

**For Information**

**Legislative Council Panel on Economic Development  
Hong Kong Tourism Board  
Work Plan for 2008-09**

This note sets out the background for the work plan for 2008-09 put forward by the Hong Kong Tourism Board (HKTB) at the Annex.

2. HKTB is a statutory body established in 2001 under the Hong Kong Tourism Board Ordinance (Cap. 302) to replace the former Hong Kong Tourism Association. As provided under the Ordinance, HKTB's objects are -

- (a) to endeavour to increase the contribution of tourism to Hong Kong;
- (b) to promote Hong Kong globally as a leading international city in Asia and a world class tourist destination;
- (c) to promote the improvement of facilities for visitors;
- (d) to support the Government in promoting to the community the importance of tourism;
- (e) to support as appropriate, the activities of persons providing services for visitors to Hong Kong; and
- (f) to make recommendations to and advise the Chief Executive in relation to any measures which may be taken to further any of the foregoing matters.

3. HKTB's activities are primarily funded by the Government. In 2007-08, the total Government subvention to HKTB amounts to \$541.8 million, comprising recurrent subvention of \$467.75 million, \$70.55 million additional funds carried forward from 2005-06 and 2006-07 and \$3.5 million for HKTB's website revamp project. As at the end of March 2008, HKTB projects to have accumulated a reserve of about \$185 million.

4. In drawing up the work plan, HKTB conducted a series of consultation sessions with various tourism-related sectors, including hotel and tour operators, travel agents, retailers, food and beverage caterers and the academia in the past months. The work plan at the Annex has incorporated the views gathered from these stakeholder groups.

5. The work plan set out at the Annex is being examined and has yet to be approved by the Government. Under the Ordinance, HKTB is required to submit a programme of its proposed activities and estimates on its income and expenditure for the next financial year to the Secretary for

Commerce and Economic Development before a date appointed by him (now set at 28 February) for his approval. The subvention for HKTB will form part of the Appropriation Bill, the passage of which is subject to the Legislative Council's approval.

6. Members are invited to note the Annex.

**Tourism Commission  
Commerce and Economic Development Bureau  
January 2008**

## **HONG KONG TOURISM BOARD WORK PLAN FOR 2008-09**

### **PURPOSE**

This paper presents the work plan of Hong Kong Tourism Board (HKTB) for 2008-09. The paper also gives an overview of Hong Kong's tourism industry in 2007 and the outlook for 2008.

### **BACKGROUND**

2. The core function of HKTB is marketing Hong Kong as a preferred destination worldwide and therefore a major part of its activities are conducted in the Mainland and overseas. Currently, HKTB has a worldwide network of 15 offices and six representatives, the responsibilities of which encompass planning and implementing travel-trade and consumer promotions, and publicity with the media. As for the Head Office in Hong Kong, it develops the Board's overall marketing, business development and product development strategies through extensive market research and analysis, in addition to fulfilling a wide range of essential supporting functions to HKTB's Worldwide Offices.

3. HKTB is governed by a Board of 20 members, who are broadly based and representative of a wide spectrum of the tourism industry and the community. Under the Board are four Committees, namely the Audit Committee, Staff and Finance Committee, Marketing and Business Development Committee, and Product and Event Committee, which advise and monitor different aspects of HKTB's work. HKTB also works closely with the Tourism Commission and relevant Government departments, travel-trade partners and other partners directly or indirectly related to tourism.

4. At the public hearing on the Director of Audit's Report No. 49 (Chapter 5 & 6) by the Legislative Council Public Accounts Committee (PAC) on 13 December 2007, Members noted that HKTB would brief this Panel on its work plan for 2008-09, as part of its commitment to enhance transparency and accountability.

5. In preparing the work plan, HKTB has given thorough consideration to the relevant recommendations in the Director of Audit's Report ("DoA recommendations"). While certain areas, such as the performance measurement indicators and the mega events strategy, are currently under review, HKTB will continue its ongoing initiatives and promote Hong Kong proactively and effectively in accordance with its statutory functions.

## **CONSULTATION WITH TRAVEL AND RELATED SECTORS**

6. HKTB listens extensively and regularly to the views of various stakeholders, including the tourism-related sectors and other partners, such as tourism-related academics, retailers, and food and beverage caterers. HKTB has institutionalised its stakeholder consultation process from the preparation, implementation to evaluation of its work plan. For the 2008-09 work plan, the process is summarised as follows:

(a) Preparation of Work Plan

HKTB started the consultation with various tourism stakeholders in September and October 2007 after completing a review of the developments and opportunities in 2007. Upon finalising the work plan in February 2008, stakeholders will be invited to attend an annual Tourism Overview when HKTB presents details of the plan for the coming year.

