

LEGCO hearing on the role of the TDC in the exhibition industry

Company Presenting: Global Sources

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Good morning to the panel Chairman, The Honorable Kenneth Ting, other distinguished members of LEGCO, members of the press, Association representatives and fellow members of the industry.

And good morning fellow taxpayers.

In my presentation regarding the participation of the TDC in the exhibition industry, I would like to restate a few critical facts most of you already know:

First, the Hong Kong TDC is a subvented government organization. It receives 60% of the ad valorem duty on imports, exports and re-exports, representing over \$370 million a year. In addition, the TDC receives 8.6% of the Hong Kong Convention and Exhibition Center income. Which represents a tax on all other exhibition organizers.

Second, the Hong Kong TDC is seen by the public to represent Hong Kong, and is afforded the credibility and rightfully the respect of a government agency.

Third, the ordinance which outlines the responsibility of the TDC is very broad and provides the TDC substantial latitude in the execution of its responsibilities to promote Hong Kong.

The Hong Kong TDC has been granted a very privileged position.

We have read the submissions made by several of our distinguished Hong Kong manufacturing associations, underlining the importance of TDC's exhibition services. Services they claim are unique, services that help Hong Kong companies differentiate themselves from their competitors. This we are not here to dispute.

This hearing is not about whether the TDC is authorized to operate another trade show, nor is it about whether Hong Kong needs another gift show. The real and urgent question this committee needs to address is how the TDC can be allowed to continue to fulfill its mandate and at the same time ensure, encourage and promote the future growth of the private exhibition industry in Hong Kong.

The exhibition organization industry is well developed outside of Hong Kong. This industry in Hong Kong, unfortunately, is seen by international organizers as , for all intents and purposes, closed. Singapore actively promotes this view at the expense of Hong Kong's economy.

It is worth noting here that others in our government believe an exhibition venue, not managed by the TDC, is important to Hong Kong. The decision taken to build a new 70,000 m² exhibition center at the airport represents a substantial investment. The government is investing \$2.0 billion, and with the Hong Kong airport authority owns approximately 85% of this new venue. However, without a robust private exhibition industry, who will organize and bring new exhibitions to this new venue?

Of course, if the TDC is allowed to continue jeopardizing the growth of the private exhibition industry, the new exhibition center at the airport may not be successful. This would be at the expense of everyone in Hong Kong, except the TDC.

It is my understanding that the TDC has recently embarked on a consulting agreement to assist the Canton Fair organizers.

I also understand the TDC is discussing management arrangements with the new exhibition centers in Guangzhou, Shenzhen, and Beijing. You might rightly ask yourself why? The obvious outcome will be to help Hong Kong's competitors and divert exhibition business away from Hong Kong and its service industries.

This committee needs to ask itself, is it the TDC's objective to distract, subvert or diminish the value of the new \$2 billion airport exhibition venue?

The truth of the matter is that Hong Kong's prosperity does not depend on the TDC launching another trade show! The truth of the matter is that Hong Kong does not need the TDC to run any of its trade shows. Given the opportunity, the private sector is more than capable of meeting all of Hong Kong's trade show requirements. On this there may be some disagreement. However, I'm sure all will agree that a successful and healthy private exhibition industry in Hong Kong would substantially support our hotels, airlines, banks and transportation services, as well as the government's huge investment in the new airport exhibition center. However, to do so, private exhibition companies need to be given an opportunity to grow and prosper without the fear of TDC's intervention.

The TDC talks about collaboration and cooperation with Hong Kong associations and exhibition firms. What this means in TDC language is: the TDC will lead, the TDC will control and you will follow. The way it should work is that all of Hong Kong's trade associations, including HKECIA, and private companies should be allowed and encouraged to run their own trade shows assisted by TDC's vast subvented organization and privileged position.

Allow me to make two additional recommendations to those that I have already submitted:

- 1) Given the TDC's mandate is to support and promote Hong Kong's exports, given that Mr. Sze and his colleagues are focused on this most important objective of providing Hong Kong companies the best possible venues and other export promotional services in an increasingly competitive environment, let's agree that the TDC should provide its services exclusively to those companies which are Hong Kong registered, Hong Kong taxpayers and with their principal offices in Hong Kong. In this way, the TDC will provide its unique value to those companies for which its services are mandated. And who have paid taxes to support TDC's services.

All other companies seeking exhibition space and export promotional services should be introduced to the services of Hong Kong's private exhibition firms and publishers.

This would provide Hong Kong's exhibition firms and publishers a prospective revenue source on which to build and grow their enterprises.

- 2) Regarding the Hong Kong Convention and Exhibition Center:

In order to ensure that there is fair competition between the private and public sectors and given that the CEC is a public facility which is critical to all companies in the exhibition industry, I suggest that venue space and time slots be publicly auctioned to the highest bidders. And that the Hong Kong CEC be made fully independent of the TDC. Plus, the 8.6% paid to the TDC on revenue from other Hong Kong exhibition organizations be eliminated. This will be fair to all.

In closing, let me be clear, I strongly believe that Hong Kong needs a TDC. But not a TDC focused on selling advertising space or running another gift show. Hong Kong no longer manufactures product and faces serious economic transition issues. These economic issues are very different than what Hong Kong faced 25 years ago when the ordinance to establish the TDC was written.

Today, Hong Kong, as a Special Administrative Region of China, needs to differentiate itself and promote its unique value. Hong Kong's future is its service industry. The TDC needs to promote all those companies participating in services, which include exhibitions and publishing, just as they promote Hong Kong manufactures and exporters. Beijing would be very happy to see Hong Kong economically vibrant. The TDC must focus on providing its support to those Hong Kong organizations, both private and public, that can achieve this end.

As I said at the beginning, this hearing is not about whether the TDC is authorized to operate another trade show, nor is it whether Hong Kong needs another gift show. The real question this committee needs to address and resolve is how the TDC can be allowed to fulfill its mandate, and at the same time ensure and encourage the future growth of the private exhibition industry in Hong Kong.

Thank you for giving consideration to my recommendations.