

立法會
Legislative Council

LC Paper No. CB(1)1091/10-11
(These minutes have been seen
by the Administration)

Ref : CB1/PL/EDEV/1

Panel on Economic Development

Minutes of meeting
held on Monday, 22 November 2010, at 8:30 am
in the Chamber of the Legislative Council Building

Members present : Hon Jeffrey LAM Kin-fung, SBS, JP (Chairman)
Hon Ronny TONG Ka-wah, SC (Deputy Chairman)
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon CHAN Kam-lam, SBS, JP
Hon Miriam LAU Kin-ye, GBS, JP
Hon Emily LAU Wai-hing, JP
Hon Vincent FANG Kang, SBS, JP
Hon WONG Ting-kwong, BBS, JP
Hon CHIM Pui-chung
Hon Starry LEE Wai-king, JP
Dr Hon LEUNG Ka-lau
Hon IP Wai-ming, MH
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Hon Paul TSE Wai-chun
Dr Hon Samson TAM Wai-ho, JP
Hon Tanya CHAN
Hon Albert CHAN Wai-yip

Member attending : Dr Hon Philip WONG Yu-hong, GBS

Members absent : Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon Fred LI Wah-ming, SBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP

**Public officers
attending**

: Agenda item IV

Mr Esmond LEE
Deputy Secretary for Transport and Housing
(Transport)⁴

Mr David FONG
Senior Staff Officer (Project Planning and
Development)
Customs and Excise Department

Mr CHIU Chung-wai
Senior Superintendent (Centre for Food Safety)¹
Food and Environmental Hygiene Department

Dr Eric TAI Hing-fung
Senior Veterinary Officer (Import and Export)
Agriculture, Fisheries and Conservation
Department

Agenda item V

Mr Philip YUNG, JP
Commissioner for Tourism

Miss Rosanna LAW
Deputy Commissioner for Tourism

Mr Vincent FUNG
Assistant Commissioner for Tourism ²

Agenda items VI and VII

Miss Yvonne CHOI, JP
Permanent Secretary for Commerce and Economic
Development (Commerce, Industry and Tourism)

Mr Philip YUNG, JP
Commissioner for Tourism

Miss Rosanna LAW
Deputy Commissioner for Tourism

Mr Howard YAM
Assistant Commissioner for Tourism 1

**Attendance by
invitation**

: Agenda item VI

Travel Industry Council of Hong Kong

Mr Michael WU, MH
Chairman

Mr Joseph TUNG, JP
Executive Director

Agenda item VII

Travel Industry Council of Hong Kong

Mr Michael WU, MH
Chairman

Mr Joseph TUNG, JP
Executive Director

Tiglion Travel Services Company Limited

Mr Peter HUNG
Managing Director

Hongkong Japanese Tour Operators Association

Mrs Gianna HSU
Chairman

Hong Kong Taiwan Tourist Operators Association

Mr KAI Chuen-kam
Chairman

Hong Kong Association of Registered Tour
Co-ordinators

Mr WONG Wai-wing
Chairman

Hong Kong Outbound Tour Operators' Association Limited

Mr Peter KONG
Chairman

Hong Kong Travel Agent Owners Association Ltd

Mr Freddy YIP
Chairman

Hong Kong Tourism Industry Employees General Union

Mr LAM Chi-ting
Vice Chairman

Hong Kong Professional Tourist Guides General Union

Ms Ann YU
Chairman

The Federation of Hong Kong Chinese Travel Agents Association

Mr Ricky TSE
Honorary President

Hong Kong Association of China Travel Organisers Ltd

Mr Tommy TAM Kwong-shun
Executive Council Member

Hong Kong Association of Travel Agents

Mr LEUNG Yiu-lam
Chairman

Hong Kong Inbound Travel Association

Mr Herman LAM
Chairman

Consumer Council

Ms Connie LAU
Chief Executive

Ms Sana LAI
Head, Complaints and Advice Division

International Chinese Tourist Association Limited

Mr Charlie FOO
Vice Chairman

Hong Kong Travel Industry (Outbound) Tour
Escort and Tour Guide Union

Mr TONG Kim-sang
Chairman

Individual

Mr MAK Ip-sing
Yuen Long District Councillor

Clerk in attendance : Ms Debbie YAU
Chief Council Secretary (1)6

Staff in attendance : Ms Diana WONG
Senior Council Secretary (1)8

Ms Michelle NIEN
Legislative Assistant (1)9

Action

- I Confirmation of minutes of last meeting**
(LC Paper No. CB(1)453/10-11 - Minutes of meeting held on
15 October 2010)

The minutes of the meeting held on 15 October 2010 were confirmed.

II Information papers issued since last meeting

(LC Paper No. CB(1)275/10-11(01) - Tables and graphs showing the import and retail prices of major oil products from October 2008 to September 2010 furnished by the Census and Statistics Department

LC Paper No. CB(1)388/10-11(01) - Submission from a deputation (裝卸區同業聯席會議) on arrangement for re-allocation of berths in public cargo working areas (Chinese version only))

2. Members noted the above information papers issued since the last meeting.

III Items for discussion at the next meeting

(LC Paper No. CB(1)450/10-11(01) - List of outstanding items for discussion

LC Paper No. CB(1)450/10-11(02) - List of follow-up actions)

3. Members agreed to discuss the following items at the next meeting to be held on 14 December 2010, at 4:30 pm:

- (a) Annual tariff reviews with the two power companies;
- (b) Aberdeen Tourism Project; and
- (c) Proposed revision of fees and charges under the purview of the Marine Department.

4. In view that there were three agenda items for the next meeting, the meeting would be extended to 7:00 pm. Meanwhile, the Secretariat would check whether the venue would be available earlier such that the meeting could be advanced to 3:00 pm. Noting Ms Emily LAU's request to first discuss the item on annual tariff reviews with the two power companies, the Chairman reminded members that the discussion on the annual tariff reviews would be held after the close of stock market at 4:30 pm. As such, the priority of discussion would depend on when the meeting would commence.

IV Fitting-out works for Government facilities at new Air Cargo Terminal

(LC Paper No. CB(1)450/10-11(03) - Administration's paper on fitting-out works for Government facilities at new Air Cargo Terminal

LC Paper No. CB(1)450/10-11(04) - Paper on the new air cargo terminal at the Hong Kong International Airport prepared by the Legislative Council Secretariat (Background brief))

Briefing by the Administration

5. At the invitation of the Chairman, the Deputy Secretary for Transport and Housing (Transport)⁴ (DS/TH) briefed members on the proposed fitting-out works for Government facilities at a new air cargo terminal, details of which were set out in its paper (LC Paper No. CB(1)450/10-11(03)). In gist, Cathay Pacific Services Limited (CPSL) was constructing the new air cargo terminal at the Hong Kong International Airport (HKIA) to provide additional handling capacity to cater for the forecast growth in air cargo. The proposed fitting-out works, to be completed by the fourth quarter of 2012, would include facilities such as cargo examination facilities, operation and case processing facilities and logistics and IT support facilities to be operated by the Customs and Excise Department, inoculation and animal inspection room etc under the Agriculture, Fisheries and Conservation Department (AFCD), food inspection room, walk-in freezer and chiller rooms and so on overseen by the Food and Environmental Hygiene Department, and the Police equipment room. DS/TH said that the timely commencement of the new air cargo terminal, equipped with adequate Government facilities, would be essential to maintaining HKIA's competitiveness as a hub for international air cargo traffic, especially at a time when HKIA was facing competition from others in the region. The Administration planned to submit the project to the Public Works Subcommittee and the Finance Committee in December 2010 and January 2011 respectively for upgrading to Category A.

Discussion

6. The Chairman reminded members to disclose the nature of any direct or indirect pecuniary interest in the proposal before they spoke on it, in accordance with Rule 83A of the Rule of Procedure.

