

立法會
Legislative Council

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Panel on Commerce and Industry

Meeting on 20 April 2010

**Updated background brief on
the development of convention and exhibition industry in Hong Kong**

Purpose

This paper provides the background to the development of convention and exhibition industry in Hong Kong and an update on the concerns raised by Members on the subject in previous discussions.

Background

2. The convention and exhibition industry plays a key role in maintaining Hong Kong's leading position as an international business centre. The hosting of conventions and exhibitions can bring about significant direct economic benefits to the local economy in relation to the employment for the exhibition industry as well as other service industries and supporting sectors, such as aviation, hotels, food and beverage, retail, booth design and construction as well as logistics.

3. The successful hosting of the Sixth Ministerial Conference of the World Trade Organization in December 2005 and the ITU TELECOM WORLD 2006 in December 2006 have demonstrated Hong Kong's capability of hosting mega international functions. During the Chief Executive's visit to Beijing in December 2006, the Central Government has re-affirmed Hong Kong's position as a centre for international conventions and exhibitions for the country, and agreed that close co-operation between the Ministry of Foreign Affairs and the Government of the Hong Kong Special Administrative Region be maintained to facilitate large-scale international conventions and exhibitions to come to Hong Kong. In order to brand build Hong Kong as an international convention and exhibition centre, strategic investments have been made by the Government to strengthen the hardware infrastructure such as the development of AsiaWorld-Expo (AWE) where

the ITU TELECOM WORLD 2006 was staged. Policy support has also been given for the Hong Kong Convention and Exhibition Centre (HKCEC) Atrium Link Extension (ALE) project. The ALE project, which has boosted HKCEC's total dedicated exhibition space by 42% (from 46,600 to 66,000 square metres), was completed in early April 2009. To meet the growth in demand for exhibition and conference space in the longer term, discussion is underway for an early commencement of the AWE Phase 2 expansion project which will increase AWE's total exhibition space from 66 000 to 100 000 square metres.

4. On the software infrastructure, Hong Kong has competitive advantages in areas such as its meticulous professional service, security, efficient transport network and business friendly environment. In particular, the protection of intellectual property rights, an advantage which is yet to be matched by many competitors, also helps attract exhibitors to exhibit their high-end products in Hong Kong. In view of the increasing regional competition and the rise in the number of exhibition facilities in the neighbouring regions, the Government is monitoring closely demand for exhibition infrastructure and is taking appropriate measures to enhance Hong Kong's advantages, as well as strengthening and promoting its position, as an international convention and exhibition centre.

Previous discussions

5. The Panel on Commerce and Industry (the Panel) has followed closely the provision of convention and exhibition facilities in Hong Kong, to ensure that the capacity of local facilities stayed ahead of the industry demand in order to maintain Hong Kong's leading position as an international business centre. Following an overseas duty visit to Dubai, Frankfurt, Las Vegas and Los Angeles to study the development of convention and exhibition facilities in these places, the Panel published a report in January 2008 on its observations and recommendations on the way forward for the development of convention and exhibition industry in Hong Kong, with a view to providing useful reference on how new exhibition venues could be developed in Hong Kong.

Promotion and development of MICE industry

6. At the meeting on 18 March 2008, the Panel noted that the Administration had taken aboard the Panel's recommendations, namely establishing a dedicated body, strengthening physical infrastructure, stepping up marketing efforts and enhancing attractions, nurturing and retaining talents, and collaborating with neighbouring cities in respect of the development of convention and exhibition industry in Hong Kong. The Administration had proposed a host of measures including providing 10 pieces of land dedicated for the development of hotel, setting aside \$150 million to carry out "Meetings, Incentives, Conventions and Exhibitions (MICE)" activities in the next five years, and establishing a dedicated office named "Meetings and Exhibitions Hong Kong" (MEHK) to provide one-stop MICE services. At the policy level, the Government had set up a cross-sector

Steering Committee on MICE led by the Financial Secretary and the Secretary for Commerce and Economic Development¹ to advise on policies and measures in support of the development of the MICE sector. An Alliance Group comprising the Tourism Commission, Hong Kong Tourism Board (HKTB), the Hong Kong Trade Development Council (HKTDC), Invest Hong Kong and the Economic and Trade Offices, would be set up with a view to identifying MICE opportunities and promoting concerted marketing efforts. Members supported the Administration's proposal to enhance MICE promotion.