(b) Implementation of Key Programmes

Before implementing major programmes, such as mega events, HKTB seeks input from both travel-trade and non-travel-trade partners, including merchant and trade associations.

(c) Key Programme Evaluation

After completing the programmes, HKTB solicits feedback from travel-trade and non-travel-trade partners.

In addition, HKTB works closely with the tourism industry and relevant Government departments through its participation in a number of strategy groups and fora, as well as industry associations. These include the Tourism Strategy Group, the Joint Council of the Travel Industry of Hong Kong, the Hong Kong Convention, Exhibition and Corporate Event Marketing Forum, Hong Kong Association of Travel Agents and such industry frontline members' associations as Hong Kong Association of Registered Tour Co-ordinators and The Society of the Golden Keys of Hong Kong.

## **2007 OVERVIEW**

7. With the concerted efforts of the Government, the travel trade and the community at large, Hong Kong's tourism industry continued to grow steadily in 2007. The table below summarises various indicators of the industry's performance:

	<b>2007 Achievements*</b>	<b>2007 Original Forecast</b>	<b>Vs. 2006</b>
Total Arrivals	28,169,293	26,419,955	+11.6%
Mainland	15,485,789	14,132,948	+13.9%
Other than Mainland	12,683,504	12,287,007	+8.8%
Average Length of Stay (LOS) ^	3.3	3.5	-0.2
Overall Satisfaction Rating ^ (max: 10)	8.1	8.0	+0.1 pt
Overnight Visitor Per Capita Spending ^	\$5,162	\$4,763	+7.6%
Tourism Expenditure Associated to Inbound Tourism (\$ billion)	\$138.0	\$124.4	+15.7%

\* 2007 full year estimation as of January 2008

^ Excludes same-day in-town arrivals

8. The growth in arrivals in 2007 was attributed to the continued strong global economy, the favourable exchange rates, increase in flight capacity and Hong Kong's improved hotel room supply, which increased by around 9% to 51,506 rooms in end 2007.

9. Among the source markets, the Mainland China continued to be the leading contributor, with arrivals increasing by a double-digit 13.9%. The growth momentum was especially apparent in the second half of 2007, following a series of measures by the Government and travel trade to counter the "zero-fare tours", and extensive media exposure and publicity for the 10<sup>th</sup> anniversary of the establishment of the Hong Kong Special Administrative Region. The continuous expansion of the consumption visit segment, especially from the Guangdong province, was also a key driver of growth.

10. As for the international markets, the growth spread across both short and long-haul market regions, with double-digit increases of 14.2% and 13.4% recorded in the region of Europe, Africa and the Middle East and in Australia, New Zealand and South Pacific respectively. The high-potential markets of South Korea and the Philippines, as well as such emerging markets as Russia and the Middle East, also performed strongly, with arrivals increasing by 21.9%, 21.8%, 12.8% and 23.7% respectively. Full breakdown of visitor arrivals by markets in 2007 is included in Attachment I.

11. Other than steady growth in visitor arrivals, the per capita spending of overnight visitors grew by 7.6% to \$5,162 (based on estimation as of January 2008). Provisional figures show that the Total Expenditure Associated to Inbound Tourism (TEAIT) increased by 15.7% to a new high of \$138 billion. The average length of stay, however, dropped by 0.2 night due to shorter stays by the Mainland visitors as a result of the seven-day restriction for Business Permit implemented by the Mainland Government in May 2006 and the tightened criteria for Visiting Relatives Permit.

12. In 2007, the rating of visitors' overall satisfaction increased by 0.1 point to 8.1 out of 10. In particular, visitors' intention to revisit increased by 3% to 90%, showcasing Hong Kong's enduring appeal as a travel destination. Surveys by HKTB showed that visitors were impressed by Hong Kong's advanced and modern infrastructure, its cosmopolitan setting and above all, its unique east-meets-west cultural fusion. While visitors from short-haul markets were drawn by Hong Kong's shopping and dining, and its theme parks and year-round calendar of events and festivals, long-haul travellers enjoyed the opportunity to mingle and interact with local residents and explore genuine eastern culture in the security of a western infrastructure. Indeed, Hong Kong is among Asia Pacific's top 3 destinations in the World Tourism Organisation (UNWTO)'s annual rankings of international tourist arrivals. The city's popularity was also confirmed by several international accolades. During 2007, Hong Kong was voted "favourite city" and the "best city for MICE" (MICE means meetings, incentive, conventions and exhibitions) by travel trade, media and consumers in various countries, including the Mainland China, the UK and the US. A full list of the awards bestowed on Hong Kong and HKTB by various prestigious organisations in 2007 is included in Attachment II.