Established arrangement for rent-free accommodation for Government's use

7. Ms Emily LAU expressed her support in principle for the proposed works. She enquired why CPSL was entrusted with the proposed fitting-out works. In reply, DS/TH responded that as the proposed fitting-out works were integral to the new air cargo terminal development being undertaken by CPSL, the Administration intended to entrust the design and fitting-out works to CPSL. Different contractors working on the same site would involve complicated issues such as which parties should be held responsible for delay in the works. In reply to the Chairman's enquiry, DS/TH advised that the Government would negotiate with CPSL the scope and cost of the entrusted works which would be carried out by CPSL's contractors.

8. In response to Ms Emily LAU's concern, DS/TH explained that when the Airport Authority Hong Kong (AA) awarded the franchise to CPSL to design, construct and operate the new air cargo terminal, one of the conditions was for the franchisee to provide rent-free accommodation for the Government's use. The Government would be responsible for the cost of the proposed fitting-out works for Government facilities. This condition was included in the tender documents based on which CPSL had submitted its bid for the new air cargo terminal. Similar arrangements had been in place for the franchises awarded to Hong Kong Air Cargo Terminals Limited and Asia Airfreight Terminal.

9. In reply to Ms Emily LAU's further query on whether there would be an increase in air cargo handling charges after the completion of the cargo terminal, DS/TH advised that the charges should be more competitive and there could be room for downward adjustments with the introduction of a new operator. Ms LAU requested the Administration to provide the justifications for the established arrangement (i.e. rent-free accommodation would be provided for the Government's use and the Government would be responsible for the proposed fitting-out works) and whether the arrangement had been endorsed by the Audit Commission.

Admin

Clearance of animals

10. In response to Ms Emily LAU's enquiry on the clearance arrangement of animals at the new air cargo terminal, the Senior Veterinary Officer (Import and Export) (SVO) replied that staff of AFCD were stationed at the Hong Kong Air Cargo Terminals Limited and Asia Airfreight Terminal round-the-clock for immediate clearance of imported and exported animals as well as those in transit. AFCD officers would monitor whether the standards of facilities transporting imported or in-transit animals met the animal welfare requirements. If the animals were found to be treated inhumanely,

prosecution would be made in accordance to Prevention of Cruelty to Animals Ordinance (Cap. 169). For import of animal products, in particular those made from endangered species, the relevant trades would make arrangements with AFCD in advance.

Competition for international air cargo services in the region

11. Ms Emily LAU noted that HKIA was facing fierce competition in the region, and enquired how Hong Kong would maintain its competitiveness in the air cargo industry. DS/TH replied that in the face of increasing competition in the region, both hardware facilities and ancillary support needed to be upgraded to ensure HKIA's competitiveness. He said that since 1996, HKIA had been the world's busiest international cargo airport. Its aviation network consisted of some 155 destinations including 40 on the Mainland. The competitive edge would continue to be enhanced through the Administration's efforts in encouraging more airlines to join the aviation market and in negotiating more air service agreements with aviation partners, with a view to increasing the number of destinations and air services. As regards hardware, apart from the new air cargo terminal, AA was implementing a midfield expansion project at its own cost to provide additional aircraft stands and apron facilities and a new passenger concourse with Phase 1 works expected to begin in the third quarter of 2011 for completion in mid-2015.

12. Expressing support for the proposed project to strengthen Hong Kong's position as an aviation hub, Mrs Regina IP enquired how the air cargo handling capacity of HKIA after the completion of the new cargo terminal would compare to the proposed logistics plan of Qianhai. DS/TH replied that Qianhai was understood to be planned as a general logistics centre, not an air cargo hub. A more direct competitor to HKIA as an air cargo hub would be Shenzhen airport or Guangzhou airport. DS/TH added that the new cargo terminal would enhance HKIA's competitiveness as an air cargo hub.

13. In reply to Mrs Regina IP's further query, DS/TH said that the Administration would strive to further liberalize air services and attract both local and foreign airlines to use HKIA. In 2010, new services were mounted at HKIA to Milan, Moscow, Tokyo (Haneda airport) and Shanghai (Hongqiao airport).

14. In response to the requests of Mrs Regina IP and Ms Emily LAU, the Administration agreed to provide information on the competitiveness of HKIA vis-à-vis the airports in Guangzhou and Shenzhen, in terms of the aviation network and cargo handling capacity per annum.

Construction of air cargo terminal

15. Mr CHAN Kam-lam declared that he was a Board member of AA. Highlighting that the yearly growth of air cargo traffic during the first six months of 2010 had exceeded the forecast, he supported the Government's proposal to upgrade the proposed project to Category A. In view of the limited land supply at the Airport Island, Mr CHAN questioned whether there was any plan to accommodate the increasing demand for air cargo services if the demand for such continued to increase after the completion of the new cargo terminal in 2013.

16. DS/TH explained that CPSL, together with the other air cargo operators at HKIA, was expected to increase the airport's total general and express air cargo handling capacity to 7.4 million tonnes per annum, which would be able to meet the forecast demand up to 2020. For post-2020 plans, AA was conducting a HKIA Master Plan 2030 Study to review the airport facilities. The Study would cover topics such as the third runway and the supporting facilities such as aircraft stands, air cargo and passenger facilities. Upon completion of the Study, there would be a public consultation process which was expected to take place in the first half of 2011. As the capacity of the new air cargo terminal could be saturated before 2020, Mr CHAN Kam-lam urged the Administration to review the possibility of constructing a fourth air cargo terminal in the Study. The Administration took note of Mr CHAN's concern.

17. Given that many companies in the manufacturing sector had undergone upgrading and restructuring to tie in with the national policies, the Chairman observed that they would very likely utilize more air cargo services for overseas export via Hong Kong, and the demand for air cargo handling capacity would go up further upon the commissioning of the Hong Kong-Zhuhai-Macao Bridge. Considering that the air cargo handling capacity of HKIA might be saturated by 2020, the Chairman urged the Administration to consult the relevant stakeholders to ensure that there would be enough handling capacity to meet the rising demand in the years beyond 2020.

18. In response, DS/TH said that AA had maintained a dialogue with the relevant stakeholders, such as the Hong Kong Association of Freight Forwarding and Logistics Limited and the Hong Kong Exporters' Association, on air cargo-related matters. Noting that the air cargo traffic of HKIA had increased by 27% during the first ten months of 2010 compared to the same period in 2009, the Administration would regularly review the plan for hardware investment, such as the midfield expansion, against future needs.

In reply to the Chairman's further enquiry, DS/TH estimated that about 20% of goods came to Hong Kong from the Mainland but there was no information on whether the goods were then re-exported to overseas by air.

19. Mr Paul TSE supported the current proposal. He understood that the construction of the new air cargo terminal was suspended in late 2008 due to the financial crisis. He questioned whether there was any increase in project cost owing to the delay. DS/TH advised that the AA Board awarded a non-exclusive 20-year franchise to CPSL in March 2008. The facility was originally scheduled for opening in the second half of 2011. On 15 January 2009, the AA Board accepted a proposal from CPSL to defer the completion of its new cargo terminal by a maximum of 24 months to mid-2013. DS/TH added that the project was wholly funded by CPSL and the project cost was understood to be about \$5.5 billion. In reply to Mr TSE's concern on the Government's role in monitoring the works schedule, DS/TH explained that AA, rather than the Government, was responsible for overseeing the works schedule of the new air cargo terminal.

Conclusion

20. The Chairman concluded that the Panel in general was supportive of the proposal. He requested the Administration to take note of the concerns expressed by members and provide further information on HKIA's competitiveness vis-à-vis the airports in Shenzhen and Guangzhou. He also asked the Administration to expedite the HKIA Master Plan 2030 Study.

V Mega Events Fund

(LC Paper No. CB(1)450/10-11(05) - Administration's paper on Mega Events Fund

LC Paper No. CB(1)450/10-11(06) - Paper on the Mega Events Fund prepared by the Legislative Council Secretariat (Background brief)

21. The Chairman declared that he was the Chairman of the Assessment Committee (AC) of the Mega Events Fund (MEF). To avoid any possible conflict of interest, he invited the Deputy Chairman to chair the discussion. The Deputy Chairman said that he had to attend the meeting of the Public Accounts Committee which was held at the same time as this meeting. He considered that as the Chairman had already declared interests, the Chairman might continue chairing the meeting. Members raised no objection to the arrangement. Ms Emily LAU pointed out that the arrangement at this

meeting should not be considered as a precedent.

