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22 May 2020

Ms Shirley Chan
Clerk to Panel on Economic Development
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong
(Fax: 2840 0269)

Dear Ms Chan,

Request for Discussion on Use of Travel Industry Compensation Fund to Help Travel Agents

Thank you for your letter dated 4 May 2020, enclosing Hon Yung Hoi-yan's letter dated 24 April 2020 to the Chairman of the Panel on Economic Development. As regards the suggestion to disburse part of the Travel Industry Compensation Fund ("TICF") to travel agents in Hon Yung's letter, our reply is as follows.

TICF was established under section 32C of the Travel Agents Ordinance (Cap. 218) with the purpose of providing protection to outbound travellers. Outbound travellers may apply for ex gratia payments for loss of outbound fares due to the default of travel agents, or suffering from injuries or deaths in accidents arising out of and in the course of activities provided or organised by travel agents while travelling abroad. The purpose of establishing the fund, namely to protect outbound travellers, has remained unchanged all along. Making payment out of TICF to assist travel agents is not within the ambit of the Travel Agents Ordinance. Any change to TICF's original purpose shall require amendment to the Ordinance, involving changing the nature/use of TICF, considerations about consumer protection, whether the Legislative Council's approval can be obtained, etc.

In fact, TICF Management Board has suspended collection of the Fund levy from travel agents since July 2009. As mentioned in the foregoing paragraph, one of the key statutory uses of TICF is to provide outbound travellers with ex gratia payments for loss of outbound fares due to the default of travel agents. In view of the austere economic environment plagued by a plunge in visitor arrivals, coupled with the epidemic of the Coronavirus Disease 2019 (“COVID-19”), the tourism industry has been facing huge challenges, hence bolstering the need to maintain TICF’s financial stability to cope with more applications for ex gratia payments. If payment is made out of TICF to travel agents, the fund balance will be reduced, compromising the ability of TICF Management Board to meet its statutory obligations in ex gratia payments. The collection of the Fund levy may also resume in order to restore TICF’s financial stability. More importantly, the establishment of TICF is to protect consumers. Payment out of TICF to travel agents for sheer provision of support to the trade is contrary to the intent of the Ordinance and thereby undesirable.

As early as last November, TICF Management Board Secretariat explained matters about TICF to the travel trade through the Travel Industry Council of Hong Kong (“TIC”). The Government has also pointed out, through various meetings and in writing, to the travel trade and relevant stakeholders (including Legislative Council members) that it is neither appropriate nor practicable to make use of TICF to provide travel agents with financial assistance. This message has been widely communicated to the travel trade.

Nonetheless, the Government understands that the tourism industry bears the brunt of the negative impact arising from the social incidents and current COVID-19 outbreak. The Tourism Commission has been in close liaison with and collecting views from the TIC and the trade in coping with the epidemic, and rolled out several rounds of measures to relieve the pressure faced by the trade. This year, the Government rolled out a number of schemes to support the tourism industry through the two rounds of the Anti-epidemic Fund, with total funding of \$1,360 million which is far greater than the current balance of TICF. On support for travel agents and relevant practitioners, the first round introduced the Travel Agents Subsidy Scheme to provide each travel agent with a subsidy of \$80,000; and the second round further introduced the Travel Agents and Practitioners Support Scheme to provide a one-off subsidy ranging from \$20,000 to \$200,000 to each travel agent (amount depending on the number of its employees), and to provide a subsidy of \$5,000 for six months to each travel agent’s staff member and freelance accredited tourist guide/tour escort whose main occupation is being tourist guide/tour escort. The Government believes that such package of measures can provide timely support for the enterprises and practitioners in the travel trade affected by the epidemic.

As we have communicated with Legislative Council members and the travel trade on and responded to the captioned issue through various meetings and in writing, and also rolled out a series of measures to support the trade, it may not be necessary to discuss the issue again at the Panel on Economic Development.

Yours sincerely,

(Carol Or)
for Commissioner for Tourism