

LCQ20: Financial assistance for local exhibitors

Following is a question by Dr Hon Lam Tai-fai and a written reply by the Acting Secretary for Commerce and Economic Development, Mr Gregory So, in the Legislative Council today (June 24):

Question:

I have received complaints from people of the jewellery industry that the exhibition fees charged by some exhibition organisers for exhibitions held at the Hong Kong Convention and Exhibition Centre (HKCEC) are more than 40% higher than those charged for exhibitions of the same type organised by the Hong Kong Trade Development Council (HKTDC). Under the critical economic situation caused by the plunge in local export trade as a result of the financial tsunami, the increase in exhibition fees, instead of decrease, not only substantially increases the operating costs of the industry, which leads to difficulties in the operations of small and medium enterprises (SMEs) and hinders the development of the industry, but also weakens the competitiveness of the exhibition industry in Hong Kong. In this connection, will the Government inform this Council:

(a) of the details of the various forms of subsidies for exhibition fees currently provided to local exhibitors;

(b) whether in the past five years, it had conducted studies or compiled statistics to compare the differences between the exhibition fees charged by HKTDC and those by private exhibition organisers for exhibitions of the same type held at HKCEC; and the reasons for the relevant differences;

(c) given the completion of the extension project of the atrium link between Phases I and II of HKCEC, whether it knows if HKTDC and the Hong Kong Convention and Exhibition Centre (Management) Limited (HKCEC (Management) Limited) has revised, in the light of the extension project, the operation and management contract signed in 1997; if it has, of the details; if not, the reasons for that;

(d) given that according to the provisions of the aforesaid contract, the HKCEC (Management) Limited shall pay HKTDC a fee calculated at a prescribed percentage of the gross revenue from the overall operations of HKCEC each year, and the HKCEC (Management) Limited shall, with effect from July 1, 2003, pay HKTDC each year a fee calculated at 8.634% of the gross revenue, whether it knows if that percentage has now changed; if it has, of the details; if not, the reasons for that;

(e) whether it knows the amount of the annual fee, as mentioned in (d), paid by the HKCEC (Management) Limited to HKTDC in the past five years, and the use of such funds;

(f) whether it will consider requesting HKTDC to use the funds in (e) to subsidise SMEs in Hong Kong to pay for exhibition fees, so as to give material support to the development of exhibition businesses; if it will not, of the reasons for that;

(g) whether it knows if HKTDC has regularly assessed the performance of the HKCEC (Management) Limited; if it has, of the outcome, the criteria and mechanism of the assessments; if not, the reasons for that; whether the assessments are conducted by an assessment committee with the participation of independent members or trade representatives; if so, of the membership list of the committee; if not, the reasons for that;

(h) given that HKTDC is currently charging local and overseas companies the same exhibition fees, how the Government effectively assists SMEs in Hong Kong in reducing exhibition costs; whether it will further consider giving other relevant concessions to local SMEs; if it will, of the details; if not, the reasons for that;

(i) whether it knows if HKTDC has requested the HKCEC (Management) Limited to add clauses to the venue hiring contracts entered into with exhibition organisers provisions on any form of concessions to SMEs in Hong Kong; whether it will set up a complaint mechanism in respect of the fees and service levels of exhibitions, and take this into account in considering whether or not the exhibition organisers may hire the venues in the future; if it will, of the details; if not, the reasons for that; and

(j) whether it knows the detailed considerations of the HKCEC (Management) Limited in implementing its venue hiring policies; of the reasons for giving priority in venue hiring to exhibition organisers which regularly apply for organising exhibitions in the same time slots; whether the HKCEC (Management) Limited has assessed if the policy of giving priority in venue hiring will give rise to monopoly; if the assessment result is that monopoly exists, whether it will introduce a fair competition policy in venue hiring; if the assessment result is in the negative, of the reasons for that?

Reply:

President,

My reply is as follows:

(a) Hong Kong SMEs may apply for grants under the SME Export Marketing Fund (EMF) for their participation in overseas trade fairs/exhibitions and business missions, as well as local trade fairs/exhibitions which are export-oriented. For each successful application, the maximum amount of grant is 50% of the total approved expenditure (including exhibition fees charged by exhibition organisers, costs for construction of booths, air tickets and hotel charges for exhibitions held outside Hong Kong, fees for advertising in trade publications targeting the export markets and fees for advertising on eligible websites for trade). The grant is subject to a ceiling of \$50,000 and the maximum cumulative amount of grant an SME may obtain is \$150,000.