Briefing by the Administration

22. At the invitation of the Chairman, the Commissioner for Tourism (C for Tourism) briefed members on the progress of MEF, details of which were set out in its paper (LC Paper No. CB(1)450/10-11(05)). In gist, the Financial Secretary had earmarked \$100 million in his 2009-2010 Budget to assist local non-profit-making bodies in hosting more attractive arts, cultural and sports events in Hong Kong. In May 2009, the Finance Committee approved the establishment of the MEF for a tenure of three years. As at 31 October 2010, three rounds of MEF applications had been processed. A total funding of \$35.2 million was approved to support nine events. MEF-sponsored events approved so far were expected to attract some 380 000 participants, including over 81 000 non-local visitors, and to create over 3 700 jobs. The Administration had set up stringent control measures to assess applications for MEF and to monitor the operation of the funded events.

Discussion

Events sponsored by the Mega Events Fund

23. Mrs Regina IP supported in principle the hosting of signature events in Hong Kong to raise the profile of Hong Kong internationally, particularly events involving renowned sport players as they were usually covered by international media such as CNN and BBC. She enquired about the details of one of the MEF-sponsored events, Hope and Glory, including the background of the organizer, publicity of the event and the number of local and non-local visitors.

24. C for Tourism highlighted that MEF helped expand the scope of mega events staged in Hong Kong. For example, Hope and Glory was a large-scale multi-media visual arts exhibition comprising film, music, sculpture, costume, performance, painting and photography and was held during April and May 2010. The event had synergy with major international art fairs held in Hong Kong during that period and helped boost Hong Kong's status as a capital of art events. According to the organizer, the Birch Foundation, the event had attracted 60 000 participants, including 6 300 non-local visitors, which was quite satisfactory given the specific target audience. The Assistant Commissioner for Tourism 2 (AC for Tourism 2) added that the Birch Foundation was founded by Mr Simon BIRCH, an UK artist who had been living in Hong Kong for many years promoting contemporary art. The event had been highlighted in many international

media and made headlines in various regional and global art media.

25. Expressing support for sponsoring of mega events, Ms Emily LAU however considered that the events should be held at venues in less prosperous areas such as Yuen Long and Tin Shui Wai in North District so as to create more business opportunities for these areas. The Government should also consider giving higher score to potential organizers who were willing to hold the events in less well-off areas, and providing transport concessions for visitors joining the events hosted at faraway places, like the economical transportation measures provided for the current exhibition of the "River of Wisdom - Animated Version of the Riverside Scene at Qingming Festival". C for Tourism took note of Ms LAU's concern and added that should the nature of the event and venue allow, the Administration would encourage potential MEF-applicants to hold events in these areas.

26. Considering that Seoul was renowned for hosting international conferences which usually helped stimulate many local economic activities, Ms Emily LAU urged the Administration to draw reference from Seoul in encouraging the hosting of international conferences and concerts featuring popular singers in Hong Kong.

27. C for Tourism outlined Hong Kong Tourism Board's effort in promoting MICE (meetings, incentive travels, conventions and exhibitions) tourism and the number of MICE events had in fact increased by about 20% for the past year. The Government would continue to leverage on its local and overseas networks to back up MICE bidding efforts with a view to enhancing the appeal of Hong Kong as a convention, exhibition and tourism capital.

28. Ms Emily LAU referred to Annexes B and D of the Administration's paper (LC Paper No. CB(1)450/10-11(05)), and requested the Administration to provide more detailed information in future, including the profession and directorship of the AC members and whether their appointment adhered the "six-six principle" for appointment to advisory bodies; and the number of participants in each MEF-sponsored event, with breakdown on local and non-local visitors. The Chairman advised that the suggestions and requests of Ms LAU would be referred to AC for discussion.

Admin

29. In reply to Mr Albert CHAN's enquiry on the funding of activities in memory of the centenary of the Xinhai Revolution, C for Tourism said that he understood Government departments concerned had plans to organize activities to commemorate the Xinhai Revolution. The Chairman and Mr CHAN urged the Administration to sound out the activities to be hosted by the Government as soon as practicable so that organizations interested in

seeking Government funding to host events for the same theme would not be in conflict with the Government's plan. C for Tourism agreed to reflect members' views to relevant Government departments.

Level of sponsorship and sustainability of mega events

30. Mr Albert CHAN declared that he was the major coordinator in organizing the MEF-sponsored event "Mui Wo Sky and Water Lanterns Festival" and he did not have any direct or indirect pecuniary interest in it. He said that the organizer had faced enormous financial pressure as MEF only provided sponsorship for event publicity but no funding was allocated for covering the administrative fees and cost of activities. Mr CHAN requested the Administration to advise whether the scope of funding for other MEF-sponsored events was the same, i.e. they only received funding support for the item on event publicity.

31. C for Tourism said that this mega event in Mui Wo had attracted a substantial number of local and non-local visitors. He further advised that when assessing applications for MEF, AC would examine the respective strengths in five aspects, viz economic benefits of the proposal, public relations and other benefits of the proposal, the scale of the event, technical and project management capability of the applicant and financial viability of the project. Depending on the nature of the event, AC might impose funding conditions on some of the events, such as limiting the use of fund for publicity purpose only. C for Tourism undertook to provide the relevant information to the Panel in due course. He added that once funding approval was given, there would be close contact between the applicant and the AC Secretariat throughout the planning and implementation of the whole event to see whether further support would be required.

Admin

32. Mr Albert CHAN considered that the same mega event should be hosted at regular intervals to sustain the momentum and to build up target audience. However, in light of insufficient financial support, it would be difficult for district organizations to continue hosting events featuring cultural and heritage characteristics. Mr CHAN urged the Administration to consider providing more support for these events in order to sustain them.

33. Mr CHAN Kam-lam declared that he was one of the organizing committee members of the "Record Breaking Dragon and Lion Dance Extravaganza", the application of which had been submitted to MEF AC for funding consideration. In view of the high expenditure on publicity of mega events and that the organizer would be responsible for 50% of the event's total cost, he urged the Administration to review the items to be funded under the approved events. He suggested that in assessing applications, AC

should consider aspects including creativity, sustainability and whether the event showcased elements of local culture and heritage. C for Tourism noted members' suggestions and would refer them to AC for discussion. He added that creativity was one of the key elements to be considered by AC as innovative programmes in mega events would help attract visitors to come to Hong Kong for these events and generate media coverage on them.

34. Noting that MEF was only established for a tenure of three years until 2012, Mr CHAN Kam-lam enquired about the way forward after the tenure. C for Tourism responded that the Administration would review the operation of MEF to see to what extent MEF had raised the profile of Hong Kong as a popular travel destination and events capital in Asia. C for Tourism welcomed members' views on whether the Fund should be extended and would take them into account when submitting a recommendation to the Financial Secretary in due course.

35. Sharing similar views, Mr Vincent FANG opined that mega events should be held continuously instead of on a one-off basis. Referring to the successful hosting of Hong Kong Dragon Boat Carnival and the Wine and Dine Festival, he urged the Administration to incorporate local elements in the mega events and encourage local participation in addition to attracting non-local visitors. C for Tourism took note of the member's suggestions.

Event publicity and evaluation

36. Mr Paul TSE pointed out that to attract international media networks to broadcast the mega events held in Hong Kong, such events should be of education, cultural or ethnic value which might not align with the objectives of MEF. He urged the Administration to leverage the networks of local event operators and travel agents, and to increase international awareness of MEF so that more overseas organizers and visitors could take part in the events. The Chairman requested that the coverage of the MEF-sponsored events by international portals should be recorded in the publicity reports.

