

For discussion on
20 April 2010

**LEGISLATIVE COUNCIL
PANEL ON COMMERCE AND INDUSTRY**

Development of the MICE industry in Hong Kong

PURPOSE

This paper briefs Members on the Government's efforts in promoting the development of the MICE (Meetings, Incentive Travels, Conventions and Exhibitions) industry and our responses to the recent complaints to the Legislative Council on the role of the Hong Kong Trade Development Council (TDC) as an exhibition organiser.

BACKGROUND

2. Last year was a difficult year for the businesses in Hong Kong. Being an open economy, Hong Kong has inevitably been affected by the global financial turmoil. Nevertheless, the total overnight MICE arrival figures for 2009 was comparable to those of 2008. This demonstrates not only the resilience of our MICE industry, but also Hong Kong's competitive advantages as an international MICE capital which are consistently borne out by the superb services of our industry as well as our first-class MICE facilities.

3. With the concerted efforts of the trade and the Hong Kong Tourism Board (HKTB), Hong Kong received 1.16 million overnight MICE visitors¹ in 2009, a decrease of 0.2% only over 2008 despite the global economic crisis. Hong Kong also won the titles of "Favourite City in the World" and "Best Business City in the World" in a number of polls organised by the MICE media in Asia.

4. The Government has been striving to enhance Hong Kong's advantages and appeal as an international MICE capital. We have also been actively attracting major international MICE events to Hong Kong.

¹ Departing Visitor Survey, the Hong Kong Tourism Board

Latest developments and our key efforts are set out in the ensuing paragraphs.

GOVERNMENT SUPPORT FOR THE MICE INDUSTRY

MICE promotion

5. In the 2008-09 Budget, the Financial Secretary earmarked an additional \$150 million over the following five years to enhance the appeal of Hong Kong as an international MICE capital. The Meetings and Exhibitions Hong Kong (MEHK) Office was established under HKTB in November 2008, specialising in promoting MICE tourism. The major functions of MEHK include the following :

- (a) strengthening the branding of Hong Kong as a premier MICE destination;
- (b) attracting more events of different MICE segments to Hong Kong;
- (c) providing one-stop professional support to MICE event organisers; and
- (d) enhancing the travel experience of MICE visitors.

In 2010-11, the Government will continue to allocate \$30 million to HKTB, out of the additional \$150 million earmarked in the 2008-09 Budget for strengthening MICE promotion, for carrying out the above tasks.

Destination branding

6. MEHK has been conducting a series of marketing activities via the promotional platform “Hong Kong – Converging Possibilities” to promote Hong Kong as an ideal destination for MICE events. Such activities include print and online advertisements, public relations work, direct mailing and e-newsletters etc. According to an independent survey commissioned by HKTB in mid-2009, Hong Kong achieved the highest recall in destination advertising and the highest rating as a popular MICE destination amongst Asia Pacific cities. MEHK also closely works with the MICE trade, government Economic and Trade Offices (ETOs), TDC and Invest Hong Kong in conducting overseas promotion.

7. As a new initiative in 2010-11, MEHK will develop an online “E-marketplace” which will serve as a one-stop business-building platform to facilitate MICE event organisers and planners to search for suitable venues and products, plan itineraries, request proposals from local suppliers, and learn about the latest offers in Hong Kong. MEHK will also work with the Government to explore new and unique venues such as museums for MICE events. In addition, it will package tourist attractions in Lantau and promote them as a new MICE cluster outside the central business district so as to attract event organisers that are looking for more economical and culture-oriented activities. These will expand the spectrum of Hong Kong’s MICE offerings.

Marketing strategies for individual MICE segments

8. To lobby and bid for more MICE events to be held in Hong Kong, MEHK has been adopting a tailored-made strategy for each MICE segment. For the meeting and incentive travel segments, MEHK identified short-haul markets as the major targets, namely the Mainland, India, Japan and South Korea. In 2009, MEHK organised 40 activities for members of the MICE sector such as trade shows, trade missions and familiarisation visits to foster partnership between the local and overseas MICE sectors. In 2010-11, MEHK will ride on the general marketing theme of HKTB, “Festive Hong Kong 2010”, and package new incentive offers to cater to different interests from short-haul and long-haul markets. It will also reach out to corporations of the pharmaceutical, finance and banking, and education sectors so as to generate more business leads.

