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Panel on Economic Development
Meeting on 13 December 2016

Updated background brief on
the new regulatory regime for the tourism sector in Hong Kong

Purpose

This paper provides background information and summarizes the views and concerns expressed by members of the Panel on Economic Development ("the Panel") on the new regulatory regime for the tourism sector in Hong Kong.

Background

2. In the light of incidents involving unscrupulous practices of the tourism trade relating to Mainland tour groups in 2010, the Chief Executive stated in his 2010-2011 Policy Address that the Government would review the operation and regulatory framework of the entire tourism sector, including the role, powers, responsibilities and operation of the Travel Industry Council of Hong Kong ("TIC")¹, as well as its working relationship with the Travel Agents Registry ("TAR")².

3. In April 2011, the Government launched a public consultation exercise on the review of the regulatory framework of the tourism sector, and announced at end of the same year that an independent statutory body, to be called the

¹ TIC is responsible for trade self-regulation, including the promulgation of codes of conduct and directives, as well as putting in place a disciplinary mechanism to handle cases of non-compliance by its member travel agents.

² TAR, which is set up under the Tourism Commission, is responsible for issuing travel agents' licences and related work, including monitoring the financial position of travel agents under the Travel Agents Ordinance (Cap. 218).

Travel Industry Authority ("TIA"), would be set up as the overall regulatory body of the tourism sector so as to enhance the independence, credibility and transparency of the regulatory framework. Under the new regulatory framework, TIA would collectively take up the current regulatory and licensing functions of TIC and TAR. The targets of regulation will include travel agents, tour escorts and tourist guides.

4. Following the announcement in end 2011 on the implementation of a new regulatory framework of the tourism sector, the Administration has been in active discussion with the trade on the detailed proposals, including TIC's involvement under the new regime.

5. Subsequently, the Administration proposed in 2013 to entrust to TIC certain non-regulatory public functions, including conciliating disputes that do not involve disciplinary matters, accrediting training courses and administering licensing examinations for tourist guides and tour escorts, handling emergencies involving inbound or outbound tours, and managing a fund to be established in support of development of the travel industry. Having discussed thoroughly with the Administration and the trade on the proposal concerned, TIC convened an extraordinary general meeting in March 2014 for its members to express their views on the roles and functions of TIC under the new regulatory framework. The special resolution supporting TIC to perform non-regulatory public functions under the new regulatory regime was not passed. Since the relevant proposal concerned the future roles and functions of TIC, the Administration needed to make corresponding amendments to the parts about entrusting to TIC non-regulatory public functions during the law drafting process in the light of the voting result³.

Previous discussions

6. The Administration briefed the Panel on the proposed regulatory framework at the meeting on 27 February 2012. After discussions with the trade on the arrangements for establishing TIA, the Administration reported to the Panel on 22 July 2013 on the proposed detailed arrangements under the new regulatory regime, including the composition of TIA, raising the entry threshold for setting up travel business, licensing of tourist guides and tour escorts, the non-regulatory public functions of TIC, and the funding arrangements for TIA. The major views and concerns expressed by members are summarized in the ensuing paragraphs.

³ Source: written Council question raised by Hon James TIEN on establishment of the Travel Industry Authority at the Council meeting of 2 December 2015.

7. The Panel in general supported the proposed regulatory framework, and urged the Administration to expedite discussion with the trade on the way forward and the establishment of TIA. The Panel called on the Administration to continue to listen to the views of the public and the trade in ironing out the detailed arrangements under the new regulatory regime, and explore with TIC on its future public functions.

8. On the composition of the TIA Board, some members opined that the ratio of members from the trade to those from the public and the Government might be specified in the relevant legislation. Moreover, to enhance transparency, unless confidential or personnel matters were discussed, all meetings of TIA should be made open.

9. On the financial arrangements for the new regime, some members were concerned that it would be unfair to outbound travel agents if they had to share the financial cost for the new regulatory framework which was devised to deal with malpractices arising from the Mainland inbound group tours. There was a suggestion that the cost of regulation of the tourism sector should be shouldered by the Government in the light of the economic benefits brought by tourism. Members also stressed the need to avoid substantially increasing the operating costs of the trade upon establishment of TIA, and causing an unreasonable burden to the travelling public.

10. Some members expressed concern about the Administration's proposal on raising the entry threshold for setting up travel business through requiring travel agents to deposit guarantee money and appoint an "authorized representative". They opined that the proposed guarantee money for travel agents operating Mainland inbound tour group under the new regime might drive off small firms and would lead to the domination of the tourism sector by a few large firms. In response, the Administration advised that a more stringent guarantee money requirement would help ensure the effectiveness of the new regime in curbing malpractices in the trade.

11. Some members urged the Administration to ensure that the functions of the future TIA would not duplicate with those of TIC. The Administration advised that TIC had accumulated years of regulatory experience. With a view to tapping TIC's expertise and strength, the Administration would enter into discussions with TIC to explore its involvement in the future regulatory regime.

Council questions

12. At the Council meetings on 4 November, 11 November and 2 December 2015, Hon Paul TSE, Hon Starry LEE and Hon James TIEN raised questions relating to the new regulatory framework for the tourism sector in Hong Kong and the establishment of TIA. Hyperlinks to the Council questions and the Administration's responses are provided in the **Appendix**.

Latest development

13. The Administration will update the Panel on the latest key legislative proposals of the Travel Industry Bill regarding the new regulatory regime for Hong Kong's tourism sector and related issues at the meeting on 13 December 2016.

Relevant papers

14. A list of relevant papers which are available on the Legislative Council Website (<http://www.legco.gov.hk>) is in the **Appendix**.

Council Business Division 4
Legislative Council Secretariat
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List of relevant papers

Issued by	Meeting date/ Issue date	Paper
Panel on Economic Development	27 February 2012	Administration's paper Background brief Minutes
	22 July 2013	Administration's paper Background brief Minutes
Council Meeting	4 November 2015	Council question on "Rationalization of tourism-related bodies" raised by Hon Paul TSE
	11 November 2015	Council question on "Regulation of inbound mainland tour groups" raised by Hon Starry LEE
	2 December 2015	Council question on "Establishment of the Travel Industry Authority" raised by Hon James TIEN