Admin

37. C for Tourism pointed out that a number of events had been reported prominently in overseas media including newspaper, internet, radio and television networks. Looking forward, he undertook to work closely with the travel industry to explore possibilities to increase international awareness of MEF. AC for Tourism 2 supplemented that at the request of the Finance Committee, applicants of the Fund were restricted to local registered non-profit-making organizations. When a new round of applications for MEF was opened, the Administration would alert arts, cultural and sports organizations. The AC Secretariat had received many local as well as overseas telephone and written enquiries with regard to the fund and how to

apply, reflecting a general awareness of MEF.

38. Mr Paul TSE opined that as long as an organizer could attract visitors to Hong Kong to attend the mega event, applicants should not be restricted to local non-profit-making organizations. He urged the Administration to review such arrangement. AC for Tourism 2 reminded members that during the discussion on the proposal to set up the Fund in 2009, Panel members were concerned that opening the Fund to overseas organizations would lead to difficulties in monitoring and controlling the funded events. Nevertheless, overseas organizations could work with local non-profit making bodies to apply for the Fund in hosting signature events.

39. Noting that benchmarks were not available in evaluating the cost-effectiveness of the MEF-sponsored mega events, Mr Paul TSE expressed concern that the evaluation results of the seven completed events approved under MEF were not given, and members could not provide views on the implementation of the forthcoming programmes, in particular events like the "World Team Challenge" organized by the Hong Kong Tennis Patrons' Association Ltd which had been approved for MEF for a second time. Mr TSE further observed that the seven approved events completed had attracted 78 000 visitors, and questioned the claimed benefit of mega events in boosting visitor arrivals since tourists could be in Hong Kong during that time anyway.

40. C for Tourism replied that after the completion of the event, applicants were required to submit the evaluation report, publicity report and audited accounts. If the applicants failed to meet the claimed objectives, AC reserved the right not to grant the approved funds in full.

Conclusion

41. Summing up, the Chairman requested the Administration to take note of the concerns expressed by Panel members at the meeting, including the possible extension of the Fund, inclusion of elements of local culture and heritage in mega events, provision of ancillary support such as venues and transport facilities, invitation of international celebrities to signature events, hosting of international conferences and exhibitions and review of the application procedures.

VI Enhancing regulation of the receiving arrangement of the Mainland inbound tour groups

(LC Paper No. CB(1)450/10-11(07) - Administration's paper on enhancing regulation of the

receiving arrangement of the Mainland inbound tour groups and review of the operation of the Travel Industry Council of Hong Kong

LC Paper No. CB(1)450/10-11(08) - Paper on regulation of the receiving arrangement of Mainland inbound tour groups prepared by the Legislative Council Secretariat (Background brief))

Briefing by the Administration

42. At the invitation of the Chairman, the Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PSCIT) briefed members on the proposed measures to strengthen the regulation of the receiving arrangements for the Mainland inbound tour groups. The Travel Industry Council of Hong Kong (TIC) established the "Task Force on the Review of the Operation and Regulation of Mainland Inbound Group Tours" (the Task Force) in June 2010 to review the operation and regulation of Mainland inbound tour groups. Upon the request of the Secretary for Commerce and Economic Development, the Task Force focused its review on zero/negative reception fee and regulation of tourist guides, and developed measures to target these problems. During the course of the review, the Task Force and the Tourism Commission (TC) consulted stakeholders from various sectors in the trade.

43. PSCIT further advised that on 11 October 2010, the Government received the review report from the Task Force which proposed ten measures to further combat malpractices in the trade in a more effective manner. The proposed ten measures could be categorized according to the following four directions: strengthening TIC's existing regulatory system; enhancing the deterrent effect and transparency of the penalty; clarifying the relationships, responsibilities and rights between travel agents organizing the tours in the Mainland, receiving travel agents in Hong Kong and tourist guides; and raising travellers' awareness on consumer rights and their right to information. The details of the ten measures were set out in the Administration's paper LC Paper No. CB(1)450/10-11(07). PSCIT said that the Government supported the recommendations made by the Task Force as they could target at the unique characteristics of the Mainland inbound tours market and the related problems. TIC had convened an emergency meeting on 19 November 2010 to endorse a set of revised/new directives for the implementation of the

measures recommended by the Task Force. PSCIT said that TIC expected to implement the majority of the measures from 1 January 2011. In the meantime, the Administration was working out with the Mainland the major points in the contract to be signed between Mainland travel agents organizing the tour and receiving travel agents in Hong Kong, and would consult the trade in the process with a view to implementing the measure by early 2011.

Discussion

44. The Chairman declared that he was a shareholder and non-executive director of a travel agency. Mr Paul TSE also declared that he was a shareholder of a travel agency.

Regulation of tourist guide and travel agent

45. Ms Emily LAU urged the Administration to address the crux of the problem and regulate travel agents instead of tourist guides. She opined that the series of measures implemented since June 2010 (such as revising relevant directives stipulating in clearer terms that tourist guides were forbidden to force or mislead visitors to make purchases or to stay in registered shops, requiring registered shops to record the arrival and departure time of each tour group and extending the service hours of the TIC's Inbound Tourist Service Hotline to midnight) had reflected the weaknesses of the travel industry that should not be found in a cosmopolitan city like Hong Kong. She enquired whether the new measures proposed would indeed deal with the industry's core problem arising from zero/negative tour fares.

46. PSCIT advised that the series of measures mentioned by Ms Emily LAU were implemented by TIC immediately to deal with the problems concerning the receiving arrangements for Mainland inbound tour groups visiting Hong Kong. The ten measures of the Task Force did not only target tourist guides, but also receiving travel agents as well. For example, the key points in the proposed contract between the Mainland travel agent organizing the tour and receiving travel agent in Hong Kong included that the Mainland travel agent undertook to comply with the requirements in the Mainland's "Regulation on Travel Agents" (RTA), and refrained from demanding the receiving agent to accept a tour fare lower than the receiving cost, and that the receiving agent undertook to respect the Mainland regulations and refrain from offering a tour fare lower than the cost. PSCIT expected the proposed measures could tackle the problem at source. She assured members that as announced by the Chief Executive in the 2010-2011 Policy Address, the Commerce and Economic Development Bureau would conduct a review on the operation and regulatory framework of the entire tourism sector.

47. While supporting the proposed measures in principle and appreciating the Administration's effort to strengthen the regulation of the receiving arrangements for Mainland inbound tours, Mr Paul TSE expressed concern that these measures were impractical in dealing with the problem. He agreed with Ms Emily LAU that some of the measures sought to micro-manage the travel industry, for example, requiring tourist guides to read out specific contents on the itinerary to Mainland inbound group travellers upon their arrival in Hong Kong. It was also unreasonable for the receiving travel agent to be held responsible for the coerced shopping arranged by the tourist guide without its consent. He urged the Administration to act with caution when implementing the measures in details.

48. PSCIT advised that TC had taken part in Task Force's review on the operation and regulation of Mainland inbound group tours, and TIC had consulted the trades and stakeholders before endorsing the proposed measures. TC and TIC would closely monitor the tourism sector to see whether the measures achieved the intended effect after implementation. PSCIT reiterated that the Administration would review the operation and regulatory framework of the entire tourism sector with the aim to promoting the healthy and sustainable development of the tourism industry.

Assigning one tourist guide to receive a group throughout its stay

49. Mr IP Wai-ming considered it unfair for TIC and the Administration to target tourist guides in strengthening the regulation of the receiving arrangements for Mainland inbound tours. He queried whether the tourist guide assigned to receive a Mainland inbound tour group throughout its stay would include the sending off part of the tour. Mr Paul TSE said that the proposed measure of assigning one tourist guide for one Mainland inbound tour had an adverse impact on the working hours and flexibility of the employees and urged the Administration to consult the trades prior to implementation.