9. For the convention segment, MEHK has been targeting at markets in United States (US) and Europe and leveraging on held and confirmed events for brand-building. In 2009, MEHK increased its presence at international convention associations, such as the International Convention and Congress Association and the American Society of Association Executives. In 2010-11, MEHK will focus on lobbying and bidding for large conventions and conferences from six sectors with growth potential (science, medicine, social science, sports-leisure-culture, engineering, and information technology). As conventions often require long-term advance planning, MEHK will continue to build up long-term partnership with organisations from these sectors as well as professional convention organisers and association management companies in Europe and US.

10. Regarding the exhibition segment, MEHK’s strategy was to drive attendance and provide customised support to new exhibitions so as

to retain them in Hong Kong. In 2009, MEHK joined hands with the Hong Kong Exhibition and Convention Industry Association and TDC in showcasing Hong Kong's destination strengths in major overseas shows of the exhibition industry. In 2010-11, MEHK will lobby exhibition organisers of all sectors in US, United Kingdom and Germany to stage new industry shows in Hong Kong. It will also co-operate with event organisers in strengthening promotion of exhibitions in Hong Kong.

One-stop professional support

11. MEHK has been providing one-stop professional support to organisers of MICE events in Hong Kong in order to attract them to keep staging future events in the city. Such support includes site inspection service, promotion, itinerary planning, offer of hospitality programmes, as well as consultation and referral services for various support and logistical needs.

12. In 2009, MEHK provided support to 1,090 MICE events. Amongst them, 590 have been secured through MEHK's proactive lobbying efforts and will be held in Hong Kong in 2009-13. These new events are expected to bring in over 150,000 additional MICE visitors. Examples of these include the Asia Fruit Logistica, Asia Funeral Expo, CineAsia and Mobile Asia Congress which were all held in Hong Kong for the first time in 2009 and will be staged again in Hong Kong this year. New events in 2010 include the First International Congress on Abdominal Obesity, Cartes in Asia and Asian Seafood Exposition. Examples of conventions and exhibitions secured for Hong Kong in which MEHK was involved are at Annex.

Enhancing visitor experience

13. MICE visitors are an important source of high-yield visitors to Hong Kong. Expanding their exposure to our diverse tourism offerings will thus benefit the tourism industry as a whole. To this end, MEHK has been partnering with the travel trade to provide value-added offers on airfares, shopping, sightseeing, dining and cultural performances, with a view to enriching the travel experience of MICE visitors. In 2009, such offer coupons were distributed to some 782,000 MICE visitors.

14. In 2010-11, MEHK will lower the eligibility criteria for (e.g. the number of participants) and introduce new elements to the two hospitality programmes, namely the "Hong Kong Rewards!" scheme for the meetings and incentive travel segments and the "Value Plus Plus"

scheme for the convention and exhibition segments. MEHK will also cross-promote wine and dine offerings, local tour packages, tourist attractions, as well as major events and festivals in Hong Kong. This way MICE visitors' travel experience in Hong Kong can be enhanced.

15. In addition, to provide visitors of major MICE events with convenience, MEHK has been offering a wide range of hospitality arrangements, including setting up visitor service counters in exhibition venues and arranging dedicated immigration counters at the Hong Kong International Airport. In 2009, 21 visitor service counters were set up in various major trade fairs held in Hong Kong, while 10,000 MICE visitors made use of the dedicated immigration counters at the Airport.

Hardware infrastructure

16. The Government has also been making strategic investment in MICE infrastructure. In April 2009, the Atrium Link Extension (ALE) of the Hong Kong Convention and Exhibition Centre (HKCEC) commenced operation, boosting HKCEC's dedicated exhibition space by 42% to 66,000 square metres. The extension has benefited a large number of small and medium-sized enterprises (SMEs) queuing for participation in over-subscribed trade shows.

