

立法會
Legislative Council

LC Paper No. CB(1)2067/05-06
(These minutes have been seen
by the Administration)

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Panel on Economic Services

**Minutes of meeting held on
Monday, 26 June 2006, at 10:45 am
in the Chamber of the Legislative Council Building**

Members present : Hon James TIEN Pei-chun, GBS, JP (Chairman)
Hon Jeffrey LAM Kin-fung, SBS, JP (Deputy Chairman)
Ir Dr Hon Raymond HO Chung-tai, S.B.St.J., JP
Dr Hon David LI Kwok-po, GBS, JP
Hon Fred LI Wah-ming, JP
Dr Hon LUI Ming-wah, SBS, JP
Hon CHAN Kam-lam, SBS, JP
Hon SIN Chung-kai, JP
Hon Howard YOUNG, SBS, JP
Hon LAU Chin-shek, JP
Hon Miriam LAU Kin-yee, GBS, JP
Hon Abraham SHEK Lai-him, JP
Hon Vincent FANG Kang, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon WONG Ting-kwong, BBS
Hon CHIM Pui-chung
Hon Albert Jinghan CHENG
Hon KWONG Chi-kin
Hon TAM Heung-man

Member absent : Hon Ronny TONG Ka-wah, SC

Public Officers attending : **Agenda item V**
Ms Eva CHENG
Permanent Secretary for Economic Development and
Labour (Economic Development)

Mr Howard LEE
Deputy Secretary for Economic Development and Labour
(Economic Development)

Mrs Joanna CHOI
Postmaster General (Acting)

Mrs Violet CHAN
Director (Finance)
Post Office

Mr Kenneth WU
Senior Manager (International Letters)
Post Office

Agenda item VI

Ms Eva CHENG
Permanent Secretary for Economic Development and
Labour (Economic Development)

Miss AU King-chi
Commissioner for Tourism

Mrs Winifred CHUNG
Assistant Commissioner for Tourism (4)

Mr LEUNG Chi-hong
Senior Country Parks Officer (Southeast)
Agriculture, Fisheries and Conservation Department

Agenda item VII

Mr Stephen IP
Secretary for Economic Development and Labour

Ms Eva CHENG
Permanent Secretary for Economic Development and
Labour (Economic Development)

Miss AU King-chi
Commissioner for Tourism

Attendance by invitation

: Agenda item VI

Hong Kong Tourism Board

Ms Clara CHONG
Executive Director

Mr Lambert CHAN
General Manager, Destination Marketing

Mr Mason HUNG
Senior Manager, Product Development

Agenda item VII

Hong Kong Tourism Board

Mrs Selina CHOW
Chairman

Mr Stanley KO
Chairman of Staff & Finance Committee

Mr TANG Kwai-nang
Chairman of Marketing and Business Development
Committee

Ms Clara CHONG
Executive Director

Mrs Grace LEE
Deputy Executive Director

Clerk in attendance : Mr Andy LAU
Chief Council Secretary (1)2

Staff in attendance : Ms Debbie YAU
Senior Council Secretary (1)1

Miss Winnie CHENG
Legislative Assistant (1)5

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I Confirmation of minutes and matters arising

(LC Paper No. CB(1)1778/05-06 - Minutes of special meeting held on 30 March 2006)

The minutes of the meeting held on 30 March 2006 were confirmed.

II Endorsement of the Report of the Panel for submission to the Council

(LC Paper No. CB(1)1804/05-06 - Draft report of the Panel for submission to the Council)

2. Members endorsed the Report of the Panel for 2005-06 session for submission to the Council on 12 July 2006.

III Information papers issued since last meeting

(LC Paper No. CB(1)1656/05-06(01) - Tables and graphs showing the import and retail prices of major oil products from May 2004 to April 2006 furnished by the Census and Statistics Department
LC Paper No. CB(1)1697/05-06(01) - Referral from the Complaints Division on regulation of unscrupulous selling practices)

3. Members noted the information papers issued since last meeting.

IV Items for discussion at the next meetings

(LC Paper No. CB(1)1805/05-06(01) - List of outstanding items for discussion
LC Paper No. CB(1)1805/05-06(02) - List of follow-up actions)

Regular meeting on 19 July 2006

4. Members agreed to discuss the item "Report of the Competition Policy Review Committee" proposed by the Administration at the next regular meeting scheduled for 19 July 2006.

