

For Information

Legislative Council Panel on Economic Development Hong Kong Tourism Board Work Plan for 2009-10

Purpose

The paper at Annex sets out the Hong Kong Tourism Board (HKTB)'s work plan for 2009-10 for Members' information.

Background

2. HKTB is a statutory body established in 2001 under the Hong Kong Tourism Board Ordinance (Cap. 302) to replace the former Hong Kong Tourist Association. Its core function is to promote Hong Kong globally as a leading international city in Asia and a world class tourist destination.

3. HKTB's activities are primarily funded by the Government. In 2008-09, the total Government subvention to HKTB amounts to \$459.9 million. To implement vigorous marketing strategies to enhance the appeal of Hong Kong as an international convention, exhibition and tourism capital, the Government has earmarked \$30 million every year to the HKTB for five consecutive years to provide one-stop support for MICE (meetings, incentives, conventions and exhibitions) events, assist in bidding for prestigious MICE events, generate attendance and promote cross-selling of tourism products. The additional resources can also be used to provide support in kind to event organisers.

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 of these stakeholder groups.

5. The work plan has yet to be approved by the Government. Under the Hong Kong Tourism Board 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 her (now set at 28 February) for 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 2009**

HONG KONG TOURISM BOARD WORK PLAN FOR 2009-10

PURPOSE

This paper presents the work plan of the Hong Kong Tourism Board (HKTB) for 2009-10. The paper also gives an overview of Hong Kong's tourism industry in 2008 and the outlook for 2009, which form the background against which the objectives, strategic focuses and key initiatives of the HKTB for the year 2009-10 were developed.

BACKGROUND

2. The core function of the HKTB is to market and promote Hong Kong as a preferred travel destination worldwide. The 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 on and monitor different aspects of HKTB's work. The HKTB also works closely with the Tourism Commission and relevant Government departments, travel-trade partners and other partners directly or indirectly related to tourism.

3. Currently, the 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.

4. Each year, the HKTB undertakes a structured planning process to map out its strategies and initiatives for the year ahead, taking into account various factors in the macro environment, such as global economic conditions and market trends, as well as relevant policy directions of the Government. The planning process also entails a series of consultation with various stakeholders, including tourism-related partners and academics, retailers, and food and beverage caterers.

KEY HIGHLIGHTS

5. **Continued uncertainties and volatility for 2009-10:** As the HKTB put together the work plan for 2009-10, the global tourism industry experienced a major slowdown. According to the World Tourism Organization (UNWTO)¹, “the economic downturn that started in the 3rd quarter of 2008 has resulted in a decline in both consumer and business confidence, and is expected to continue taking the toll on the demand for tourism at least in the short to medium term”. UNWTO also pointed out that in this extremely volatile environment, “forecasting is far more complicated than in the relatively stable situation of the past years”.

6. **Tourism promotion needs to continue:** Notwithstanding the bleak outlook, analysis by UNWTO showed that unlike the crises of 9/11 and SARS outbreak, the current downturn has not dampened the desire for travel. “The major concern is about whether one can afford to travel, or wants to spend on travel, given the uncertain economic situation”. It is expected that travellers will favour destinations closer to home, as compared to long-haul travel, which will suffer more than short-haul demand.

7. As highlighted by Professor Geoffrey Lipman, Assistant Secretary General of UNWTO², “as and when the economy picks up, travel will bounce back strongly, and this region [Asia Pacific] will increasingly be at the heart of the global demand”. In view of this, the HKTB must continue its promotion to minimise the impact of the downturn, and ensure that Hong Kong stands ready to capture the upsurge in visitor arrivals when the economy picks up towards end 2009 or early 2010³.

8. **New approach under exceptional circumstances:** In the light of the macro environment, the HKTB will adopt a different approach in terms of its market focus and priorities. The HKTB will also develop new marketing angles to distinguish Hong Kong’s appeal and open up a new range of products, so that Hong Kong can stay competitive.

9. **Focused and flexible deployment of resources:** In 2009-10, the HKTB will use a new market prioritisation model in allocating resources for various source markets. Under the new model, the HKTB will allocate more than half of the marketing resources for source markets to the high-growth Mainland market and selected short-haul markets. More resources will also be deployed for tapping the emerging markets and high-potential visitor segments. To counter market volatility, the HKTB will maintain a highly flexible approach,

¹ UNWTO *World Tourism Barometer*, October 2008

² Speech by Professor Geoffrey Lipman, Assistant Secretary General of UNWTO at the 2nd UNWTO Conference on Tourism Trends and Outlook in December 2008 in Guilin, China

³ Forecast by International Monetary Fund (IMF) in November 2008

monitoring the situations of the macro environment closely and shifting resources between markets in a timely manner.

