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Panel on Economic Development
Meeting on 28 January 2008

Background brief on the Hong Kong Tourism Board

Purpose

This paper provides background information on the establishment of and funding arrangements for the Hong Kong Tourism Board (HKTB), and summarizes the major views and concerns expressed by Members of the Legislative Council (LegCo Members) on the subject.

Establishment of HKTB

2. HKTB was found on 1 April 2001 under the HKTB Ordinance (Cap. 302) . It was reconstituted from and replaced the Hong Kong Tourists Association (HKTA).¹
3. According to the HKTB Ordinance, the objects of HKTB are to:
 - (a) endeavour to increase the contribution of tourism to Hong Kong;
 - (b) promote Hong Kong globally as a leading international city in Asia and a world class tourist destination;
 - (c) promote the improvement of facilities for visitors;
 - (d) support the Government in promoting to the community the importance of tourism;

¹ HKTA was set up as a membership organisation in 1957. Consequent upon the completion of the Strategic Organisation Review in late 1999, the Board of Management of HKTA decided to abolish the membership system of HKTA and reconstitute it into HKTB. The HKTB Ordinance was enacted in March 2001 to effect these changes. While HKTA was an association of members, HKTB has no affiliation to any specific sector or organization within the industry.

- (e) support, as appropriate, the activities of persons providing services for visitors to Hong Kong; and
- (f) make recommendations to and advise the Chief Executive of the Hong Kong Special Administrative Region (Chief Executive) in relation to any measures which may be taken to further any of the foregoing matters.

4. To achieve these statutory objects, HKTB's funding is mainly for marketing and promoting Hong Kong as the region's preferred travel destination among different targeted visitor segments in key markets. The detailed plans and programmes of HKTB are implemented by various functional units in the Head Office in Hong Kong as well as Worldwide Offices (WWOs).

5. The governing body of HKTB is the Board which consists of 20 members.² There are four committees³ established under the Board which are responsible for overseeing various aspects of HKTB's operations. As at 31 March 2007, HKTB has an establishment of 327 staff, comprising 226 staff of its Hong Kong Head Office, and 101 staff of its 15 WWOs.

6. The Tourism Commission (TC), established under the Commerce and Economic Development Bureau and headed by the Commissioner for Tourism, is responsible for formulating and coordinating implementation of policies, plans and strategies for tourism development. TC works closely with HKTB and other organizations to promote the development of tourism in Hong Kong. It provides advice to the Secretary for Commerce and Economic Development on matters relating to HKTB and tourism. The Government has appointed the Commissioner for Tourism as a member of the Board since the establishment of HKTB on 1 April 2001. The Commissioner is also a member of all the four Committees under the Board.

Funding arrangements for HKTB

7. The principal source of income for HKTB is the subvention from the Government. The subvention is determined having regard to the needs of HKTB as presented in its annual budget and proposed programme of activities. Moreover, the Government may provide non-recurrent fund to support HKTB in

² The authority for the Chief Executive to appoint members of the Board and approve HKTB's Business Plan and Budget was delegated to the Financial Secretary in April 2001, then to the former Secretary for Economic Development and Labour in July 2004 and to the Secretary for Commerce and Economic Development with effect from 1 July 2007.

³ The four committees are: Audit Committee, Staff and Finance Committee, Marketing and Business Development Committee, and Product and Event Committee. The functions of the respective committee are in **Appendix I**.

implementing promotional activities. For example, the Government provided additional funding of \$470 million to HKTB in the 2005-06 and 2006-07 financial years for implementing the programme of "Discover Hong Kong Year". In addition, HKTB can collect fees for services to achieve cost recovery as appropriate, as well as seek private market sponsorship for organizing mega events.

8. The HKTB's budgetary cycle dovetails with the Government's annual budgetary process. Under section 17B(1) of the HKTB Ordinance, HKTB is required to forward a programme of its proposed activities and estimates for the next financial year to the Government before the appointed date.