## **OUTLOOK FOR 2008**

13. Looking ahead, HKTB is cautiously optimistic of the outlook for the tourism industry in 2008, with due regard to the favourable exchange rates, increased flight capacity (including long-haul low-cost carrier services), and continuous expansion of the Mainland outbound travel market, which will remain a driving force for Hong Kong's tourism. The growing appeal of Asia-Pacific destinations to worldwide travellers and buoyant economic conditions of the Asia Pacific will also have a positive spin on travel within the region. In August, the 2008 Beijing Olympics will take centre stage. The Games, along with the Equestrian Events to be held in Hong Kong, will lend Hong Kong an epochal opportunity to highlight to the world its international cosmopolitan image and diverse tourism appeal.

14. Notwithstanding these favourable factors, the potential risks cannot be underestimated, which include the softening of world travel due to uncertainties in the US economy, stiff competition from neighbouring destinations with big-budget marketing campaign marketing, and increased air connectivity between the Mainland China and other gateways. In particular, the possibility of direct links between the Mainland and Taiwan and the opening of Mainland tour groups to visit Taiwan may affect arrivals from Taiwan and the Mainland. While the Beijing Olympics will bring along excellent opportunities, there is also a possibility that visitors may choose to “stay home” and avoid the hosting cities during the event periods, as happened during previous Olympic Games elsewhere.

15. The new holiday arrangements in the Mainland China, which will shorten the Labour Day Golden Week and designate Ching Ming, Dragon Boat and Mid-Autumn festivals as public holidays, will also likely affect the travel pattern of the Mainland visitors. Although the exact and full impact is yet to be seen, feedback from the travel trade indicates that while the new arrangements will likely encourage Guangdong visitors and the young segment from Shanghai and Beijing to make more short-stay visits to Hong Kong, the shorter Golden Week may also impact long-haul travel by Mainlanders, which may affect the number of visitors from farther and non-Guangdong regions to Hong Kong. HKTB will continue to monitor the trend closely and adapt its promotional programmes as necessary.

## 2008 TOURISM FORECAST

16. The table below outlines HKTB’s tourism projections for 2008:

	<b>2008 Forecast</b>	<b>Vs. 2007</b>
Total Arrivals	30,429,696	+8.0%
Mainland	16,763,992	+8.3%
Other than Mainland	13,665,704	+7.7%
Average Length of Stay <sup>^</sup> (LOS)	3.2	-0.1
Overall Satisfaction Rating <sup>^</sup> (max: 10)	8.1	+0.0 pt
Overnight Visitor Per Capita Spending <sup>^</sup>	\$5,411	+4.8%
Tourism Expenditure Associated To Inbound Tourism (\$billion)	\$152.7	+10.7%

<sup>^</sup> Excludes same-day in-town arrivals

Taking into account the global economic and industry environment, visitor arrivals are projected to increase by 8% to 30.4 million in 2008. The projected growth rate is not only higher than the forecast by UNWTO that international travel will increase by 5% in 2008, but also above the estimation by the Pacific Asia Travel Association that arrivals in Asia Pacific will enjoy a lower but stable growth of 6.2%. The TEAIT is also expected to enjoy further increase, while visitors' overall satisfaction rating will be maintained. However, overnight visitors' average length of stay is expected to drop by 0.1 night, given the growing trend towards multi-destination travel and shorter stays.

## **MARKETING STRATEGIES**

17. In promoting Hong Kong worldwide, HKTB adopts a targeted and focused approach, tailoring strategies for each market, and for the respective targeted consumer segments. Effort is also made to ensure that there is adequate resource input to the Mainland and overseas markets. Based on the current contribution of arrivals, immediate and future potential and strategic importance of different source markets, HKTB will focus on 19 source markets<sup>1</sup> that account for 93% of the arrival base in 2008-09. The Mainland and overseas market resources will be increased to sustain the growth momentum in key source and high-potential markets and nurture the potential of new and emerging markets, as set out below:

- (a) Continue to invest in the Mainland China, tapping into the exponential growth of the Mainland outbound travel market. To increase market penetration and develop new sources of growth, expand promotional effort to non-Guangdong and secondary cities;
- (b) Deploy more resources for the high-potential markets of the Philippines and South Korea; and
- (c) Increase investment in new and emerging markets, namely Russia, India and the Middle East, which achieved robust performance in 2007. Appoint a representative in Dubai in 2008-09 following the appointment of a representative in Russia last year.