Special meeting on 18 July 2006

5. Members noted that Hon Fred LI and Hon SIN Chung-kai proposed the Panel to discuss the following two items –

- (a) Progress update on Ngong Ping 360; and
- (b) Acquisition of Dragonair by Cathay Pacific.

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6. On 5(b), Mr Jeffrey LAM considered it pre-mature for the Panel to consider the item at this stage as the acquisition process was still undergoing. Mr CHAN Kam-lam shared his view and considered that the Legislative Council should avoid interfering merging and acquisition activities in the market as far as practicable. Mr Fred LI clarified that he had no intention to intervene in the market but it would be useful if the Administration could brief the Panel on its initial assessment of the deal and whether it would give rise to any competition-related issues as well as the impact of the acquisition on the tourism and aviation industries. Mr Howard YOUNG said that the acquisition process would take some time to complete but he agreed that the Administration could be invited to attend the July meeting to answer members' questions.

7. In view of the heavy agenda, the Chairman suggested that the Panel would hold a special meeting on 18 July 2006 at 10:45 pm to discuss items 5(a) and 5(b). Members agreed.

V Postage revision for certain international bulk mail services

(LC Paper No. CB(1)1805/05-06(03) - Information paper provided by the Administration)

Briefing by the Administration

8. At the invitation of the Chairman, the Deputy Secretary for Economic Development and Labour (Economic Development) (DS/ED) briefed members on the plan of the Postmaster General (PMG) to revise the postage of certain international bulk mail services. In gist, he said that the Post Office (PO) had conducted a costing exercise for 2006-07. The result showed that since the Universal Postal Union (UPU) had increased the terminal dues for 2006-2009 and Japan and Thailand had invoked the Bulk Mail Option Rate on bulk mail posting from Hong Kong, the PO had incurred deficits for bulk bag service to all destinations and bulk posting of light-weight air mail items to Japan and Thailand. As such, the PMG planned to (a) increase the postage of the bulk bag service to all destinations by between 4% and 100% depending on the per item weight of the mail items in the bulk bag and the destination; (b) increase the postage of bulk posting of light-weight air mail items to Japan and Thailand by between 23% and 78% depending on the weight per item and the destination; and (c) introduce a new charging scale for bulk posting of light-weight surface mail items. Details were set out in the Annex of the Administration's paper (LC Paper No. CB(1)1805/05-06(03)). DS/ED stressed that the above postage revision plan had no direct impact on the public. It affected only a small number of publishing companies and commercial mailers. The PO had consulted the Society of the Publishers in Asia and the Hong Kong Direct Marketing Association, which had no objection to the proposed postage revisions.

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Discussion

9. Noting that the planned postage revision was expected to generate additional annual revenue of around \$29 million, Mr Jeffrey LAM was concerned whether the amount could offset UPU's increased terminal dues and the Bulk Mail Option Rate invoked by Japan and Thailand.

10. Referring to the Administration's paper that maintaining the existing postage would result in an estimated annual deficit of around \$16 million for bulk bag service to all destinations, and \$25 million for bulk posting of light-weight air mail items to Japan and Thailand, Mr Fred LI remarked that there would still be a shortfall even after deducting the additional annual revenue of around \$29 million generated from the planned postage revision. He was concerned whether these international bulk mail services would continue to be cross-subsidized by other services.

11. In response, PMG (Acting) and DS/ED explained that under the international terminal dues payment system, postal administrations at origin were entitled to reduce the terminal dues payment if the yearly overall average number of mail items per kilogram sent was less than 13. As the relatively heavy items sent through the bulk bag service would help reduce the overall average number of items per kilogram sent by the PO, the PMG envisaged that the terminal dues payment for other outward mail items would be reduced by \$14 million. With the proposed postage revision and taking into account such savings in terminal dues for other outward mail items, the PO would be able to provide the service without cross-subsidy from other services.