7. At the meeting on 21 April 2009, the Administration briefed members on the progress of the Government's efforts in the MICE industry. Some Panel members stressed that it was imperative for enterprises to seek diversification of their markets as well as products and services amidst the financial tsunami, and participation in exhibitions and conventions was an effective way to explore new business opportunities. As such, Members urged the MEHK office and the cross-sector Steering Committee on MICE to provide effective support to MICE industry and attract overseas enterprises to events staged in Hong Kong, so that the MICE industry could be further developed into a pillar of Hong Kong's economy, making Hong Kong a leading player amongst the Mainland cities. Some members also considered that apart from promoting Hong Kong's products and services to overseas buyers, the MICE events would create employment opportunities and bring both direct and indirect benefits to various sectors of the local economy, including the hotel and tourism industry and the food and beverage industry.

8. Some Panel members opined that in providing a one-stop service, the MEHK office should refrain from competing with the tourism industry, and should make room for the industry players to play a role in providing service such as hotel room booking for overseas buyers. They also called for enhanced cooperation between HKTDC and the Hong Kong Tourism Board (HKTB) in providing incentives for business tourism for overseas buyers and their relatives. The Administration assured members that it would continue to work with HKTDC, HKTB, the industry and the venue providers on the best way to utilize Hong Kong's MICE facilities.

Strengthening physical infrastructure

9. The Panel noted that a Task Force chaired by the Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) was monitoring the progress of the detailed studies to examine the feasibility of a Phase 3 expansion of the HKCEC (Phase 3 expansion). Some Panel members opined that the lack of exhibition spaces would thwart the development of Hong Kong's convention and exhibition industry. They urged the Administration to step up efforts in expediting the detailed studies to examine the feasibility of the Phase 3 expansion, and in identifying a suitable site for Phase 3, as well as providing sufficient supporting infrastructure in terms of hotel and transport facilities. The

¹ The Steering Committee comprises representatives from the Government, HKTB, HKTDC, the convention and exhibition industry, the tourism and hotel sectors, universities and training institutions.

Administration should adopt an open attitude and strive for a consensus before taking a decision on Phase 3 expansion.

10. Some Panel members had expressed concern about the impact of the Phase 3 expansion on the future of the community amenities at Wan Chai harbourfront, namely the Wan Chai Sports Ground, Wan Chai training pool and Harbour Road Sports Centre. They considered it undesirable to relocate the community amenities in Wan Chai which were strongly in demand. As AWE was not at present fully utilized, members urged the Administration to step up effort in attracting new events to the venue, and consider locating MICE facilities in districts other than Wan Chai.

11. The Administration noted Panel members' concerns and advised that it would endeavour to strike a balance between the industry's need for additional exhibition space and the public demand for community amenities. The Administration had been liaising with the industry and the management of HKCEC and AWE on ways to make fuller use of their facilities, especially during non-peak seasons, to meet the needs of the MICE industry. The Administration was also exploring with the Board of Directors of AWE the feasibility of the Phase 2 expansion project.

Recent developments

12. At the Council meetings on 18 March, 4 November and 2 December 2009, Members raised questions on trade fairs organized by HKTDC, the utilization of convention and exhibition facilities and the proposed Phase 3 development plan of HKCEC.

Role of the Hong Kong Trade Development Council in organizing trade fairs and related matters

13. The Panel had discussed at its meetings on 8 June 2000, 8 December 2003, 23 April and 19 October 2004 issues relating to the policy and role of HKTDC in organizing trade fairs. The Panel had also exchanged views with HKTDC, the Administration, trade associations and members of the exhibition business on the subject matter. While a number of trade organizations supported HKTDC's trade fairs, some private fair organizers considered that HKTDC, being a public-funded body, had unfair advantage over the private sector in terms of networks and resources. Panel members recognized the contributions of HKTDC and private fair organizers in promoting Hong Kong's goods and services, and considered there was room for collaboration between the two sides as their respective activities were not necessarily mutually exclusive. The Administration also confirmed that from a policy angle, there was no impediment to greater cooperation between the two sides. Panel members therefore urged the Administration to play a more active role in facilitating communication and cooperation between HKTDC and the private-sector players to enhance the competitiveness of Hong Kong's exhibition

industry.