Since its launch in 2001, the EMF has approved over 75,000 applications, involving grants of over \$1.2 billion. On June 5, 2009, the Finance Committee approved an injection of \$1 billion into the EMF for its continued operation.

(b) The Government has not conducted any studies or compiled any statistics on the exhibition fees charged by the Hong Kong Trade Development Council (HKTDC) or other exhibition organisers. However, as far as HKTDC understands, the exhibition fees for HKTDC exhibitions are generally lower than those charged by private exhibition organisers.

(c)&(d) HKTDC has entered into a supplemental agreement with the Hong Kong Convention and Exhibition Centre (Management) Limited (HML) to extend the HML's operation and management rights to cover the Atrium Link Extension. The contract is a commercial agreement between HKTDC and HML. According to HKTDC, HML pays HKTDC an annual fee calculated at a prescribed percentage of the gross income from the HKCEC operations. Nevertheless, there is a confidentiality provision in the supplemental agreement which disallows the disclosure of the details of the agreement, including the relevant percentages.

(e)&(f) The annual fee income paid by HML to HKTDC in each of the past five years up to end June 2008 are as follows:

Financial year	Fee income
2007-08	\$77.2 million
2006-07	\$75.5 million
2005-06	\$73.5 million

2004-05	\$67.5 million
2003-04	\$62.7 million

Note: The financial year of HML begins on July 1 of a year and ends on June 30 of the following year.

The fee income collected by HKTDC constitutes part of its operating funds for the promotion of Hong Kong's external trade through organising or participating in trade fairs and other promotion activities in Hong Kong or abroad. These activities help SMEs expand their businesses in different markets in the world and promoting the Hong Kong branded products etc.

(g) As a major user of the HKCEC venue, HKTDC reviews and makes suggestions on the service level of HML from time to time. The Executive Director of HKTDC also monitors the performance of HML through his directorship in the board of HML.

HKTDC has commissioned an independent consultant to assess the service level and quality of the facilities of HML. In the study, the consultant benchmarked the service level of HML against the quality of the venue management services of its overseas counterparts, and considered the services provided by HML satisfactory. Since HKTDC assesses the HML's performances on the basis of the management agreement signed between them, the assessments have been steered and conducted by the HKTDC management. HKTDC will also invite HML to report to the HKTDC Council on matters relating to its service level when necessary.

(h) For most of the exhibitions organised by HKTDC, the exhibition fees charged for local companies are generally lower than those for overseas companies by 10% or more. For some exhibitions, HKTDC also offers additional discounts to members of the relevant trade associations. Furthermore, to strengthen support for SMEs and help them continue to develop overseas markets during the current economic downturn, HKTDC launched an SME assistance package early this year. Under this package, HKTDC provides each Hong Kong company participating in its trade fairs in 2009 with a \$2,000 cash coupon redeemable for its services relating to exhibition facilities or on-line promotion services.

As indicated in (a) above, local SMEs may also apply for grants under the EMF for their participation in local or overseas trade exhibitions.

(i) HML operates the HKCEC on commercial principles and rents out venues to exhibition organisers with a set of open and transparent criteria.

HML will not seek to regulate the amount of exhibition fees charged by exhibition organisers renting their venue as this is a commercial decision. HML does not operate any complaint mechanism in respect of the fees and service levels of the exhibition organisers renting its venue. Since the decisions of organising and taking part in exhibitions are both commercial decisions, HML will not seek to interfere with the operations of exhibition organisers unless there are misconducts leading to crowd management problems during an exhibition or fraudulent activities in an exhibition or when the contents of an exhibition deviate from the stated theme, etc. Nor will exhibitors' opinions on the fee and service levels of an exhibition organiser be the sole factors affecting HML's future decisions on whether to rent out its venue to a particular exhibition organiser.

(j) HML gives priority to and reserves its venue for exhibition organisers which book the HKCEC exhibition venue during the same time slot every year. This venue booking policy is in line with the international practices of the convention and exhibition industry. HML considers that this policy will not give rise to monopolies. Since substantial expenses, for example, promotion costs etc., will be incurred in launching a new exhibition, it usually takes a few years for a trade fair held annually to break even or record a profit. As such, from exhibition organisers' perspective, there is a practical need for a venue booking policy giving priority to existing clients. Without a policy to assure them that their exhibitions could be held again during the same time slot in the coming years, exhibition organisers will have less incentive to organise exhibitions.

Ends/Wednesday, June 24, 2009