

**The Hong Kong Tourism Board's (HKTB) response at the PAC Hearing
Speech by The Hon James Tien, Chairman of the HKTB
Thursday, 13 December 2007**

I would like to thank the Chairman of the Public Accounts Committee for allowing me to say a few words regarding the Director of Audit's Report No. 49 in my capacity as Chairman of the Hong Kong Tourism Board.

First of all, my gratitude goes to the Director of Audit for his recommendations on various aspects of HKTB's work in the report. As a publicly funded organisation, the HKTB must make prudent use of the funding entrusted with it so as to ensure proper use of public resources, and to maximise the cost-effectiveness of our promotions.

The HKTB has seriously examined and followed up the recommendations in the Audit Report. As of today, we have already implemented 27 items of improvement measures in response to the recommendations in the report, having explained to the HKTB management and sought the approval of the Board. In addition, another 25 items are under review and in the pipeline, which will be implemented in phases according to a concrete timetable. We have arranged the delivery of detailed information on these items for presentation to the Committee today and distribution to Members.

I would like to draw to the attention of Members that the new management of the HKTB, including the four General Managers, Deputy Executive Director and Executive Director, just recently came on board. We need to give them more time to conduct evaluation, consult staff and implement improvement measures so as to strive for even better performance. I will ask the senior management to submit a quarterly progress report on the improvement measures to the Board. Once decisions have been made, we will announce the results of the review as soon as possible.

Regarding the corporate governance issues, which have drawn extensive media coverage, I do wish to take the opportunity to elaborate on this topic so that Members may have a more thorough understanding.

Firstly, on procedures and guidelines, such as procurement policies, business entertainment and business travel, the HKTB already has a set of established guidelines. In response to the recommendations in the Audit Report, the senior management has reminded all staff that they must adhere to the proper procedures and guidelines when carrying out their work.

Secondly, in relation to the performance-based variable payments for Band A staff, we are currently reviewing the mechanism, which will be completed by the end of this year. We will also put in place a new performance appraisal system in 2008-09. In addition to the existing four performance indicators, other indicators, such as management abilities and achievement of functional objectives, will be added to the pool of criteria for assessing the performance of Band A staff under the new system.

In the past, the variable payments of the Deputy Executive Director and all General Managers were approved by the Executive Director. Under the current new system, the variable payments of all Band A staff would be subject to the approval of the Remuneration Review Committee of the Board. In the event that a Band A staff fails to fulfil the pre-set criteria, he or she will not be granted the full amount of the performance-based variable payments.

Thirdly, in regard to staff receiving salary exceeding the maximum of their respective salary range, the nine staff in question are in positions of Officers to Senior Managers, with none in General Manager or above. The salaries of those staff whose salaries exceed the maximum of their salary range will be frozen in the next two years. With inflation and salary reviews of other staff in the coming two years, we can assure that the problem will no longer exist after 2009.

Fourthly, on performance measurement, the Audit Report has pointed out that the set of performance indicators for evaluating marketing activities used by the HKTB in the past might not fully reflect the effectiveness of HKTB's work. In fact, our senior management is already reviewing the system and hopes to complete the review by 2008-09. We will continue to consult the travel, academic and related sectors, so as to identify indicators for measuring HKTB's performance even more effectively, and develop strategies that can address the market needs even more fully.

Regarding our mega event strategy, we are currently reviewing our strategy, including the feasibility of organising the events in different formats. We expect to produce a blueprint of the strategic direction by the end of this year. As to the setting of performance indicators for mega events, the HKTB is currently reviewing this, and will consult the academics and travel trade so that the indicators can give better reflection of the effectiveness of HKTB's work. The HKTB targets to complete the review by 2008-09.

Lastly, although this was not mentioned in the Audit Report, I did notice from my previous tenure as Chairman of the then Economic Services Panel in the past nine years that Members have requested for better understanding of HKTB's work. As such, we commit to introduce the new initiative of submitting HKTB's draft estimates for 2008-09 to the Panel on Economic Development in January-February 2008, and seek Members' views of HKTB's proposed activities. After this, we will then submit the budget to the Secretary for Commerce and Economic Development for approval.

Chairman and Members of the Committee, the HKTB will continue to collaborate closely with the Government and trade partners, to maximise Hong Kong's exposure overseas and elevate its image as an international, cosmopolitan city.

Thank you.