12. In reply to Mr Fred LI's further enquiry on why Japan and Thailand had invoked the Bulk Mail Option Rate, PMG (Acting) explained that under the international terminal dues system, terminal dues were generally calculated on a per kilogram of mail items basis. If the relevant mail items were of relatively light-weight, the postal administrations at destination countries needed to process more mail items for each kilogram of mails received as there were more delivery addresses. The UPU authorized destination administrations to impose a "Bulk Mail Option Rate" to pass back to the postal administration at origin the increase in processing cost. To enable the PO to achieve full cost recovery for destinations that had applied the Bulk Mail Option Rate which currently were Japan and Thailand, the PMG planned to increase the postage of bulk posting of light-weight air mail items to those two destinations.

13. In view of the intense competition faced by the PO, Mr Jeffrey LAM was worried that the proposed increase of postage might reduce PO's competitiveness and some users might change to use the services provided by other courier service companies. Miss Mandy TAM was concerned that the PO might not be able to achieve full cost recovery if there was a drop in the usage of these services as a result of the planned postage increase.

14. The Chairman also considered that many publishers who had set up their production base in Shenzhen might prefer to use the international bulk mail services

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there if Hong Kong increased the postage for these services. Mr Fred LI was concerned that the publishing companies might transfer the increase in postage to subscribers of their magazines or periodicals.

15. PMG (Acting) clarified that unlike courier service, the bulk mail services in question was similar to conventional mail services whereby no undertaking on the arrival time of the mails concerned was made. She explained that despite the planned increase, the postages for these services were still lower than that charged by some key postal administrations in neighboring places, including the Mainland. As such, PMG (Acting) believed that the postage revision plan would not affect the patronage for these services. DS/ED supplemented that international bulk mailers chose to use Hong Kong as a base to post large quantity of mail items to other destinations for a number of reasons, including Hong Kong's excellent aviation network and services and its strengths in publishing and distribution etc. DS/ED understood that postage only constituted a small percentage of a publisher's operating costs. If the publishing companies so decided, the increase in postage would only be transferred to overseas subscribers of the magazines or periodicals and the general public of Hong Kong would not be affected.

Summing up

16. The Chairman said that the Panel was in support of the proposed postage revisions.

VI Pilot Scheme to Promote Green Tourism in Northeast New Territories

(LC Paper No. CB(1)1805/05-06(04) - Information paper provided by the Administration)

Presentation by the Tourism Commission and Hong Kong Tourism Board

17. At the invitation of the Chairman, the Commissioner for Tourism (C for Tourism) briefed members on the pilot scheme to promote green tourism in Northeast New Territories. The Tourism Commission (TC) advised that the promotion of green tourism would, apart from enhancing Hong Kong's diverse attractions, help raise public awareness of environmental conservation and benefit the local community economy. Having consulted various stakeholders including the relevant District Councils (DCs), the local community, green groups, etc. on a consultancy study to identify opportunities for promoting tourism in Northeast New Territories, TC had, in conjunction with the Hong Kong Tourism Board (HKTB), taken forward a pilot scheme in Plover Cove and Tolo Channel area and Tung Ping Chau to promote green tourism.

18. With the aid of a PowerPoint presentation, the Assistant Commissioner for Tourism (4) (AC for Tourism) advised that TC had been carrying out a works programme in Plover Cove and Tolo Channel area to provide and enhance basic facilities, including toilets, shelters, seating, pier facilities, signage, lighting, piazza,

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etc. to enable visitors to appreciate the green attractions in a more convenient and user-friendly environment. Under the principles of nature conservation and sustainable development, the Agriculture, Fisheries and Conservation Department (AFCD) would promote responsible nature appreciation through different channels including the internet, publications, on-site interpretation, themed activities and guided tours etc. TC in collaboration with the travel industry had provided training courses on nature appreciation for tourist guides under the Government's Skills Upgrading (SU) Scheme. So far, about 130 members participating in the SU Scheme had already completed the training on nature appreciation. About 500 places would be provided for tourist guides for the next round of training to be conducted later this year.

19. Mr Lambert CHAN, General Manager (Destination Marketing) of Hong Kong Tourism Board supplemented that the HKTb would run a half-day island-hopping tour on a trial basis for six months from September 2006 onwards. The tour would depart from Ma Liu Shui public pier on each Saturday and its highlights would include green attractions in Plover Cove and Tolo Channel area, including Yan Chau Tong Marine Park, Lai Chi Wo, Kat O and Tap Mun islands. Visitors would be accompanied by tourist guides and provided with service for nature appreciation by the Conservancy Association (CA) at a fee which was set at a reasonable level. HKTb would launch a familiarization programme for the trade and media and step up promotional efforts through its worldwide offices, website and a special leaflet to publicize the tour. This was one of the programme of the "Nature Kaleidoscope" featuring the green tourism of Hong Kong to tie in with the launching of the marketing campaign named "2006 Discover Hong Kong Year".