10. **New marketing theme and customised products:** As destinations promote aggressively to compete for the tourism dollar, the HKTB will create a year-round marketing platform entitled “Year of Food and Wine” for 2009-10. Building on Hong Kong’s culinary strength and the exemption of wine duty, the new marketing platform will deliver a distinct destination image and heighten interest and excitement in the city. All of the HKTB’s destination promotions will evolve around this umbrella theme. Besides, the HKTB will create new tourism products to tailor to the needs and interests of different visitor segments, such as family, young and silver-haired segments.

11. **Stringent cost containment:** Given the uncertain outlook, the HKTB will vigorously contain increases in fixed cost by freezing headcount and controlling administrative expenses. As for marketing expenditure, the HKTB will be cautious in investing the marketing resources, such as maintaining the cost of mega events at the optimal level, besides maintaining a flexible approach.

2008 OVERVIEW

12. The table below summarises various indicators of the industry’s performance in 2008:

	2008 Tourism Performance	2007 Tourism Performance	2008 Vs. 2007
Total Arrivals	29,506,616	28,169,293	+4.7%
Mainland	16,862,003	15,485,789	+8.9%
Other than Mainland	12,644,613	12,683,504	-0.3%
Average Length of Stay (LOS)*	3.3	3.3	+0.0
Overall Satisfaction Rating* (max: 10)	8.2	8.2	+0.0
Overnight Visitor Per Capita Spending*	\$5,360	\$5,122	+4.6%
Tourism Expenditure Associated to Inbound Tourism* (\$ billion)	\$148.6	\$140.6	+5.7%

* Estimation as at Dec 2008

As shown above, both visitor arrivals and Total Expenditure Associated to

Inbound Tourism (TEAIT) recorded positive growth of 4.7% and 5.7% respectively in 2008, as compared to 2007. Per capita spending also increased to HK\$5,360, while average length of stay and satisfaction rating remained at the same level as in 2007. These were achieved against increased competition, tightening of visa policy by the Mainland authorities in the run-up to and during the Beijing Olympics, and visitors staying home or avoiding the Olympic cities during the event period, as well as the global financial tsunami.

13. Beginning in September 2008, the financial turmoil swept across different economies rapidly, resulting in sharp decline in arrivals in the region, although selected markets, such as Macau, held up better than other destinations for various reasons. Hong Kong also fared better than some neighbouring destinations, including Singapore⁴, some of which revised their arrivals forecast in the third quarter of 2008 and are expected to brace negative growth of total yearly arrivals.

14. Among various source markets, the Mainland continued to be the leading contributor, with arrivals growing by 8.9% to 16.9 million. Various markets ended up with marginal growth or shortfall in arrivals, and the decline was more pronounced in the long-haul regions, which ended the year with negative growth of 3.9% on average. On the other hand, the emerging markets, namely India and Russia, sustained their robust performance, with arrivals increasing by 10.4% and 13.1% respectively, albeit with a smaller base. The breakdown of visitor arrivals by markets in 2008 is set out in Attachment I.

15. **Re-deployed resources to short-haul markets:** In view of the economic downturn and the loss of long-haul arrivals, the HKTB quickly adapted its marketing strategies in September 2008. Marketing resources have been re-deployed to focus on the short-haul markets and promotions have been stepped up to draw visitors intending to make short-haul travel during the more challenging times. Some key measures taken are summarised as follows:

- (a) for the first time, bundled and packaged various Halloween activities in town, as well as trade offers, to launch promotions targeting the young segment in selected short-haul markets, including the Mainland, Taiwan, Singapore and the Philippines;
- (b) launched additional tactical promotions during the National Day Golden Week to boost Mainland arrivals;
- (c) drummed up publicity for Hong Kong WinterFest promotion in various short-haul markets; and
- (d) collaborated with the travel trade on 'A Day in Two Cities' tour to encourage short-haul travellers to visit the two cities in one trip, particularly those heading for Macau to make side visits to Hong Kong.

⁴ Singapore recorded drop of 1.5% in visitor arrivals in Jan-Nov 2008.

16. **Expanded reach to emerging markets:** To fuel long-term, sustainable development of the tourism industry, the HKTB expanded its reach in the emerging markets, namely India, the Middle East and Russia. In May 2008, the HKTB arranged for Hong Kong travel trade partners to meet with their counterparts in New Delhi and Mumbai. This was followed by the largest-ever travel trade delegation to four Indian cities in September 2008. In October 2008, the HKTB appointed a representative in Dubai to enhance its presence in the Middle East market. As for the Russian market, the HKTB continued to expand its marketing reach and trade network through its representative office set up in August 2007. To enhance consumers' awareness of Hong Kong, the HKTB launched public relations activities, co-op promotions with travel trade and a new Russian website under DiscoverHongKong.com.