14. At the special meetings of the Finance Committee (FC) held on 22 and 23 March 2010, some Members expressed concern that while HKTDC received government subvention on an annual basis, the organization was not subject to audit examination, including value-for-money (VFM) audits, of the Audit Commission. They urged the Administration to consider subjecting to the VFM audits of the Audit Commission by making it a condition of government's subvention for HKTDC in 2010-11 and in future years to enhance transparency and public accountability. The Administration has provided a written response that HKTDC has already in place a robust internal audit mechanism but is prepared to consider institutionalizing a system within the organization on VFM audits for reporting to the Council of HKTDC (Please refer to FC92/09-10 in **Appendix**).

Latest position

15. The Panel will receive views from deputations and members of the public on the development of the exhibition industry in Hong Kong at its meeting on 20 April 2010.

Relevant papers

Information papers provided by the Administration for the Trade and Industry Panel meeting on 8 June 2000

<http://www.legco.gov.hk/yr99-00/english/panels/ti/papers/a1762e03.pdf>

Minutes of the Trade and Industry Panel meeting on 8 June 2000

<http://www.legco.gov.hk/yr99-00/english/panels/ti/minutes/ti080600.pdf>

Information papers provided by the Administration for the Commerce and Industry Panel meeting on 8 December 2003

<http://www.legco.gov.hk/yr03-04/english/panels/ci/papers/ci1208cb1-431-3e.pdf>

Minutes of the Commerce and Industry Panel meeting on 8 December 2003

<http://www.legco.gov.hk/yr03-04/english/panels/ci/minutes/ci031208.pdf>

Information papers provided by the Administration for the Commerce and Industry Panel special meeting on 23 April 2004

<http://www.legco.gov.hk/yr03-04/english/panels/ci/papers/ci0423cb1-1533-1e.pdf>

Minutes of the Commerce and Industry Panel meeting on 23 April 2004

<http://www.legco.gov.hk/yr03-04/english/panels/ci/minutes/ci040423.pdf>

Information papers provided by the Administration for the Commerce and Industry Panel meeting on 19 October 2004

<http://www.legco.gov.hk/yr04-05/english/panels/ci/papers/ci1019cb1-51-5e.pdf>

Minutes of the Commerce and Industry Panel meeting on 19 October 2004

<http://www.legco.gov.hk/yr04-05/english/panels/ci/minutes/ci041019.pdf>

Information papers provided by the Administration for the Commerce and Industry Panel meeting on 18 March 2008

<http://www.legco.gov.hk/yr07-08/english/panels/ci/papers/ci0318cb1-1017-3-e.pdf>

Minutes of the Commerce and Industry Panel meeting on 18 March 2008

<http://www.legco.gov.hk/yr07-08/english/panels/ci/minutes/ci080318.pdf>

"Report on the Study of the Development of Convention and Exhibition Facilities in Hong Kong" prepared by the Legislative Council Secretariat for the Commerce and Industry Panel meeting on 18 March 2008

<http://www.legco.gov.hk/yr07-08/english/hc/papers/hc0111cb1-539-e.pdf>

Question on "Trade Fairs Organized by Hong Kong Trade Development Council" raised by Hon Mrs Regina IP at the Council meeting on 18 March 2009

<http://www.legco.gov.hk/yr08-09/english/counmtg/hansard/cm0318-translate-e.pdf>

Information papers provided by the Administration for the Commerce and Industry Panel meeting on 21 April 2009

<http://www.legco.gov.hk/yr08-09/english/panels/ci/papers/ci0421cb1-1286-5-e.pdf>

Background brief prepared by the Legislative Council Secretariat for the Commerce and Industry Panel meeting on 21 April 2009

<http://www.legco.gov.hk/yr08-09/english/panels/ci/papers/ci0421cb1-1286-6-e.pdf>

