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Panel on Commerce and Industry

Meeting on 15 November 2011

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

Purpose

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

Background

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

3. The successful hosting of the Sixth Ministerial Conference of the World Trade Organization in December 2005 and the ITU Telecom World 2006 in December 2006 have demonstrated Hong Kong's capability of hosting mega international functions. During the Chief Executive's visit to Beijing in December 2006, the Central Government has re-affirmed Hong Kong's position as a centre for international conventions and exhibitions for the country, and agreed that close co-operation between the Ministry of Foreign Affairs and the Government of the Hong Kong Special

Administrative Region be maintained to facilitate large-scale international conventions and exhibitions to come to Hong Kong. In order to brand build Hong Kong as an international convention and exhibition centre, strategic investments have been made by the Government to strengthen the hardware infrastructure such as the development of AsiaWorld-Expo (AWE) where the ITU Telecom World 2006 was staged. Policy support has also been given for the Hong Kong Convention and Exhibition Centre (HKCEC) Atrium Link Extension (ALE) project. The ALE project, which has boosted HKCEC's total dedicated exhibition space by 42% (from 46 600 to 66 000 square metres), was completed in early April 2009. To meet the growth in demand for exhibition and conference space in the longer term, discussion is underway for an early commencement of the AWE Phase 2 expansion project which will increase AWE's total exhibition space from 66 000 to 100 000 square metres.

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

Previous discussions

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5. The Panel on Commerce and Industry (the Panel) followed up closely the provision of convention and exhibition facilities in Hong Kong, to ensure that the capacity of local facilities stayed ahead of the industry demand, with a view to maintaining Hong Kong's leading position as an international convention and exhibition centre.

6. At the Panel meeting on 20 April 2010, members met with representatives of trade associations, concern groups, political parties, small and medium enterprises (SMEs) and scholars to gauge their views on the development of convention and exhibition industry. Some deputations opined that the Administration should consolidate Hong Kong's position as the capital of MICE industry (Meetings, Incentive Travels, Conventions and

Exhibitions) and upgrade Hong Kong's MICE software and hardware in terms of venues, transport facilities, hotels, infrastructure, information services and the training of professionals. Some other deputations opined that the Administration should allow more competitors into the MICE market for the benefit of Hong Kong in the long run. Whilst the majority of deputations expressed support for the Phase 3 expansion of HKCEC, some other deputations opined that as AWE had only developed up to about 70 000 square metres of the exhibition space, there was still room for further development of AWE before the expansion of HKCEC. They also expressed concern about the plan to take over the land currently occupied by public amenities such as the Wan Chai Sports Ground for the development of Phase 3. As regards the role and functions of Hong Kong Trade Development Council (HKTDC), some deputations generally recognized the contribution of HKTDC to the development of Hong Kong's exhibition and convention industry. Some other deputations held opposing views that HKTDC had dominated the exhibition and convention market and competed for profits with private enterprises.

7. The Administration noted the views and concerns expressed by the deputations and advised that the Government had not yet decided on the development of Phase 3 expansion of HKCEC. It was still examining the feasibility of the project and would conduct a public consultation at an appropriate time when there was a concrete proposal.

8. Some Panel members opined that in order for Hong Kong to stay internationally competitive in the MICE industry, it was necessary to tackle the internal unhealthy competition between HKCEC and AWE which was not at present fully utilized. Some members considered that as both HKCEC and AWE were Government-funded and that HKCEC had been so well-developed, it was time for the Government to provide more support to AWE. Nevertheless, some members expressed disagreement that HKCEC should be restrained from expanding for the benefit of AWE, and opined that both venues should be developed in order to let the market grow larger to achieve a win-win situation. At the Panel's request, HKTDC agreed to step up communication and co-operation with AWE and fair organizers in the private sector with a view to exploring the possibility of organizing more trade shows at AWE.

9. At the Panel meeting on 21 December 2010, members noted that HKTDC agreed with a private fair organizer at AWE to operate shuttle bus services between HKCEC and AWE in October 2010 when two electronics fairs were concurrently held at these two venues, with a view to facilitating buyers in visiting both fairs. HKTDC would also organize four exhibitions at AWE in 2010-2011, and co-organize a new show featuring lifestyle

products entitled the "Better Living Expo" at AWE with a private organizer in July 2011. HKTDC would continue to explore co-operating with other private organizers in organizing exhibitions on new themes at AWE, which would help create more opportunities for Hong Kong.

10. Panel members opined that AWE should not confine itself to staging conventional trade fairs, but also other types of events. Some members suggested that staging exhibition at AWE with a tourism-oriented theme was a direction to be explored by the Administration in collaboration with tourism-related organizations. Suitable traffic arrangements should be made to bring tourists to the nearby scenic spots for the benefit of the local economy and the overall tourism development of Hong Kong. The Administration advised that in the light of the success of the exhibition entitled "River of Wisdom - Animated Version of Riverside Scene at Qingming Festival" (the Exhibition), it was decided that new arrangements on transportations would be introduced on days with events at AWE on a long term basis.