Simultaneously, the Head Office marketing resources will decrease. Attachment III sets out the proposed devotion of marketing input for the

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1 Priority markets – Mainland China, Taiwan, Japan, US, South Korea  
Primary markets – Australia, the UK, the Philippines, Singapore, Malaysia  
Secondary markets – Thailand, Indonesia, Canada, Germany and France  
Emerging markets – India, the Middle East, Russia and the Netherlands

Mainland and overseas markets and Head Office in 2008-09, totalling \$331.9 million.

## **2008-09 WORK PLAN**

18. Paragraphs 19 to 28 below set out the key programmes of HKTB's work plan for 2008-09 and the proposed marketing input of the \$331.9 million for the programmes (also see summary table at Attachment IV).

### **Capitalise on the Opportunities and Minimise the Risks of the 2008 Beijing Olympics (Proposed Marketing Input: HK\$20.2 million)**

19. The 2008 Beijing Olympics and the Equestrian Events will be HKTB's key focus in 2008-09. HKTB will take full advantage of the events to reinforce the image and reputation of the Hong Kong brand, and promote the city a "must-stop" on the China itineraries in the immediate and longer term. Key initiatives include:

- (a) Organise tactical co-operation programmes with Equestrian federations and travel trade in competing countries and other selected markets, such as Australia, New Zealand, the United Kingdom, France, the Netherlands and the United States, to draw equestrian fans;
- (b) Work with the China National Tourist Offices in overseas markets, travel trade and official Olympic agents to develop combo packages so as to capture the huge visitor traffic to China pre- and post-Olympics;
- (c) Organise a summer booster campaign targeting young female and family segments in short-haul markets and Guangdong to minimise the effect of the "stay-home" syndrome; and
- (d) In Hong Kong, support the Government to build Olympic ambience citywide and achieve extensive global exposure and media coverage of the city's Olympic spirit by decorating ports of entry and major tourist areas, and installing giant Olympic rings at harbourfront. Collaborate with local travel trade on special offers and set up an Olympic Piazza in Hong Kong Cultural Centre to enhance the visitor experience.

**Strengthen Hong Kong's Position as the Leading MICE Destination and Accelerate the Development of the Cruise Segment (Proposed Marketing Input: HK\$22.7 million)**

*MICE*

20. In line with the initiative in the Chief Executive's Policy Address to enhance Hong Kong's appeal as an international convention, exhibition and tourism capital, HKTB will continue to develop the high-end businesses of MICE. As well as supporting the initiatives of the Government's cross-sector Steering Committee on MICE, HKTB will raise Hong Kong's profile in the international MICE market and establish strategic alliance with the Macau Government Tourist Office on dual destination products, riding on the development of MICE facilities in the enclave. In this regard, HKTB will appoint key account sales teams in the Mainland China and India to develop the meetings and incentive business in these markets. HKTB will also identify and develop more special venues, such as museums, for corporate hospitality.

*Cruise*

21. With the strong potential of the cruise segment, HKTB will accelerate the segment's development. To maintain awareness of Hong Kong as a "must-visit" port among cruise liners, HKTB will promote existing cruise products homeport in Hong Kong and enhance the cruising experience so as to build positive word-of-mouth, paving way for the expected operation of the new cruise terminal in 2012. Key initiatives include:

- (a) Collaborate with the Mainland and overseas travel trade and cruise companies to drive consumer demand, targeting Guangdong, Taiwan, Japan, Australia, the United States and the United Kingdom; and
- (b) Build strategic partnerships with the Mainland ports and promote multi-destination itineraries to cruise companies.

