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**Panel on Economic Development**  
**Meeting on 24 January 2011**

**Updated background brief on the**  
**Work plan of Hong Kong Tourism Board**

**Purpose**

This paper provides background information on the funding arrangements and annual work plan of the Hong Kong Tourism Board (HKTB). The paper also summarizes the views and concerns previously expressed by Members of the Legislative Council (LegCo) on these issues.

**Establishment of HKTB**

2. HKTB was a statutory body established on 1 April 2001 under the HKTB Ordinance (Cap. 302). It was reconstituted from and replaced the Hong Kong Tourists Association (HKTA)<sup>1</sup>.

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;

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<sup>1</sup> HKTA was set up as a membership organization 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.

- (d) support the Government in promoting to the community the importance of tourism;
- (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<sup>2</sup> 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 globally as a leading international city in Asia and a world class tourist destination. 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). HKTB maintains a close watch on global tourism trends, keeps track of competitors' activities, conducts extensive market research and analysis, and develops the Board's overall marketing, business development and product development strategies.

5. The governing body of HKTB is the Board<sup>3</sup> which consists of 20 members. There are four committees established under the Board, namely, Audit Committee, Staff and Finance Committee, Marketing and Business Development Committee, and Product and Event Committee. HKTB has a worldwide network of 15 offices and has representatives<sup>4</sup> in six different markets. As at 31 March 2010, the establishment of HKTB is 325 staff, of whom 99 are stationed outside Hong Kong. According to HKTB, it has no plans to increase the headcount in its Head Office and WWOs in 2010-2011.

6. The Tourism Commission (TC) works closely with HKTB and other organizations to promote the development of tourism in Hong Kong. It provides advice to SCED on matters relating to HKTB. The Government has appointed the Commissioner for Tourism as a member of the HKTB Board since its establishment and the Commissioner is also a member of all the four Committees under the Board.

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<sup>2</sup> The Chief Executive of the Hong Kong Special Administrative Region.

<sup>3</sup> 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 (SCED) with effect from 1 July 2007.

<sup>4</sup> A Representative Office is for travel trade/media/consumer enquiries only.

## **Funding arrangements for HKTB**

7. HKTB's activities are primarily funded by the Government having regard to the needs of HKTB as presented in its work plan and annual budget<sup>5</sup>. The subvention for HKTB will form part of the Appropriation Bill, the passage of which is subject to LegCo approval. The Government may provide non-recurrent fund to support HKTB in implementing specific promotional activities. Since 2008-2009, the Government has earmarked \$30 million every year to HKTB until 2012-2013 to provide one-stop support for meetings, incentives, conventions and exhibitions (MICE) events, assist in bidding for prestigious MICE events, generate attendance and promote cross-selling of tourism products. HKTB can also collect fees for its services to achieve cost recovery as appropriate, 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 event. In 2010-2011, HKTB aims to achieve over \$24.5 million of sponsorship income, an increase of 138% over the amount in 2009-2010.

## **Monitoring mechanisms for HKTB**

8. According to HKTB, there is an established mechanism of financial monitoring and internal audit to ensure cost-effectiveness of its promotional activities. Its work plan, budget, programmes, financial procedures, guidelines and progress of marketing are required to be vetted and monitored by the relevant Committees established under the Board.

9. To track the effectiveness of the promotional programmes and activities, HKTB has established four objective Key Performance Indicators (KPIs), including visitor arrivals, length of stay, satisfaction level and spending of visitors. In 2009-2010, HKTB introduced a new performance measurement framework. In addition to the four KPIs, HKTB brought 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. Based on the strategic foci of 2010-2011, HKTB has drawn up a set of objectives and results for measuring the effectiveness of its promotions and hence efficient use of public resources. HKTB will

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<sup>5</sup> 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.

continue to consult the academics and other stakeholders, and identify areas of further improvement, so as to continuously enhance HKTB's accountability.

10. Under section 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. Section 19 of the HKTB Ordinance provides that HKTB has to submit an annual report of activities to the Chief Executive, and SCED shall lay the report on the table of LegCo. In addition, HKTB is listed as a "public body" under the Prevention of Bribery Ordinance, and is subject to the Director of Audit (D of A)'s scrutiny. D of A carried out a value-for-money audit for HKTB in 2007. The audit findings are included in Chapters 5 and 6 in Report No. 49 of the D of A<sup>6</sup>.

### **Work plans of HKTB**

11. Under section 17B of the HKTB Ordinance, HKTB has to submit its work plan to SCED for approval. In drawing up the work plans, HKTB conducts extensive consultation with various tourism stakeholders, including travel agents, airlines, retailers, restaurants, attractions, as well as the academia.

#### 2010-2011 work plan

12. According to the World Tourism Organization, international travel will grow moderately between 1% and 3% in 2010. Asia will show the strongest rebound, while Europe and the Americas will probably take longer to recover. Assessment by HKTB shows that the Mainland China will continue to be the driver of Hong Kong's tourism growth. Taking into account various factors of the macro environment, the impact of the travel-related policies, tourism trends and patterns of major source markets, as well as analysis and projections by international organizations, HKTB projects that total visitor arrivals in 2010 will increase by 5.2% to 31.14 million.

