

21 April, 2004

By fax & By Mail

Mr Michael Sze
Executive Director
Hong Kong Trade Development Council
38/F Office Tower, Convention Plaza
1 Harbour Road, Wanchai
Hong Kong

Dear Michael,

Thank you for your letter dated April 16, which has already been circulated to all members of HKECIA for comments including to the representative from the HKTDC. As of today, I have received 9 replies from HKECIA members, though a number of respondents chose to remain anonymous. I also have taken note of the media reports on your press conference of April 19 on the HKTDC's stand on the exhibition industry in Hong Kong.

In this reply, I would like to highlight two main areas based on the position paper of HKECIA and also on comments I have received from HKECIA member companies. Firstly, the private sector in our industry is seeking to work with the HKTDC to jointly develop exhibitions in Hong Kong, not to replace the HKTDC. We believe that cooperation is crucial to maintain and develop Hong Kong as the hub of international exhibitions in this area due to keen competition from neighbouring cities. Secondly, I would like to present more relevant facts and data in response to the "misrepresentations" you alleged I made in your recent letter.

1. Market Share of the HKTDC

The discrepancy regarding whether the HKTDC's market share is 55% or 23% depends on the basis used for calculation. The figure of 55% of space occupied, as explained before, was calculated based on gross area as reported on the HKTDC's website, in which there is no reference or breakdown to space used for non-exhibition purposes. No other organizer breaks down overall gross area into that used for exhibition purposes versus non-exhibition purposes. So I feel that the comparison adopted in the position paper of the HKECIA compares like figures.

The figure of 109 fairs held at the HKCEC that you quoted is inclusive of trade and public fairs of all sizes. According to the survey done by HKECIA for 2002, there were 67 trade and public fairs in Hong Kong occupying over 2,000 SQM of gross space. Out of those 67 events, 36 were trade fairs, of which 20 were organized by the HKTDC, thus the 55% market share figure. Further, of the ten largest shows in Hong Kong, seven are organized by the HKTDC.

On which standard of measurement is better, allow me to use an analogy made in the HKECIA meeting on April 2: If the standard on which the market share of retail food sales in Hong Kong is the total number of retail outlets including convenience stores and corner shops that sell food, then the two dominant supermarket chains have a very small market share. We all know that not to be the case.

2. Total Access to the HKTDC's Global Databank

From the website of TDCTRADE.COM, your policy is that each registered local company can draw up to a maximum of 1,000 records from the HKTDC international buyers database per month. I am not aware of any exception to this policy for exhibition organizers. Instead, your letter seems to confirm that HKECIA members are treated like all other local companies with regard to data access.

One thousand records per month is likely to be sufficient for export companies. But to hold a successful international trade fair, we need to have tens of thousands of overseas buyers in attendance, and to achieve that we need to send a huge number of invitations. I am not sure what you mean exactly mean by "total access" to your databases. Access yes - but very limited access for HKECIA members in the private sector - except for shows organized by the HKTDC, who many believe do have true "total access" without the 1,000 record per month limitation.

3. Our Members from the Private Sector

As Chairman, I take strong exception to any possible insinuation that our members from private sector are inefficient / ineffective! Some of them have already established large-scale international events such as APLF by CMP, HOFEX by HKES, and Hong Kong Toys and Gift Fair by Kenfair in Hong Kong. Allow me to say that the HKTDC does have the role to promote Hong Kong's service industry including exhibitions, and we need the HKTDC to promote not demote the private sector in our industry.

In particular, I do not agree with the generalization attributed to you in the media that the HKTDC fairs are 30% cheaper than those organized by the private sector! My findings show that the average price of the above-referenced events, and the price of many other HK events, is similar to that of HKTDC, even without considering that a truly fair price comparison would have the subvention to HKTDC discounted first. For detailed comparisons, please refer to the table in the Appendix to this letter.

For years, many of our members have already been successfully establishing themselves in Mainland China, where the Government there has far greater involvement in the economy, and business practices are different from in Hong Kong. Contrary to common wisdom, many of these members organize comparatively few, or even no, exhibitions in Hong Kong. Why can these companies invest and succeed in a more distant and difficult market, but have no incentive/little opportunity to grow in their home market? How has the HKTDC grown to such significance in the local exhibition industry while its counterparts in China, namely the CCPITs, in general have been far less successful in China? Why can the private sector flourish in China's exhibition industry but not in Hong Kong's?