**Step up Collaboration with Pan Pearl River Delta, Macau and other Asian Destinations on Multi-Destination Itineraries (Proposed Marketing Input: HK\$13.3 million)**

22. With the world's attention fixed firmly on China, HKTB will leverage the growth in inbound traffic to the Mainland to strengthen Hong Kong's gateway position. Specifically, HKTB will draw on the diverse tourism resources in the Pan Pearl River Delta (Pan-PRD) and Macau to promote Hong

Kong as the hub for touring the region, and a “must-visit” gateway on any China itinerary. Key initiatives include:

- (a) In the short-haul markets, promote Hong Kong as the hub for the Pan-PRD and Macau. Develop complementary Hong Kong/Macau itineraries, capitalising on the growth of the low-cost carrier services;
- (b) In the long-haul markets, promote Hong Kong as the gateway to China. Develop multi-destination itineraries that include sites with world-famous scenic beauty, historical and cultural significance, such as Xian, Yangtze River and Guilin. Leverage Asia Now – the long established marketing platform of Asian national tourism organisations in North America – to promote multi-destination packages; and
- (c) Expand the multi-destination itineraries by bundling the tourism attractions of the Pan-PRD region, such as:
  - UNESCO Heritage Tour (Hong Kong-Macau-Kaiping)
  - Theme Park Wonderlands (Disneyland-Ocean Park-Panyu Safari)
  - City/beach holidays (Hong Kong-Hainan)
  - Golf and Gourmet (Hong Kong-Guangdong)

**Enhance the “Hong Kong – Live it, Love it!” Marketing Platform (Proposed Marketing Input: HK\$64.0 million)**

23. Surveys by HKTB show that visitors from the short-haul markets have strong awareness of Hong Kong as an international cosmopolitan city and a hip and trendy destination, while those from the long-haul markets are drawn by the city’s authentic Chinese culture, its rich heritage and green attractions. Among various core strengths, living culture encompasses all of Hong Kong’s differentiating values and sets the city apart from other competing destinations. In 2008-09, HKTB will continue to leverage the “Hong Kong – Live it, Love it!” integrated marketing campaign, adopting an integrated approach with a balanced mix of advertising, consumer promotions, Internet, PR and below-the-line activities. Key initiatives include:

- (a) TV – Roll out a pan-regional TV campaign through co-operation with renowned cable channels, such as Discovery and National Geographic, to highlight Hong Kong’s diverse attractions and living culture;

- (b) Internet – Increase the use of the Internet and expand the usage of various web marketing platforms:
- Upgrade the DiscoverHongKong.com website
  - Link to user-generated shared content websites, such as YouTube and Facebook
  - Work with major travel portals like TripAdvisors and Lonely Planet
  - Stage marketing campaign with search engines like Google and Yahoo!
- (c) PR Activities – Partner with major international lifestyle TV and magazines and launch special TV features/programmes, print articles and guides to further enhance Hong Kong’s image and emotional appeal.

**Inject Excitement Through Creative Destination Offerings (Proposed Marketing Input: HK\$103.9 million)**

24. Leveraging Hong Kong’s diverse portfolio of tourism attractions, activities and services, which can cater to the varying interests and needs of different consumer segments, HKTB will continue to develop and package the destination offerings creatively to enhance visitors’ satisfaction when visiting Hong Kong. Key initiatives include:

- (a) Products Offerings  
For family – Capitalise on Hong Kong’s diverse portfolio of family attractions and the re-opening of Ngong Ping 360 to package new education-cum-entertainment products. Target young students from the more affluent short-haul markets, such as Taiwan, Japan and South Korea, as well as top Mainland cities, and develop English learning tours conducted at major theme parks and attractions in Hong Kong.

For individual travellers and shoppers – To deliver new and targeted shopping experience and facilitate treasure-hunting by repeat shoppers, repackage shopping streets with new themes for promotion, such as “upstairs” local shopping areas and electrical appliances districts. Gourmet promotions ranging from local snacks to fine dining will be organised to showcase Hong Kong’s diverse culinary experience.

For arts & performance lovers – Pilot an integrated communication campaign to promote high-quality arts and cultural activities with strong tourism appeal in target markets.

For green seekers – Establish a database of hiking and outdoor activities and package promotional offers with mountain gear retailers and outdoor sports associations.

(b) New format for mega events

Over the years, the mega events, which required substantial resources, have served to enhance the overall destination appeal and build the brand equity of Hong Kong. They also help to enrich visitors' in-town experience and satisfaction and in turn generate positive word-of-mouth to their relatives and friends. While HKTB is currently conducting a comprehensive review of the mega events strategy, the following initiatives will be implemented in 2008-09:

- Leveraging the strong Olympic ambience during summertime, refresh the format of the Shopping Festival to become a summer promotion that covers both shopping and dining elements so as to attract the family and young female segments to travel to Hong Kong;
- Continue the new platform of Christmas celebrations and New Year Countdown introduced in 2007; and
- Leveraging the festive atmosphere of Hong Kong during the Chinese New Year to launch and promote major in-town activities.