17. **Established MEHK office:** Another major area of work of the HKTB in 2008 was the establishment of the Meetings & Exhibitions Hong Kong (MEHK) office with the additional funding from the Government. To secure planned MICE (meetings, incentives, conventions and exhibitions) events in Hong Kong and seek new opportunities, the HKTB rolled out global publicity of MEHK and Hong Kong's MICE offerings in various high-potential markets, such as India, Taiwan, the Mainland and the United Kingdom. The marketing efforts would ensure that Hong Kong could make a head start when conditions improve. The MEHK office would also provide one-stop professional support to MICE organisers and work closely with relevant strategic partners, such as the Economic and Trade Offices of the SAR Government, the Hong Kong Trade Development Council (TDC) and Invest Hong Kong, to maximise synergy.

OUTLOOK FOR 2009

Risks

18. Looking ahead to 2009, there are various potential risks that might impact visitor arrivals in 2009, including:

- (a) possible further reduction in air capacity as passenger demand weakens;
- (b) further appreciation of the US dollar, which may diminish Hong Kong's appeal as a dollar-pegged destination, especially when consumers become more price conscious;
- (c) increased competition, as neighbouring destinations launch major campaigns to tap short-haul arrivals amid the downturn; and
- (d) impact of cross-strait direct links becoming more apparent, since visitors on both sides of the strait can enjoy increased number of direct flights, shorter flying time and possibly lower cost as a result of some routes not flying through Hong Kong air space.

Opportunities

19. Notwithstanding the potential risks, there are opportunities from various source markets on which Hong Kong can leverage:

- (a) UNWTO highlighted that the current downturn does not impact so much on the desire to travel. As consumers in the region take less expensive holidays and switch to short-haul destinations, this may spur intra-regional travel and work in Hong Kong's favour;
- (b) following the Beijing Olympics, the World Expo 2010 in Shanghai and the Guangzhou 2010 Asian Games will once again put the Mainland in the international spotlight. Hong Kong can capitalise on the global interest by further promoting multi-destination itineraries; and
- (c) the further opening up of the Individual Visit Scheme (IVS) to permanent residents and non-permanent residents in Shenzhen will offer new visitor sources for Hong Kong, and further opportunities to promote short breaks in the SAR.

20. Locally, the Government will implement development strategies and infrastructure projects to enrich Hong Kong's tourism offerings in the coming few years. These include nurturing Hong Kong as a wine trading and distribution centre, developing a geological park, promoting arts and culture in the community, as well as pushing ahead various new tourism projects, such as the expansion of the Atrium of Hong Kong Convention and Exhibition Centre (HKCEC), the new cruise terminal, re-development of Ocean Park, and a chain of beautification and enhancement projects in Tsim Sha Tsui, Lei Yue Mun and Ngong Ping, which will be completed in phases in the next few years. The HKTb will leverage on these initiatives to promote Hong Kong's diverse appeal and develop niche products, such as eco-oriented tours, for specific segments.

21. On tourism infrastructure, the launch of Noah's Ark, Phase 1 of the Ma Wan Park in the first quarter of 2009 will complement the city's range of family attractions. The hotel capacity will also be given a boost, with the number of hotel rooms expected to increase by almost 5,500 in 2009. As for the MICE facilities, the HKCEC atrium link will commence operation in 2009, enhancing the city's capacity to host larger and more trade shows and fairs. All of these will give HKTb additional selling points to market Hong Kong.

22. Taking into account the risks and opportunities, the HKTb's forecast for 2009 are summarised as follows:

Key Indicators	2009 Forecast	Vs. 2008
Total Arrivals ('000)	29,034	-1.6%
Mainland ('000)	17,553	+4.1%
Other than Mainland ('000)	11,481	-9.2%
Average Length of Stay [^] (LOS)	3.2	-0.1
Overall Satisfaction Rating [^] (max: 10)	8.2	+0.0
Overnight Visitor Per Capita Spending [^]	\$5,278	-1.5%
Tourism Expenditure Associated to Inbound Tourism (\$billion)	\$148.0	-0.4%

[^] Excludes same-day in-town arrivals

As the world heads for a major economic slowdown and all of Hong Kong's source markets will be affected, the HKTB projects that total visitor arrivals in 2009 will decrease by 1.6% to 29.0 million. According to UNWTO's latest forecast⁵, "international tourism will experience less and probably negative growth over the next six to nine months" in 2009. Tourism authorities of Australia, Thailand and Malaysia have already announced forecast of negative growth⁶. UNWTO also expects that the decline in average length of stay and expenditure will be more pronounced than in overall number of arrivals, given that consumers will likely travel closer to home and spend less. As a result, it is projected that average per capita spending and TEAIT, as well as length of stay, will slightly decrease in 2009.

MARKET PRIORITISATION & INVESTMENT STRATEGIES

23. The HKTB's total baseline marketing budget for the Mainland and overseas markets and the Head Office in 2009-10 is \$319.6 million (including overseas representatives fees and exchange reserve). Out of this budget, the HKTB will allocate about 57.4% or \$183.5 million (including exchange reserve) to the Worldwide Offices. As for the remaining 42.6%, a significant portion is for supporting worldwide marketing activities, such as global or regional campaigns spanning across numerous markets, while the remaining amount will be for experience enhancement initiatives at destination. Attachment II sets out the detailed breakdown.

