

LCQ9: Measures to assist tourism industry

Following is a question by the Hon Paul Tse Wai-chun and a written reply by the Secretary for Commerce and Economic Development, Mrs Rita Lau, in the Legislative Council today (February 25):

Question:

It is learnt that the financial tsunami has dealt a severe blow to the tourism industry. In this connection, will the Government inform this Council whether it will:

- (a) consider waiving the travel agents' licence fee this year;
- (b) immediately review the existing mechanism under which travel agents shall pay levies to the Travel Industry Council of Hong Kong upon receipt of outbound tour fares from travellers, and consider lowering the rate of levy; and
- (c) in view of the huge reserve of the Travel Industry Compensation Fund at present, suspend the collection of levies from travel agents in respect of the Fund, and extend the coverage of the Fund to cover those travellers who purchase only air tickets from travel agents, so that travellers will use the service with ease?

Reply:

President,

We are very concerned about the challenges faced by the travel trade under the financial tsunami and have been liaising closely with the trade to provide all practical assistance. In November last year, the Government enhanced the SME Loan Guarantee Scheme, and launched the Special Loan Guarantee Scheme in December. Both Schemes applied to the travel trade. In light of the problems faced by the trade, we have specially arranged a meeting between representatives of travel agents and banks to facilitate mutual understanding of their respective mode of operation and needs. The Hong Kong Export Credit Insurance Corporation also organised a workshop for the travel trade on various support programmes and services available to travel agents, including insurance services designed specifically for inbound travel agents.

The Hong Kong Tourism Board (HKTB) has also adjusted its marketing strategy by strengthening co-operation with high-growth source markets, as well as exploring new promotional windows to cater for the needs, spending power and preferences of different visitor segments, so as to maintain Hong Kong's appeal to visitors. To alleviate the financial burden of the travel trade, the HKTB introduced a number of concessionary measures, including discount or waiver on fees for industry partners who take part in its overseas promotional activities and the Quality Tourism Services Scheme in 2009.

At the Liaison and Co-ordinating Meeting of Hong Kong, Guangdong and Macao in Jointly Taking Forward the Implementation of "The Outline of the Plan for the Reform and Development of the Pearl River Delta" on February 19, 2009, Hong Kong, Guangdong and Macao agreed to work together to further develop and promote "multi-destination" travel itineraries. The Hong Kong Special Administrative Region Government will also propose to the Central People's Government that the various tourism measures piloted in Shenzhen should be extended to other cities in the Guangdong Province. These measures will create more business opportunities for the travel trade.

My reply to different parts of the question is as follows:

(a) Similar to most other government licence fees, the travel agents' licence fee is drawn up on the basis of the user-pay principle, and aims to recover the cost of the services provided. The proposed waiver of the travel agents' licence fee requires careful consideration.

(b)&(c) At present, travel agents are liable to pay levies which comprise two parts: the contribution to the Travel Industry Council of Hong Kong (TIC) (the Council levy) and that to the Travel Industry Compensation Fund (the Fund levy). The Council levy is to meet part of the TIC's operational expenses. The Fund levy is to provide protection to outbound travellers joining package tours against defaults of travel agents, as well as financial assistance to outbound travellers who die or are injured in accidents while travelling abroad on package tours. In accordance with the Travel Agents Ordinance (Cap 218), the rates of the two levies, both at 0.15% or 0.3% in total of every outbound fare paid, are determined by the Secretary for Commerce and Economic Development. With the authorisation of the Travel Industry Compensation Fund Management Board (the Board), the TIC is responsible for collecting both levies from travel agents. This mechanism is well known to and accepted by the travel trade and consumers and has been operating smoothly for many years. No review is called for.

The current Council levy represents 69% of the TIC's overall expenses in the 2007-08 financial year. Lowering the rate of the Council levy will affect the TIC's daily regulatory work and also impact adversely consumer protection and the quality of tourism services in Hong Kong.

As for the Fund levy, the Board regularly commissions a professional actuarial consultant to conduct professional assessment on the level of the Fund's reserve to ensure that the Fund's balance will be sufficient to meet its commitments in ex-gratia payments. The Board, after taking into account the recommendations of the consultant, the operating environment of the travel trade and the views of the travel industry, plans to shortly conduct consultation on proposals including the level of the Fund levy and ex-gratia payments. It will consider the views collected during the consultation before submitting proposals to the Government.

Expanding the coverage of the Fund to travellers who purchase only air tickets from travel agents will affect the operating cost of the trade as well as the financial position and levy rate of the Fund. To protect the travellers, the TIC has, since April 2007, put in place an arrangement requiring travel agents who are wholesalers of air tickets to honour tickets issued by their ticket retailing agents when the latter default. The TIC therefore considers that there is no need at present to expand the coverage of the Fund to purchase of single item of air tickets.

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