

立法會
Legislative Council

LC Paper No. CB(1)2710/10-11
(These minutes have been seen
by the Administration)

Ref : CB1/PL/EDEV/1

Panel on Economic Development

Minutes of meeting
held on Monday, 23 May 2011, at 9:30 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 Fred LI Wah-ming, SBS, 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 Starry LEE Wai-king, JP
Hon IP Wai-ming, MH
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Hon Paul TSE Wai-chun
Hon Tanya CHAN
Hon Albert CHAN Wai-yip

Member attending : Hon LEUNG Kwok-hung

Members absent : Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon CHIM Pui-chung
Dr Hon LEUNG Ka-lau
Dr Hon Samson TAM Wai-ho, JP

**Public officers
attending**

: Agenda item IV

Mr Francis CHENG
Principal Assistant Secretary for Transport and
Housing (Transport)

Mr S T CHEUNG
Acting Assistant Director-General of Civil Aviation
(Airport Standards)

Miss Lilian FONG
Senior Safety Officer (Safety Regulation)
Civil Aviation Department

Agenda item V

Mr Christopher K B WONG
Deputy Secretary for Commerce and Economic
Development (Commerce and Industry)

Ms Wendy CHEUNG
Principal Assistant Secretary for Commerce and
Economic Development (Commerce and Industry)

Miss Sharon LAU
Assistant Director of the Hong Kong Observatory
(Aviation Weather Services)

Mr P W LI
Acting Senior Scientific Officer of the Hong Kong
Observatory (Radar and Satellite Meteorology)

Agenda item VI

Mr Andrew WONG Ho-yuen, 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

**Attendance by
invitation**

: Agenda item VI

Hong Kong Association of Registered Tour
Co-ordinators Limited

Mr WONG Wai-wing
Chairman

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

Mr TONG Kim-sang
Chief Executive

Hong Kong Japanese Tour Operators Association

Mrs Gianna HSU
Chairman

Democratic Alliance for the Betterment and
Progress of Hong Kong

Mr Danny CHAN
Deputy Spokesman on Economic Policy

Tourism & Culture Development Association,
Hong Kong

Mr Tim LEE
President

Economic Synergy

Mr Ken KWONG
Member

Hong Kong Taiwan Tourist Operators Association

Mr KAI Chuen-kam
Chairman

Hong Kong Outbound Tour Operators' Association
Limited

Ms Lolanda LAW
Executive Committee

Civic Party

Ms Fanny LEUNG
Member

Hong Kong Inbound Tour Operators Association
Limited

Mr Simon HAU Suk-kei
Chairman

Hong Kong Association of China Travel Organisers
Limited

Mr Tommy TAM Kwong-shun
Executive Council Member

Consumer Council

Ms Connie LAU
Chief Executive

Ms Vera TAM
Chief Research & Trade Practices Officer

Hong Kong Tour Guides General Union

Mr WONG Ka-ngai
Chairman

Travel Industry Council of Hong Kong

Mr Michael WU
Chairman

Hong Kong Tourism Industry Employees General Union

Mr LAM Chi-ting
Vice Chairman

Hong Kong Association of Travel Agents

Mr Paul LEUNG
Chairman

Hong Kong Professional Tourist Guides General Union

Ms Ann YU
Chairman

International Chinese Tourist Association Limited

Mr Martin MA
Chairman

Hong Kong (Mainland Inbound Tour) Tour Guides General Union

Mr TSE Yun-sang
Chairman

Travel agents and individuals

Mr HUNG Yun-yuen
Managing Director
Tiglion Travel Services Company Limited

Mr MAK Ip-sing
Yuen Long District Councilor

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

Staff in attendance : Mr Timothy TSO
Assistant Legal Adviser 2

Mr Ken WOO
Council Secretary (1)6

Ms Michelle NIEN
Legislative Assistant (1)6

Action

I Confirmation of minutes of last meeting

(LC Paper No. CB(1)2198/10-11 - Minutes of meeting held on 28 March 2011)

The minutes of the meeting held on 28 March 2011 were confirmed.

II Information papers issued since last meeting

(LC Paper No. CB(1)2078/10-11(01) - Tables and graphs showing the import and retail prices of major oil products from April 2009 to March 2011 furnished by the Census and Statistics Department)

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

III Items for discussion at the next meeting

(LC Paper No. CB(1)2194/10-11(01) - List of outstanding items for discussion

LC Paper No. CB(1)2194/10-11(02) - List of follow-up actions)

3. Members agreed to discuss "Development of a logistics cluster in Kwai Tsing area" at the next Panel meeting to be held on 27 June 2011, at 10:45 am.

4. The Chairman suggested that if the Administration confirmed by the end of May that it was ready to brief members on "Hong Kong International Airport Master Plan 2030" at the next Panel meeting, the meeting could be advanced to start at 10:00 am. Members agreed.

(Post-meeting note: Subsequent to the meeting, a special meeting had been scheduled for 10 June 2011 to receive the Administration's

briefing on "Hong Kong International Airport Master Plan 2030" which was released on 2 June 2011.)