50. PSCIT stressed that the new measures proposed by the Task Force were not directed to tourist guides. In fact, out of the proposed ten measures, seven of them were targeted at registered shops, Mainland travel agents organizing the tour and the receiving agents in Hong Kong with a view to combating malpractices in the trade in a coherent manner. C for Tourism advised that the Task Force proposed to require the receiving agent to assign one tourist guide with valid pass to provide receiving services to a Mainland inbound tour throughout its whole journey in Hong Kong, including sending the group off upon journey completion. In view of some tourist guide

unions' views that the proposal might lead to excessively long working hours for tourist guides, the Task Force accepted that, as a transitional arrangement, the receiving agent might assign another tourist guide with valid pass to take charge of the receiving part if the assigned tourist guide had to overly work long hours on the first day. The travel industry, including tourist guides' unions, had been consulted with the arrangement.

51. Citing a recent case where the licence of a tourist guide was revoked after she berated mainland visitors for not shopping enough, Mr IP Wai-ming commented that the punishment for the tourist guide concerned was too harsh when compared with the travel agent in question. He urged TIC to handle such cases in a fair manner. PSCIT emphasized that the case in question was an isolated one which had been handled impartially by TIC's relevant committees and Appeal Board.

Co-operation with Mainland tourism authorities

52. The Chairman and Ms Emily LAU queried whether the Government had discussed with the Mainland tourism authorities about the problems encountered and whether the Mainland travel agents had been complying with the Mainland's RTA. Mr Paul TSE noted that the Mainland's RTA enacted in May 2009 had introduced various measures to combat zero/negative-fare tours and provide better protection for consumers but the Mainland tourism authorities had not been enforcing them, thus causing a lot of difficulties for the travel trades in Hong Kong.

53. PSCIT responded that the Administration had been maintaining regular dialogue with the China National Tourism Administration which had issued a set of circulars in August 2010 requiring Mainland travel agents to comply with RTA.

Mechanism for handling complaints

54. Mr Albert CHAN urged the Administration to devise an effective mechanism for immediate handling of complaints, and publicize such mechanism at the boundary points to facilitate those Mainland visitors who needed help.

55. C for Tourism advised that currently information pamphlets, which contained information on consumer rights and enquiry hotlines, were handed to visitors at customs arrival halls, registered shops and tourist spots. Furthermore, under the 100% "Refund Protection Scheme (Registered Shops) for Inbound Tour Shoppers", registered shops were required to arrange 100% refund to Mainland visitors who were dissatisfied with their purchases and

made a refund request within six months after purchase.

56. PSCIT and the Assistant Commissioner for Tourism 1 further advised that TIC's Inbound Tourist Service Hotline and the Consumers Council Hotline were provided in the visitors' itinerary. For urgent and unforeseeable incidents, there was a 24-hours notification system and the TC's contact number had been passed to the Police and relevant front-line staff of tourism-related organizations so that TC could handle the problem immediately. PSCIT stressed that to enhance deterrent effect, the Task Force proposed introducing a demerit point system for tourist guides as well as receiving travel agents should violations related to coerced shopping take place when receiving Mainland inbound tours. Mr Paul TSE pointed out that currently there was no mechanism for aggrieved visitors to lodge complaint directly with the Government, and the hotline numbers provided to visitors on the information pamphlets were only those of TIC, Consumer Council and Hong Kong Tourism Board.

Endorsement and implementation of the proposed measures

Admin

57. Mr Paul TSE pointed out that TIC Board, when considering the proposed measures, had agreed to seek legal views on the legitimacy in implementing the proposed measures to see whether they conformed with TIC's Memorandum and Articles of Association (M&A). He was surprised to note about the announcement that the measures were to be implemented in early 2011 as he noticed that some Board members were not aware of the proposed measures. Mr TSE requested the Administration to provide information on TIC's endorsement of the directives in relation to the proposed measures and the details of the proposed measures for members' reference before they were implemented.

58. Mr Michael WU, Chairman, TIC replied that the Task Force report was circulated to members of the Board of Directors of TIC at the end of October 2010 so that they would have ample time to review the report and its recommendation. At the Board's meeting on 19 November 2010, all the measures were endorsed in accordance to the M&A of TIC. He added that legal opinion was sought as a pre-cautionary measure only.

59. Noting that the proposed measures were only for Mainland inbound tour groups, the Chairman enquired whether the proposals could be extended to all inbound tours. He also urged the Administration to co-operate with tourism authorities in other places to prevent similar incidents happened in inbound tours from other places. PSCIT replied that the Administration would review the need to impose the proposed measures put forward by the Task Force on other inbound tours and would consult the travel agents and

tourist guides concerned should circumstance warrant.

60. Concluding the discussion, the Chairman remarked that the proposed measures sought to prevent tourism-related incidents from happening again.

VII Review of the operation of the Travel Industry Council of Hong Kong

(LC Paper No. CB(1)450/10-11(07) - Administration's paper on enhancing regulation of the receiving arrangement of the Mainland inbound tour groups and review of the operation of the Travel Industry Council of Hong Kong

LC Paper No. CB(1)450/10-11(09) - Paper on the operation of Travel Industry Council of Hong Kong prepared by the Legislative Council Secretariat (Updated background brief)

LC Paper No. CB(1)531/10-11(05) - Sample itinerary provided by *(tabled at the meeting and subsequently issued via e-mail on 24 November 2010)* Travel Industry Council of Hong Kong (Chinese version only)

Submissions from organization(s)/individual(s) not attending the meeting

LC Paper No. CB(1)450/10-11(13) - Submission from Democratic Party *(Chinese version only)*

LC Paper No. CB(1)506/10-11(03) - Submission from Tourism and Culture Development Association, Hong Kong *(Chinese version only)*

LC Paper No. CB(1)531/10-11(07) - Submission from Mr YEUNG Wai-sing, Eastern District Councillor *(Chinese version only)*

61. The Chairman declared that he was a shareholder and non-executive

director of a travel agent. Mr Paul TSE also declared that he was a shareholder of a travel agent.

Presentation by the deputations

62. The Chairman welcomed deputations attending the meeting and invited them to present their views. Mr Paul TSE and Ms Emily LAU requested deputations to declare their relationship to TIC before giving views.

Tiglion Travel Services Company Limited (TTSCCL)
(LC Paper Nos. CB(1)450/10-11(10)&(11), CB(1)506/10-11(01) and CB(1)531/10-11(01))

63. Mr Peter HUNG, Managing Director, TTSCCL declared that he was just an ordinary member of TIC. He expressed grave concern that the statutory requirement of TIC membership for obtaining a travel agent licence and the collection of TIC levy had contravened Articles 27 and 105 of the Basic Law of the Hong Kong Special Administrative Region respectively. He urged the Government to amend the Travel Agents Ordinance (Cap. 218) (TAO) accordingly. Mr HUNG also requested the Government to regulate the International Air Transport Association (IATA) as he claimed that IATA had threatened and blackmailed TTSCCL to pay a sum in the name of bank guarantee.

Hongkong Japanese Tour Operators Association (HJTOA)

64. Mrs Gianna HSU, Chairman, HJTOA declared that she was the Deputy Chairman of the TIC Board, convenor of the TIC's Mainland China Inbound Tour Affairs Committee and one of the TIC representatives in IATA. Mrs HSU said that HJTOA generally recognized the role and work of TIC and the structure of which had improved over the years. For example, the majority of members of TIC's Compliance Committee were non-trade members so as to ensure impartiality. However, with the influx of Mainland inbound tours, TIC had been involved in the licensing of passes to tourist guides and tour escorts as well as the regulation of registered shops. Noting that TIC had encountered some difficulties in taking up certain tasks and had thus been criticized by its members and the public, Mrs HSU considered it grossly unfair for TIC to absorb the extra workload and urged the Government to reconsider the role of TIC.

Hong Kong Taiwan Tourist Operators Association (TTOA)

65. Mr KAI Chuen-kam, Chairman, TTOA declared that he was a

member of TIC Board and the deputy convenor of the Compliance Committee of TIC. Mr KAI said that he had been invited to attend the meetings of the Task Force and agreed with the proposed measures to strengthen the regulation of the receiving arrangements for Mainland inbound tours. Noting that there had been criticism about the inadequacy of TIC's industry self-regulation in protecting visitors' interests, Mr KAI said that most TIC committees had been convened by non-trade members and such arrangement should help enhance the credibility of TIC.