4. Comparison with Singapore

I thank you for highlighting the fact that Singapore is the exception in Asia, where the exhibition industry is flourishing with a greater number of shows and active organizers than Hong Kong. Singapore has been developing its exhibition industry through the private sector and in the true spirit of a free market economy. Hong Kong has always prided itself on the openness of its economy, and in many other sectors that pride is justified, except unfortunately, the exhibition sector. With a bigger economy, larger population, and access to the vast "hinterlands" of Southern China, Hong Kong should be in a relatively stronger position to rely on the private sector to develop its exhibition industry without recourse to heavy involvement and subventions from the Government. Why we fail in this regard, while Singapore succeeds, is certainly a good question and is exactly what the HKECIA has been asking.

Considering the relative successes of our members from the private sector in the Mainland, Singapore does not look like the only exception in Asia.

5. HKTDC's Dual Roles

HKTDC is the leading organizer in Hong Kong and is far bigger than any of our members from the private sector. With annual exhibition revenues of over HKD700 million per year, it is also likely the leading organizer in Asia. Besides its dominant position as an organizer, HKTDC is at the same time a public organization with public funding.

HKTDC's unique position can best be illustrated by the fact that each year it gets a cut in the rental payments made to the HKCEC that amounts to about HKD58 million to HKTDC. In effect, this is either a levy or a subsidy by our members in the private sector to HKTDC when they pay their venue rental fees to HKCEC. Combining it with the direct subvention of an annual sum of HKD370 million, the total annual subvention to HKTDC amounts to over HKD 428 million per year.

HKTDC also has a mandate to promote the service industry, including exhibitions. It is no secret that there is concern over the possibility of a role conflict as HKTDC is, at the same time, both an organizer and a publicly funded organization mandated to promote the overall exhibition industry.

All of these points differentiate the HKTDC from the private sector and cause great concern. Avoiding the concerns of private sector organizers or failing to address them, will heighten instead of lessening those concerns. It is therefore regrettable that in your latest letter, you didn't address the concerns.

6. Dialogue with HKTDC

Our desire to improve the dialogue with the HKTDC has already been noted in our latest position paper - but dialogue is not the end. HKTDC and HKECIA have indeed worked together over many years and our members in the private sector are appreciative and welcome enhanced dialogue with HKTDC! Yet, despite our many years of dialogue and cooperation, we still await any real and / or substantial change in cooperation with and support for the private sector. Due to this, it should be understandable that reminders that progress is slow and we therefore welcome the LEGCO's invitation for HKECIA to present its position.

7. Requests / Suggestions from the Private Sector

We are not asking HKTDC to cease its existing exhibition program. Instead, we are urging HKTDC to work with the private sector, especially when it is starting new events, to either remove the "levy" as mentioned in Section 5 above, or to use it to directly benefit trade shows organized by the private sector; to allow total access to the HKTDC global databases and we would be pleased to discuss with HKTDC on the necessary arrangements; to better support the private sector to launch more new events in Hong Kong and/or to further develop existing events with support that can come in forms other than financial subsidies, one example being additional publicity to ensure a more level playing field; to avoid extending "competition" with our members in the private sector on exhibitions outside of Hong Kong especially in Mainland China, this of course excludes solo Hong Kong shows and/or hosting HK pavilions. Above all, we would ask that you focus on the HKTDC's role and mission of promoting Hong Kong as a hub of exhibitions in this region and in working with the private sector to further developing the industry here.

In short, our industry believes that the HKTDC should work with, instead of competing with and/or replacing, the private sector. Such a new approach would allow for a huge role for the HKTDC, which of course will require the HKTDC to recognize that successes by the private sector are equivalent to successes by the HKTDC itself. True cooperation and support of the private sector will bring greater benefits to both exporters and the economy of Hong Kong. Our industry is asking for a real partnership with the HKTDC to further develop the exhibition industry here, so that Hong Kong can maintain its leading position amidst the growing competition from the neighbouring cities.

Yours sincerely

Stanley Chu
Chairman
Hong Kong Exhibition & Convention Industry Association (HKECIA)

cc: Ms Denise Yu, Permanent Secretary for CITB
Members of HKECIA

Appendix : - HKTDC / PRIVATE SECTOR TRADE SHOW PRICING COMPARISON TABLE

Name of Organizer	Name of Fair	Show Date	Pricing for a 9sqm package stand in US\$
HKTDC	HK Houseware Fair	Apr 21-24, 04	3,670
	HK Gift & Premium Fair	Apr 28 - May 1, 04	3,670
	HK Electronics Fair (Autumn edition)	Oct 13-16, 04	3,672
	HK Hardware & Home Improvement Fair	Oct 27-30, 04	3,015
	Hong Kong International Jewellery Show	Mar 1-4, 05	3,780
	Inter Source Hardware Asia	Apr 13-16, 04	2,700
	International Travel Expo HK	Jun 10-13, 04	3,690
CMP Asia Ltd	APLF Material, Manufacturing & Technology	Mar 29 - April 1, 04	3,846
	Fashion Jewellery & Accessories Fair	June 24-27, 04	3,087
	Hong Kong Jewellery & Watch Fair	Sep 19-23, 04	3,636
Kenfair International Ltd	HK International Toys & Gift Show	Oct 20-23, 04	3,682
Hong Kong Exhibition Services Ltd	HOFEX 2004	Feb 10-23, 04	4,005
	Asian Elenex 2004	Jun 15-18, 04	3,825

HKECOSA EXHIBITION SURVEY
Executive Summary 1996 - 2002

(1) Number of exhibitions occupying over 2,000 m² gross, which replied to the survey.