11. As the utilization rate of HKCEC was already very high, some Panel members opined that the Administration should provide a more level-playing field for AWE to compete with HKCEC on an equal footing, and help both parties sort out their differences in this respect. Since AWE was built with public money and to ensure its viability, some members suggested that AWE should explore new exhibitions themes which had not been staged at HKCEC. However, some members cautioned that altering the schedule of events unilaterally in the hope of fully utilizing the exhibition space at AWE in the off season would not be viable, as the timing of holding major trade fairs was determined by the global event calendar adopted by the industry.

12. Panel members noted that AWE had proposed to employ the "one show, two locations" co-operation model for HKTDC's Hong Kong Electronics Fair and Hong Kong Gifts & Premium Fair, which were facing shortage of exhibition space, so as to fully utilize the available space at AWE and allow all SMEs to participate in the exhibitions. Some members opined that the success of the Exhibition had demonstrated that even an individual organization could handle an event of such a large scale at AWE, and that co-operation between two different exhibition organizers was not strictly necessary. Noting that Global Sources was an event organizer responsible for organizing the fairs on electronics and gifts held at AWE, some members expressed doubt whether HKTDC should be obligated to co-operate with this private organizer, since HKTDC had established its own foothold in the Hong Kong Electronics Fair and Hong Kong Gifts & Premium Fair.

13. The Panel requested the Administration to assess the economic benefits brought about by the enhanced co-operation between HKTDC and AWE to the overall economy of Hong Kong under the "one show, two locations" approach. To have a clear picture of the competitive situation, members asked that the relevant survey should be conducted to collate both positive and negative views from the industry, and that the questionnaire and methodology used for the survey should also be provided to the Panel.

Council questions

14. At the Council meetings on 18 March, 4 November, 2 December 2009 and 5 May 2010, Members raised questions on trade fairs organized by HKTDC, the utilization of convention and exhibition facilities, the Phase 3 development plan of HKCEC, and the development of the convention and exhibition industry.

Special meeting of the Finance Committee

15. At the special meeting of the Finance Committee to examine the Estimates of Expenditure 2011-2012 held on 21 March 2011, Members noted that the Administration would facilitate the provision of transport and other logistic arrangements as far as possible to encourage exhibition organizers to adopt the "one show, two locations" approach. Some Members opined that there was still room for further development of AWE before the proposed Phase 3 development of HKCEC. They enquired whether the Administration would review the role and functions of HKTDC which also organized trade exhibitions although its primary responsibilities were to promote Hong Kong's trade overseas. The Administration advised that HKTDC had fulfilled its functions of promoting and facilitating Hong Kong's trade with places outside Hong Kong, especially its exports to these place, and there was no need to review the roles and functions of HKTDC at this stage.

Latest position

16. The Administration will update the Panel on 15 November 2011 on the latest development of the exhibition industry in Hong Kong.

Relevant papers

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

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

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

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

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

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

Information paper provided by the Administration for the Commerce and Industry Panel meeting on 20 April 2010

<http://www.legco.gov.hk/yr09-10/english/panels/ci/papers/ci0420cb1-1601-5-e.pdf>

Background brief prepared by the Legislative Council Secretariat for the Commerce and Industry Panel meeting on 20 April 2010

<http://www.legco.gov.hk/yr09-10/english/panels/ci/papers/ci0420cb1-1601-6-e.pdf>

Minutes of the Commerce and Industry Panel meeting on 20 April 2010

<http://www.legco.gov.hk/yr09-10/english/panels/ci/minutes/ci20100420.pdf>

Question on "development of the convention and exhibition industry" raised by Hon Ronny TONG Ka-wah at the Council meeting on 5 May 2010

<http://www.legco.gov.hk/yr09-10/english/counmtg/hansard/cm0505-translate-e.pdf>

Information paper provided by the Administration for the Commerce and Industry Panel meeting on 21 December 2010

<http://www.legco.gov.hk/yr10-11/english/panels/ci/papers/ci1221cb1-785-3-e.pdf>

Updated background brief prepared by the Legislative Council Secretariat for the Commerce and Industry Panel meeting on 21 December 2010

<http://www.legco.gov.hk/yr10-11/english/panels/ci/papers/ci1221cb1-785-4-e.pdf>

Minutes of the Commerce and Industry Panel meeting on 21 December 2010

<http://www.legco.gov.hk/yr10-11/english/panels/ci/minutes/ci20101221.pdf>

Minutes of the Finance Committee special meeting on 21 March 2011

http://www.legco.gov.hk/yr10-11/english/fc/fc/minutes/sfc_rpt.pdf

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