24. In allocating the resources for different markets, it remains a cornerstone of HKTB's strategy to maintain a balanced portfolio of visitors

⁵ Forecast by UNWTO as at 1 December 2008

⁶ Tourism Australia forecasts that international arrivals to the country would drop by 4.1% in 2009, while Tourism Council of Thailand projects a 9.2% decrease. Officials of Malaysia have also announced negative growth of 9% in visitor arrivals in 2009.

from all major markets. Such a balanced portfolio is essential for upholding Hong Kong's image as an international cosmopolitan city, which is a big draw to many visitors. In 2009-10, the HKTb will concentrate on 18 source markets that account for 93% of the arrival base. These are categorised into growth, emerging, established and second-tier markets based on their current contribution of arrivals, immediate and future potential, as well as strategic importance⁷. Below highlights the relevant market investment in 2009-10:

Market Category	% of total arrivals in 2009-10	% of total marketing budget for source markets in 2009-10⁸	% of total marketing budget for source markets in 2008-09⁹
<u>Growth Markets</u> The Mainland, South Korea, Philippines, India, UK, Australia	70.1	57.0	49.1
<u>Emerging Markets</u> Middle East, Russia	0.8	4.1	2.9
<u>Established Markets</u> US, Taiwan, Japan, Singapore	16.0	28.5	33.0
<u>Second-tier Markets</u> France, Germany, Canada, Malaysia, Thailand, Indonesia	6.7	9.1	10.5

(a) ***Growth markets*** – Almost 60% or \$103.4 million out of the marketing budget for source markets will be deployed to the growth markets, which together contribute 70.1% of overall arrivals. These markets include:

(i) **The Mainland** – The Mainland remains the highest priority market, because of its substantial contribution to arrivals and its growth potential. In 2009-10, the HKTb will extend its marketing coverage from 40 to 42 Mainland cities¹⁰. The marketing budget for Central, Eastern and Northern China will be increased for raising consumers' awareness of Hong Kong, while the investment in the core cities, such as Beijing and Shanghai, will continue to

⁷ The prioritisation of markets take into account their current tourism contribution in terms of destination spending, strategic importance and growth potential based on the mid-range forecast by the Pacific Asia Travel Association (PATA).

⁸ The proposed total marketing budget for source markets (excluding exchange reserve) in 2009-10 is \$181.5 million. See Attachment II for details.

⁹ The revised total marketing budget for source markets (excluding exchange reserve) in 2008-09 is \$177.7 million. See Attachment II for details.

¹⁰ Two additional cities are Haikou and Guiyang, both IVS cities

rejuvenate Hong Kong's cosmopolitan, trend-setting image.

- (ii) South Korea, the Philippines and India – Both the Philippines and India have potential for further growth, especially with the increasing trend for intra-region travel. The HKTB will focus on the family segment and two key cities, namely Mumbai and New Delhi, in India and continue to nurture the family and young segments in the Philippines. As for South Korea, the market has been enjoying robust growth in the past few years, and is considered to have further potential for development in the longer term, despite being affected by the economic fluctuations in recent months. To tap new visitor sources, the HKTB will expand promotions to the secondary cities in South Korea, such as Busan, Daegu, Cheongju and Gwangju, and explore the emerging segment of university students besides tapping the family and young segments.
 - (iii) UK and Australia – These two long-haul markets have strategic importance in terms of their geographical locations. In particular, Hong Kong is well positioned as a primary or stopover destination on the Kangaroo routes. The HKTB will continue to nurture their contribution to overall arrivals and minimise possible loss.
- (b) ***Emerging markets*** – The HKTB plans to increase the investment in the emerging market of Russia and the Middle East by 45%. The HKTB will continue to cultivate awareness of Hong Kong in these markets and expand trade and media networks.
- (c) ***Established and second-tier markets*** – The HKTB will maintain presence of Hong Kong in the established markets to sustain volume and share of arrivals and to increase yield. As for the second-tier markets, the HKTB will focus its marketing efforts on selected cities and segments. To minimise possible loss of arrivals from long-haul markets, the HKTB will target the less affected ethnic and luxury travellers segments, especially in the US and Canada. Also, the HKTB will leverage on the 2009 Hong Kong – Japan Tourism Exchange Year to roll out promotions targeting the silver-haired segment.
- (d) ***Non-key markets*** – For all other non-key markets, the HKTB will adopt a flexible strategy and capture new opportunities for immediate or short-term potential.

25. To meet the challenges and opportunities brought by the direct links between the Mainland and Taiwan, the HKTB will expand its marketing efforts in Taiwan in 2009-10 to attract more overnight vacationers to Hong Kong. Besides increasing penetration into secondary cities, such as Kaohsiung and Taichung, the HKTB will reinforce promotions to the young and family

segments and to the MICE sector. For example, the HKTB will identify new promotional windows, including the Mother's Day for promoting to the young female segment, and push the sale of travel packages during the Taipei International Travel Fair so as to drive overnight arrivals. Besides, the HKTB will work with the travel trade to develop Hong Kong, Macau and Guangdong excursion products for Taiwan visitors.