IV Proposed amendments to legislation relating to the carriage of dangerous goods by air

(LC Paper No. CB(1)2194/10-11(03) - Administration's paper on proposed amendments to legislation relating to the carriage of dangerous goods by air

LC Paper No. CB(1)2194/10-11(04) - Paper on the carriage of dangerous goods by air prepared by the Legislative Council Secretariat (updated background brief)

LC Paper No. CB(1)2255/10-11(01) - Powerpoint presentation (*tabled and subsequently issued via email on 24 May 2011*) materials provided by the Administration)

Briefing by the Administration

5. With the aid of powerpoint presentation, the Principal Assistant Secretary for Transport and Housing (Transport) and the Acting Assistant Director-General of Civil Aviation (Airport Standards) (Atg ADG/CA) briefed members on the Administration's proposals to amend two sets of subsidiary legislation, namely, the Air Navigation (Dangerous Goods) Regulations, as Schedule 16 to the Air Navigation (Hong Kong) Order 1995 (Cap 448 sub. leg. C) and the Dangerous Goods (Consignment by Air) (Safety) Regulations (Cap 384 sub. leg. A) to give effect to the latest standards promulgated by the International Civil Aviation Organization (ICAO) for the safe transport of dangerous goods (DG) by air. In gist, the Administration sought to align the DG standards of Hong Kong with specifications given under the new Technical Instructions for the Safe Transport of Dangerous Goods by Air, which was normally updated and published by ICAO biennially. Atg ADG/CA advised that stakeholders were generally supportive of the proposed amendments during the consultation. The Administration planned to submit the relevant legislative amendments to the Legislative Council (LegCo) for approval in the fourth quarter of 2011.

Discussion

6. The Chairman enquired about the measures currently in place to detect and identify DG intended to be carried on board the aircraft by passengers but had not been declared. Atg ADG/CA advised that all passengers would be required to confirm that no DG was carried in their baggage during the check-in process. All passenger baggage would then undergo X-ray screening and would be retrieved for inspection in front of the passenger concerned if any baggage was suspected to contain DG. In response to further query from the Chairman on what would be done if the undeclared DG passed the X-ray screening, the Senior Safety Officer (Safety Regulation), Civil Aviation Department advised that the majority of DG carried in passenger baggage could be identified by the scanning system. In the event that certain baggage with unidentified DG were subsequently found and reported by the counterpart civil aviation authority, the Civil Aviation Department would follow-up with the airline and the civil aviation authority concerned.

7. Summing up, the Chairman said that the Panel supported the Administration's legislative proposals.

V Funding proposal for the replacement of a storm detecting weather radar of the Hong Kong Observatory at Tate's Cairn

(LC Paper No. CB(1)2194/10-11(05) - Administration's paper on funding proposal for the replacement of a storm detecting weather radar of the Hong Kong Observatory at Tate's Cairn

LC Paper No. CB(1)2255/10-11(02) - Powerpoint presentation (*tabled and subsequently issued via email on 24 May 2011*) materials provided by the Administration)

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

Briefing by the Administration

9. With the aid of powerpoint presentation, the Assistant Director of the Hong Kong Observatory (Aviation Weather Services) (AD/HKO) briefed members on the Administration's proposal for the replacement of a storm detecting weather radar of the Hong Kong Observatory (HKO) at Tate's Cairn. She highlighted that the information gathered by the storm detecting weather

radar was crucial to HKO for providing timely weather forecasts and the related warnings such as signals alerting the public of tropical cyclone, thunderstorm, rainstorm, flood and landslip. This helped reduce loss of life and damage to property.

10. AD/HKO advised that at present, HKO operated two storm detecting weather radars located at Tate's Cairn and Tai Mo Shan, which had been in use since 1994 and 1999 respectively, and they normally worked in tandem. She outlined the justifications for the proposal which sought to secure a model with the latest technologies, namely a radar with "dual-polarization" feature which would enable HKO to make better rainfall forecast. The proposal involved a non-recurrent provision of \$36 million and a recurrent expenditure of about \$1.33 million per annum upon full implementation in 2014-2015. Subject to the approval of the Finance Committee scheduled for 17 June 2011, HKO planned to put the new radar in operation in the second quarter of 2014.

Discussion

Storm detecting weather radars

11. Mr Fred LI expressed support for the funding proposal. With the new radar coming into operation in 2014, he enquired if one storm detecting weather radar would be sufficient in generating meteorological information for providing weather forecasts, especially during autumn and winter months when the weather was normally fine. By operating only one radar during these months, the useful life of the radars could be lengthened.

12. In response, AD/HKO explained that Hong Kong was situated in subtropical zone where rainstorms could develop rapidly. With two radars working in tandem, they could cover each other's blind-spots and provide more precise meteorological information in respect of wind/ storm movement and speed. Nevertheless, consideration had been given to having one of the radars switched to "standby" mode during autumn/winter times. In fact, HKO normally carried out annual maintenance of the radars during such months, which also helped lengthen the useful life of the radars. In short, AD/HKO assured members that HKO would make the best use of the radars and strive to lengthen their useful life as far as possible.

13. In reply to Mr Fred LI's enquiry about the replacement of the radar at Tai Mo Shan, AD/HKO advised that HKO's experience showed that the useful life of storm detecting weather radar was normally close to 20 years. As such, HKO planned to seek funding approval from the Legislative Council by 2015 for replacement of the radar at Tai Mo Shan. On

enhancing accuracies of weather forecast, AD/HKO said that HKO would continue to keep pace with the latest technologies in enhancing the quality of its forecast services.

