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Paper for the House Committee

**Report of the Subcommittee on Travel Industry Ordinance
(Commencement) Notice 2019**

Purpose

This paper reports on the deliberations of the Subcommittee on Travel Industry Ordinance (Commencement) Notice 2019 ("the Subcommittee") made under the Travel Industry Ordinance (Cap. 634).

Background

Travel Industry Ordinance (Cap. 634)

2. Cap. 634 was published in the Gazette as Ord. No. 37 of 2018 on 7 December 2018 after the Travel Industry Bill was passed by the Legislative Council ("LegCo") on 29 November 2018. The main objects of Cap. 634 are to repeal the Travel Agents Ordinance (Cap. 218) and to establish a Travel Industry Authority ("TIA"); to provide for the licensing of travel agents, tourist guides and tour escorts and regulation of the activities of the licensees; to provide for the administration of the Travel Industry Compensation Fund, imposition of levies on travel agents and related matters. Before its enactment, a Bills Committee was formed to scrutinize the Travel Industry Bill ("the Bills Committee"). No provisions of Cap. 634 have been brought into operation so far.

3. The Administration has previously advised members of the Bills Committee that Cap. 634 would be commenced in two phases. The Secretary for Commerce and Economic Development ("the Secretary") would first appoint by a notice published in Gazette a day on which the provisions of Cap. 634 for establishing TIA come into operation. Pending the formulation of relevant subsidiary legislation under Cap. 634 by the newly established TIA and the Secretary respectively, the remaining provisions of Cap. 634 will be brought into operation at a later stage.

Travel Industry Ordinance (Commencement) Notice 2019 (L.N. 93)
("the Notice")

4. The Notice is made by the Secretary under section 1(2) of Cap. 634 to appoint 2 December 2019 as the day on which certain provisions of Cap. 634 come into operation. These provisions provide for various matters including the establishment of TIA, the establishment of a disciplinary committee by TIA for handling cases of complaint or suspected misconduct against the licensees further to TIA's investigation, empowering the Secretary to amend Schedules 1 to 9, which relate to the suitability requirements for travel agent licences or renewal of such licences and the qualification requirements for the authorized representative of travel agents, and related amendments to other Ordinances.

The Subcommittee

5. At the House Committee meeting held on 11 October 2019, Members agreed to form a subcommittee to study the Notice. Under the chairmanship of Hon YIU Si-wing, the Subcommittee held a meeting on 25 October 2019 with the Administration to examine the Notice. The membership list of the Subcommittee is in the **Appendix**.

Deliberations of the Subcommittee

6. Members have raised no objection to the Notice. In the course of deliberations, members have examined the progress of preparation for setting up the new regulatory regime underpinned by TIA and the financial arrangements of TIA. Members have also taken the opportunity to examine the support measures to help the tourism trade cope with the challenges in view of the recent significant drop in both the numbers of inbound visitors and outbound travellers. The major deliberations of the Subcommittee are set out in the ensuing paragraphs.

Progress and timeline for TIA to commence full operation

7. In response to members' enquiry on the latest progress and timeline for TIA to commence full operation, the Administration advises that after the passage of the Travel Industry Bill by LegCo in November 2018, the Tourism Commission has set up a preparatory team to press ahead with planning and undertaking various preparatory tasks, including taking forward the appointment exercise of TIA, formulating TIA's governance framework and work plans, internal administrative rules and procedures, etc. The Notice related to the provisions of Cap. 634 for the establishment of TIA is expected to come into operation on 2 December 2019. Afterwards, the Government will appoint members of TIA and prepare for the convening of TIA's first meeting in early

2020, to take forward preparatory work full steam ahead for setting up the new regulatory regime.

8. The Administration expects that it will take about two years for TIA to complete all necessary preparation, in order to take over the licensing and trade regulatory functions from the Travel Agents Registry and the Travel Industry Council of Hong Kong ("TIC") respectively for the full implementation of the new regulatory regime.

Financial arrangements of TIA

9. In view of the recent significant drop in both the numbers of inbound visitors and outbound travellers, some members have raised concerns on the financial viability of TIA should the situation persist. The Subcommittee has discussed the financial arrangements of TIA and possible measures to be adopted by the Administration to avoid a significant increase in TIA levy or licence fees in future.

