

LCQ20: Monitoring financial situation of travel agents

Following is a written reply by the Acting Secretary for Commerce and Economic Development, Mr Gregory So, to a question by the Hon Paul Tse in the Legislative Council today (March 3):

Question:

Quite a number of licensed travel agents have relayed to me that, in applying for renewal of licences, other than having to submit audited financial statements to the Travel Agents Registry, they are also required to submit their annual management accounts and, among such travel agents, many of them are even required to submit three or four quarters of quarterly management accounts; yet, companies are only required to submit returns to the Inland Revenue Department once a year, even those operating as limited companies in other industries. In this connection, will the Government inform this Council:

(a) of the respective numbers of licensed travel agencies which had closed down or newly registered and established in each of the past three years; whether it has assessed the causes of their closing down; if it has, of the assessment outcome; if not, whether it will make such an assessment expeditiously;

(b) in view of the number of travel agencies which have closed down in recent years, the general financial situation of the medium-to-small travel agencies and the difficulties faced by them, as well as the principle of fairness for all industries, whether the authorities had, in the past three years, assessed if the measure of requiring licensed travel agents to submit annual or quarterly management accounts when applying for renewal of licences is practically necessary and reasonable; what legal basis the authorities have to require licensed travel agents to submit the aforesaid documents when applying for renewal of licences, and that such documents are more than those required for submission by other commercial organisations, when applying for renewal of Business Registration Certificates; and

(c) whether the authorities had, in the past three years, considered relaxing the aforesaid requirement for renewal of licences, so as to permit medium-to-small licensed travel agencies with lower turnover to submit only audited financial statements, without having to submit their management accounts, when applying for renewal of their licences, thereby alleviating the operational burden of such travel agencies?

Reply:

President,

(a) Under the Travel Agents Ordinance (Cap 218), all travel agents in Hong Kong are required to apply to the Travel Agents Registry for new licences or licence renewal. The numbers of travel agents that have started or closed down business over the past three years are as follows.

	No. of travel agents that started business	No. of travel agents that closed down
2007	102	95
2008	105	61
2009	92	83

Travel agents are not required to inform the registry of the reasons for closing down their business when the licence is still in force or explain why they decide not to renew their licences. Nevertheless, according to the registry's understanding, in general travel agents choose not to continue their business because of personal reasons, commercial decisions, conflicting views on business strategies among partners, or unfavourable external economic environment, etc.

(b) and (c) A huge number of visitors come to Hong Kong every year. On the other hand, Hong Kong people usually pay in advance when they join outbound tours or purchase outbound travel packages. Therefore, monitoring the financial situation of travel agents is an important part of our regulatory regime for the travel agents trade.

In considering applications for licence renewal, the Registrar of Travel Agents will examine the latest financial situation of the agents concerned. Under section 11(1) of the ordinance, the registrar may impose conditions to protect the interests of travellers. The conditions include requiring travel agents to submit audited statements of accounts annually and the latest statements of accounts of their business before the expiry of their licence. The licence conditions also stipulate that the registrar may require individual agents to submit the statements of accounts for a specific period within a specified timeline. These statements of accounts need not be audited by auditors. They can be prepared by accounting staff and verified and signed by the responsible officers of the travel agents concerned.

Before implementing the above measures, we have consulted the Advisory Committee of Travel Agents, on which the travel agents trade is represented. We believe that these measures are effective and have struck a reasonable balance between protecting travellers' interests and avoiding unnecessary burden on travel agents.

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