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### **Clerk to Bills Committee on Competition Bill**

Legislative Council Secretariat

Legislative Council Complex

1 Legislative Council Road

Central

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## **To whom it may concerns**

On behalf of Yip Design Ltd. I would like to rise the following arguments for HKTDC on the Competition Bill.

### **Public Service Mission**

HKTDC has a statutory responsibility to promote trade and is partially subvented, through a Trade Declaration Charge on exports and imports, for this purpose. The Council is not profit-driven and should not be viewed as a business. The distinction is similar to that between the Police versus private security companies, the Hospital Authority versus private hospital, the Education Department versus private schools and MTR versus taxi and minibuses. The Competition Bill is designed to address competition among profit-making companies in the private sector, and should not apply to the public sector. HKTDC is an instrument of public sector policy implementation and therefore should be exempted.

### **Support for SMEs through Marketing**

HKTDC has 45 years track record of promoting Hong Kong's trade and helping SMEs to develop their business. In 2010/11, over 40,000 Hong Kong SMEs used HKTDC services, of which about 14,000 companies exhibited at our trade fairs. The participation fees for HKTDC fairs are often lower than those organised by private fair organisers.

As a non-profit making organisation, any surplus we gained from trade fairs is re-invested in the fairs for further enhancement of quality, and in turn attracting more buyers and creating more business opportunities for exhibitors. HKTDC also invests in trade fairs for emerging or niche industries such as Eco Expo Asia, Printing and Packaging Fair, Building Materials and Hardware Fair, Medical Equipments and Chinese Medicine Fair, etc to help develop these industries. Private fair organisers are not willing to invest on these fairs, as most of them are money-losing events.

### **SMEs May Have to Pay More**

Apart from trade fairs, many other HKTDC promotional activities as well as services for SMEs have to be subsidised by the Council. The surplus from trade fairs is therefore deployed to support these programmes, supplementing the inadequate resources from Government subvention. Under the proposed Competition Bill, the lower charges for HKTDC services and promotional activities could be challenged as "predatory pricing"

intended to stop private sector entities from offering similar services. Instead of bringing charges down, there is the possibility that HKTDC may be forced to increase our charges. If HKTDC is bounded by the Competition Law and forced to raise its charges, SMEs would have to bear the burden, just like in the case of the Links.

### **Striving for the Interests of Hong Kong SMEs**

HKTDC is in fact the service agent for major Hong Kong industries in organising quality trade fairs. These fairs, which have been proven to be an effective tool for promoting the industry, cover Hong Kong's major exports including electronics, toys, watches, jewellery, houseware, gift, lighting and garments. In recent years, HKTDC promotes emerging and niche industries by organising trade fairs such as Eco Expo Asia, Tea Fair, Wine Fair and more. A recent HKTDC Research Department study found that trade fairs in Hong Kong contribute 30 to 40 per cent of new orders of consumer goods for Hong Kong companies.

Participation fees for Hong Kong SMEs are often lower than that for mainland and overseas participants at HKTDC trade fairs. In 2010, participation fees for non-Hong Kong exhibitors were increased for some fairs while charges for Hong Kong SMEs were not adjusted. This "two-tier" pricing could also be subject to challenge under the Competition Law, and we may have to raise our charges for local companies.

### **Incentives to Diversify Marketing Channels**

HKTDC sometimes packages an offer of two marketing services to encourage Hong Kong SMEs try out new marketing channels, e.g. free web-site advertising on *hktdc.com* for exhibitors at HKTDC trade fairs. Such practice may be challenged as "exclusive dealing" under the Competition Law, thereby frustrating HKTDC's efforts to encourage SMEs to explore new marketing possibilities.

### **Databank**

The HKTDC databank contains about 5 million business contacts around the world. It is a powerful tool to market our trade fairs to buyers but is also expensive to maintain and expand. Other trade fair organisers and marketing organisations might try to use the Competition Law to secure access to this resource. If this happens, it would cause major "spamming" and data privacy issues that could undermine the value of this valuable HKTDC resource in serving Hong Kong SMEs.

### **Exhibition Industry Not Monopolised by HKTDC**

A recent study claimed that HKTDC's trade fairs account for 45% market share of Hong Kong's exhibition industry in terms of exhibition area. Yet, exhibition business is a regional or global race. For each product sector, only few international trade fairs could sustain, and many of these are organised by multinational fair organisers. These fairs affected all SMEs around the world related to a particular industry.

There are more than 100 trade fairs a year in Hong Kong, less than 30% of which are organised solely by the HKTDC. Some of our trade fairs are co-organised with private fair organisers. We are not competing with our local counterparts. Our real competitors are similar trade fairs located at our neighbouring cities in the region.

### **Multinational Monopoly**

Competition among exhibition industry is global but not local. Multinational fair organisers dominate the exhibition industry globally as they stage exhibitions in key locations including Hong Kong. Placing HKTDC under the purview of Competition Law may expose the Council to the risk that it could be required to reduce its exhibitions activities, and in the worst case scenario, be forced to withdraw from organising some fairs. If this is the case, multinational fair organiser would probably benefit most

because local fair organisers may not be in a position to fill the vacuum left behind by HKTDC. This would lead to possible cross-region monopoly as the multinational would likely be in control of most similar fairs organised anywhere. SMEs would be at the mercy of these multinationals.

Private trade fair organisers are seeking for profits. They may take a fair out of Hong Kong and relocate it to another place if there are attractive incentives for them to do so. If that happens, Hong Kong's economy would be adversely affected as SMEs rely heavily on these shows to get orders. HKTDC is a statutory body and it is our mandate to promote Hong Kong's trade and help local companies especially SMEs. Therefore, our trade fairs are based in Hong Kong and are here to stay.

### **Hong Kong is a Free Market**

Hong Kong is a free market and there is neither any barrier nor obstacle preventing private fair organisers from entering the exhibitions market. In fact, the Hong Kong exhibitions industry is growing rapidly in the past few years, with many new fairs coming up in the market. Yet, it is because of insufficient downtown exhibition venue that has been limiting the growth of the industry.

### **Integrated Operations**

HKTDC is committed to serve local SMEs and promote Hong Kong's trade. It operates in a fully integrated way. If the Competition Law applies to HKTDC, it would impact the entire operations. It would also attract endless complaints, encourage litigation and require considerable administrative and accounting work in anticipation of legal challenges under the Law. As a result, it would harm the quality of our services to the SMEs.

### **Don't Change the Success Model**

The HKTDC is set up by law to implement the government policy to promote trade and it has been proven effective and successful in helping SMEs. It is also the envy of many trade promotional organisations around the world. Any adverse changes to the HKTDC model would not just impact on the operations of the Council but most importantly, would undermine our usefulness to SMEs who are in need of assistance to help them face the upcoming challenges in the difficult times ahead. The proposed Competition Law only addresses the local context and cannot lay its hand on anti-competition behavior outside of the territory. Hong Kong has worked so hard to becoming a leader in exhibitions industry in the region, we should not let anything happen to undermine this position.

Kind regards,

**Alan Yip**  
Director