2009-10 WORK PLAN

26. Paragraphs 27 to 36 below set out the key strategic focuses of HKTB's work plan for 2009-10 and the proposed baseline marketing budget of \$319.6 million for the programmes (also see summary table at Attachment III).

Strengthen Hong Kong's destination appeal (Proposed budget: \$112.2 million)

27. In anticipation of increasing competition from neighbouring destinations, the HKTB sees a strong need to enhance Hong Kong's appeal among travellers. Taking advantage of the exemption of wine duty and Hong Kong's core strength in dining, the HKTB has created a focused communication platform "Year of Food and Wine", which serves to highlight Hong Kong's diverse culinary experiences. Apart from weaving in the "food and wine" element in various marketing initiatives, a new mega event 'World of Food and Wine' Festival will be organised in November 2009, which will tie in with the Hong Kong International Wine Fair. During the Festival, the HKTB will launch wine and dining promotions at key dining districts, and collaborate with local organisations to stage seafood carnivals and food events in core districts of Hong Kong. In addition, food and dining guides will be produced for the frequent independent visitors (FIT) in different markets during the year.

28. The mega events programme will continue to play a key part in reinforcing Hong Kong's destination appeal, besides serving as a platform for the tourism-related sectors to promote their businesses. In 2009-10, the HKTB will inject new elements into the mega events, such as music and entertainment for the young segment and edutainment activities for the family segment during Hong Kong Summer Temptations, Christmas-themed street performances during Hong Kong WinterFest and a carnival during the Chinese New Year Celebrations. These event offerings will be communicated to overseas travellers through impactful publicity campaigns and PR programmes, while themed itineraries and packages with tactical offers will be developed through collaboration with travel agents, airlines and attractions.

29. Complementing the mega events programme will be the introduction of new promotional windows. Building on the success of the 2008 Halloween Treats, the HKTB will extend the scale and coverage of the

promotion in 2009. Another promotion in October 2009 will be a brand new Hong Kong Hiking Festival, which leverages on the Hong Kong Trailwalker to showcase the city's hidden green treasures. The HKTB will also devise more customised products to stimulate the interest of the targeted visitor segments in selected markets. For example, luxury and green tours will be created for the silver-haired segment in Japan, riding on the 2009 Hong Kong – Japan Tourism Exchange Year.

Adopt creative and effective communication approach (Proposed budget: \$65.1 million)

30. Given the immense popularity of the Internet for travel-related research and bookings, the HKTB will explore further use of the digital channels to market Hong Kong worldwide. PR activities will also be used strategically to gain extra publicity mileage for Hong Kong. Amid the economic downturn, digital marketing and PR efforts are cost-effective and efficient solutions to complement the traditional channels of print, TV and outdoor advertising. Key initiatives include:

- (a) heavy up overseas online marketing efforts in co-operation with key travel trade and travel portals to develop tactical programmes;
- (b) introduce online booking engines on the website to facilitate trip planning and booking by visitors;
- (c) enhance interactivity of HKTB's DiscoverHongKong.com website by enabling the sharing of multimedia content, such as blogs and videos by visitors and residents to stimulate interest in Hong Kong;
- (d) step up PR promotional efforts to maximise exposure and publicity of Hong Kong as a wine and dine hub through compelling print and TV features, leveraging on the annual marketing theme of 'Year of Food and Wine' in 2009;
- (e) adopt creative approach, such as endorsement by local experts, to enhance awareness of Hong Kong's living culture and hidden treasures, including arts and culture and hiking; and
- (f) strengthen co-operation with overseas media, including major media networks, such as NBC in the US, as well as other organisations, to promote Hong Kong's diverse offerings. For instance, riding on the 60th Anniversary of the Establishment of the Government of the People's Republic of China, collaborate with Mainland media and other parties to organise a 'Hong Kong Salutes Mainland' photo exhibition during the National Day Celebration in October 2009. The exhibition will feature images highlighting Hong Kong's multi-faceted appeal and its vast developments over the past decades, and will be staged in key Mainland cities to arouse Mainland visitors' interest in Hong Kong.