Monitoring mechanisms for HKTB

9. According to HKTB, it has an established mechanism of financial monitoring and internal audit to ensure cost-effectiveness of its promotional activities. Its work plan and budget, progress and effectiveness of marketing programmes, financial procedures and guidelines are required to be vetted and monitored by the relevant Committees established under the Board. To track the effectiveness of the promotional programmes and activities, HKTB has established four objective Key Performance Indicators, including visitor arrivals, length of stay, satisfaction level and spending of visitors. According to HKTB, these four KPIs are to be constantly tracked and monitored through different surveys to ensure that the marketing efforts achieve the desired results.

10. Under sections 18 of the HKTB Ordinance, the annual financial statement of HKTB has to be audited by an external auditor appointed by the Government. A copy of the statement of the audited accounts together with the auditor's report on that statement/accounts shall be laid before LegCo as soon as possible. Moreover, section 19 of the HKTB Ordinance provides that HKTB has to submit an annual report of activities to the Chief Executive and the Secretary for Commerce and Economic Development shall lay the report on the table of LegCo. In addition, HKTB, as a "public body" stipulated under the Prevention of Bribery Ordinance, is subject to the Director of Audit's scrutiny.

Discussion by LegCo Members

11. Since the establishment of HKTB, Members have raised a number of questions at Council meetings on related issues including operation and work of HKTB, cost-effectiveness of additional funding for HKTB, as well as remuneration for the Executive Director of HKTB. Details are hyperlinked in **Appendix II**.

12. The Panel on Economic Services⁴ were briefed on the global marketing campaigns launched by HKTB and the Business Plan of HKTB for 2006-07 respectively at the meetings on 2 June 2005 and 26 June 2006. During the discussion, members urged the Administration to ensure that the work and spending of HKTB would be value for money and that effective mechanism was in place to monitor the expenditures of HKTB to safeguard public interest. For example, ways to quantify the success or otherwise of a mega event and to measure the marketing effectiveness should be devised. Some members saw the need for the Government to exercise effective monitoring on HKTB. There were also concerns about the remuneration packages of HKTB's staff and whether the staffing establishment at the top and middle levels was oversized and their salaries were too high. To facilitate Members and the public to monitor its performance, HKTB was urged to include more substantive information on its work and expenditure in its annual reports.

13. When examining the Estimates of Expenditure for 2005-06, 2006-07 and 2007-08 at the respective special meetings of the Finance Committee, members expressed concern about the measures to evaluate the performance of HKTB. Moreover, Members were keen to ensure that mechanism was in place to monitor the operations and spending of HKTB. The Administration was urged to conduct cost-benefit analysis and value-for-money audits for the work of HKTB. Details of the discussions are hyperlinked in **Appendix II**.

Latest development

14. The Director of Audit (D of A) has recently carried out a value for money audit for, inter alia, HKTB. The audit findings are contained in two separate chapters in Report No. 49 of the D of A⁵, namely: (a) Chapter 5: HKTB: Corporate governance and administrative issues; and (b) Chapter 6: HKTB: Planning, execution and evaluation of marketing activities. The Public Accounts Committee of LegCo is holding public hearings on the two chapters. The D of A's summaries on the two chapters are hyperlinked in **Appendix II**.

15. The Panel on Economic Development will receive briefing from the Administration and HKTB on the work plan of HKTB for 2008-09 at the meeting on 28 January 2008.

⁴ The Panel on Economic Services has been renamed as the Panel on Economic Development with effect from the 2007-08 session.

⁵ Report No. 49 of the Director of Audit on the results of value for money audits completed between March and September 2007 was tabled in the Legislative Council on 28 November 2007.

References

16. A list of the relevant papers is in the **Appendix II**.

Council Business Division 1
Legislative Council Secretariat
25 January 2008

The four Committees established under the Board of HKTb

(a) Audit Committee

- to provide advice to the Board on corporate governance matters and adequacy of internal controls; review and endorse the annual audit plan of critical operations and annual audited financial statement before submission to the Board; review findings from the internal audit assignments and other external agencies, e.g. ICAC, and implementation of agreed actions.