14. The Chairman commended the timely weather information available on HKO's website. Noting that new generation of radar model would emerge in some 10 to 20 years' time, he asked about the timing for upgrading the new radar after its commissioning in 2014.

15. In response, the Deputy Secretary for Commerce and Economic Development (Commerce and Industry) said that HKO would continue to deploy the latest meteorological technologies when appropriate to enable it to make better weather forecasts. AD/HKO added that in replacing ageing equipment, HKO would take into consideration factors including the capability of existing facilities in meeting the operational needs, replacement as an opportunity to deliver enhanced services, the urgency for such replacement, and the cost-effectiveness in applying the latest technologies locally. The new radar under the proposal would be able to provide additional information measuring rain intensity to improve the estimation of the actual rainfall amount. This would enable HKO to make better rainfall forecast for the next hour or so.

16. Expressing appreciation on the improvement made by HKO in weather forecasts in the last decade, Mr WONG Ting-kwong said that Members belonging to the Democratic Alliance for the Betterment and Progress of Hong Kong were supportive of the proposal. In response to Mr WONG's concern about the weather forecasts services during the replacement of the radar, AD/HKO advised that system installation and test-runs for the new radar were scheduled to take place during the autumn/winter months when the weather was normally fine, i.e. the fourth quarter of 2013. The duration of the replacement works would be compressed to about one to two months. During such period, HKO would rely on the radar at Tai Mo Shan to maintain its service. Testing was expected to be completed by the first quarter of 2014 such that the new radar would come into operation before the rainy season of 2014.

Monitoring radioactivity in the air and volcano ash particles

17. In response to the Chairman's question about monitoring radioactivity in the air, AD/HKO referred to the information note on HKO's enhancement of radiation monitoring after the Japanese Fukushima nuclear power plant incident (CB(1)1882/10-11(01)) provided to the Panel in April 2011. The note had set out the components of the environmental radiation monitoring programme operated by HKO, including a network of 10 radiation

monitoring stations, a mobile radiological survey vehicle, an aerial radiation monitoring system and a radiation laboratory. The real-time radiation level data at 10 locations in Hong Kong were also available on the website of HKO for public reference.

18. As regards volcano ash particles, AD/HKO explained that the emission situation of such particles was being monitored through satellites. When necessary, HKO would liaise closely with the Civil Aviation Department and issue related warnings.

Conclusion

19. In conclusion, the Chairman said that the Panel supported the funding proposal. He thanked HKO for providing the public with accurate and useful weather information and urged HKO to further promote the availability of free web-based weather information services among the public.

VI Review of the operation and regulatory framework of the tourism sector in Hong Kong

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| (LC Paper No. CB(1)2194/10-11(06) | - Administration's paper on review of the operation and regulatory framework of the tourism sector in Hong Kong |
| LC Paper No. CB(1)2031/10-11(01) | - Administration's public consultation paper on review of the operation and regulatory framework of the tourism sector in Hong Kong |
| LC Paper No. CB(1)2194/10-11(07) | - Paper on review of the operation and regulatory framework of the tourism sector in Hong Kong prepared by the Legislative Council Secretariat (updated background brief)) |

Brief introduction by the Administration

20. The Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PSCIT) said that the Chief Executive

announced in the Policy Address in October 2010 that the Government would review the operation and regulatory framework of Hong Kong's tourism sector. The main objective of which was to set the direction for the sustainable and healthy development of the sector. The Administration had an initial discussion on the direction and scope of the review with the Panel at the meeting on 28 February 2011. In drafting the consultation paper, the Administration had considered views from the community on the operation and the regulation of the tourism sector, and studied the regulatory models of other economies. The consultation paper, subsequently released for public consultation on 29 April 2011 until 15 July 2011, set out four reform options as well as their merits and drawbacks, their estimated implementation timeframes and financial implications. The Administration was publicizing this review and the public consultation through various channels and stakeholders from the trade and other sectors were invited to actively express their views. The Administration had held meetings with the relevant stakeholders since the beginning of May 2011 and attended a Members' Forum on this review organized by the Travel Industry Council of Hong Kong (TIC). The Administration would continue to publicize the consultation paper, and listen to the views of the trade and the community before deciding on the most viable option that could best forge a consensus. The Administration planned to announce the substantive reform proposals in the fourth quarter of 2011.

Presentation by deputations

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

Hong Kong Association of Registered Tour Co-ordinators Limited (HARTC) (LC Paper No. CB(1)2298/10-11(02))

22. Mr WONG Wai-wing, Chairman, HARTC declared that he was a member of the Training Committee of TIC. Expressing doubt on the effectiveness of Option 3 and Option 4 in which "outsiders" might not have the required knowledge about the operation and regulation of the tourism sector, he indicated support for Option 1 to set out clearly the role of TIC as a public association in the regulatory framework. He also considered that an independent licensing system and regulatory mechanism for tourist guides and tour escorts should be introduced to clearly differentiate their role and responsibility from that of travel agents.