Minutes of the Commerce and Industry Panel meeting on 21 April 2009

<http://www.legco.gov.hk/yr08-09/english/panels/ci/minutes/ci20090421.pdf>

Question on "Proposed Phase 3 development plan of the Hong Kong Convention and Exhibition Centre" raised by Hon Tanya CHAN at the Council meeting on 4 November 2009

<http://www.legco.gov.hk/yr09-10/english/counmtg/hansard/cm1104-translate-e.pdf>

Question on "Utilization of convention and exhibition facilities" raised by Hon IP Kwok-him at the Council meeting on 2 December 2009

<http://www.legco.gov.hk/yr09-10/english/counmtg/hansard/cm1202-translate-e.pdf>

立法會
Legislative Council

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Tel : 2525 4354

Date : 7 April 2010

From : Clerk to the Finance Committee

To : Members of the Finance Committee

Finance Committee

Follow-up to special meetings on 22 and 23 March 2010

At the special meeting of the Finance Committee (FC) held on 22 March 2010, some members expressed concern that while the Hong Kong Trade Development Council (HKTDC) received government subvention on an annual basis, the organization was not subject to the audit examination, including value-for-money (VFM) audits, of the Audit Commission.

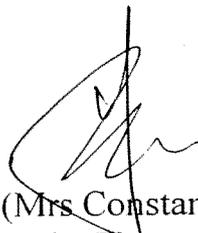
2. In reply to the FC Chairman at the special meeting on 23 March 2010, the Director of Audit advised that the Audit Commission would conduct VFM audits for organizations receiving government subvention under the following circumstances -

- (a) the relevant policy bureau has made it a condition of the government's subvention to the organization that the organization shall be subject to the VFM audits of the Audit Commission; or
- (b) the organization concerned on its own initiative requests the Audit Commission to conduct VFM audits on it.

3. In this connection, the FC Chairman has requested the Administration to provide a written response in respect of the following -

- (a) whether the Administration will consider subjecting HKTDC to the VFM audits of the Audit Commission by making it a condition of government's subvention for HKTDC in 2010-11 and/or in future years; and
- (b) whether HKTDC has been consulted on the issue; if yes, what HKTDC's views are; if no, whether the Administration will seek HKTDC's views on the issue and when the consultation outcome will be available.

The Administration's response dated 1 April 2010 is now attached.



(Mrs Constance LI)
Clerk to the Finance Committee

Encl.

c.c. CCS(1)3

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1 April 2010

Ms Anita SIT
Clerk to the Finance Committee
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Dear Ms Sit,

Thank you for your letter dated 24 March 2010.

Under the current arrangement, the Hong Kong Trade Development Council (TDC) is not subject to value-for-money (VFM) audits of the Audit Commission. In agreeing with TDC on the arrangement, the Administration has taken into consideration the following factors –

- (a) TDC receives less than half of its income through Government subvention. In fact, over the years, TDC has gradually reduced its reliance on public funding (such subvention only accounted for 17% of TDC's income in 2009-10);
- (b) the Administration can oversee TDC's major decisions on allocation of resources through various channels. TDC's annual programme of activities and budget estimates are required to be approved by the Government under the TDC Ordinance. The Secretary for Commerce and Economic Development or her representative sits on the Council of TDC and its Staff and Finance Committee which scrutinizes TDC's key financial and manpower matters; and

- (c) the aforementioned funding and control mechanisms have been working well. TDC has effectively used its resources to promote, assist and develop Hong Kong's trade with places outside Hong Kong and successfully assists our small-and-medium-sized enterprises to capitalize on the business opportunities arising from the activities it organizes.

While we consider it appropriate to maintain the present arrangement, we have nevertheless conveyed Members' views to TDC. The TDC management has reassured us that it already has in place a robust internal audit mechanism to ensure that there is a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, controls, and governance processes. Notwithstanding the existence of an effective mechanism and in the interest of enhancing the governance process, TDC is amenable and will give consideration to institutionalizing a system within the organization on VFM audits for reporting to the Council of TDC. Information concerning these audits will be included in the TDC annual report which is tabled at the Legislative Council every year. TDC will also be pleased to brief the Legislative Council on its work if necessary.

We welcome TDC's initiative and would follow up with the TDC management.

Yours sincerely,



(Ms Linda Lai)

for Secretary for Commerce and Economic Development