

LCQ2: Operation of Travel Industry Council of Hong Kong

Following is a question by the Hon Paul Tse and an oral reply by the Secretary for Commerce and Economic Development, Mrs Rita Lau, in the Legislative Council today (June 10):

Question:

Under the Travel Agents Ordinance, a travel agent must be a member of the Travel Industry Council of Hong Kong (TIC) for it to be granted a licence to operate travel agency business. In recent years, many travel agents have relayed to me their discontent with the operation of TIC (including "black box" mode of operation and abuse of public resources for private use). They have also said that they cannot effectively monitor TIC's use of the substantial public resources. In this connection, will the Government inform this Council:

(a) which government department and official are responsible for monitoring the operation, appointment of management staff and financial matters of TIC, as well as through what mechanism the monitoring is carried out; whether the government department concerned had audited the accounts of TIC in the past five years; if it had, of the results; if not, whether it will conduct the relevant audits expeditiously; whether the Government had conducted in the past five years any value for money audit in respect of the economy, efficiency and effectiveness of the operation of TIC; if it had, of the results and whether the results had been announced; if not, whether it will conduct the relevant audits expeditiously;

(b) given that the Board of Directors of TIC had earlier requested all observers to sign a confidentiality undertaking to ensure that the discussions at the meetings of the Board of Directors and its committees would not be divulged, whether the Commissioner for Tourism, being an observer of the Board of Directors of TIC, has signed the confidentiality

undertaking; if so, of the reasons for that; whether the Government has assessed the impact and constraints posed by such a confidentiality undertaking on the powers and responsibilities of the Commissioner for Tourism; and

(c) whether it has set up any mechanism to review regularly the appointment of the chairman and directors of TIC and their discharge of duties (including evaluating whether they have effectively exercised the powers conferred by the relevant legislation to regulate travel agents, tour escorts and tour guides in an open, fair and impartial manner); if so, of the review results; if not, whether it will conduct such a review expeditiously?

Reply:

President,

Incorporated under the Companies Ordinance in 1988, the Travel Industry Council of Hong Kong (TIC) is a trade body for travel agents. It carries out its work including industry regulation in accordance with its Memorandum and Articles of Association. Under the Travel Agents Ordinance (Cap. 218), all licensed travel agents in Hong Kong have to be members of TIC. TIC's Board of Directors (the Board) is responsible for its operation and use of resources. The Board comprises the chairman who comes from the trade and 28 directors, of whom eight are TIC Association Member representatives, another eight are elected by member travel agents at the annual general meeting (AGM), while the rest are non-trade independent directors appointed by the Secretary for Commerce and Economic Development (SCED). TIC decided to increase the number of non-trade independent directors from eight to 12 in November 2007, with a view to bringing in more experience and knowledge from other sectors on the one hand, and enhancing the transparency of TIC's operations on the other. The new arrangement was implemented in January 2008.

Under the principles of self-regulation and trade self-discipline, TIC seeks to ensure independence, impartiality and transparency when carrying out its work and discharging its functions.

My reply to the three-part question is as follows:

(a) The Tourism Commission is responsible for monitoring TIC's work and the cost-effectiveness of its use of resources. Under the Travel Agents Ordinance, each year TIC shall submit to SCED estimates of its income and expenditure in respect of the next financial year. TIC will, in accordance with the requirements of the Companies Ordinance, prepare annual accounts (including statement of income and expenditure, balance sheet, and cashflow statement) for audit every year. The audited statements of account will be presented for endorsement by TIC members at the AGM. Since TIC does not receive subvention from the Government, it is not subject to the Audit Commission's examination, nor the Commission's value-for-money audit. TIC has been specified as a "public body" since 1990 under the Prevention of Bribery Ordinance and is subject to its regulation.

Apart from attending meetings of the Board and its various committees, representatives of the Tourism Commission also maintain close communication with TIC on the development of the tourism market, issues affecting the trade, the operating environment of travel agents, trade practices, tourist protection, as well as the financial position of TIC etc, and provide advice and assistance to support TIC's regulatory work and promote the effective use of resources.

(b) Discussions at TIC meetings often involve commercial or personal information on individual travel agents, employees or tourists, which is sensitive information. Improper disclosure of such information may infringe on the rights of the parties concerned, bringing legal risks to the regulatory work. Therefore, all members of the Board and its committees

have to observe the confidentiality undertaking, and observers are no exception. Representatives of Tourism Commission attend TIC Board and Committee meetings as observers or members. They also need to comply with relevant meeting rules and confidentiality requirements, and sign the confidentiality undertaking. The confidentiality undertaking however does not affect the Tourism Commission's monitoring and policy implementation work. Apart from attending meetings, the Tourism Commission also frequently meets with representatives of TIC or maintain liaison through correspondence with a view to safeguarding the interests of the travel trade and the public.

(c) TIC is incorporated under the Companies Ordinance. The composition and terms of reference of the Board are governed by TIC's Memorandum and Articles of Association. The Constitution/By-law Committee of TIC, which is convened by an independent director with a majority of its members being non-trade independent persons, carries out reviews of the set-up, functions and responsibilities from time to time to ensure that TIC's operations evolve with time and public expectations. Proposals for constitutional changes are submitted to the Board for consideration, followed by decision through voting at the AGM. Changes to certain clauses (such as those related to membership criteria, membership and other fees, penalty for non-compliance, TIC Appeal Board, and TIC composition and election) have to be approved by SCED.

Ends