(c) Third-party events

Building on the east-meets-west culture and a portfolio of Chinese and Western festivals in Hong Kong, such as the cluster of Chinese festivals in May and Halloween in October, HKTB will promote selected events to jazz up the excitement in visiting Hong Kong. HKTB will also leverage the major and well-established sports, arts and cultural events, as well as consumer fairs to run promotional programmes.

(d) Visitor Services

To continuously enhance its visitor services and identify areas for improvement, HKTB will conduct an efficiency enhancement and

service quality study of its visitor services in 2008-09.

**Ensure Delivery of Value and Quality (Proposed Marketing Input: HK\$20.2 million)**

25. Enhancing the value and quality of the Hong Kong experience will also be another major strategic objective of HKTB. Key initiatives include:

- (a) In the Mainland China, further expand the Quality & Honest (Q&H) Tours programme to more Mainland cities, especially to such inland and emerging cities as Chengdu and Nanning, and work with Q&H travel agents in the Mainland and ground operators in Hong Kong to launch joint promotions and develop new tour packages; and
- (b) In Hong Kong, HKTB will focus on maximising the reach of the Quality Tourism Services (QTS) scheme to potential high-quality merchants and creating further value to QTS merchants as an on-going effort to uplift service qualities. The QTS Hair Salon Scheme will also be pilot-launched.

**Strengthen Partnerships with Travel Trade and Initiate Cross-selling with Non-Travel-Trade Partners (Proposed Marketing Input: HK\$41.7 million)**

26. HKTB has been working closely with partners from the travel trade in its marketing initiatives. It organises regular roadshows and travel missions, and facilitates the participation of the Hong Kong travel trade in international tradeshows so as to establish contact with the Mainland and overseas travel trade. To maximise the mileage of its promotions and achieve even greater synergy, HKTB will initiate cross-selling between travel and non-travel trade partners in 2008-09. Key initiatives include:

- (a) Formulate strategic partnerships with key non-travel trade partners and leverage their network and customer database for targeted consumer promotions. For example, partner with international credit card companies and make use of their VIP customer database to attract high-spending travellers in emerging markets, such as Russia and the Middle East; and
- (b) Pull together travel and non-travel trade partners in the development of joint marketing programmes, such as bundling of offers and privileges for visitors.

### **Strategic Planning & Research (Proposed Marketing Input: HK\$16.2 million)**

27. HKTB Head Office will continue to drive, advise and co-ordinate the strategies and plans of its worldwide marketing. In setting the strategies and directions, HKTB will continue to adopt an information- and knowledge-based approach by gathering market intelligence and conducting extensive marketing research. In addition to the Departing Visitor Surveys, in-depth studies will be conducted to track market trends, and examine the market and segment potential. In 2008-09, HKTB will conduct a market study of Russia to understand better the changing needs and tastes of the visitors.

### **Other Marketing Support and Expenditure (Proposed Marketing Input: HK\$29.7 million)**

28. This category is reserved for miscellaneous services to support the frontline marketing work, including logistics and systems support and professional services, such as internal audit and legal advice, and fees for agency representatives overseas.

## **PERFORMANCE MEASUREMENT AND TRACKING**

29. HKTB is fully committed to maximise the cost-effectiveness of its marketing expenditure, and recognises that the four indicators – namely visitor arrivals, length of stay, visitor spending and satisfaction level – adopted by HKTB as its Key Performance Indicators (KPIs) may not specifically reflect the organisation's role and function as a marketing organisation, but more accurately reflect the performance of Hong Kong's tourism industry as a whole. As such, HKTB is currently conducting a review of its performance measurement system, and actively seeking the input of the tourism-related academics. Initial discussions had already been made with national tourism organisations in the Mainland and overseas and local tourism-related academics in the last quarter of 2007. Based on their inputs and HKTB's in-depth study, HKTB aims to formulate more specific KPIs for application in the 2009-10 work plan. In the meantime, HKTB will continue to use the current four KPIs to track the performance of the tourism industry.