Promote multi-destination itineraries through strategic partnerships with the Mainland and Macau (Proposed budget: \$19.0 million)

31. At present, a vast majority (approximately 40%) of non-Mainland visitors to Hong Kong visited the Mainland on the same trip, which has become one of the hottest destinations, especially after the Beijing Olympics. Leveraging on the China fever, the HKTB will reinforce the promotion of multi-destination itineraries in 2009-10, making Hong Kong the hub for tours to Macau and indeed the Pan Pearl River Delta, and a “must-visit” destination in any China itinerary. Key initiatives include:

- (a) roll out a ‘Hong Kong Plus’ marketing campaign, which features tourism attractions of Hong Kong and selected Mainland cities/provinces, for example, Beijing and Hainan. Solicit support from relevant tourism bureaux to develop and promote the itineraries together in priority overseas markets;
- (b) reinforce collaboration with the Macau Government Tourist Office (MGTO) and the Guangdong Provincial Tourism Administration (GDPTA) to develop and promote tours featuring Hong Kong, Guangdong and Macau in different markets:
 - (i) for FIT from Taiwan, Japan, South Korea and Southeast Asia – extend the coverage of the ‘A Day in Two Cities’ tour programme beyond Hong Kong and Macau to cover Shenzhen and Guangzhou; and
 - (ii) for those in Russia, India and the Middle East – promote day excursion to Shenzhen, Guangzhou and Macau as part of the Hong Kong trip; and
- (c) create Hong Kong/Guangdong themed itineraries for Taiwan vacationers in collaboration with the GDPTA. To appeal to the young and family segments of Taiwan and hence offset the loss of arrivals due to direct links, the itineraries will leverage on the strengths of both destinations, such as heritage in Guangdong and shopping and dining in Hong Kong.

Foster win-win co-operation with business partners (Proposed budget: \$37.1 million)

32. An important priority of the HKTB in 2009-10 will be to support the local travel trade partners as they weather the economic downturn. Apart from creating business platforms through the year-round mega event programme, the HKTB will work closely with trade partners to tap new business opportunities in 2009-10. These include:

- (a) invite trade partners to participate in trade shows in emerging markets, such as the Arabian Travel Market in Dubai and the Moscow International Travel and Tourism Exhibition, and share market trends and tactics for penetrating these markets;
- (b) leverage on the latest Mainland policies for Shenzhen residents to drive awareness and incremental visits through co-operation with the Mainland authorities, travel trade and non-trade partners;
- (c) increase the number of travel missions from 6 to 12, including those to the Mainland, Southeast Asia and Taiwan; and
- (d) bundle the offers of business partners and launch a tactical programme ‘Hong Kong Bonus’ to boost sale of Hong Kong packages in short-haul markets during low season. For example, introduce the ‘Child Goes Free’ programme targeting families during school holidays in Southeast Asia.

Grow MICE and cruise businesses (Proposed budget: \$22.3 million – separately an additional \$30 million has been earmarked by the Government for the promotion of MICE industry by HKTB)

MICE

33. Following the establishment of the MEHK office, the HKTB will continue to raise Hong Kong’s profile as a premier MICE destination. In spite of the economic downturn, the HKTB is ramping up its promotional efforts to ensure Hong Kong stays ahead of the competition and to build for future growth. Meanwhile, to mitigate the impact of the economic downturn, the HKTB has stepped up its account management efforts to ensure that confirmed MICE events will proceed as scheduled in 2009. The HKTB is also working closely with industry players to drive attendance at the events. Key measures include:

- (a) Overall MICE Brand – Execute effective thematic cum attendance generation advertising campaign in major business publications at the priority short-haul markets to create brand awareness and to promote major fairs and shows in Hong Kong. Maintain prominent presence in major international MICE trade shows to nurture business opportunities for Hong Kong trade partners;
- (b) Meetings & Incentives – Target industries least affected by the financial turmoil and incentive-oriented sectors, such as pharmaceutical, insurance and academic institutions, in short-haul markets, including the Mainland, India, Japan and South Korea;
- (c) Conventions – Increase resources to generate leads and form a “Bid Expert” team with overseas alliance group in winning new business in priority markets, such as the US and UK; and
- (d) Exhibitions – Maintain prominence in major trade promotional activities and shows, such as UFI Congress in Croatia, to nurture business

opportunities. Advertise in key business publications in short-haul markets to promote major fairs and shows in Hong Kong, and develop attractive value-added packages to boost spending and promote companion travel.

In addition to the above proposed marketing input, the HKTB will make use of the additional funding of \$30 million earmarked by the Government to devise customised solutions and value-added hospitality offers for MICE events, and recruit marketing specialists in strategic markets for providing professional support to event organisers and building new business.

Cruise

34. To pave way for the commissioning of the first berth of the new cruise terminal at Kai Tak in 2013, the HKTB will continue to cultivate relationship with cruise lines and provide top-class hospitality services to build goodwill and word-of-mouth of Hong Kong as a leading regional cruise hub. Key initiatives in 2009-10 include:

- (a) provide value-added offers, including special hospitality package, for cruise vessels calling upon Hong Kong; and
- (b) while stepping up presence in international trade events, tactical programmes targeting at luxury segments in the US, achievers and families in Australia, India, the Philippines and Japan will be launched to generate interest in fly/cruise packages.