Hong Kong Association of Registered Tour Co-ordinators (HARTC)
(LC Paper No. CB(1)531/10-11(06))

66. Mr WONG Wai-wing, Chairman, HARTC declared that he was a member of the Training Committee of TIC. He pointed out that the prevalence of zero/negative reception fee for Mainland inbound tours had led to current problems faced by the tourist industry in Hong Kong. He supported in principle the tightening of the existing demerit point systems for receiving travel agents as well as tourist guides, and the assignment of one tourist guide to receive a group throughout its stay, but urged TIC to consult the travel agents and tourist guides' unions to work out the details.

Hong Kong Outbound Tour Operators' Association Limited (OTOA)

67. Mr Peter KONG, Chairman, OTOA declared that he was a member of the TIC Board and the convenor of the Outbound Committee of TIC. He highlighted the complexity of TIC operation and the fact that TIC had improved its structure by introducing more independent members to the Board and its committees in order to enhance its credibility among members and the public. However, TIC had been tasked with additional responsibilities yet without mandate which had made it difficult for TIC to fulfil its expected roles among members and the public. In his view, if hasty changes were made to TIC, the operation of the tourism sector might suffer as a result.

Hong Kong Travel Agent Owners Association Limited (TAOA)
(LC Paper No. CB(1)531/10-11(02))

68. Mr Freddy YIP, Chairman, TAOA declared that he was an elected member of the TIC Board. TAOA had previously applied to be an Association Member of TIC but was rejected. He pointed out that the operation of TIC was supported by the TIC levy and the Travel Industry Compensation Fund had already accumulated over \$500 million. Mr YIP opined that not only had TIC been ineffective in assisting the trade to negotiate with airline companies in respect of cancellation of commission and

shortening of credit period, it also issued countless directives to monitor its members and penalize infringing members which could rarely be found in other self-regulated industries.

*Hong Kong Tourism Industry Employees General Union (HTIEGU)
(LC Paper Nos. CB(1)531/10-11(03) and (04))*

69. Mr LAM Chi-ting, Vice Chairman, HTIEGU commented that TIC was just a trade association which might not be able to carry out its self-regulatory role effectively nowadays with the operation of travel agents becoming increasingly complex. With the continual influx of tourists from the Mainland and the commissioning of tourism-related infrastructure, the Government should enhance the regulation of the travel industry to facilitate its development. As the tourism sector involved travel agents as well as other trades such as retailing, transport, hotelier and catering, Mr LAM remarked that the co-ordination of the entire tourism sector was beyond the terms of reference of TIC, and urged the Government to take up such role. Given that tourist guides and tour escorts did not have any job security and fringe benefits, Mr LAM opined that such structure should be revamped so that the travel industry could attract talents to join the trade. He called on the establishment of a tourism bureau within the Government to coordinate and manage all travel-related matters.

*Hong Kong Professional Tourist Guides General Union (PTGGU)
(LC Paper No. CB(1)531/10-11(04))*

70. Ms Ann YU, Chairman, PTGGU urged the Government to promote the "Tourist Guide Pass", which should be issued by one dedicated body, among the theme parks and tourist attractions so that the entrance fees would be waived for the Pass holders. In light that the Government was reviewing the regulatory framework of the tourism sector, PTGGU requested the Government to clearly delineate the roles of travel agents and tourist guides so that tourist guides would no longer be the "target" or "scapegoat" when there was an incident.

Mr MAK Ip-sing, Yuen Long District Councillor

71. Mr MAK Ip-sing, Yuen Long District Councillor declared that he was a non-trade member of the Membership Committee of TIC. He expressed concern that while TIC was a trade association which handled complaints lodged by outbound travelers and inbound visitors, it was not empowered to impose sanction on its members apart from the extreme means of terminating TIC membership. As the performance of TIC had fallen short of the public expectation, Mr MAK urged the Government to allocate more resources for

TIC to develop the tourism industry and empower it to fulfil its expected role.

Hong Kong Association of China Travel Organisers Ltd (HACTO)
(LC Paper No. CB(1)450/10-11(12))

72. Mr Tommy TAM Kwong-shun, Executive Council Member, HACTO declared that he was an elected member and Honorary Treasurer of the TIC Board, convenor of the Ticketing Committee of TIC and member of various TIC committees. While commenting that TIC had endeavoured to serve the travel industry, he expressed concern that it could not assist the trade to negotiate fairly with airlines and protect their interests. HACTO urged the Government to consider reviewing the regulatory regime by granting more power to TIC for it to establish a more efficient structure.

Hong Kong Association of Travel Agents (HATA)

73. Mr LEUNG Yiu-lam, Chairman, HATA declared that he was a member of the TIC Board, convenor of the Inbound Committee of TIC and member of various TIC committees. While considering TIC had undertaken its role satisfactorily in regulating the travel agents, he opined that there was still room for improvement with regard to the structure of TIC, such as (a) allowing travel agent to apply the travel agent licence directly from TIC; (b) revoking the ex-officio status of the eight Association Members with four of them replaced by trade members directly elected for a term of three years, and the other four appointed by the TIC Board whom it considered instrumental to the trade for a term of one year; (c) the chairman of TIC Board should be elected by members of the TIC Board and all members of the TIC Board should be eligible for election; (d) seeking financial assistance from the Government instead of relying on TIC levy to maintain operation; and (e) allowing TIC to draw reserve from the Travel Industry Compensation Fund for procuring professional liability insurance against claims by travel agents and consumers.

Hong Kong Inbound Travel Association (ITA)

74. Mr Herman LAM, Chairman, ITA declared that he was a member of the Inbound Committee of TIC. Having taken part in the work of TIC for a few years, he opined that there was a high degree of transparency within TIC. and considered that the number of complaints received was reasonable given the large number of inbound visitors. Mr LAM commented that the Government should review the structure of TIC so as to enhance its operation and that travel agents should be able to directly apply the licence from TIC instead of becoming a member of one of the eight Association Members.

Consumer Council (CC)
(LC Paper No. CB(1)506/10-11(02))

75. Ms Connie LAU, Chief Executive, CC declared that she and Ms Sana LAI, Head, Complaints and Advice Division, CC were not members of TIC. She pointed out that the number of complaints received in respect of travel-related matters, which were mainly lodged by inbound visitors, were approximately the same for the past two years. She took members through CC's submission in respect of the expectation of consumers, the need to ensure fairness of TIC by introducing more independent non-trade members into TIC and the need to review the operation of the entire tourism as well as the regulatory role of TIC with a view to enhancing the consumer rights of outbound visitors and inbound tourists.

International Chinese Tourist Association Limited (ICTA)

76. Mr Charlie FOO, Vice Chairman, ICTA hoped that the review of TIC's role would help its structure of TIC, reduce the operating cost of travel agents and establish consumer confidence with a view to expanding the business opportunities of ICTA's members.

Hong Kong Travel Industry (Outbound) Tour Escort and Tour Guide Union (OTETGU)

77. Mr TONG Kim-sang, Chairman, OTETGU referred to the recent incident where a tour escort was killed when a Hong Kong tour group was taken hostage in Manila and the only compensation received by his family was from the insurance that the tour escort purchased on his own. He expressed concern that TIC did not have any regulation to protect the interest of tour escorts. Noting that regulations were endorsed by the TIC Board, Mr TONG considered that there was conflict of interest since among 29 members of the TIC Board, 17 of them were owners of travel agents. He highlighted that in some travel agents, tourist guides and tour escorts were required to give back more than 50% of the tips received to the travel agents, and such arrangement had been agreed by TIC and could not be disclosed to tourists. Mr TONG urged the Government to regulate the whole tourism sector, in particular the licensing of tourist guide pass and tour escort pass.