17. The AsiaWorld-Expo (AWE), which has only been in operations for some four years since end 2005, continues to attract a large number of international exhibitions and conventions in the areas of logistics, technology, aviation and consumer goods from Europe, the US, Asia and the Mainland. Noting that the venue has spare capacity for staging more MICE events, the Government has also been encouraging exhibition organisers to use AWE and, where appropriate, expand their trade shows through the "one show, two venues" arrangement. The Government and MEHK have been providing support to their organisers as appropriate. For example, the Asian Aerospace International Expo & Congress 2009 is one of the projects receiving strong support from the Government.

18. At present, the supply of exhibition spaces at Hong Kong's two major exhibition venues are, to various extents, tight during certain time periods within buying seasons. We are assessing the long-term demand for convention and exhibition facilities in Hong Kong and will plan for the provision of additional quality facilities as appropriate. As regards the HKCEC Phase 3 proposal submitted by TDC to the Government, we are still examining its feasibility and have not made any

decision. We will conduct a public consultation at an appropriate time when there is a concrete proposal. Meantime, we will also continue to consider the feasibility of proceeding with AWE Phase 2 in consultation with the Board of AWE as appropriate.

ROLE OF TDC

19. Recently, some Members and private exhibition organisers have raised concerns about TDC's role in the exhibition industry. A Concern Group for a Competitive Exhibition Industry in Hong Kong has also lodged complaints to the Legislative Council and the Government that TDC has been monopolizing the local exhibition market. The Government's initial views on these issues are set out in the following paragraphs.

Mission of TDC

20. TDC was established under the Hong Kong Trade Development Council Ordinance (Cap. 1114). Its functions are to promote, assist and develop Hong Kong's trade with places outside Hong Kong, with particular reference to exports; and to make such recommendations to the Government as it sees fit in relation to any measures which it considers would achieve an increase in Hong Kong's trade. Organisation of trade fairs is one of the effective ways for TDC to carry out this function. Indeed, many of TDC's trade fairs were organised in response to the demands of the various local industries. TDC was a fore-runner in organising trade fairs in Hong Kong at a time when the local exhibition services sector had not been well developed. Amongst the exhibitions now staged by TDC, many began as the only one of its kind for that particular industry (for example, the Hong Kong Fashion Week in 1970, the Hong Kong Toys and Games Fair in 1975 and the Hong Kong Watch & Clock Fair in 1982). A number of TDC's trade fairs have also become the biggest of their kind in the world (i.e. the Hong Kong Gifts and Premium Fair, the Hong Kong Watch & Clock Fair and the Hong Kong Electronics Fair (Autumn Edition)) and in Asia (i.e. the Hong Kong Toys and Games Fair, the Hong Kong Fashion Week for Fall/Winter, the Hong Kong Electronics Fair (Spring Edition), the Hong Kong Interantional Lighting Fair (Autumn Edition) and the Hong Kong Houseware Fair). Hong Kong can ill afford to lose ground to competitors in this regard.

21. The TDC fairs have successfully helped our SMEs to expand

their overseas markets and Hong Kong to consolidate its role as an international trade fair capital in the region. The number of trade shows solely organised by TDC in 2008 and 2009 were 22 and 26 respectively, representing 25% and 29% of the total number of shows in the respective years. A total of 284,000 overseas buyers were attracted to TDC's trade fairs in 2009. Nevertheless, it is evident while TDC is a major exhibition/fair organiser, there is no monopoly by TDC as perceived by some parties.

22. There has recently been requests that TDC should stop organising new trade fairs and withdraw from this function in phases. The TDC's role has to be viewed in totality against the backdrop of global competition that Hong Kong has to face and tackle. Our SMEs have been relying on TDC's trade fairs as an affordable means and an efficient and reliable channel for promoting their products and services to overseas buyers. To maintain support for our SMEs and export trade, we must ensure the quality and continuity of these shows especially during declining economic situation. Many of the TDC's shows are run and continued despite having a deficit so as to maintain our profile and keep the interest of the buyers. In other shows where TDC can make a surplus, the surplus is ploughed back to finance loss-making fairs and other SME supporting activities, e.g. researches, business matching and advisory services to SMEs.

