.hk/yr06-07/english/counmtg/hansard/cm1122-translate-e.pdf">http://www.legco.gov.hk/yr06-07/english/counmtg/hansard/cm1122-translate-e.pdf</a>
Council Meeting on 22 November 2006	Hon TAM Yiu-chung raised an oral question on "Promoting healthy development of tourism industry"	Hansard (Pages 90 to 92 ) <a href="http://www.legco.gov.hk/yr06-07/english/counmtg/hansard/cm1122-translate-e.pdf">http://www.legco.gov.hk/yr06-07/english/counmtg/hansard/cm1122-translate-e.pdf</a>
Council Meeting on 7 February 2007	Hon Fred LI raised an oral question on "Regulation of travel industry"	Hansard (Pages 96 to 98) <a href="http://www.legco.gov.hk/yr06-07/english/counmtg/hansard/cm0207-translate-e.pdf">http://www.legco.gov.hk/yr06-07/english/counmtg/hansard/cm0207-translate-e.pdf</a>
Meeting of the Panel on Economic Services on 23 April 2007	Administration's information paper on "Strengthening consumer protection for Mainland visitors in Hong Kong"  Minutes of meeting (paragraphs 14 to 17)	CB(1)1413/06-07(04) <a href="http://www.legco.gov.hk/yr06-07/english/panels/es/papers/es0423cb1-1413-4-e.pdf">http://www.legco.gov.hk/yr06-07/english/panels/es/papers/es0423cb1-1413-4-e.pdf</a>  CB(1)1945/06-07 <a href="http://www.legco.gov.hk/yr06-07/english/panels/es/minutes/es070423.pdf">http://www.legco.gov.hk/yr06-07/english/panels/es/minutes/es070423.pdf</a>

Committee	Paper	LC Paper No.
Council Meeting on 30 May 2007	Motion on "Fostering the development of the tourism industry"	Hansard (Pages 99 to171) <a href="http://www.legco.gov.hk/yr06-07/english/counmtg/hansard/cm0530-trans-late-e.pdf">http://www.legco.gov.hk/yr06-07/english/counmtg/hansard/cm0530-trans-late-e.pdf</a>
Meeting of the Panel on Economic Services on 22 October 2007	Administration's paper on "Policy Agenda of the Commerce, Industry and Tourism Branch, Commerce and Economic Development Bureau"  Minutes of meeting (paragraphs 52 to 65)	CB(1)43/07-08(02) <a href="http://www.legco.gov.hk/yr07-08/english/panels/es/papers/eDEV1022cb1-43-2-e.pdf">http://www.legco.gov.hk/yr07-08/english/panels/es/papers/eDEV1022cb1-43-2-e.pdf</a>  CB(1)458/07-08 <a href="http://www.legco.gov.hk/yr07-08/english/panels/es/minutes/ev071022.pdf">http://www.legco.gov.hk/yr07-08/english/panels/es/minutes/ev071022.pdf</a>
Meeting of the Panel on Economic Development on 24 October 2008	Administration's paper on "Policy Agenda of the Commerce, Industry and Tourism Branch, Commerce and Economic Development Bureau"  Minutes of meeting (paragraphs 24 to 28)	CB(1)33/08-09(02) <a href="http://www.legco.gov.hk/yr08-09/english/panels/eDEV/papers/eDEV1024cb1-33-2-e.pdf">http://www.legco.gov.hk/yr08-09/english/panels/eDEV/papers/eDEV1024cb1-33-2-e.pdf</a>  CB(1)324/08-09 <a href="http://www.legco.gov.hk/yr08-09/english/panels/eDEV/minutes/eDEV20081024.pdf">http://www.legco.gov.hk/yr08-09/english/panels/eDEV/minutes/eDEV20081024.pdf</a>
