

Travel Industry Compensation Fund levy suspended from today

The Government today (July 3) announced that the Travel Industry Compensation Fund levy rate currently set at 0.15% of outbound fares would be reduced to 0% with immediate effect.

The reduction, made under section 32H(2)(c) of the Travel Agents Ordinance (TAO) (Cap.218), was published in the Government Gazette today.

A government spokesman said: “Suspending the collection of the Fund levy has received majority support from travel agents, the Travel Industry Council of Hong Kong (TIC), Consumer Council and members of the public in a recent public consultation conducted by the Travel Industry Compensation Fund Management Board.

“Suspending the collection of the Fund levy at this juncture will help reduce the operating costs of travel agents, thus helping them tide over the difficult times amid the global economic downturn.

“According to professional actuarial findings, suspending the collection of the Fund levy will not affect the Board’s ability to meet its statutory obligations in ex gratia payments even under the assumed worst case scenario involving the default of two large travel agents and a number of small agents,” he added.

In response to the views collected during the consultation, the Board would adopt an adjustment mechanism with triggering thresholds for suspending or resuming the collection of the Fund levy. The buffer level will be set at \$500 million, above which the Board will recommend the suspension of levy collection, and the prudent level will be set at \$400 million, below which the collection of levy will resume.

“The mechanism will enhance the transparency of the Fund levy setting process and allow a predictable and timely response to market situations,” the spokesman added.

The Fund was established in 1993 under the TAO to provide ex gratia payments to outbound travellers joining package tours in the event of default of travel agents. Its scope of protection was extended in 1996 to cover ex gratia payments to outbound travellers who die or are injured in accidents while travelling abroad on package tours. Travel agents are required under the TAO to contribute 0.15% of outbound fare as the Fund levy. The Fund's balance stood at \$528.6 million at the end of June 2009.

Although collection of the Fund levy has been suspended, protection to outbound travellers of package tours under the Fund will not be affected.

Travel agents are still required under the TAO to contribute 0.15% of every outbound fare received for payment to the TIC as the Council levy. Consumers are reminded to check that their tour package receipts are properly franked to indicate this payment.

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