



Paul Zimmerman

30/04/2011 11:59

To "tourism\_review@cedb.gov.hk" &lt;tourism\_review@cedb.gov.hk&gt;

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Subject: Initial responses

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As a retired Director of Jebesen Travel, member of the Society of IATA Passengers Agents and representative for Jebesen Travel in TIC, I like to contribute the following comments:

1. Change is necessary as indicated in our attached comments to LegCo in 2009.
2. Missing in your analyses is the third key role – namely trade representation. The founding members of TIC had handed over that responsibility to TIC. Whichever option is pursued, the industry must be pushed to re-establish or establish new trade representatives of the three main categories of operators (inbound, outbound and ticketing). However, any push will require a clear thought on the funding of the trade reps as currently all income streams and reserves built up are under the control of TIC. Unless this is addressed, the industry – with its interest in being represented in policy and regulation formulation will be unable to assist adequately in the any of the reforms proposed. Moreover, the Government must be interested in ensuring that there is a healthy trade representation infrastructure which allows views to be developed and heard. The current TIC structure is convoluted and unhealthy for voices to be heard and views to develop. Only options 3 and 4 settle trade representation indirectly – by taking the regulatory functions away from TIC, they will only be left with trade representation functions. How those will develop will depend on the mechanisms for appointing trade representatives on the regulatory bodies.
3. I support the first option as phase one with the ultimate objective of consolidating TAR and TIC to become a single independent statutory body regulating tourism. Further consideration can then also be given on the distribution of work between TC, HKTB and the future Statutory TIC.
4. Not for now.
5. See 8
6. See 8.
7. See 8
8. No detailed comment as I did not employ tour guides. However two points of my experience: one it appears that payment of tour guides is an issue, and that the problem lies with owners and operators of travel businesses and their association and financial interest in retail operations. Secondly, any changes should address and resolve whether scuba diving guides, hiking guides, heritage guides, etc to need to have tour guide licenses. That would be an onerous requirement, and a separation of the two requires clear definitions.
9. Yes – Outbound, Inbound and Ticketing Agencies are three different types of businesses

and require different licenses. One company can hold all three.

10. No justification to separate mainland inbound from other inbound licenses.

11. Under inbound licenses, the operational requirements of tours may vary subject to individual circumstances in source market trade practices and legal framework. Such operational requirements are adjusted as needed to make sure they are fair and appropriate. That the operation of Mainland tours have different requirements for inbound tour licence holders than the operation of tour groups from Germany or Japan seems logical, reasonable and flexible.

12. Yes – fees can be levied for the three different types of businesses as appropriate for each: franking of outbound tours, ticketing levy, and franking or levy on inbound tours. The level of charges must related to the work and services including insurances required to ensure a healthy development of each of the three sectors.

13. The current income streams and accumulated financial assets by TAR, TIC and TICF need to be reviewed, and a healthy funding of trade representation need to be ensured. One off donations to each of the TIC founding members must be considered to kick start their revival. Whether any additional funding is required above the accumulated funds is subject to a review of future income and expense streams including the need to maintain adequate and flexible funding mechanisms for the protection of travelers whether inbound, outbound or those who simply purchased tickets for a travel transport service only.

*Paul Zimmerman*

District Councillor  
Pokfulam

CEO  
Designing Hong Kong



Honorable Chair and Members

I'm a director of travel agents and a member of SIPA, a founding association of TIC. The membership of SIPA issues 70% of all airline tickets in Hong Kong.

We supported the principle of self regulation and compensation of travellers impacted by defaults of outbound tour agencies in 1988.

In subsequent years the industry has changed, and the regulation and specifically the TIC, now requires an overhaul to remove conflicts and inefficiencies:

1. The Travel Agents Registrar and Consumer Council provide adequate protection and it is not necessary to pay the TIC to act as a regulator. This will reduce the overall cost for travel agents.
2. The TIC can continue as a voluntary membership organisation to be judged on its performance as a trade representative and promoter of quality service standards.
3. 70% of the TIC income is paid for by OUTBOUND TOUR AGENTS and only 5% is paid by inbound tour agents. However, 60% of tour registrations are INBOUND, whereas 40% are outbound.

In effect, the Ordinance forces outbound tour agents to pay for everything. Now that the Compensation levy is no longer required, the franking and council levy is solely to fund the TIC to handle activities which have nothing to do with their business.

4. The 0.15% council levy must be suspended as the HK\$500m compensation fund is sufficient to cover 20 years of council cost and annual pay-out.
5. In any case the Government must reduce the council levy in with the reduction in our travel industry business (minus 50%)
6. For as long as TIC is a regulator it must have an independent Chairman and not a travel business operator, and all committee and sub-

committee meetings including all agendas and minutes made available to the public. (Today it is not!)

TIC is an inadequate self – regulator. The ongoing mismanagement of inbound visitors was well known but TIC was unable to act as members include beneficial owners of shops and travel agents involved. Tour guides involved, acting as sales agents of shops, are licensed by the TIC.

Other mechanisms such as the Consumer Council have great powers to resolve matters as is proved again yesterday as it investigated the bundling of travel insurance.

The Travel Agents Registry Travel is paid HK\$10m by agents and investigates our accounts to protect consumers. TIC members often don't meet TIC membership requirements. Checks provided by the TIC provide no additional protection, as it has no investigative or enforcement powers.

TIC fails also its objective as a trade representative. Examples include the failure to mediate between agents and airlines on same-day void tickets and the cutting of airline commissions; and the failure to mediate with credit card companies and government on the anti-competitive clause prohibiting disclosure of transaction charges.

The increase of independent directors has not brought relief, but further turned TIC more into a regulator, and less a trade representative.

True trade and voluntary trade representatives such as SIPA are left without funding and resources as agents are forced to become a member of TIC, and pay the TAR 10m and the TIC 16m in fees. This unfair competition restricts the freedom of association.



Paul Zimmerman

08/05/2011 12:09

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As an addendum to our previous submission, we add the following recommendations:

1. Split the 'bonding fund' among the eight trade associations and founding members of TIC, in return for giving up trade control over TIC, and to support the founding members taking up trade representation duties previously transferred to TIC;

2. Transfer the registration vetting of travel agents to TAR and drop the mandatory membership of a trade association and TIC.

The first step will ensure the trade associations can replenish their capital base and take on staff and responsibilities. The second step will make it more acceptable for Agents to pay higher membership fees to the trade associations, while on the other hand the trade associations will have to become more competitive and convincing to attract membership.

The initial response of some in the trade is to fight the proposed changes, and to maintain control over TIC as their vehicle for trade representation. The above is to address such fears.

Paul Zimmerman