



9 January 2012

The Hon Wong Ting-kwong, BBS, JP  
Chairman of Panel on Commerce and Industry  
Legislative Council  
Room 610  
Legislative Council Complex  
1 Legislative Council Road  
Central, Hong Kong

Dear Mr Wong

**Protect Free Competition to  
Sustain Hong Kong's Top Position in Exhibition Industry**

I am delighted that HKCEC begins 2012 on a very high note. Once again, for the 9<sup>th</sup> time in the past decade, the Hong Kong Convention and Exhibition Centre ("HKCEC") has been voted Asia's Best Convention and Exhibition Centre by readers of the leading industry publication, *CEI Asia*.

As the professional management and operating company directing day to day operations at this magnificent venue, HKCEC (Management) Ltd (HML) is happy to have contributed to the venue's tremendous success and is proud that great events held here have made significant contributions to Hong Kong's economy and international status over the past 23 years.

I wish to thank the Legislative Council Panel on Commerce and Industry for your support of the exhibition industry. The progress of the industry has been on your agenda and you have provided good advice. However, some of the viewpoints and studies conducted by individual industry players and academics that have been presented to you via the Legco secretariat or publicised in the local media are regrettably quite misleading. I attach an article that I wrote with hard facts that will be useful to you and for your reference.

I have also attached a publication "**Activities and Achievements FY2010/11 - A continuing commitment**" covering the successes of the management company and our new vision for the future relative to the HKCEC.



香港會議展覽中心  
Hong Kong Convention and Exhibition Centre

I hope you will have time over the next few weeks to visit the HKCEC when I can personally explain any of the above to you. My Communications Manager Mabel Hung will contact your office for a convenient time slot.

Again, best wishes for a Healthy and Happy 2012.

Yours sincerely

A handwritten signature in blue ink that reads "Cliff Wallace".

Cliff Wallace, CFE  
Managing Director  
Hong Kong Convention and Exhibition Centre (Management) Ltd

CC: Ms Yue Tin Po, Chief Council Secretary,  
Legislative Council Secretariat, Council Business Division 1

***Protect free competition to sustain  
Hong Kong's top position in exhibition industry***

Hong Kong's exhibition industry contributed HK\$35.8 billion (US\$4.6 billion) to the local economy in 2010. Additionally, the number of visits from overseas exhibition and convention visitors in 2010 increased 22.8%, compared to 2009, with some exhibitions even experiencing double digit growth.

Recent media releases from Hong Kong's major organisers, international organisers doing business in Hong Kong, and both major exhibition venues boast of increasing growth and success with their exhibitions during the past 2 years.

Amazingly, however, some opinions from those outside the industry are still under the wrong impression that Hong Kong's exhibition industry lacks competition and is becoming stagnant.

The impressive business and optimism within Hong Kong's exhibition industry, especially during the recent period of global economic downturn, and especially considering the extraordinary success during the past 23 years, do not suggest any significant lack of competition. In fact, Hong Kong's prestigious exhibition industry and the city's leadership status in hosting exhibitions along with the proven results suggest just the opposite.

Hong Kong's exhibition sector as a part of its MICEC business, and the world-class venues and supporting amenities enjoyed by exhibitors and buyers alike are now the envy of cities throughout the world.

***Evolution of Hong Kong's Exhibition Industry***

Turning back to 1984, 4,600 sq.m. in the Hong Kong Exhibition Centre within the China Resources Building and 5,165 sq.m. of covered carpark space in Ocean Terminal were the primary spaces used for exhibitions.

Proposals were solicited by the Hong Kong Trade Development Council (HKTDC) through a competitive process for a new convention and exhibition venue. New World Development Company Limited's (NWD) proposal was chosen and the company granted the right to develop and manage the venue in 1985. The Hong Kong Convention and Exhibition Centre (HKCEC) opened in 1988.

Though Wanchai was then a questionable location for the HKCEC, the Convention Plaza, of which the venue was a part, quickly served as a catalyst for development and improvement to the area.

The HKCEC became the business model and a popular case study for the industry and impressed global industry experts. Hong Kong had achieved the HKCEC's initial development of one of the finest exhibition and meeting venues in the world without cost to government for any construction, furnishings, equipment or any of its on-going operating or capital improvement costs.

Additionally, income streams from a share of all the HKCEC's revenues and payments for Government rates would be ongoing.

