

Hong Kong Tourism Board: Efforts in promoting tourism

The Audit Commission ("Audit") conducted a review to examine the efforts made by the Hong Kong Tourism Board ("HKTB") in promoting tourism in Hong Kong, including the organization of mega events¹ and marketing activities and implementation of the Quality Tourism Services ("QTS") Scheme.² A related review was conducted in October 2007.³

2. Hon Paul TSE declared that he was a member of the Quality Tourism Services Committee and the Quality Tourism Services Sub-Committee under HKTB. Hon SHIU Ka-fai declared that he was an adviser to the Governing Council of the Quality Tourism Services Association.

3. Tourism is one of the key industries in Hong Kong. In 2018, the tourism industry accounted for about 4.5% of Hong Kong's Gross Domestic Product and employed around 257 000 people (about 6.6% of the total employment). HKTB is a government-subsidized body established in April 2001 which aims to, among others: (a) 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) support the Government in promoting to the community the importance of tourism; and (d) support, as appropriate, the activities of persons providing services for visitors to Hong Kong. In 2019-2020, HKTB's income and expenditure totalled \$869.3 million (including government subvention of \$834.6 million) and \$865.2 million respectively.

4. The Committee noted the following findings from the Director of Audit's Report:

Mega events

- Audit examined 10 open invitations for title sponsorship for mega events completed from 2014-2015 to 2018-2019 and noted that:

¹ HKTB stages various mega events to strengthen Hong Kong as the Events Capital of Asia, induce visitor arrivals, raise visitor satisfaction with unique Hong Kong experience and ultimately bring economic benefits to Hong Kong.

² QTS Scheme was launched in 1999 to accredit retailers and restaurants providing quality services, thereby giving visitors greater confidence in the products and services of Hong Kong. Applicants who have fulfilled QTS Scheme's assessment criteria are certified as QTS accredited merchants and entitled to display QTS decal as an identification of the QTS status.

³ Chapter 6 of the Director of Audit's Report No. 49 – "Hong Kong Tourism Board: Planning, execution and evaluation of marketing activities".

- (a) the timing of inviting title sponsorship varied for some events from year to year. For example, open invitations for title sponsorship for "Hong Kong WinterFest (Christmas Tree)" for 2014-2015, 2016-2017 and 2017-2018 were placed 8 months, 6.5 months and 12.3 months respectively prior to the tentative dates of the event; and
 - (b) the time allowed for submission of expression of interest (i.e. number of days between the placing of the open invitation and the deadline for the submission) only ranged from 9 to 15 calendar days, averaging 12.8 calendar days;
- budgetary information of 20 (63%) out of the 32 mega events completed from 2015-2016 to 2018-2019 was not provided to HKTB's Product and Event Committee in seeking its approval for organizing the events. In addition, the actual expenditures of the nine mega events completed in 2018-2019 were not reported to the Product and Event Committee;
 - some major issues were encountered when the digital countdown with lucky draw, which was part of the mega event "Hong Kong New Year Countdown Celebrations" for 2019-2020, was held on 31 December 2019. In May 2020, the consultant appointed by HKTB completed a review on the lucky draw event and made 13 recommendations on the areas of procurement, protection of personal data, system design, development and testing, assurance of event fairness and contingency planning;
 - for the mega events completed from 2014-2015 to 2018-2019:
 - (a) the visitor's split (i.e. percentage of non-locals in the event attendance) of some events was on the low side.⁴ For example, the visitor's split of "e-Sports and Music Festival Hong Kong" was only 7% in 2018-2019; and
 - (b) the awareness of some events was decreasing.⁵ For example, while HKTB increased its spending on marketing and promoting

⁴ Please see Table 4 in paragraph 2.21 of Chapter 8 of the Director of Audit's Report No. 75 for details.

⁵ Please see Table 5 in paragraph 2.22 of Chapter 8 of the Director of Audit's Report No. 75 for details.