10. The Administration advises that it has earmarked \$350 million from the 2019-2020 Budget as seed money for TIA to support the initial operation of TIA. TIA will closely monitor its financial situation, with a view to coping with its daily operation and achieving a self-financing status in the long run whilst at the same time, taking into account the affordability of the tourism trade. The Administration envisages that TIA, similar to other trade-related statutory regulatory bodies, will establish a standing committee to advise it on financial management-related affairs. The Administration also advises that to minimise the impact brought about by the new regulatory regime on the tourism trade, it has proposed maintaining TIA levy and licence fees for five years at the prevailing levels upon the full implementation of Cap. 634.

Support measures for the tourism trade

11. To help the tourism trade tide over the difficulties currently faced by travel agents and front-line trade practitioners amidst declining visitor arrivals, members urge the Administration to devise effective and immediate measures before the full implementation of Cap. 634. To reduce the operating costs of travel agents, some members suggest removing the premises requirement for issuing and renewing travel agent licences under Cap. 218, and providing rental concessions to travel agents which are tenants of commercial premises managed by public corporations such as MTR Corporation Limited and Airport Authority Hong Kong.

12. To safeguard the job opportunities of local tourist guides and tour escorts during the downturn of inbound tourism, some members suggest that the Administration step up efforts in promoting local tours to stimulate local spending and create temporary posts, such as tourism ambassadors, for the

unemployed frontline practitioners. There are also views that TIA should, upon its establishment, review TIC's current requirement of work insurance for self-employed tourist guides and tour escorts to protect their interests.

13. Some members consider it unsatisfactory that the local tourism market has focused too much on drawing Mainland visitors. To promote a balanced, healthy and sustainable development of the tourism industry in Hong Kong, they suggest that the Administration take the opportunity to develop a diversified portfolio of visitor source markets and promote cultural tourism featuring small shops instead of large chain stores. Regarding future tourism development, some members suggest that the Administration foster digital transformation of the tourism industry along with the global trend. They also suggest involving individuals with knowledge in digital transformation in TIA to assist the trade in this aspect.

14. The Administration takes note of members' views and suggestions which may involve cross-bureaux coordination work. As regards the immediate measures to help the tourism trade cope with the current challenges, the Administration advises that it has been working closely with TIC, the Hong Kong Tourism Board ("HKTB"), the trade, etc. in rolling out various support measures, including the incentive scheme announced on 23 October 2019, to be launched jointly with HKTB and TIC within November, to provide travel agents with cash incentives based on the number of visitors they serve. Other measures announced earlier include the Government's waiver of the licence fees of travel agents and hotels, etc., reduction of food trucks' rentals at Government venues by half; TIC's waivers of travel agents' annual membership fees and registration fees for Mainland inbound tour groups; HKTB's waivers of the trade's participation fees for joining travel trade shows and travel missions organised in the Mainland and overseas, membership renewal fees under the Quality Tourism Services Scheme, etc. For trade practitioners, TIC will subsidise tourist guides in completing the Continuing Professional Development Scheme, and the Employees Retraining Board has launched a special training programme called "Love Upgrading Special Scheme" for those recently unemployed, required to take no pay leave or under-employed to enroll with allowances provided. The Administration will maintain close liaison with the tourism trade and introduce further support measures if necessary.

15. The Administration informs the Subcommittee that it is commissioning a consultancy study to develop strategies and initiatives to promote smart tourism in Hong Kong, in order to better grasp visitors' travel habits and enhance their travel experience through the use of technology. On the other hand, the Administration mentions that developing a diversified portfolio of visitor source markets with a focus on attracting high value-added overnight visitors is among the four strategies in the "Development Blueprint for Hong Kong's Tourism Industry", and that the Administration has been working towards this goal.

Recommendation

16. The Subcommittee has completed scrutiny of the Notice. Neither the Subcommittee nor the Administration will propose amendments to the Notice.

Advice sought

17. Members are invited to note the deliberations of the Subcommittee.

Council Business Division 4
Legislative Council Secretariat
4 November 2019

Subcommittee on Travel Industry Ordinance (Commencement) Notice 2019

Membership list

Chairman Hon YIU Si-wing, BBS

Members Hon WONG Ting-kwong, GBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon WU Chi-wai, MH
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon Alvin YEUNG
Hon Holden CHOW Ho-ding
Hon CHAN Chun-ying, JP
Hon LUK Chung-hung, JP

(Total : 10 members)

Clerk Ms Shirley CHAN

Legal Adviser Mr Mark LAM