Because of the challenges associated with the location and the unique vertical nature of the HKCEC with exhibition halls being located at the upper levels of the structure, it was the HKTDC that initially stepped to the front with other organisers to generate a portion of the early business that ultimately attracted, in fact, more competition. In only 4 years, it became obvious that expansion would be necessary. The planning for Phase II, the first expansion, began in 1993 and opened in 1997.

Even with the opening of AsiaWorld-Expo on Lantau Island in 2005, increasing demand for space within the HKCEC following its first expansion due to its record of exhibition success and proven location resulted in further expansion which opened in 2009.

#### ***Variety of exhibition organisers and themes***

During the HKCEC's 23-year history, it has maintained its international reputation and image as being one of the most successful exhibition venues in the world because of the variety and quality of exhibitions and the mix of organisers who use it, both local and international.

Currently, 43 organisers are using the HKCEC of which 38 organise recurrent exhibitions. From July 2010 to June 2011, a total of 116 exhibitions were held at the HKCEC, including ten new exhibitions. The nine organisers of these 10 new shows included four that were based overseas, and six that were organising an exhibition at the HKCEC for the first time. None of the 10 new exhibitions were organised by the HKTDC. The suggestion that there is no competition in the industry is simply unfair; it is wrong.

#### ***Strict adherence to operation agreement excludes owner influence and preferential treatment***

Also important to any assessment of the HKCEC's success is the strength of the Operation Agreement between the HKTDC and its professional private management company, Hong Kong Convention and Exhibition Centre (Management) Ltd (HML). In that agreement, HML is solely responsible for booking and scheduling. This must be accomplished

without preferential treatment. There is no “control over leasing” by the HKTDC nor does the HKTDC “hinder bookings”. The HKCEC’s rates are public and its booking policy is available and transparent. Whether an event is accepted from an interested organiser is the decision of HML, not the HKTDC. It is based consistently on good business practices and judgement as well as standards within the industry. It is the quality and variety of HKCEC’s business portfolio that is always the ultimate priority.

### ***Free market force in operation***

Furthermore, any suggestion that unfair competition and/or the way the HKCEC is operated are adversely impacting the AWE is without substantiation. The HKCEC operated 17 years prior to the AWE’s opening. The HKCEC’s reputation as a prestigious venue to exhibitions had been established. Had sufficient demand for additional exhibitions, a desire for lower cost space, or a venue located away from the city’s centre existed at the time, AWE would have been immediately successful. Evaluating cities with two major venues before deciding on the AWE would have shown clearly the expectation of initial occupancy within Hong Kong’s second venue.

The market drives business and exhibitors exhibiting in an exhibition determine, if there is a choice of venues, where they would prefer to exhibit. The organiser follows that preference.

Important is the fact that the HKTDC is utilising the AWE and has not been restricted from doing so due to any provision within its Operation Agreement with HML. Whichever the organiser, the HKTDC included, they will book the venue that their clients, exhibitors and buyers, will gain the most value from

In 2001 when Hong Kong government decided to over double the exhibition space in Hong Kong, the objective was to create more competition with space and pricing. Though desired occupancy did not occur immediately upon the opening of new space at the AWE in 2005, there continue to be sure signs of growth. Any claim now that a lack of competition in the industry is the problem is, in my opinion, a futile attempt to force sharing between two commercial and international venues. Instead, I suggest aggressive and innovative marketing of the venues to identify more new exhibition business for Hong Kong until the market demand meets the current supply of space. In time, market demand for exhibitions will increase for Hong Kong and justify the supply of space a second and more remote location.

*By Cliff Wallace, CFE*

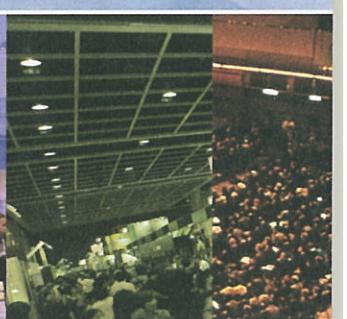
*Managing Director, Hong Kong Convention and Exhibition Centre (Management) Ltd  
Honorary President (and Past President) of UFI, the Global Association of the Exhibition Industry*

*9 January 2012*

# Activities and Achievements FY2010/11

## A continuing commitment

2010 - 2011財政年度活動與成就 一個持續不變的承諾



Hong Kong Convention and Exhibition Centre  
(Management) Limited  
香港會議展覽中心（管理）有限公司

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