Legislative Council Members' meeting with Ms Alice TAI Yuen-ying, JP, The Ombudsman on 9 December 2008	Minutes of meeting (paragraphs 18 to 20)	CP 451/08-09 <a href="http://library.legco.gov.hk:1083/search/XCP451%2F08-09&amp;searchscope=5&amp;SORT=D/XCP451%2F08-09&amp;searchscope=5&amp;SORT=D&amp;SUBKEY=CP451%2F08-09/1,1,1,B/1962&amp;FF=XCP451%2F08-09&amp;searchscope=5&amp;SORT=D&amp;1,1,,0,0">http://library.legco.gov.hk:1083/search/XCP451%2F08-09&amp;searchscope=5&amp;SORT=D/XCP451%2F08-09&amp;searchscope=5&amp;SORT=D&amp;SUBKEY=CP451%2F08-09/1,1,1,B/1962&amp;FF=XCP451%2F08-09&amp;searchscope=5&amp;SORT=D&amp;1,1,,0,0</a>
Council Meeting on 25 February 2009	Hon Paul TSE raised an oral question on "Measures to assist tourism industry"	Hansard (Floor) (Pages 24 to 26) <a href="http://www.legco.gov.hk/yr08-09/chinese/counmtg/floor/cm0225-confirm-ec.pdf">http://www.legco.gov.hk/yr08-09/chinese/counmtg/floor/cm0225-confirm-ec.pdf</a>
Council Meeting on 13 May 2009	Motion on "Proposed establishment of a Tourism Bureau with dedicated responsibility for handling tourism issues"	Hansard (Floor) (Pages 147 to 188) <a href="http://www.legco.gov.hk/yr08-09/chinese/counmtg/floor/cm0513-confirm-ec.pdf">http://www.legco.gov.hk/yr08-09/chinese/counmtg/floor/cm0513-confirm-ec.pdf</a>

Committee	Paper	LC Paper No.
Council Meeting on 13 May 2009	Hon Paul TSE raised an oral question on "Unlicensed travel agents"	Hansard (Floor) (Pages 67 to 68 ) <a href="http://www.legco.gov.hk/yr08-09/chinese/counmtg/floor/cm0513-confirm-ec.pdf">http://www.legco.gov.hk/yr08-09/chinese/counmtg/floor/cm0513-confirm-ec.pdf</a>
Council Meeting on 27 May 2009	Hon Paul TSE raised an oral question on "Waiving travel agents' licence fee"	Hansard (Floor) (Pages 72 to 74) <a href="http://www.legco.gov.hk/yr08-09/chinese/counmtg/floor/cm0527-confirm-ec.pdf">http://www.legco.gov.hk/yr08-09/chinese/counmtg/floor/cm0527-confirm-ec.pdf</a>
Council Meeting on 10 June 2009	Hon Paul TSE raised an oral question on "Monitoring of operation of Travel Industry Council of Hong Kong"	Hansard (Floor) (Pages 17 to 23) <a href="http://www.legco.gov.hk/yr08-09/chinese/counmtg/floor/cm0610-confirm-ec.pdf">http://www.legco.gov.hk/yr08-09/chinese/counmtg/floor/cm0610-confirm-ec.pdf</a>
Council Meeting on 17 June 2009	Hon Paul TSE raised an oral question on "Training courses organized by Travel Industry Council of Hong Kong"	Hansard (Floor) (Pages 83 to 85) <a href="http://www.legco.gov.hk/yr08-09/chinese/counmtg/floor/cm0617-confirm-ec.pdf">http://www.legco.gov.hk/yr08-09/chinese/counmtg/floor/cm0617-confirm-ec.pdf</a>
Meeting of the Panel on Economic Development on 22 June 2009	Administration's paper on proposals to amend the Travel Agents Ordinance (Specification of Fund Levy) Notice (Cap. 218D) and the Travel Industry Compensation Fund Rules (Cap. 218E & F)  Minutes of meeting	CB(1)1939/08-09(03) <a href="http://www.legco.gov.hk/yr08-09/english/panels/edev/papers/edev0622cb1-1939-3-e.pdf">http://www.legco.gov.hk/yr08-09/english/panels/edev/papers/edev0622cb1-1939-3-e.pdf</a>  (to follow)