13. HKTB's total proposed marketing budget for 2010-2011 is \$367.9 million (about \$10.1 million less than that for 2009-2010) whereas the total marketing budget for 18 source markets for 2010-2011 would be \$190.5

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<sup>6</sup> 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.

million (an increase of 5.6% over the amount in 2009-2010). Below highlights the relevant investment for the 18 key source markets that account for 94% of the arrival base in 2010-2011:

<b>Growth Markets</b>	<b>Emerging Markets</b>	<b>Established Markets</b>	<b>Secondary Markets</b>	<b>Non-key Markets</b>
Mainland China Taiwan Australia South Korea Philippines	India The Middle East Russia	USA Japan UK Canada Singapore	Malaysia Germany Thailand France Indonesia	Examples: Central and South Americas Netherlands Italy
<b>2010-11 Budget*</b>				
56.5%	9.8%	25.1%	8.3%	0.3%

\* (exclude \$2 million for exchange reserve)

14. In 2010-2011, HKTB will focus investment in growth markets, which together contribute 75% of overall arrivals. It will step up marketing efforts in Shenzhen to encourage more frequent visits to Hong Kong, launch an image-building campaign in Shanghai during the World Expo 2010 period to promote Hong Kong, continue to grow the overnight vacation segment from Taiwan and vigorously drive arrivals from South Korea. HKTB will increase its investment in India, the Middle East and Russia to accelerate development of emerging markets while strengthening promotional effort in Malaysia, Thailand and Indonesia to maintain its share of arrivals.

15. In addition to the market prioritization and investment strategies mentioned above, HKTB will also strengthen Hong Kong's destination appeal, adopt creative and effective communication approach, drive multi-destination co-operation with Mainland cities, Macau and selected Southeast Asian destinations, foster stronger partnership with the travel trade and grow MICE and cruise businesses, enhance quality service platforms, strengthen corporate governance, including cost management and performance measurement.

### **Discussion by LegCo Members**

16. Members had raised questions at Council meetings since 2005 on the operation of HKTB, the cost-effectiveness of additional funding for HKTB, as well as the remuneration for the Executive Director of HKTB. The LegCo Public Accounts Committee (PAC) held 15 public hearings from

December 2007 to February 2008 on Chapters 5 and 6 in Report No. 49 concerning HKTB. PAC requested the Administration to take various follow-up actions as set out in Part 4 of the PAC Report No. 49A.

17. The former Panel on Economic Services<sup>7</sup> and the Panel on Economic Development also discussed the marketing campaigns and business/work plans of HKTB on 2 June 2005, 26 June 2006, 28 January 2008 and 19 January 2009. Panel members have raised concerns about HKTB's promotion strategy in different source markets, marketing tourism products, performance measurement, corporate management and cost control. The major views and concerns expressed by Members on the previous work of HKTB are given in the LC Paper No. CB(1)908/09-10(06).

#### Panel's views and concerns on the 2010-2011 work plan of HKTB

18. The Panel on Economic Development received a briefing on HKTB work plan for 2010-2011 at the meeting on 25 January 2010. A Panel member expressed concern that as it would take time for the global economy to revive, what HKTB would plan to resume investment in the long-haul markets. HKTB advised that it was crucial to allocate appropriate promotional resources in these markets to sustain awareness of the destination brand of Hong Kong. Some Panel members stressed the need to strengthen Hong Kong's appeal to tourists to withstand the competition from the opening of Universal Studio Singapore and the staging of Shanghai Expo. While considering the Shanghai Expo a golden opportunity to develop multi-destination itineraries and promote Hong Kong for visitors from long-haul markets, HKTB informed the Panel that it would adopt "Festive Hong Kong 2010" as its annual marketing theme to highlight Hong Kong's wide array of festivals and cultural celebrations. Its mega events or key promotions would tie in with Chinese traditional festivals and cultural celebrations.

#### **Latest development**

19. According to the Administration (CB(1)20/10-11(01)), HKTB will continue expanding its marketing efforts in emerging markets. The Middle East, India, Russia, the Netherlands and Vietnam are all emerging markets that present consideration potential in tourism. To strengthen Hong Kong's competitiveness, HKTB plans to set up new representative offices to further establish business network in Vietnam and the Netherlands. It is also

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<sup>7</sup> The Panel on Economic Services has been renamed as the Panel on Economic Development with effect from the 2007-2008 session.

working to extend its marketing efforts in Mumbai and New Delhi of India and Dubai, to reach Bengaluru and Chennai of India and Saudi Arabia of the Middle East.

20. At the meeting on 24 January 2011, the Panel will be briefed on the work plan of HKTB for 2011-2012, the overview of Hong Kong tourism industry in 2010 and the outlook of 2011.

## **References**

21. A list of the relevant papers with their hyperlinks is in [http://www.legco.gov.hk/database/english/data\\_es/es-hktb.htm](http://www.legco.gov.hk/database/english/data_es/es-hktb.htm)

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