

LCQ8: Role of Hong Kong Trade Development Council

Following is a question by the Hon Regina Ip Lau Suk-ye and a written reply by the Secretary for Commerce and Economic Development, Mrs Rita Lau, in the Legislative Council today (March 18):

Question:

I have received a number of complaints alleging that there is role conflict in the Hong Kong Trade Development Council (TDC) being the manager of the Hong Kong Convention and Exhibition Centre (HKCEC) and an organiser of trade fairs (fair organiser). In this connection, will the Government inform this Council:

(a) whether it has assessed if there is conflict of interest between TDC's role as the manager of HKCEC and as a fair organiser at the same time;

(b) whether it knows how TDC deals with situations where both TDC and private fair organisers want to hire HKCEC's venues for similar dates, including which party has priority;

(c) whether it knows the current channels for exhibitors of TDC's trade fairs and fair organisers hiring HKCEC's venues to seek redress against TDC's decisions and regulatory measures;

(d) given that TDC provides a subsidy of HK\$2,000 to each local exhibitor participating in its trade fairs held in 2009, whether the Commerce and Economic Development Bureau has assessed if such an initiative will result in private fair organisers losing their clients, and whether this violates the principle of fair competition and gives rise to monopoly;

(e) whether it knows the current number of private fair organisers; and of the respective numbers and percentages of trade fairs organised last year by TDC and private fair organisers;

(f) whether it knows the numbers of private fair organisers in cities such as Singapore and Shanghai as well as their aggregate market share; if the number or market share of private fair organisers in Hong Kong compares unfavourably with those in these cities, whether it has assessed the reasons for that and whether it is related to the anti-competitive conduct of TDC; and

(g) whether it will consider bringing the operation of TDC within the ambit of the fair competition law being drafted, to prevent monopolisation in Hong Kong's trade fair industry and uphold the principle of free market operation of Hong Kong's economy?

Reply:

President,

My reply is as follows:

(a) The statutory function of the Hong Kong Trade Development Council (TDC) is to promote Hong Kong's external trade, especially export trade. In this connection, organising trade fairs has been one of the most effective ways for TDC to fulfill this function. As regards the management of the Hong Kong Convention and Exhibition Centre (HKCEC), TDC has commissioned, through commercial arrangements, an independent professional management company, namely the Hong Kong Convention and Exhibition Centre (Management) Limited (HML), to manage and operate HKCEC under prudent commercial principles. HML has absolute discretion over the allocation of HKCEC venues, and TDC will not interfere with its decisions. The two parties have clearly separated roles, with no conflict of interest.

(b) As regards venue booking, HML has a policy of giving priority to organisations or enterprises, including TDC and other fair organisers, which have regularly booked the same time slots for similar fairs over a period of time. Bookings for other fairs are generally dealt with on a first come, first served basis. Nevertheless, HML will also take into account other factors, including the themes and space requirements of the fairs etc., and will try to avoid allowing fairs of a similar theme to be held at HKCEC within a short period of time.

(c) Exhibitors and fair organisers will need to discuss and agree on relevant contract terms governing their participation in fairs before the fairs are held. Should exhibitors and organisers have concerns over HML's decisions, the Government encourages them to resolve their differences through negotiations. In general, we will respect relevant parties' commercial decisions unless there are illegal activities involved.

(d) With a view to facilitating local enterprises to continue to develop their business during the current economic downturn through participation in trade fairs, TDC offers each local exhibitor participating in its trade fairs a HK\$2,000 cash coupon redeemable for TDC's services. We cannot judge this as anti-competitive behaviour, nor could

we prove that this would give rise to a monopolistic situation.

(e) Apart from TDC, there are over 20 other fair organisers in Hong Kong. In 2008, there were 22 trade fairs organised by TDC, nine trade fairs co-organised by TDC and other private-sector fair organisers, and 57 trade fairs organised by private-sector fair organisers. The number of trade fairs organised by TDC accounted for 25% of the total 88 fairs.

(f) We do not have the requested statistics. Since the mode of operation of the relevant markets in Singapore and Shanghai and the themes and target markets/buyers of the fairs held there are quite different from those of Hong Kong, we consider it inappropriate to make a direct comparison.

Since the opening of HKCEC in 1988, TDC has been actively organising trade fairs. Many of its fairs have now become one of the leading or largest sectoral fairs in the region or in the world.

The market structure of an industry is affected by the combination of a variety of factors. We cannot draw any conclusion solely on the basis of the number of fair organisers.

(g) We are examining in detail the activities and scale of operation of the various statutory bodies in Hong Kong, including TDC, to determine which of them should be brought under the ambit of the proposed competition law.

Ends/Wednesday, March 18, 2009