Hong Kong Travel Industry (Outbound) Tour Escort and Tour Guide Union (OTETGU) (LC Paper No. CB(1)2194/10-11(08))

23. Mr TONG Kim-sang, Chief Executive, OTETGU said that the crux to the problems currently faced by the tourism sector lay on "insiders regulating insiders" within TIC. He expressed grave concern that TIC was a trade association aimed at protecting the interests of travel agents and failed to resolve the problem of reimbursements for tourist guides by travel agents. He considered that the Government should be held fully responsible for regulating the tourism sector.

Hong Kong Japanese Tour Operators Association (HJTOA)

24. Mrs Gianna HSU, Chairman, HJTOA declared that she was the Deputy Chairman of the TIC Board of Directors (TIC Board). While supporting the current review, she considered that Option 3 and Option 4 might not necessarily be able to stamp out all problems currently faced by the tourism sector, and the trade was concerned about the increase in the cost of operation brought by the two options. She said that TIC had been serving its member agents for over 20 years and it was unfair to see this as "insiders regulating insiders". Agreeing that an independent licensing system and regulatory mechanism should be introduced for tourist guides and tour escorts, she also suggested removing from TIC the tasks for ensuring compliance by and imposing punishment on the travel agents and tourist guides to clearly differentiate its role.

*Democratic Alliance for the Betterment and Progress of Hong Kong (DAB)
(LC Paper No. CB(1)2298/10-11(03))*

25. Mr Danny CHAN, Deputy Spokesman on Economic Policy, DAB said that DAB did not support Option 1 and Option 2. Highlighting that Option 3 would incur a higher operation cost for the trade while Option 4 might have the shortcomings of bureaucracy, he said that DAB would continue to listen to the views of the public on these options before coming up a stance. In view that the relevant legislative amendments would take more than two years for both Option 3 and Option 4, he considered that measures to tackle zero/negative-fare Mainland inbound group tours should be tightened in the interim.

Tourism & Culture Development Association, Hong Kong (TCDAHK) (LC Paper No. CB(1)2194/10-11(09))

26. Mr Tim LEE, President, TCDAHK considered Option 1 and Option 2 would bring more harm than benefits, and was concerned about the lack of enforcement power and the impartiality of the statutory body proposed under Option 3 as trade practitioners might be appointed to its board of directors.

Considering it unreasonable to make it a prerequisite for travel agents to become a member of TIC before they were eligible for applying for a travel agent's licence from the Travel Agents Registry (TAR), he expressed support for Option 4 and urged the Government to play the role as the ultimate regulator and licensing authority for travel agents, tourist guides and tour escorts. He further called on putting in place a fair, open and equitable approach to complaint handling, and avoiding further financial burden for travel agents under the new regulatory regime.

Economic Synergy (ES) (LC Paper No. CB(1)2235/10-11(01))

27. Mr Ken KWONG, Member, ES said that none of the four reform options had outlined how to resolve the problem of coerced shopping arising from zero/negative-fare Mainland inbound group tours which had accounted for the majority of the complaints received in the tourism sector. In view that the problem was closely associated with public education, operation of travel agents and tourism regulation in the Mainland, strengthening regulation of the local travel agents and tourist guides alone would not provide an effective solution to the problem. The issues of communication between the future regulatory body and the Mainland authority, its establishment and the full details of the regulatory framework etc. remained outstanding. He was also concerned about the increased cost under Option 3 and Option 4.

Hong Kong Taiwan Tourist Operators Association (TTOA) (LC Paper No. CB(1)2255/10-11(08))

28. Mr KAI Chuen-kam, Chairman, TTOA declared that he was a member of TIC Board and remarked that all directors of TIC received no remuneration. Expressing support for a combination of Option 1 and Option 2, he explained that transferring TIC's regulatory role and licensing work for tourist guides to a government department would help address the concerns on "insiders regulating insiders". The proposal also required minimal changes to the present regulatory framework and involved lesser cost as compared with the other reform options. He further commented that Option 3 and Option 4 might invite criticisms on "outsiders regulating insiders". These options would also incur a higher cost and burden the trade under the "user-pay and cost-recovery" principle.

Hong Kong Outbound Tour Operators' Association Limited (OTOA) (LC Paper No. CB(1)2298/10-11(01))

29. Ms Lolanda LAW, Executive Committee, OTOA declared that she was an instructor for the Certificate Course for Outbound Tour Escort, and a

committee member of the Training Committee and the Tourist Guide & Tour Escort Deliberation Committee of TIC. Highlighting the knowledge and experience of TIC in regulating the tourism sector, she said that OTOA was supportive of a reform proposal combining Option 1 and Option 2 for the sector to be regulated by both TIC and the Government, which represented various trades and the public together. She opined that regulation by the Government alone would hinder the development of the sector. She considered Option 3 and Option 4 unacceptable for the extra cost incurred and the financial burden to the trade as a result of the "user-pay and cost-recovery" principle.

Civic Party (CP) (LC Paper No. CB(1)2255/10-11(03))

30. Ms Fanny LEUNG, Member, CP considered that the two-tier regulatory regime could no longer meet the needs of the fast developing tourism industry and the regulation of which should evolve with changing circumstances. She was in support of Option 4 for the Government to take over the overall tourism regulation from TIC, including the licensing work and regulation of travel agents, tourist guides and tour escorts. She considered Option 1 and Option 2 undesirable as the problem of role conflict in regulating tourist guides and tour escorts still existed, while Option 3 might attract controversies over the appointment of members to the board of the future independent statutory body.