30. HKTB will also use a range of parameters to monitor the performance of different key functions and evaluate the effectiveness of their activities and programmes. Examples are summarised as follows:

- (a) Consumer Promotions – number of consumer promotions organised
- (b) PR & Media – publicity value generated

- (c) Trade Promotions – number of trade partners participated in trade shows, travel missions and trade familiarisation programmes, and number of new products/itineraries developed
- (d) Mega Events – overall satisfaction after joining HKTb organised destination events
- (e) Visitor Services – perception of ease of accessing and getting tourist information at destination
- (f) Web Marketing – number of visits and page views

## **COST MANAGEMENT**

31. Other than the above-mentioned marketing resources input, fixed costs (including staff cost) which constitutes the bulk of HKTb's expenditure, have remained relatively stable in the past few years. The current established posts are 325, with 224 in the Head Office and 101 in its Worldwide Offices, and the number of vacancies for both Head and Worldwide Offices is 20. HKTb has no plan to increase its headcount in 2008-09. HKTb is keenly aware of the need to manage the use of public resources prudently and will continue to control cost vigorously.

32. On the income side, major sources include:

- (a) Government subvention – HKTb is currently discussing with the Government the funding for 2008-09, which will form part of the Appropriation Bill, the passage of which is subject to the Legislative Council's approval.
- (b) Reserve – If deployed, HKTb will ensure that the resources are used prudently and effectively.
- (c) New revenue streams – While these will not be the main source of income, HKTb will continue its endeavour to identify new revenue streams, including:
  - (i) Solicit sponsorship from appropriate commercial and media organisations to fund HKTb's events, activities and communication materials.
  - (ii) Increase advertising revenue by opening up more HKTb publications and DiscoverHongKong.com website for advertising, and arranging for advertising space in venue of HKTb's mega events.

- (iii) Recover greater proportion of cost by increasing the level of contribution to HKTB organised events and activities by participating parties.

All these initiatives will help build up the revenue generating capability of HKTB in the long term.

### **STRENGTHEN INTERNAL CONTROL AND MONITORING**

33. In the light of DoA's recommendations, HKTB has re-engineered its procurement procedures, event management and authorisation structure with a view to strengthening internal control and enhancing cost effectiveness. The improvement measures are in different stages of implementation. A control process will be put in place to supervise the implementation. The HKTB management will submit quarterly progress reports to its Audit Committee and the Board. HKTB will also take into account the observations and recommendations in the PAC report upon its completion.

34. HKTB will continue to consult the travel-related sectors and devise promotional strategies that address the market needs. Staying highly transparent and efficient, HKTB will continue to innovate and forge ahead with its mission to promote Hong Kong as a preferred travel destination worldwide.

**Hong Kong Tourism Board**  
**January 2008**

2007 Total Arrivals by Market

	2006	2007	Vs 2006
<b>The Americas</b>	<b>1,630,637</b>	<b>1,783,609</b>	<b>+9.4%</b>
U.S.A.	1,159,025	1,230,927	+6.2%
Canada	335,697	395,167	+17.7%
Central America	53,561	58,412	+9.1%
South America	82,354	99,103	+20.3%
<b>Europe, Africa and the Middle East</b>	<b>1,916,861</b>	<b>2,189,424</b>	<b>+14.2%</b>
Europe	1,548,164	1,772,226	+14.5%
United Kingdom	516,495	601,168	+16.4%
Netherlands	102,231	110,816	+8.4%
Nordic Countries	102,472	120,277	+17.4%
Austria	20,446	24,046	+17.6%
Germany	213,837	234,763	+9.8%
Switzerland	42,062	46,870	+11.4%
France	200,820	231,091	+15.1%
Belgium	28,672	32,413	+13.0%
Italy	108,374	118,841	+9.7%
Iberia	75,866	83,770	+10.4%
Europe Others	136,889	168,171	+22.9%
Russia	29,137	32,858	+12.8%
Others	107,752	135,313	+25.6%

South Africa	76,820	72,897	-5.1%
Africa Others	141,767	158,620	+11.9%
Middle East	150,110	185,681	+23.7%
<b>Australia, N.Z. and S. Pacific</b>	<b>667,684</b>	<b>756,964</b>	<b>+13.4%</b>
Australia	563,933	633,599	+12.4%
New Zealand	97,797	117,215	+19.9%
South Pacific Others	5,954	6,150	+3.3%
<b>North Asia</b>	<b>2,029,869</b>	<b>2,200,567</b>	<b>+8.4%</b>
Japan	1,311,111	1,324,336	+1.0%
South Korea	718,758	876,231	+21.9%
<b>South &amp; Southeast Asia</b>	<b>2,659,707</b>	<b>2,888,106</b>	<b>+8.6%</b>
Southeast Asia	2,273,748	2,526,367	+11.1%
Indonesia	323,987	366,217	+13.0%
Malaysia	445,993	504,487	+13.1%
Philippines	454,036	552,942	+21.8%
Singapore	588,474	631,963	+7.4%
Thailand	395,532	387,219	-2.1%
S.E.A. Others	65,726	83,539	+27.1%
India	294,079	317,510	+8.0%
Other Asian & Indian Sub.	91,880	44,229	-51.9%
<b>Taiwan</b>	<b>2,177,232</b>	<b>2,238,731</b>	<b>+2.8%</b>
Macau	577,792	626,103	+8.4%