Discussion

Enhancement works

20. In response to Miss TAM Heung-man's enquiry about the funding arrangement for the enhancement works under the pilot scheme, C for Tourism confirmed that the enhancement works were implemented by the respective subject departments with their own resources, hence the approval for additional funding from the Finance Committee would not be required.

21. Mr SIN Chung-kai enquired the costs of major items of the enhancement works carried out by respective departments. AC for Tourism advised that the enhancement works in improving the facilities of the existing piers and the upgrading of existing toilets under the pilot scheme were coordinated by TC and implemented by the Architectural Services Department (ASD), the Civil Engineering and Development Department (CEDD), the Food and Environmental Hygiene Department (FEHD) and AFCD with their own existing resources. There was no separate breakdown of costs for this purpose. C for Tourism further added that the estimated cost for the reconstruction of piazza at Lai Chi Wo carried out by CEDD was about \$4 million, whilst the estimated costs for the upgrading of existing toilets at Tung Ping Chau carried out by ASD and FEHD ranged from \$7 million to \$8 million. Other items were about or below \$1 million. Mr SIN suggested and the Chairman agreed that the

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breakdown of costs of such enhancement works in similar works programme should be included in the Administration's paper for members' information in future. C for Tourism took note of Mr SIN's suggestion.

22. Noting that the works programme under the pilot scheme had commenced in March 2006 and most would be completed in 2007, Miss TAM Heung-man enquired whether the Administration would review the effectiveness of the programme and carry out improvement works to further enhance the basic facilities.

23. C for Tourism advised that TC had maintained close contacts with the relevant DCs and other parties concerned to solicit their views on the pilot scheme. In fact, DCs and the green groups had been involved in monitoring the work programme in Plover Cove and Tolo Channel area. TC would assess the effectiveness of the enhancement works upon its completion in 2007 with a view to further enhancing the basic facilities in these locations.

24. Mr CHAN Kam lam said that the Democratic Alliance for the Betterment and Progress of Hong Kong was in support of the development of eco-tourism and welcomed the pilot scheme to promote green tourism in Plover Cove and Tolo Channel area and Tung Ping Chau. He was of the view that apart from running the half-day island-hopping tour for sight-seeing and nature appreciation, the Administration should implement a long-term plan on the development of hotel and resort facilities to provide accommodation for visitors during their stay in these areas. In this connection, the Administration should identify potential sites for private developers who were interested in developing such facilities with a view to improving the surrounding environment of the scenic locations.

25. In response, the Permanent Secretary for Economic Development and Labour (Economic Development) (PS/ED) advised that TC had commissioned a consultancy study on the development of spa and resort facilities to identify the potential of such development in Hong Kong. A number of sites on Government land had been selected as case studies for more detailed review and assessments including the former High Island Detention Camp Site in Sai Kung. Private sector was encouraged to come up with proposals which would be considered by the Government in accordance with the established procedures including the change of land use zoning, etc. The consultants had also explored the feasibility of converting village houses and farms in picturesque areas into bed-and-breakfast accommodation. However, they were aware that such establishments would be subject to their own development constraints and licensing requirements for building and fire safety. PS/ED stressed that in order to optimize the use of existing resources for promotion of green tourism under the principle of sustainable development, it was desirable for HKTB to launch the pilot scheme for tour groups comprising a limited number of visitors on a trial basis. Mr Howard YOUNG was in support of the pilot scheme. Nevertheless, he considered that more relaxed requirements should be applied to small-scale establishments to promote tourism in the context of the feasibility of converting village houses and farms in picturesque areas into bed-and-breakfast accommodation

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26. Ms Miriam LAU said that Tung Ping Chau was a location worth for nature appreciation. However, the quality of service at food kiosks there was not good, probably due to the low patronage rate. In this connection, she urged the Administration to render assistance to those kiosks with a view to improving their business and service in a cost-effective manner.

27. Ms Miriam LAU considered that more complementary transport services should be developed to improve accessibility to Plover Cove and Tolo Channel areas as well as Tung Ping Chau to tie in with the promotion of green tourism under the scheme.