Hong Kong Inbound Tour Operators Association Limited (HKITOA) (LC Paper No. CB(1)2255/10-11(09))

31. Mr Simon HAU Suk-kei, Chairman, HKITOA declared that he was a member of the TIC Board. He considered that TIC had been effective in regulating outbound travel agents from 1988 until 2002 when it was also tasked to regulate inbound travel agents but without the provision of additional resources. He said that the refusal of TIC to accept HKITOA, representing almost all of the operators of Mainland inbound group tours, to be an Association Member, had made TIC lack of the knowledge about the operation of Mainland inbound group tours.

Hong Kong Association of China Travel Organisers Limited (HACTO) (LC Paper No. CB(1)2235/10-11(02))

32. Mr Tommy TAM Kwong-shun, Executive Council Member, HACTO declared that he was an elected member as well as Honorary Treasurer of the TIC Board. HACTO was consulting its member organizations on the choice of Option 2 and would provide a response to the Administration in due course. He said that in devising the new regulatory regime, the Administration should

consider factors such as the new regime should not be too stringent as to undermine the right and survival of small and medium travel agents. It should not burden the trade with unduly high administrative costs and as a result limit the choice of tours available to consumers. He considered that the Administration should consult the trade again for the selected option with a view to refining the details.

Consumer Council (CC) (LC Paper No. CB(1)2255/10-11(04))

33. Ms Connie LAU, Chief Executive, CC considered that the reform options should be studied according to the following principles:

- (a) Comprehensiveness and representativeness – the future regulatory body should have the full power to regulate the overall operation of the tourism sector, including the conduct of tourist guides and tour escorts;
- (b) Recognition – the future regulatory body should be provided with credibility and independence and should be recognized and supported by the public;
- (c) Impartiality – complaint cases involving Mainland or overseas tourists should be handled impartially and effectively;
- (d) Accountability – tasking the same body for the regulatory and licensing work could enhance the effectiveness in the regulation; and
- (e) Sustainability – the future regulatory body should be flexible in responding to the changes in the market.

CC considered Option 3 and Option 4 more desirable than the other two options in terms of independence, credibility and recognition. Irrespective of Option 3 and Option 4, an object of the regulatory body should be protection of consumer rights.

Hong Kong Tour Guides General Union (HKTGGU) (LC Paper No. CB(1)2194/10-11(10))

34. Mr WONG Ka-ngai, Chairman, HKTGGU expressed support for Option 4 and believed that the new government department to be established would after a period of time become conversant with the operations and issues relating to the tourism sector, and the concern on "outsiders regulating insiders" would no longer stand. In his opinion, it was neither legitimate

nor reasonable for TIC, an industry self-regulatory body, to be vested with the power and involved in the licensing of passes to tourist guides and tour escorts. He noted that practitioners of the tourism, food and beverage and retail sectors had expressed strong dissatisfaction over the current regulatory framework and they had taken part in the procession on 9 January 2011 urging the Government to take over the regulation from TIC. He also considered that the statutory requirement of TIC membership for obtaining a travel agent licence under Travel Agents Ordinance (TAO) (Cap. 218) had contravened Article 27 of the Basic Law of the Hong Kong Special Administrative Region and requested the Government to amend TAO accordingly.

Travel Industry Council of Hong Kong (TIC)

35. Mr Michael WU, Chairman, TIC said that TIC welcomed the review. A task force had been set up under the TIC Board to collect views from its member agents, tourist guides, tour escorts and the general public on the reform proposals. Revealing the percentage of complaints received for every million of Mainland and overseas inbound visitors were 22.4% and 6% respectively for the past three years, he said that TIC had rich experience in regulating both outbound and inbound travel agents, and would be most willing to provide the future regulatory body with its knowledge and expertise in the industry in facilitating the authority to execute its regulatory function.

Hong Kong Tourism Industry Employees General Union (HTIEGU)

36. Mr LAM Chi-ting, Vice Chairman, HTIEGU opined that the Government should play a key role in facilitating the healthy and sustainable development of the tourism sector which could bring economic benefits to other tourism-related industries like hotel, food and beverage, transportation, and retail. Expressing support for Option 4, he said that a dedicated tourism bureau should also be set up to coordinate overall tourism planning and its expenditure should be covered by the budget earmarked for the Tourism Commission (TC) and the Hong Kong Tourism Board (HKTB) and by income of TIC. He further opined that proposals under other options could be implemented in the interim before Option 4 was ready to be implemented.

Hong Kong Association of Travel Agents (HATA)

37. Mr Paul LEUNG, Chairman, HATA declared that he was a member of the TIC Board, convenor of the Inbound Committee and member of the Compliance Committee of TIC. He opined that it was important to put in place a sound regulatory framework which would allow prudent use of

resources. Considering that regulation of the sector by a government department might as a result subject consumers to a higher price for services, he considered Option 2 desirable as it would enhance the role of TIC and its relationship with TAR. Given the value-for-money audit currently being conducted for TIC would promote its operational efficiencies and prudent use of resources, he supported that TIC should continue to be vested with the regulatory power except certain functions like complaints handling, consumer relations, compliance and inspection, and issues relating to licensing of tourist guides and tour escorts which could be transferred to TC to ensure impartiality.