Operation of HKCEC

23. TDC has commissioned, through commercial arrangements, an independent professional management company, namely the Hong Kong Convention and Exhibition Centre (Management) Limited (HML), to manage and operate HKCEC under prudent commercial principles. HML is responsible for the allocation of HKCEC venues, and TDC is not a party to its decisions. TDC and HML are separate entities, have different functions and roles and are not to be confused.

24. As regards venue booking, HML has a policy of giving priority to organisations or enterprises, including TDC and other fair organisers, which have regularly booked the same time slots for similar fairs over a period of time. This is consistent with international exhibition market practice and will be essential for providing the required certainty for exhibition organisers to launch new trade shows in Hong Kong given that it is not unusual to take a few years for new shows to breakeven. Bookings for other new fairs are generally dealt with on a first come, first served basis. Nevertheless, HML will also take into

account other factors, including the themes and space requirements of the fairs etc., and will try to avoid allowing fairs of a similar theme to be held at HKCEC within a short period of time. To enhance the transparency of the use of HKCEC, HML has recently published its booking policy on its website.

Cooperation with other industry players

25. With the further development of the exhibition industry in Hong Kong as well as keener competition from the region, TDC should enhance collaboration with MEHK and other players of the exhibition industry (including AWE, private exhibition organisers and industry associations) to enhance Hong Kong's appeal as an international trade fair capital. To help promote exhibitions organised by other organisers, TDC together with MEHK will continue to promote trade fairs organised by other private companies in overseas markets, for example, by taking out advertisements which list these events. TDC will consider displaying promotional materials of other Hong Kong trade fair organisers at TDC's overseas offices as appropriate. Furthermore, TDC currently stages four trade fairs at AWE, namely the Hong Kong International Printing and Packaging Fair, Sports Source Asia, ECO Expo Asia and Hong Kong International Building and Decoration Materials and Hardware Fair. We have asked TDC to consider launching more trade shows at AWE.

CONCLUSION

26. Looking ahead, MEHK, in close co-operation with the MICE trade, government ETOs, TDC and Invest Hong Kong, will strengthen its efforts on MICE promotion so as to reinforce Hong Kong's position as an international convention, exhibition and tourism capital.

27. Members are invited to note the above developments and support measures and give their comments.

Commerce and Economic Development Bureau
April 2010

**Examples of international conventions and exhibitions
secured through the efforts of the MEHK in 2009**

Date	Events	Expected Attendance
<i>Conventions</i>		
Jan 2010	1 st International Congress on Abdominal Obesity: Bridging the Gap between Cardiology and Diabetology	700
May 2010	International Magnesium Association (IMA) 67 th Annual World Magnesium Conference	300
Jul 2010	International Master Course on Aging Skin (IMCAS) Asia 2010	1,000
Nov 2010	5 th World Recycling Forum	200
Dec 2010	2 nd International Institute of Electrical and Electronics Engineers (IEEE) Consumer Electronics Society's Games Innovations Conference	200
Dec 2010	International Packet Video Conference 2010	100
Feb 2011	International Conference on Web Search & Data Mining 2011	200
Jul 2011	International Symposium on Toxicity Assessment	250
Jul 2011	3 rd Asia Pacific Regional Conference of International Union Against Tuberculosis & Lung Disease 2011	1,000
Jul 2011	The School Nurses International 16 th Biennial Conference 2011	300
Sep 2011	International Society for Quality in Health Care (ISQua) Conference 2011	1,200
Nov 2011	International Camping Congress & Asia Oceania Camping Congress 2011	700
May 2012	Joint Conference of Western Pacific Acoustics Conference (WESPAC), Acoustical Society of America (ASA), and Acoustical Society of China (ASC)	1,200
Jun 2013	World Congress of Nephrology	6,000

Date	Events	Expected Attendance
<i>Exhibitions</i>		
Dec 2009	CineAsia	1,000
Feb 2010	Asia Top Gallery Hotel Art Fair Hong Kong	2,300
Mar 2010	Cartes in Asia	2,500
Sep 2010	Asian Seafood Exposition	10,000
Dec 2010	AgriPro Asia	8,000