Preliminary response by the Administration and the Travel Industry Council of Hong Kong

78. PSCIT thanked deputations' views and responded that the Commerce and Economic Development Bureau had been tasked to review the operation and regulatory framework of the entire tourism sector, including the role,

powers, responsibilities and operation of TIC, as well as its working relationship with the Travel Agents Registry (TAR). The Administration would take into consideration the views expressed by Panel members and deputations during the review.

79. PSCIT advised that TIC had been making continuous improvements to its operation to meet the development requirement of the travel industry. It had also decided to conduct a value-for-money audit to enhance its efficiency and deployment of resources. The Administration would review the structure of TIC, in particular the composition of the TIC Board and power delegated to TIC. PSCIT further advised that during the Panel meeting on 24 May 2010 when the Administration briefed members on the outcome of review of the operation of TIC, the Administration undertook to amend TAO to set out clearly the role of TIC as a public association in the regulatory framework. As TAO also involved the function and power of TAR, the Administration would consider the amendment of TAO together with the review.

80. Mr Michael WU, Chairman, TIC said that TIC had strived to improve its function and transparency during the past years, including the publication of sanitized minutes of the TIC Board meeting on its website. He highlighted that the convenor of the Compliance Committee and more than half of the members of that committee were non-trade members. Looking forward, Mr WU undertook to further increase the transparency of TIC and proactively address concerns raised by its members and the public.

Discussion

Concerns raised by the travel agents

81. Mrs Regina IP declared that she was a member of the Appeal Board of TIC. Noting that the tourism industry had made a lot of efforts to cope with the increasing number of Mainland visitors, she considered that the regulatory framework for the travel industry should keep pace with the development, and the Government should consider reviewing the current regulatory regime for travel agents, such as TIC's membership requirement for licence application, the possible conflict of interest in TIC's regulatory roles and the appropriate parties to negotiate with Mainland tourism authorities.

82. PSCIT responded that during the review, the Administration would consider relevant concerns and suggestions including the establishment of a statutory body to monitor the travel industry to enhance the credibility and legitimacy of the monitoring regime and the membership requirement for

obtaining a travel agency licence.

83. With regard to the complaints raised by Mr Peter HUNG of TTSCCL in respect of the "unscrupulous" practices of IATA, Ms Emily LAU said that she had invited the Administration to look into the issue. C for Tourism undertook to follow up the matter with the complainant.

84. Dr LEUNG Ka-lau noted that vicious competition had led operators to suppress tour fare to attract consumers, and questioned whether the price fixing practice of the travel trade or the setting of a fixed amount of tips by unions of tour escorts or tourist guides would be considered in breach of the Competition Bill. PSCIT replied that the Mainland had enacted RTA which required the Mainland travel agents to refrain from demanding the receiving agent to accept a tour fare lower than the receiving cost. Whether such practice would constitute an offence under the future Competition Ordinance to be enacted in Hong Kong would depend on the facts of the case and require further examination. The Chairman suggested that it might be more appropriate for the Bills Committee on Competition Bill to consider the matter.

85. Mrs Regina IP enquired Mr Charlie FOO of ICTA about the present difficulties encountered by the travel agents. Mr FOO expressed concern that with the increase in rent, travel agents had to be relocated to less prosperous areas. Operating margin had been reduced since the onset of the financial tsunami with customers who used to book first class air tickets switching to business class or economy class. He expressed concern that the Government or TIC did not offer any assistance to help the travel agents tide over the difficulties.

Concerns raised by tourist guides and tour escorts

86. At the invitation of Ms Emily LAU, Mr TONG Kim-sang of OTETGU said that prior to tour departure, tour escorts were required to pre-pay travel agents parts of the tips at the level suggested by TIC, and in case they could not receive the tips in full amount, they had to claim back the shortfall in the pre-paid sum from the travel agents. He said that the tour escort unions had reflected the unfair practice to TIC but to no avail. In reply to the Chairman, Mr TONG said that over 90% of the travel agents required tour escorts to pre-pay them a part of the tips prior to tour departure. Mr Freddy YIP of TAOA clarified that the tour escorts in his travel agent were not required to pre-pay tips in advance.

87. At the invitation of the Chairman, Mr Joseph TUNG, Executive Director, TIC responded that while TIC had suggested the level of tips to be

paid by outbound travelers for various outbound trips, TIC considered it entirely unacceptable that tour escorts had to pre-pay travel agents part of the tips mutually agreed between the travel agents and tour escorts prior to tour departure. Mr TUNG said that TIC had previously handled such cases and imposed sanctions on the travel agents concerned. He requested Mr TONG to provide concrete cases of pre-payment of tips for TIC to investigate and follow up.

TIC

88. Mr Albert CHAN criticized that TIC was not proactive enough to address the concerns of tourist guides and tour escorts. He pointed out that if the tour escorts or tourist guides were unwilling to make payment to the travel agents in advance, it was unlikely that they would be assigned to escort an outbound tour or receive an inbound tour group. Since it was very difficult, if not impossible, for tour escorts or tourist guides concerned to report on specific cases to TIC against their employers, Mr CHAN urged TIC to collect information from travel agents on the details of outbound and inbound tours for the past year, including whether tour escorts or tourist guides were required to pre-pay the travel agents in advance, and inform the Panel accordingly.

89. Noting that tour escorts were prohibited from disclosing the fact to the tour participants that part of the tips they paid would be pocketed by the travel agents, Mr Ronny TONG enquired whether such prohibition was set by TIC or the travel agent. He also queried whether the arrangement of sharing tips was indeed mutually agreed by both parties as the tour escorts did not have the same negotiating power as the owners of the travel agents.

90. Mr Michael WU of TIC responded that TIC only made suggestions on the level of tips payable by tour participants. The sharing of tips was a decision between tour escorts and travel agents and TIC was not involved. Mr WU further said that four subcommittees had been established under the Outbound Committee of TIC to review the directives for outbound tours, tour fare and tips arrangements with a view to enabling consumers to make informed choices. A report on the review would be presented to the TIC Board when ready.

Admin

91. Considering it unacceptable and even a fraud offence to keep the consumers in the dark about travel agents pocketing part of the tips they paid, Mr Ronny TONG requested the Administration to look into the matter and provide information on the measures to be implemented to eliminate such malpractice. In response, PSCIT said that the Administration would strive to increase the transparency of the tips arrangement.

92. To reduce conflict between tour escorts and travel agents, Ms

Miriam LAU suggested that the recommended tips to be shared between the travel agents and tour escorts should be included in the tour fare, whereas tour participants could still pay additional tips to tour escorts if they so wished.

TIC 93. Ms Emily LAU asked TIC to impose measures to prohibit travel agents from sharing the tips received by tour escorts and tourist guides. The Chairman considered it unfair to exploit the tour escorts and tourist guides by asking them to give up part of the tips received by them. He urged TIC to enhance the communication between travel agents and their frontline staff and to propose measures to resolve the problems faced by the employees. Mr Michael WU of TIC said that TIC would look into the matter and list the item on tips arrangement in the meeting agenda for TIC Board's consideration. He also undertook to report the outcome to the Panel after the Board's consideration.

94. As regards insurance coverage for tour escorts and tourist guides, Mr TONG Kim-sang of OTETGU said that travel agents only acquired basic employees' compensation insurance for them and often advised them to purchase their own insurance for better coverage, and there had been no verification in terms of whether the travel agents had purchased insurance for the required number of tour escorts or tourist guides and to the recommended level. Mr TONG said that he had reflected the problems to TIC previously but was told that this was the operation of individual travel agents outside the purview of TIC. Ms Ann YU of PTGGU expressed concern that no insurance was provided for part-time employees, and PTGGU had engaged an insurance company to provide insurance for its members who were responsible for footing the bill. Mr Freddy YIP of TAOA and that his travel agent had taken out insurance policies for the tour escorts or tourist guides. However, due to the nature of the trade, freelance hired during the peak travel season might not be covered by the basic employees' compensation insurance. He also pointed out that travel agent operation was a low margin business and urged the Administration to act with caution when implementing new measures after the review. Mr Michael WU of TIC responded that the employers were required to purchase employees' compensation insurance under the law.