Hong Kong Professional Tourist Guides General Union (PTGGU) (LC Paper No. CB(1)2255/10-11(05))

38. Ms Ann YU, Chairman, PTGGU declared that she was a member of the Mainland China Inbound Tour Affairs Committee of TIC. In the light of the weakened industry self-regulation since the emergence of zero/negative-fare Mainland inbound group tours, she considered it desirable for a government department to be established to take over from TIC the regulatory function. Under Option 4, she suggested that the formulation of administrative measures and licensing work for travel agents as well as their employees should come under the purview of the proposed government department, whereas TIC should only play the role as a trade association. Individual travel agents should be held responsible for regulating their own employees as tourist guides and tour escorts. The general unions for the employees should seek to protect members' interest and provide training opportunities to enhance their skills.

International Chinese Tourist Association Limited (ICTA)

39. Mr Martin MA, Chairman, ICTA declared that he was a member of the TIC Board. Expressing support for Option 2, he said that trade directors of the TIC Board had been providing non-trade directors information on the operation and issues pertinent to travel agents, tourist guides and tour escorts to facilitate deliberations at the Board meetings. The fact that all convenors of the Compliance Committee, Consumer Relations Committee and Committee on Shopping-related Practices of TIC being non-trade directors spoke against the criticism of "insiders regulating insiders" within TIC. Highlighting the implementation of the ten measures proposed by the TIC Task Force on the Review of the Operation and Regulation of Mainland Inbound Group Tours (Task Force) had resulted in a reduction of 70% of complaints received as compared with the same period in the last year, he considered that TIC should be duly recognized for its efforts in facilitating the development of the sector. He questioned if the issues currently faced

by the tourism sector could be fully addressed with the government taking over the regulation of the trade.

Hong Kong (Mainland Inbound Tour) Tour Guides General Union (MIGUHK)

40. Mr TSE Yun-sang, Chairman, MIGUHK remarked that the present problem concerned the regulatory role and operation of TIC. As the majority of the directors of the TIC Board were operators of outbound tourism, they were not insiders who could regulate matters relating to inbound tours. Moreover, TIC had put the interest of the public ahead of that of the travel trade, as evidenced by the implementation of the ten measures proposed by the Task Force without consultation with the trade. As zero/negative-fare Mainland inbound group tours were the major problem which needed to be tackled, he considered that measures should be in place to specifically target the problem. He also called on the Administration to avoid adopting a reform option which would undermine the survival of the small and medium players in the sector.

Tiglion Travel Services Company Limited (TTSCCL) (LC Paper Nos. CB(1)2194/10-11(11) and CB(1)2255/10-11(06))

41. Mr HUNG Yun-yuen, Managing Director, TTSCCL expressed strong opposition to the statutory requirement of TIC membership for obtaining a travel agent licence and the collection of TIC levy which had contravened Articles 27 and 105 of the Basic Law of the Hong Kong Special Administrative Region respectively. Expressing support for Option 4, he urged the Government to take over from TIC the regulatory role for the sector and to amend TAO accordingly.

Mr MAK Ip-sing, Yuen Long District Councilor

42. Mr MAK Ip-sing, Yuen Long District Councilor declared that he was a non-trade member of the Membership Committee of TIC. He expressed concern that putting in place a new regulatory regime alone would not help resolve the issues of coerced shopping arising from zero/negative-fare Mainland inbound group tours which had tarnished the image of Hong Kong as a tourist attraction. He was also concerned about the safety of Hong Kong citizens travelling abroad. He urged the Administration to tackle these problems effectively.

Preliminary response by the Administration

43. In response to deputations' views, PSCIT said that their views would be given due consideration along with other views to be collected during the consultation period.

Discussion

44. The Chairman declared that he was a non-executive director of a travel agency. Mr Paul TSE declared that he was an owner of a travel agent and a legal adviser to a number of travel agencies.

The reform options

45. Mr Fred LI said that he had advocated for a reform of TIC for almost a decade when the TAO was further amended in 2002 to bring all inbound travel agents under the current regulatory regime. He considered it inappropriate for TIC, being a trade organization without the statutory backing, to regulate travel agents, tourist guides and tour escorts. Noting the majority of TIC directors who attended the meeting expressed support for Option 1 or Option 2 which in their view would allow the new regulatory regime to take effect sooner, Mr LI pointed out that irrespective of the reform option to be chosen, TAO would need to be amended and the scrutiny work would probably have to be carried out by the next term of LegCo. He said that the Democratic Party was gauging public views on their preference between Option 3 and Option 4 having regard to overseas experience that tourism policies, promotion, licensing and regulation of travel agents, and monitoring of service quality to ensure consumer protection were undertaken either by government departments or public organizations. Mr LI expressed concern whether the independent statutory body to be established under Option 3, if chosen, could work directly with the Mainland tourism authorities in respect of the operation of the Mainland inbound group tours in Hong Kong.

46. In response, PSCIT advised that regardless of the reform option to be chosen, the Government would continue to maintain liaison with the Mainland tourism authorities and if necessary, it would facilitate communication between the future statutory body, if any, and the relevant Mainland authorities.

