

(Draft – Please check against delivery at Chamber)

LEGCO QUESTION NO. 4

(Oral Reply)

Asked by : Hon Mrs Selina CHOW Date of meeting : 15 February 2006

Replied by : Secretary for Economic
Development and Labour

Question

Late last month, a travel agent which had been operating for 30 years and had six branches closed down suddenly, affecting about 200 clients. It was reported that except for a few clients who could apply for ex gratia payments from the Travel Industry Compensation Fund because they had purchased hotel-cum-air ticket packages or joined group tours, the remaining majority of clients who had only bought air tickets were ineligible. Hence, they would not receive any compensation. As it is increasingly common for people to buy air tickets through travel agents, will the Government inform this Council whether it will consider amending the legislation to extend the coverage of the Fund to include clients who buy only air tickets through travel agents?

Reply

Madam President,

According to the Travel Agents Ordinance (TAO), travellers procuring outbound travel services arranged by travel agents are entitled to ex-gratia payment under the Travel Industry Compensation Fund (TICF) in case of default of travel agents. The ceiling of the ex-gratia payment is 90% of the outbound tour fare paid. "Outbound travel service", as defined in section 32(A) of TAO, comprises at least two of the following items –

- (i) carriage on a journey which is to commence in Hong Kong to a place outside Hong Kong;

- (ii) accommodation at a place outside Hong Kong;
- (iii) an activity arranged by travel agents which is to take place outside Hong Kong.

The TAO also stipulates that the TICF is formed by the levy collected from the tour fares of the above outbound travel service and the rate of levy is 0.3% of the tour fares paid. If a consumer purchases only one of the above service items, for example, purchasing an air ticket through a travel agent, the transaction will fall outside the definition of "outbound travel services". The consumer will not be required to pay the levy and will not be entitled to any ex-gratia payment under the TICF. This is similar to the case where a consumer purchases an air ticket direct from an airline or accommodation from a hotel abroad, where that transaction does not fall within the scope of the TICF.

On the proposal to extend the coverage of the TICF to include consumers who purchase only air tickets through travel agents, we need to consider carefully various issues involved, for example, possible increase in the risk exposure of the TICF as a result of the extension of its coverage and the impact on its rate of levy. We have invited the Travel Industry Council of Hong Kong (TIC) to undertake a study to assess the impact of the proposal to extend the coverage of the TICF, taking into account factors such as the current mode of operation of travel agents, the liability of the parties involved, risk exposure, cost and consumer protection, etc. We have also requested the TIC to examine whether it is necessary to establish guidelines for the trade to regulate the operation of travel agents in selling air tickets, including setting the level of deposit required and the timing of issue of tickets, etc. We expect the TIC, in the course of studying these issues, to consult its members and discuss with the airlines and the Consumer Council. After receipt and consideration of TIC's report and recommendations, we will decide whether it is necessary to extend the coverage of the TICF to include consumers who buy only air tickets through travel agents.

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