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Ms Anita Sit
Clerk to the Panel on Financial Affairs
Legislative Council Secretariat
Council Business Division 1
3/F Citibank Tower
3 Garden Road
Hong Kong
(Fax: 2121 0420) (6 pages)

Dear Ms Sit,

At the meeting of the Financial Affairs Panel on 13 June 2002, Members asked for supplementary information on the budget for promoting tourism to Mainland visitors and the impact of certain concession and waiver on the Consumer Price Index. The requested information is attached for Members' reference please.

Yours sincerely,

(Alan Au)
Assistant Secretary,
Financial Secretary's Office

c.c. Government Economist 25275571 (6pages)
Commissioner for Tourism 28015792

Question: What is the breakdown of the budget for promoting Hong Kong as a tourist attraction for Mainland visitors and visitors of other countries?

Answer: The Hong Kong Tourism Board (HKTB), which is a statutory body established to promote Hong Kong worldwide, has earmarked \$53 million, or about 10% of its total budget, for the Mainland market for 2002/03. This includes both the direct marketing budget for the Mainland market and the support provided by its Head Office to service this market.

In 2001, Mainland visitors contributed to 32.4% of our total arrivals. Their per capita spending is HK\$5,169, which is above the average per capita spending of HK\$4,532. Mainland visitors spent a total of about HK\$23 billion in 2001, or 36% of our total tourism receipt.

In arriving at the marketing strategy and specific marketing efforts and resources to be put into a particular market, HKTB takes into account a number of factors. It examines the past performance of a particular market including information on the profiles of the visitors, their length of stay, spending power and purpose of coming to Hong Kong. It also examines the growth potential of a market, its strategic importance having regard to its contribution to arrival figures and long term development potential. In addition, it analyses the return on investment of a market and its opportunities for Hong Kong. Once the HKTB approves a resource allocation strategy, it will consult the trade before finalizing the actual budget. The object of HKTB is to achieve the best possible gain both from a short and long term perspective while maintaining a balanced marketing effort in different major and potential markets.

Question: What is the estimated impact of the two relief measures announced by the Government last year (i.e. waiver of public housing rentals and rates relief) on the Consumer Price Indices in the fourth quarter of 2001 and the first quarter of 2002#?

Answer:

| | Waiver of public housing rentals (by the Housing Authority for the month of December 2001) | Rates relief* (up to a maximum of \$2,000 per rates payer for 2002, as announced in the 2001 Policy Address) |
|---|--|--|
| Impact on the Consumer Price Indices (decrease over a year earlier in percentage points) | | |
| Fourth quarter of 2001 | | |
| Composite CP1 | -0.06 | |
| CPI(A) | -1.6 | |
| CPI(B) | -0.3 | |
| CPI(C) | 0 | |
| First quarter of 2002 | | |
| Composite CPI | | -0.9 |
| CPI(A) | | -1.2 |
| CPI(B) | | -1.0 |
| CPI(C) | | -0.7 |

Notes : (#) The same figures are shown in footnotes (2) and (4) in Chapter 6 of the First Quarter Economic Report 2002.

(*) The increase in the maximum amount of rates relief (by \$3,000 to a total of \$5,000 for 2002 as a whole), as was announced in the 2002/03 Budget, should have no impact on the Consumer Price Indices in the first quarter of 2002, as it takes effect as from the second quarter of the year.