Expand quality enhancement platforms (Proposed budget: \$19.7 million)

35. As competition intensifies, Hong Kong must fulfil visitors' needs and expectations in terms of service excellence and quality assurance, so as to generate positive word-of-mouth and repeat business. The HKTB will continue to motivate the tourism-related sectors to strive for improvement in their service quality through the QTS scheme, and provide quality visitor services at major ports of entry and the city's strategic locations. Key initiatives include:

- (a) expand distribution coverage of Quality and Honest Tours (QHT) to more secondary Mainland cities, such as Wuxi, Fujian and Jinan, bringing the coverage to a total of 19 Mainland cities. Also, set up another virtual QHT counter to expand the reach beyond geographical regions;
- (b) introduce the 'Meet the Locals' volunteer programme to offer visitors the opportunity of interacting with local residents. Under the programme, volunteers will station at the Visitor Centre to assist visitors, provide

- personal recommendations and even escort visitors on city tour to share the local living culture; and
- (c) expand the portfolio of the QTS scheme by pilot-launching the QTS Hair Salon scheme.

Drive organisational excellence (Proposed budget: \$32.3 million)

36. The HKTB will continue to devise its strategies based on an information-based approach and deploy the marketing resources through a rigorous strategic planning process. As well as closely monitoring the macro environment and analysing the global trends and issues, resources will be deployed for conducting market studies and consumer research, so as to support the development of market strategies and to guide resource deployment. In delivering its marketing functions, the HKTB is committed to maintaining high standards of corporate governance and stringent control. Over the past year, the HKTB has put in place a series of improvement measures and will continue to strengthen its corporate governance. In addition, the HKTB will closely engage stakeholders from various sectors, and solicit their input and comments through a structured process. Key initiatives in 2009-10 include:

- (a) conduct new research and market studies to gain greater insight into selected markets and segments and to facilitate knowledge-based marketing planning;
- (b) introduce a holistic review of the existing Financial Policies and Procedures to ensure adequate control and efficient use of resources;
- (c) conduct more frequent internal audits to improve internal control and compliance; and
- (d) put in place systematic and structured process for engaging, communicating and consulting stakeholders.

Trade Support Measures

37. Separately, the HKTB has set aside \$21.0 million from its reserve for providing a series of concessions for travel trade partners in 2009 across two fiscal years (\$6.3 million in 2008-09 and \$14.7 million in 2009-10). With the objective of reducing trade partners' marketing expenses, these trade measures comprise two parts:

- (a) for the merchants accredited under the Quality Tourism Services (QTS) scheme, they can enjoy 100% waiver in the annual membership renewal fee, while new applicants will enjoy 50% off the application fee; and
- (b) for trade partners in the leisure, MICE and cruise travel sectors, they can enjoy 50% discount on the participation fee for joining the booths set up by the HKTB at travel trade shows around the world, as well as

overseas travel missions organised by the HKTB. In addition, all the participation fee collected by the HKTB will be reinvested into marketing activities in respective markets for the publicity of Hong Kong and our travel trade before and during the events.

COST MANAGEMENT

38. As mentioned in paragraph 11, the HKTB has no plans to increase the headcount in its Head Office and Worldwide Offices in 2009-10, which will remain at 325 established posts. The HKTB has also built in contingency measures to protect its market investment, including:

- (a) maintain holding reserve for resources allocated to the overseas markets;
- (b) avoid long-term commitment of marketing programmes, and allow flexibility for pulling back promotions in long-haul markets and re-deploy resources to other markets; and
- (c) institutionalise the mechanism of quarterly review of market conditions. Submit report to Board and adjust market prioritisation and investment, if necessary.

Income and Sponsorship

39. On the income side, apart from the subvention and other funding from the Government for 2009-10, the HKTB will continue its best endeavour to solicit sponsorship for funding its events, activities and communication materials, and increase the revenue of advertising in HKTB publications and website, as well as in the venue of HKTB's mega events. While the current economic climate poses immense challenge to secure sponsorship, the HKTB aims to maintain similar level of sponsorship income as in 2008-09, that is, around \$15 million.

PERFORMANCE MEASUREMENT

40. The HKTB is acutely aware of the community expectations and its accountability for efficient and prudent use of public resources. In 2008, the HKTB conducted a comprehensive review of its performance measurement framework, making reference to the practices of the UNWTO, the Pacific Asia Travel Association and nine national tourism organisations of other destinations, including Canadian Tourism Commission, Tourism Australia and Visit Britain, as well as consulting the travel, academic and related sectors. With the Board's approval, the HKTB will implement a new performance measurement framework from 2009-10.

41. Under the new framework, the HKTB, being one of the major stakeholders to market Hong Kong as a preferred travel destination worldwide,

will continue to keep track of the four groups of performance indicators of the tourism sector contributed collectively by various stakeholders. These include visitor arrivals, their spending, length of stay and satisfaction.

42. On top of that, the HKTB will bring in a second tier of corporate performance indicators to measure the effectiveness and performance of the HKTB's marketing programmes and activities by strategic focuses. The new framework will better reflect the nature of HKTB's activities, increase its accountability and better measure the contribution of HKTB. Moving forward, the HKTB will continue to consult the academics and other stakeholders, and identify areas of further improvement, so as to continuously enhance the HKTB's accountability.