(b) Staff and Finance Committee

- to monitor the HKTb's human resources and financial policies, including its annual budget, audited accounts, and also remuneration policies and salary adjustment levels;

(c) Marketing and Business Development Committee

- to provide strategic input and advice on the HKTb's marketing direction and business development, as well as review and endorse its business plan; and

(d) Product and Event Committee

- to review and approve the product and event strategy plan as well as the concepts and implementation of mega events, in order to monitor the cost effectiveness of the products and events.

(Source: Extracts from the Administration's paper on "2006-07 Business Plan of the Hong Kong Tourism Board" issued on 26 June 2006.)

**Background brief on
Budget of the Hong Kong Tourism Board for 2008-09**

List of relevant papers

Panel/Committee	Date	Paper
Finance Committee (FC)	12 April 2005	Minutes of the special meeting (Chapter X, Report on the examination of Estimates of Expenditure 2005-06) http://www.legco.gov.hk/yr04-05/english/fc/fc/minutes/sfc_rpt.pdf
Council Meeting	18 May 2005	Hon Fred LI raised a question on Hong Kong Tourism Board [Hansard "page 146"] http://www.legco.gov.hk/yr04-05/english/counmtg/hansard/cm0518ti-translate-e.pdf
Panel on Economic Services Panel (ES Panel)	2 June 2005	Administration's paper on "Use of additional funding by the Hong Kong Tourism Board" LC Paper No. CB(1)1647/04-05(03) http://www.legco.gov.hk/yr04-05/english/panels/es/papers/es0602cb1-1647-3e.pdf Supplementary information on "Global marketing campaigns launched by the Hong Kong Tourism Board" LC Paper No. CB(1)2211/04-05(01) http://www.legco.gov.hk/yr04-05/english/panels/es/papers/es0602cb1-2211-1e.pdf Letter dated 6 May 2005 from Hon SIN Chung-kai regarding the operation and funding for the Hong Kong Tourism Board (HKTB) (Chinese version only) LC Paper No. CB(1)1671/04-05(01) http://www.legco.gov.hk/yr04-05/chinese/panels/es/papers/es0602cb1-1671-1c.pdf

Panel/Committee	Date	Paper
		<p>The Administration's reply to Hon SIN Chung-kai's letter dated 6 May 2005 LC Paper No. CB(1)1671/04-05(02) http://www.legco.gov.hk/yr04-05/english/panels/es/papers/es0602cb1-1671-2e.pdf</p> <p>Supplementary information on the additional funding of \$470 million allocated to HKTB in 2005-06 and 2006-07 for launching global marketing campaigns LC Paper No. FC87/04-05 http://www.legco.gov.hk/yr04-05/english/fc/fc/papers/fc87e.pdf</p> <p>Powerpoint presentation materials provided by the Administration relating the Government's monitoring of the work of the Hong Kong Tourism Board (Chinese version only) LC Paper No. CB(1)1711/04-05(01) http://www.legco.gov.hk/yr04-05/chinese/panels/es/papers/es0602cb1-1711-1c.pdf</p> <p>Powerpoint presentation materials provided by the Hong Kong Tourism Board (HKTB) relating to the governance and operation of HKTB and the use of additional funding by HKTB in 2005-06 and 2006-07 (Chinese version only) LC Paper No. CB(1)1711/04-05(02) http://www.legco.gov.hk/yr04-05/chinese/panels/es/papers/es0602cb1-1711-2c.pdf</p> <p>Minutes of the meeting (LC Paper No. CB(1)1862/04-05) (paragraphs 4 to 60) http://www.legco.gov.hk/yr04-05/english/panels/es/minutes/es050602.pdf</p>
FC	14 March 2006	<p>Minutes of the special meeting (Chapter IX, Report on the examination of Estimates of Expenditure 2006-07) http://www.legco.gov.hk/yr05-06/english/fc/fc/minutes/sfc_rpt.pdf</p>