47. Mr Albert CHAN saw a genuine need to reform the present regulatory regime, in particular the need to rectify the malpractice of requiring tourist guides receiving Mainland inbound group tours to pre-pay for their expenses. While the public was supportive of the option for a government department to take over the regulation from TIC, Mr CHAN was concerned whether the Government was prepared to deal with the Mainland authorities assertively

and safeguard the interests of local practitioners when there were disputes between them and the Mainland tourists.

48. Mr IP Wai-ming said that the Hong Kong Federation of Trade Unions had all along urged for the establishment of a dedicated tourism bureau to enhance the regulation of the tourism sector. He questioned the Government's resolve in improving the regulation of the sector as it appeared to have dragged on in its response to the strong calls for revamping the two-tier regulatory regime and for the Government to take up a more proactive regulatory role. Mr IP highlighted that there were grave concerns among tourist guides and tour escorts as their interest were not adequately protected.

49. PSCIT responded that the present consultation was conducted pursuant to the Chief Executive's announcement in the Policy Address in October 2010 that the Government would review the operation and regulatory framework of Hong Kong's tourism sector. He stressed that the Government was committed to setting the direction for a sustainable and healthy development of the sector through the review, and it would announce the substantive reform proposals in the fourth quarter of 2011. While the timeframe for implementation for the options had been set out in the consultation paper, it was the intention of the Administration to implement the chosen option as soon as practicable. In reply to Mr IP Wai-ming's concern about the transitional arrangements, PSCIT advised that the present two-tier regulatory regime would remain in force until the new regime came into effect.

50. The Chairman asked whether consideration could be given to including an additional non-trade member in the TIC Board and minimizing the number of trade representatives in the TIC Appeal Board in the interim. PSCIT advised that irrespective of the option chosen, there was a need to amend TIC's Memorandum and Articles of Association. The Administration would also discuss with TIC the proposals received during the consultation period on the composition of TIC Board and committees.

51. Mr Paul TSE said that he had advocated for the establishment of a dedicated tourism bureau and moved a relevant motion in 2009 so that the Government could play a more proactive role in tourism promotion. He observed that the Government had become more influential in the operation of TIC following the influx of Mainland inbound group tours. The recent hasty implementation of the ten measures proposed by the Task Force was a case in point. In his opinion, TIC had undertaken the regulatory role for inbound travel agents at the expense of TIC's credibility and reputation. Mr TSE urged the Administration to exhibit resolve in reforming the regulatory

regime in order to tackle the malpractices within the sector more effectively.

52. Ms Starry LEE highlighted that Members belonging to DAB preferred Option 3 or Option 4. She expressed concern that apart from seeking to devise a new framework to effectively regulate the tourism sector, the Administration should also take the opportunity to review ways to enhance tourism development. For example, consideration should be given as to whether tourism promotion should continue to be undertaken by various government departments and HKTB.

53. In response, PSCIT advised that TC under the Commerce and Economic Development Bureau was tasked to map out the Government's tourism development policy and strategy, provide a focal point for liaison with the tourism industry and enhance co-ordination in developing tourism in Hong Kong. PSCIT further explained that in the light of public concerns about whether the existing regulatory framework of the tourism sector could meet the needs of a fast developing industry, the Government had decided to first focus on devising an effective regulatory regime for the tourism sector that could evolve with changing circumstances.

54. Ms Miriam LAU said that as the deputations attending the meeting comprised members of the inbound/outbound trades, tourist guides and general consumers, she expressed concern as to how the Administration could reach a conclusion and decide on the most suitable reform option.

55. In response, PSCIT said that the consultation paper had set out the key factors to be considered including whether the co-ordination amongst the future regulatory body and different organizations would be effective. The chosen option should be the most viable one that could forge a consensus and was conducive to the healthy development of the tourism sector. PSCIT assured members that the Administration would continue to listen to the views of the trade and the community before drawing up the substantive reform proposals.

Financial implications of the reform options

56. Ms Miriam LAU expressed concern that under the "user-pay and cost-recovery" principle, both Option 3 and Option 4 would incur a higher financial expenditure than the other two options. This was somehow unfair to the outbound travel agents if they would have to share the financial burden for the regulatory framework under Option 3 or Option 4, if chosen, devised mainly to deal with the malpractices arising from the Mainland inbound group tours.

57. PSCIT outlined the income and expenditure of TIC and TAR. He also advised that currently, there was an imbalance between the income from and expenditure for the regulation of outbound and inbound tourism. Whilst the Government would listen to the views of the public and the trade on the financial arrangements of the options, it would give due consideration to devising a fair mechanism to finance the future regulatory body taking account of the "user-pay and cost-recovery" principle.

58. Mr Ronny TONG considered that sectors under tourism which was one of the major pillars of Hong Kong's economy, should be monitored by a regulatory body with credibility recognized among international fronts. He noted that a majority of people who had expressed views supported revamping the present regulatory regime to an extent beyond Option 1 or Option 2. Mr TONG was dissatisfied that the Administration appeared to have played down Option 3 or Option 4 in the consultation paper by highlighting their exorbitant financial implications. He considered that the expenditure for regulation of the tourism sector should be shouldered by the Government in the light of the economic benefits to be brought about by tourism, such as increase in tax revenue from air passenger departure tax.