95. Citing the recent incident of a discourteous tourist guide whose Tourist Guide Pass had been suspended for six months, Mr TONG Kim-sang of OTETGU expressed grave concern that the travel agents had transferred the operation risks to tourist guides who had to pay about \$2,000 to \$3,000 in receiving a Mainland inbound tour group and try to earn a living by pressing visitors to make more purchases in order to get more commission as compensation. To protect the interest of tourist guides, PSCIT and Mr

TUNG of TIC said that the Task Force proposed requiring the receiving travel agents, prior to assigning tourist guides to receive Mainland inbound tours, to sign specified agreements with the tourist guides stipulating the remuneration payable by the receiving agents to them, as well as the responsibilities of both sides. The measures would be effective 1 January 2011.

(Post-meeting note: According to the Administration, the measures are now expected to be effective on 1 February 2011.)

96. In reply to Ms Emily LAU's concern, Mr Michael WU of TIC clarified that the specific content on the itinerary which tourist guides were required to read out to the tourists once the group arrived at Hong Kong would last for about three minutes. The purpose of the measure was to enhance the promotion of consumer rights to Mainland tourists and not to create difficulties for the tourist guides. Mr Paul TSE refuted the claim as in his view reading out the itinerary took much longer than three minutes to finish. Mr TSE expressed grave dissatisfaction and considered the measure could not meaningfully tackle the problem at hand.

(Post-meeting note: The sample itinerary of TIC was circulated to members vide LC Paper No. CB(1)531/10-11(05) after the meeting.)

97. In reply to Mr IP Wai-ming's query on whether the Government and TIC had provided any assistance to tourist guides, Ms Ann YU of PTGGU responded that in 2009, entrance fees for two tourist attractions were waived for holders of the Tourist Guide Pass. But the concession had since discontinued and tourist guides were required to pay for the entrance fees. Mr Michael WU of TIC clarified that the current fee paid by the tourist guide was \$100 per annum to obtain a pass for escorting the tour into the theme parks for the entire year.

98. Mr WONG Wai-wing of HARTC considered that the regulation of travel agents should be separated from that of the tourist guides and tour escorts to eliminate conflict of interest arising from employers regulating employees. Given that TIC was a trade association of travel agents, Mr IP Wai-ming also considered it inappropriate for TIC to issue passes for tourist guides and tour escorts and such authority should be delegated to an organization whose function was to regulate tourist guides and tour escorts.

Effectiveness of industry self-regulation

99. Mr IP Wai-ming expressed concern that under the industry self-regulatory regime, TIC had not been able to monitor the travel industry

effectively, as evidenced by the recurrent problems arising from zero/negative reception fee for Mainland inbound tour groups despite TIC had issued a large number of directives regulating them. He queried whether the Administration was committed to facilitating the healthy development of the tourism industry, which was one of the economic pillars in Hong Kong involving retail and catering sectors as well as travel industry. Mr IP asked whether the Administration would consider setting up a government body to perform the roles of TIC and TAR.

100. Mr Albert CHAN echoed the view that TIC, being essentially a trade association of travel agents, might not act impartially when there was conflict between travel agents and tour escorts or tourist guides. He opined that regulation of the trade by TIC was not effective in such cases. He requested the Administration to make reference to the establishment of the Estate Agents Authority (EAA) and set up a statutory body to monitor the travel industry.

101. Expressing support for the review, Ms Miriam LAU highlighted the complexity and difficulties faced by the travel industry, such as the different modes of operation between big and small travel agents, various concerns arising from inbound and outbound tours, and conflicts between travel agents and the frontline staff. Ms LAU nevertheless pointed out the problems faced by EAA, in particular small operators were aggrieved by the stringent measures implemented by EAA. She urged the Administration to adopt best practices for the travel industry which should benefit travel agents of different scales.

102. Mr Paul TSE however held the view that the existing regulatory framework had already incorporated too many "so-called" best practices which had unnecessarily burdened the trade. He opined that the measures imposed were too stringent and it was very difficult to implement the directives. He raised doubt whether all the members of the TIC Board understood all the directives, in particular clauses on strict liability for travel agents, and considered it unreasonable for the travel agent to be held accountable for the conduct of its tourist guides. Mrs Gianna HSU of HJTOA opined that at present, there were too many directives which might be difficult for the trade to follow, but they helped promote understanding about the improvement measures among stakeholders in the travel industry.

103. Noting that TIC was involved in co-ordinating various travel sectors including airlines, designated shops and hotels for Mainland inbound tour groups, Mr Paul TSE expressed concern that the draconian measures endorsed by TIC did not reflect the competitive nature and concerns of travel agents operating these groups. In particular, Mr TSE pointed out that there

were not enough tourist guides representatives in TIC to voice out their concerns. Notwithstanding TIC's contribution to the tourism industry in the past, Mr TSE opined that such effort was futile since the public had been criticizing the effectiveness of TIC's self regulatory role. As such, it was important for the Administration to put in resources to revamp the self-regulatory approach for the travel industry. Mr WONG Wai-wing of HARTC supported Mr TSE's view and urged the Administration to tackle the problem which originated from the Mainland designated agents, instead of having the tourist guides to shoulder the blame.

104. PSCIT stressed that the Government was committed to conducting a thorough review on the operation and regulatory framework of the entire tourism sector, including devising a regime that would best meet the need of Hong Kong. To achieve the intended result, the Administration would strive to strike a proper balance between allowing the travel agents to operate flexibly and protecting the interest of consumers and workers of the travel industry.

The review

105. Mr WONG Ting-kwong noted that the TIC levy represented a substantial portion of TIC's income (60% of the TIC's total income in 2008-2009), and questioned the transparency of the TIC's accounts. He enquired whether the Administration would include income and financial control of TIC in its review.

106. PSCIT responded that the review would be as comprehensive as possible within the allocated resources in order to work out the best arrangements to facilitate the healthy development of the tourism industry. C for Tourism further advised that TIC's annual account including income from TIC levy had been audited by a professional auditor. Mr Joseph TUNG of TIC added that TIC was required to submit to the Secretary for Commerce and Economic Development each year the estimates of its income and expenditure in respect of the next financial year, and the actual income and expenditure for the preceding year. Furthermore, there would be a value-for-money audit which would be divided into four phases: corporate governance and general administration, member service and public relation, handling of complaint and enquiry, and registration of tourist guides and tour escorts. Mr TUNG undertook to report to the Panel upon the completion of the value-for-money audit.

TIC

107. Ms Emily LAU shared the concerns expressed by deputations and supported the Administration to conduct the review expeditiously. She agreed that a statutory body should be set up to monitor the travel industry in

a transparent and accountable manner. The Chairman also asked the Administration to co-ordinate with various stakeholders, and to address deputations' concerns on improving the operation of TIC so as to ensure healthy development of the travel industry.

108. PSCIT emphasized that TIC had strived to improve its operation throughout the years, and the upcoming review, which would include all aspects of the tourism industry, would strike a proper balance between consumer protection and the operation and flexibility of the trade. Given the wide coverage of and the numerous issues to be studied under the review, the Administration was in the process of devising a specific work plan and hoped to set out the specific areas and focuses of the review by the end of 2010. PSCIT undertook to maintain a regular dialogue with the relevant stakeholders to address their specific concerns and to take into account their views during the review with a view to working out the best arrangements to facilitate the healthy development of the tourism industry. In view that the Government would need time to conduct the review, the Administration supported going ahead with the implementation of the measures recommended by the Task Force so that the aim of strengthening the regulation of Mainland inbound tours in short and medium term could be achieved. PSCIT undertook to report the Panel once the specific work plan was ready.

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109. Summing up, the Chairman urged the Administration to take note of the concerns expressed by Panel members and deputations at the meeting, and to expedite the said review.

110. On behalf of the Panel members, the Chairman thanked Miss Yvonne CHOI, PSCIT, for her contribution to the Panel on Economic Development in the past years and he wished Miss CHOI a rewarding retirement life.

VIII Any other business

111. There being no other business, the meeting ended at 1:00 pm.