Hong Kong Tourism Board
January 2009

2008 Total Arrivals by Market

	2008	2007	Vs 2007
The Americas	1,684,734	1,783,609	-5.5%
USA	1,146,364	1,230,927	-6.9%
Canada	379,046	395,167	-4.1%
Central America	52,652	58,412	-9.9%
South America	106,672	99,103	+7.6%
Europe, Africa and the Middle East	2,094,039	2,189,424	-4.4%
Europe	1,711,434	1,772,226	-3.4%
United Kingdom	563,984	601,168	-6.2%
Netherlands	102,310	110,816	-7.7%
Nordic Countries	132,013	120,277	+9.8%
Germany	224,665	234,763	-4.3%
France	229,349	231,091	-0.8%
Italy	110,583	118,841	-6.9%
Iberia	75,133	83,770	-10.3%
Russia	37,153	32,858	+13.1%
Europe Others	236,244	238,642	-1.0%
South Africa	65,024	72,897	-10.8%
Africa Others	145,610	158,620	-8.2%
Middle East	171,971	185,681	-7.4%
Australia, N.Z. and S. Pacific	763,206	756,964	+0.8%
Australia	643,538	633,599	+1.6%
New Zealand	113,984	117,215	-2.8%
South Pacific Others	5,684	6,150	-7.6%
North Asia	2,229,117	2,200,567	+1.3%
Japan	1,324,797	1,324,336	0.0%
South Korea	904,320	876,231	+3.2%
South & Southeast Asia	2,936,207	2,888,106	+1.7%
Southeast Asia	2,541,281	2,526,367	+0.6%
Indonesia	348,938	366,217	-4.7%
Malaysia	490,561	504,487	-2.8%
Philippines	568,540	552,942	+2.8%
Singapore	632,637	631,963	+0.1%
Thailand	403,301	387,219	+4.2%
S.E.A. Others	97,304	83,539	+16.5%
India	350,674	317,510	+10.4%
Other Asian & Indian Sub.	44,252	44,229	+0.1%
Taiwan	2,240,481	2,238,731	+0.1%
Macau	696,829	626,103	+11.3%
World excl. China	12,644,613	12,683,504	-0.3%
The Mainland	16,862,003	15,485,789	+8.9%
TOTAL	29,506,616	28,169,293	+4.7%

2009-10 PROPOSED MARKETING BUDGET

	2009-10 Proposed Budget (HK\$M)	2008-09 Revised Estimates (HK\$M)
<i>Growth Markets</i>	<i>103.4</i>	<i>87.2</i>
The Mainland	56.5	46.5
South Korea	12.0	12.0
Philippines	4.5	3.3
India	11.3	6.3
UK	9.7	9.7
Australia	9.4	9.4
<i>Emerging Markets</i>	<i>7.4</i>	<i>5.1</i>
Middle East	3.9	2.7
Russia	3.5	2.4
<i>Established Markets</i>	<i>51.7</i>	<i>58.5</i>
Taiwan	18.8	17.4
US	14.6	20.4
Japan	14.3	16.6
Singapore	4.0	4.1
<i>Second-tier Markets</i>	<i>16.5</i>	<i>18.7</i>
France	3.1	3.5
Germany	3.5	4.0
Canada	4.0	4.7
Thailand	2.2	2.6
Malaysia	3.1	3.2
Indonesia	0.6	0.7
<i>Non-key Markets</i>	<i>2.5</i>	<i>8.2</i>
Total Marketing Budget for Source Markets	181.5	177.7
Other – Exchange Reserve	2.0	2.0
Total Marketing Budget for Head Office	136.1	144.0
Total Proposed Baseline Marketing Budget	319.6	323.7

<i>Special Projects</i>		
Trade Support Measures	14.7	6.3
MEHK	30.0	30.0
Olympic Support	N.A.	23.5
Total Special Projects	44.7	59.8

N.A.: Not applicable

2009-10 PROPOSED BASELINE MARKETING BUDGET
BY STRATEGIC FOCUS AREA

Strategic Focus	Head Office (HK\$M)	Worldwide Offices (HK\$M)	Total (HK\$M)
1. Strengthen Hong Kong's destination appeal	47.9	64.3	112.2
2. Adopt creative and effective communication approach	14.9	50.2	65.1
3. Promote multi-destination itineraries through strategic partnerships with the Mainland and Macau	1.0	18.0	19.0
4. Foster win-win co-operation with business partners	13.3	23.8	37.1
5. Grow MICE and cruise businesses	12.2	10.1	22.3
6. Expand quality enhancement platforms	14.5	5.2	19.7
7. Drive organisational excellence	32.3	0.0	32.3
8. Other Expenditure			
(a) Agency rep fee	0.0	9.9	9.9
(b) Exchange rate reserve	0.0	2.0	2.0
Grand Total	136.1	183.5	319.6