59. In response, PSCIT explained that the financial implications of the options were set out in the consultation paper in response to the request of Panel members raised at the meeting on 28 February 2011. The financial implications under the options were drawn up based on the "user-pay and cost-recovery" principle. PSCIT said that the public were invited to consider, among other things, whether it was reasonable for the Government to provide a one-off grant or loan to the new statutory body established under Option 3 for meeting its initial operating expenses.

Tackling zero/negative-fare tours

60. Mrs Regina IP opined that the main problem currently faced by the tourism sector was associated with zero/negative-fare Mainland inbound group tours which had led to coerced shopping. She understood that Taiwan no longer accepted Mainland tour charging zero/negative-fare which, in her opinion, was indeed an outdated business practice and unfair to the tourist guides receiving the tours. Mrs IP asked whether the Administration would consider eradicating zero/negative-fare Mainland inbound group tours by legislation to provide better protection for the tourist guides. Ms Miriam LAU considered that irrespective of the reform option to be decided on, the issue of zero/negative-fare Mainland inbound group tours would continue to exist and should be stamped out.

61. PSCIT responded that, in tackling zero/negative-fare Mainland

inbound group tours, one of the ten measures put forward by the Task Force had required the receiving travel agents in Hong Kong and Mainland travel agents organizing the Mainland inbound tours to sign contracts stipulating that the Mainland travel agent should not demand the receiving agent to accept a tour fare lower than the receiving cost; and that the receiving agent should not offer a tour fare lower than the cost. PSCIT highlighted the difficulty in eradicating zero/negative-fare tours as it would be quite impossible to set out a generally applicable statutory minimum tour fare. Nevertheless, the Administration would continue to discourage zero/negative-fare Mainland inbound group tours.

62. Mrs Regina IP was unconvinced. She considered the current administrative measures ineffective as evidenced by the recurrence of incidents involving coerced shopping. Being a member of the TIC Appeal Board, she noted that with the persistence of zero/negative-fare Mainland inbound group tours, the travel agents and tourist guides concerned had no choice but to coerce the Mainland tourists to make purchases at registered shops. Mrs IP urged the Administration to deal with issues relating to coerced shopping.

63. PSCIT remarked that shopping was a standard activity in the itinerary for Hong Kong tours. While tourist guides were forbidden to coerce or mislead visitors to make purchases in registered shops, they could persuade them to do so and in some cases it might be difficult to differentiate the two. Nevertheless, consumers who were threatened or subject to high-pressure tactics to make purchase, the offence of intimidation might be relevant.

64. Ms Starry LEE expressed grave concern about the malpractice of coerced shopping which in her view was partly due to the commission-based remuneration for tourist guides. Ms LEE asked whether the Administration would tackle the problem at source and put in place a proper remuneration mechanism for tourist guides to safeguard their interests. Sharing similar concern, Mr IP Wai-ming considered that the Administration should secure a clear source of income for tourist guides and tour escorts.

65. The Commissioner for Tourism responded that the Government and TIC attached great importance to ensuring a reasonable remuneration mechanism for tourist guides and tour escorts. In this connection, one of the ten measures proposed by the Task Force required that the receiving travel agents, prior to assigning tourist guides to receive Mainland inbound tours, to sign agreements specified by TIC with the tourist guides. The agreement should stipulate the remuneration payable by the receiving agents to the tourist guides, as well as the responsibilities of both sides. PSCIT supplemented that while it would be impractical to mandate the mode of

remuneration for tourist guides which might affect the operation of the trade, the Administration and TIC would continue the dialogue with travel agents and tourist guides in the matter.

66. The Chairman noted with concern that the number of tourism-related complaints had been rising due to the malpractice of coerced shopping arising from the zero/negative-fare Mainland inbound group tours. He said that he had raised the issue at the relevant session of the National People's Congress and the Chinese People's Political Consultative Conference held in Beijing in March 2011, and suggested strengthening the cooperation between the China National Tourism Association and Hong Kong authority in resolving the problems of zero/negative-fare tours and coerced shopping in Hong Kong. Separately, the Chairman urged the Administration to review the existing policy in respect of arranging chartered flights to send Hong Kong outbound tourists back home in case of emergency incidents.

67. PSCIT replied that the Government would maintain a close dialogue with CNTA which had been cooperative and supportive in promoting the rights of Mainland tourists, undertaking the relevant measures proposed by the Task Force as well as promoting "Honest and Quality Hong Kong Tours". PSCIT further said that the Government had in the past solicited through TIC the assistance of local travel agents in offering help to outbound tourists from Hong Kong in case of emergency incidents, and such cooperation would continue no matter which reform option would be chosen. In reply to the Chairman's further enquiry, PSCIT advised that the Administration had met with trade representatives and frontline staff as well as the chairmen of the 18 District Councils on the reform options since May 2011. The Administration would continue to listen to the views of the trade and the community during the consultation period.

Conclusion

68. Summing up, the Chairman urged the Administration to take heed of the views and suggestions expressed by members and deputations and come up with the most viable option that could forge a consensus among various stakeholders.

VII Any other business

69. There being no other business, the meeting ended at 12:45 pm.