<b>World excl. China</b>	<b>11,659,782</b>	<b>12,683,504</b>	<b>+8.8%</b>
<b>Mainland China</b>	<b>13,591,342</b>	<b>15,485,789</b>	<b>+13.9%</b>
<b>TOTAL</b>	<b>25,251,124</b>	<b>28,169,293</b>	<b>+11.6%</b>

**Awards to Hong Kong and HKTB (2007-08)**

**Hong Kong as a destination**

- *CEI Asia Pacific Magazine* 2008 Industry Awards – Best MICE (Meeting, Incentive, Convention, Exhibition) City Award
- *The Guardian, Observer* and Guardian Unlimited Travel Awards (UK) – Favourite Overseas City
- *Business Traveller* (Mainland China) – Favourite City in the World
- *Condé Nast Traveler* – Second Most Popular City in Asia
- Lonely Planet *Bluelist* 2007 – Best Value Entertainment Around the World, as offered by Hong Kong's Chinese New Year celebrations

**HKTB**

- *CEI Asia Pacific Magazine* 2008 Industry Awards – one of the best NTOs providing support services for convention and tourism
- *All Access Hong Kong*, special programme jointly produced by the HKTB and CBS Broadcasting Inc (CBS)  
HSMIAI (Hospitality Sales and Marketing Association International)  
Adrian Awards 2007 – Silver Award (Feature Placement-Television)
- American magazine *Agent@home* – Best Pacific Asia Tourism Bureau
- British Travel Awards 2007 – Best Asia/Pacific Tourist Board

**Attachment III**

**2008-09 Proposed Marketing Input**

	2008-09 Proposed Marketing Input (HK\$M)	2007-08 Revised Estimates (HK\$M)
Mainland China	45.3	42.0
Taiwan	16.0	17.6
Singapore	4.3	4.8
Thailand	2.5	2.8
Malaysia	3.0	3.0
Indonesia	0.7	0.8
Philippines	3.8	3.5
India	3.8	3.4
	18.0	18.3
Japan	16.7	16.9
S. Korea	11.5	10.7
	28.1	27.6
US	22.1	22.9
Canada	4.4	4.0
Others	0.6	0.5
	27.0	27.3
UK	11.3	11.3
France	3.6	3.3
Germany	4.2	4.6
Middle East	2.5	1.4
Russia	2.1	1.0
Others	6.9	7.2
	30.6	28.8
Australia & New Zealand	<u>10.3</u>	<u>10.3</u>
Total Mainland and overseas Marketing	175.3	171.9
Total Head Office Marketing	<u>156.6</u>	<u>178.6</u>
<b>Grand Total</b>	<b><u>331.9</u></b>	<b><u>350.5</u></b>

**2008-09 Proposed Marketing Input by Programme**

<b>Programme</b>	<b>Total (HK\$M)</b>
<b>1. Capitalise on the opportunities and minimise the risks of the 2008 Beijing Olympics</b>	<b>20.2</b>
<b>2. Strengthen Hong Kong's position as the leading MICE destination and accelerate the development of the cruise segment</b>	<b>22.7</b>
<b>3. Step up collaboration with PPRD, Macau and other Asian destinations on multi-destination itineraries</b>	<b>13.3</b>
<b>4. Enhance the “Hong Kong - Live it, Love it!” marketing platform</b>	<b>64.0</b>
<b>5. Inject excitement through creative destination offerings</b>	<b>103.9</b>
<b>6. Ensure delivery of value and quality</b>	<b>20.2</b>
<b>7. Strengthen partnerships with travel trade and initiate crossing-selling with non-travel trade partners</b>	<b>41.7</b>
<b>8. Strategic Planning and Research</b>	<b>16.2</b>
<b>9. Other Marketing Support</b>	<b>18.6</b>
<b>10. Other Expenditure (mainly fees for agency representatives overseas)</b>	<b>11.1</b>
<b>Grand Total</b>	<b>331.9</b>