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"Hong Kong Wine and Dine Festival" by 59% from \$12.3 million in 2017-2018 to \$19.5 million in 2018-2019, the event awareness decreased from 33% to 28% over the same period;

- HKTB had not established a mechanism to assess the effectiveness of mega events in driving visitor spending and bringing economic benefits to Hong Kong;

Marketing activities

- the amount of funding utilized under the Funding Support for Small-sized Meeting, Incentive and Convention ("MIC") Groups⁶ fell short of HKTB's targets by 20.6% in 2016-2017, 1.6% in 2017-2018, 20.2% in 2018-2019 and 53.6% in 2019-2020. The number of MIC overnight visitors benefitted fell short of HKTB's targets by 5.6% in 2016-2017, 11.7% in 2018-2019 and 53.9% in 2019-2020;
- according to HKTB's guidelines, when working with content partners of HKTB's Website who would make recommendations of commercial entities, the contract between HKTB and the content partners would include a clause to avoid any conflict of interest between the content partners and the commercial entities featured. Audit found that from 2014-2015 to 2019-2020, in five (71.4%) of the seven partnership agreements between HKTB and its Website content partners, there was no documentary evidence showing that the content partners were required to avoid conflict of interest between them and the commercial entities they featured;

QTS Scheme

- from January 2015 to May 2020, the number of QTS accredited merchants had decreased by 95 (7.5%) from 1 272 to 1 177 and the number of outlets operated by QTS accredited merchants had decreased by 355 (4.3%) from 8 229 to 7 874;

⁶ The Funding Support for Small-sized MIC Groups provides business building assistance for Hong Kong inbound tour operators to enhance their competitiveness in attracting small-sized MIC businesses to Hong Kong. The funding should be utilized for providing special hospitality offers for MIC groups in areas such as hotel accommodation and attraction admissions, and/or offsetting the cost of pre-event site inspection visit in Hong Kong for the eligible MIC groups.

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- Audit conducted site visits to 30 QTS accredited merchants in June and July 2020 and found that 20 (66.7%) merchants did not display the decals at their outlets, and seven (23.3%) merchants displayed the expired decals of 2019 at their outlets instead of the decals of 2020;
- HKTb had engaged a contractor to, among others, conduct regular patrols to previously accredited merchants which had already withdrawn or been terminated from QTS Scheme for checking of fraudulent display of QTS decals and logos. In July 2020, Audit conducted site visits to 10 merchants which had withdrawn from QTS Scheme from January 2019 to May 2020⁷ and discovered that two (20%) merchants displayed QTS decals at the outlets, and one (10%) merchant displayed QTS logo in its promotional material;⁸

Way forward

- while HKTb aimed to maintain a diverse market portfolio and balanced visitor mix, from 2014 to 2020 (up to July), the visitor mix remained skewed towards the Mainland (65% to 69% of overnight visitor arrivals and 76% to 78% of total visitor arrivals);
- from 2014-2015 to 2018-2019, the numbers of overnight and total visitor arrivals from four short-haul markets (i.e. Taiwan, Singapore, Malaysia and Indonesia) among the 20 key source markets⁹ decreased despite increase in marketing expenditure;¹⁰ and
- from 2014 to 2018, the amount of tourism expenditure of overnight visitors decreased by \$27.4 billion (12.4%) from \$221 billion to \$193.6 billion. The per capita expenditure of overnight visitor decreased by \$1,346 (16.9%) from \$7,960 to \$6,614.

⁷ In the period from January 2019 to May 2020, 132 merchants withdrew from QTS Scheme.

⁸ According to HKTb, display of QTS decals or logos by merchants having withdrawn from QTS Scheme is considered as fraudulent display.

⁹ HKTb focuses its marketing expenditure on 20 key source markets around the world and classifies these markets into four market segments: (a) Mainland; (b) short-haul markets (e.g. Japan); (c) long-haul markets (e.g. Australia); and (d) emerging markets (e.g. India).

¹⁰ Please see Table 12 in paragraph 5.7 of Chapter 8 of the Director of Audit's Report No. 75 for details.

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5. The Committee did not hold any public hearing on this subject. Instead, it asked for written responses regarding the staging and performance measurement framework of mega events; the measures to be taken by HKTB to increase sponsorship for mega events; the implementation of QTS Scheme; the deployment of marketing resources; and the assistance provided by the Administration to the travel trade and hospitality industry since 2019. The replies from **Secretary for Commerce and Economic Development** and **Executive Director of the Hong Kong Tourism Board** are in *Appendices 10* and *11* respectively.

6. The Committee wishes to be kept informed of the progress made in implementing the various recommendations made by Audit.