	<u>Trade</u>	<u>Public</u>	<u>Both</u>	<u>Total</u>
1996 =	34	7	5	46
1997 =	34	6	7	47
1998 =	35	13	7	55
1999 =	42	13	7	62
2000 =	36	21	6	63
2001 =	36	18	13	67
2002 =	36	18	13	67

(2) Number of organising companies running exhibitions over 2,000m² gross, which replied to the survey.

	<u>Hong Kong Based Companies</u>	<u>Regional Based Companies *</u>	<u>Overseas Based Companies</u>	<u>Total</u>
1996 =	12	2	2	16
1997 =	18	1	3	22
1998 =	21	1	5	27
1999 =	19	1	8	28
2000 =	21	2	5	28
2001 =	25	1	5	31
2002 =	25	2	5	32

(3) Number of exhibiting companies

	<u>Hong Kong</u>	<u>Regional *</u>	<u>Overseas</u>	<u>China</u>	<u>Total</u>
1996 =	8,383	3,297	6,540	Not surveyed	18,220
1997 =	10,205	4,227	5,082	1,083	20,597
1998 =	11,795	4,659	6,157	1,404	24,015
1999 =	13,026	5,251	4,923	1,419	24,619
2000 =	13,974	5,497	4,594	2,032	26,097
2001 =	15,794	6,661	5,448	3,061	30,964
2002 =	16,084	7,008	4,442	3,257	30,791

(4) Number of visitors from

	<u>Hong Kong</u>	<u>Regional *</u>	<u>Overseas</u>	<u>China</u>	<u>Total</u>
1996 =	1,498,049	63,288	103,577	Not surveyed	1,664,914
1997 =	1,794,936	84,125	89,337	19,031	1,987,429
1998 =	1,713,440	83,135	99,881	26,936	1,923,392
1999 =	1,765,298	135,664	116,451	36,295	2,053,708
2000 =	2,186,444	122,450	109,733	49,040	2,467,667
2001 =	2,436,344	112,465	127,915	82,397	2,759,121
2002 =	2,448,692	122,472	137,785	85,434	2,794,383

(5) Net square meterage occupied by exhibitors

1996 =	253,896	m ²
1997 =	304,470	m ²
1998 =	345,893	m ²
1999 =	363,421	m ²
2000 =	437,014	m ²
2001 =	470,705	m ²
2002 =	515,650	m²

(6) Approximate stand rental revenues from

	<u>Hong Kong Exhibitors</u>	<u>Regional * exhibitors</u>	<u>Overseas Exhibitors</u>	<u>China Exhibitors</u>	<u>Total</u>
1996 =	HK\$ 348,080,625.00	Not surveyed	HK\$ 314,868,034.30	Not surveyed	HK\$ 662,948,659.30
1997 =	HK\$ 445,126,483.50	HK\$ 177,447,533.51	HK\$ 195,756,430.09	HK\$ 39,984,795.56	HK\$ 858,315,242.66
1998 =	HK\$ 560,141,786.28	HK\$ 196,953,832.91	HK\$ 201,334,011.85	HK\$ 57,809,158.07	HK\$ 1,016,238,789.11
1999 =	HK\$ 599,565,138.65	HK\$ 215,292,532.19	HK\$ 206,014,420.21	HK\$ 57,188,055.14	HK\$ 1,078,060,146.19
2000 =	HK\$ 717,723,347.05	HK\$ 239,570,237.33	HK\$ 246,918,207.57	HK\$ 97,991,873.12	HK\$ 1,302,203,665.07
2001 =	HK\$ 719,617,625.48	HK\$ 271,219,216.72	HK\$ 219,247,134.58	HK\$ 138,308,614.00	HK\$ 1,348,392,590.78
2002 =	HK\$ 798,366,851.33	HK\$ 295,849,289.06	HK\$ 212,302,361.12	HK\$ 149,403,197.39	HK\$ 1,455,921,698.90

* Regional is defined as any country outside Africa/The Americas/ Middle East/Europe.

* ITU Asia Telecom 4 - 9 December 2000 & 2 - 7 December 2002 included.

JD/AM/mh (based on final report)

12-Mar-03