Panel/Committee	Date	Paper
ES Panel	26 June 2006	<p>Administration's paper on "2006-07 Business Plan of the Hong Kong Tourism Board" LC Paper No. CB(1)1805/05-06(05) http://www.legco.gov.hk/yr05-06/english/panels/es/papers/es0626cb1-1805-5e.pdf</p> <p>Power-point presentation materials on Hong Kong Tourism Board Annual Business Plan (Chinese version only) LC Paper No. CB(1)1865/05-06(02) http://www.legco.gov.hk/yr05-06/chinese/panels/es/papers/es0626cb1-1865-2c.pdf</p> <p>Supplementary information on the total marketing expenditure of Hong Kong Tourism Board LC Paper No. CB(1)1865/05-06(03) http://www.legco.gov.hk/yr05-06/english/panels/es/papers/es0626cb1-1865-3e.pdf</p> <p>Information paper on "Hong Kong Tourism Board Budget for 2006-07" LC Paper No. CB(1)2288/05-06(01) http://www.legco.gov.hk/yr05-06/english/panels/es/papers/es0626cb1-2288-1e.pdf</p> <p>Letter dated 12 July 2006 from Hon SIN Chung-kai to the Secretary for Economic Development and Labour on the use of public funding by HKTB (Chinese version only) LC Paper No. CB(1)174/06-07(01) http://www.legco.gov.hk/yr05-06/chinese/panels/es/papers/es0626cb1-174-1c.pdf</p> <p>Minutes of the meeting (LC Paper No. CB(1)2067/05-06) (paragraphs 42 to 70) http://www.legco.gov.hk/yr05-06/english/panels/es/minutes/es060626.pdf</p>
Council Meeting	15 November 2006	<p>Hon Fred LI raised a question on Hong Kong Tourism Board [Hansard "page 49"] http://www.legco.gov.hk/yr06-07/english/counmtg/hansard/cm1115-translate-e.pdf</p>

Panel/Committee	Date	Paper
ES Panel	27 November 2006	Speaking note of the Executive Director of Hong Kong Tourism Board (Chinese version only) LC Paper No. CB(1)392/06-07(04) http://www.legco.gov.hk/yr06-07/chinese/panels/es/papers/es1127cb1-392-4-c.pdf
Council Meeting	24 January 2007	Hon SIN Chung-kai raised a question on additional funding for Hong Kong Tourism Board [Hansard "page 96"] http://www.legco.gov.hk/yr06-07/english/counmtg/hansard/cm0124-translate-e.pdf
FC	21 March 2007	Minutes of the special meeting (Chapter XII, Report on the examination of Estimates of Expenditure 2007-08) http://www.legco.gov.hk/yr06-07/english/fc/fc/minutes/sfc_rpt.pdf
-	28 May 2007	Note prepared by Hong Kong Tourism Board (HKTB) in response to Hon Fred LI's article about the computation of tourism receipts by HKTB (Chinese version only) LC Paper No. CB(1)1618/06-07(01)] http://www.legco.gov.hk/yr06-07/chinese/panels/es/papers/escb1-1618-1-c.pdf
Council Meeting	9 May 2007	Hon SIN Chung-kai raised a question on variable pay for the Executive Director of Hong Kong Tourism Board [Hansard "page 44"] http://www.legco.gov.hk/yr06-07/english/counmtg/hansard/cm0509-translate-e.pdf
Council Meeting	28 November 2007	Report No. 49 of the Director of Audit on the results of value for money audits completed between March and September 2007 (a) Chapter 5 of Report No. 49 (Hong Kong Tourism Board: Corporate Governance and Administrative Issues)

Panel/Committee	Date	Paper
		<ul style="list-style-type: none"><li data-bbox="877 310 1495 378">- Full Report http://www.aud.gov.hk/pdf_e/e49ch05.pdf<li data-bbox="877 418 1562 487">- Summary http://www.aud.gov.hk/pdf_e/e49ch05_sum.pdf <p data-bbox="842 527 2024 596">(b) Chapter 6 of Report No. 49 (Hong Kong Tourism Board: Planning, Execution and Evaluation of Marketing Activities)</p> <ul style="list-style-type: none"><li data-bbox="877 638 1495 706">- Full report http://www.aud.gov.hk/pdf_e/e49ch06.pdf<li data-bbox="877 747 1562 815">- Summary http://www.aud.gov.hk/pdf_e/e49ch06_sum.pdf

Council Business Division 1
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