28. Mr Howard YOUNG said that a number of locations in country parks of Northeast New Territories were outside the coverage of mobile phone service networks. He asked whether network coverage problem would be anticipated in the pilot scheme. Mr Mason HUNG, Senior Manager (Product Development) of HKTB advised that except Lai Chi Wo, such problem had not been identified in Tap Mun and Kat O during site inspections. The Chairman said that network coverage in Tung Ping Chau had been found unsatisfactory. He suggested that payphones should be installed at outing locations in Tung Ping Chau to tackle the problem. The Deputy Chairman also suggested that the Administration should display more signages to help visitors locate the payphones.

29. The Deputy Chairman suggested that in view of the recent accident in which a visitor had been injured during outing along a river stream, efforts should be made in displaying more signages at the scenic locations to remind visitors of their personal safety to prevent accident. PS/ED took note of the Deputy Chairman's suggestion.

30. Notwithstanding the improvement to hardware facilities, the Chairman expressed concern about the problem of floating refuse and rotten woods near the piers of Tap Mun, Wu Kai Sha, Tai Mei Tuk, Ma Liu Shui and Tung Ping Chau. He urged the Administration to take remedial measures to address the problem. In addition, buffalo droppings were often found along the areas of Tai Long Wan East and Tai Long Wan West. Apart from raising public awareness of environmental conservation, the Administration should take the responsibility to keep the above areas clean to avoid causing nuisance to visitors and the residents nearby.

31. On the Chairman's concern about the provision of public toilets at public piers in the pilot areas, AC for Tourism advised that public toilets were normally found in the vicinity within walking distance from the piers; for example, the one in Tap Mun was within 20 meters'/two minutes' walking distance from the pier. She added that TC had planned to convert four existing aqua privies located in Plover Cove and Tolo Channel area and Tung Ping Chau into flushing toilets. FEHD would also carry out improvement works of existing toilets located in other remote areas and rural sightseeing spots. At the Chairman's request, AC for Tourism undertook to confirm whether public toilets had been provided within walking distance from the existing piers in the pilot areas.

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Island-hopping sight-seeing itinerary and other related programme

32. Mr Howard YOUNG enquired why HKTB would only run the island-hopping tour on a trial basis for six months and whether interested parties from the trade would be allowed to take over the pilot scheme if the feedback was supportive. In addition, he was of the view that it would be much suitable to run the tour in April and May since the marine environment at that time appeared to be more tranquil. He suggested that the tour should also be held on Sundays and public holidays as well as during the summer break.

33. In reply, Mr Lambert CHAN advised that the purpose for HKTB to run the tour on a trial basis for six months was to test the overall operation of the scheme and the market response as well as to gauge visitors' feedback and satisfaction. HKTB would extend the service of the tour if the feedback from the trade and visitors were positive. HKTB would also share its experience with interested parties from the trade, in particular on how to promote and package the scheme in a cost-effective manner. In response to Mr Howard YOUNG's further enquiry, Mr CHAN said that the tour would depart from Ma Liu Shui public pier at 9 am and return to the same place at 1:30 pm on each Saturday. As HKTB would only run a guided tour per week during the trial period, visitors joining the tour had to stay with the group for the entire journey.

34. The Deputy Chairman welcomed the pilot scheme and was in support of HKTB's action to step up efforts to promote green tourism in Plover Cove and Tolo Channel area as well as Tung Ping Chau. He enquired whether TC would run the pilot scheme for school students to promote education on environmental conservation. PS/ED advised that since the pilot scheme aimed to attract overseas visitors to promote green tourism in the area, it would not be opened for school students. In fact, AFCD had maintained close contacts with schools and promoted similar programme for local students. AFCD would upload the relevant details of the scheme onto its website for schools' information.

35. Ms Miriam LAU was in support of the pilot scheme to promote green tourism in Northeast New Territories. She enquired whether HKTB had an overall plan in launching similar programme for other outlying islands to benefit local community in other parts of Hong Kong rather than just focusing on green attractions in Northeast New Territories. Mr Lambert CHAN advised that HKTB had been conducting on-going promotion work in green tourism. After exploring further opportunities to develop and promote green tourism in Hong Kong, HKTB had decided to launch the pilot scheme aimed to focus on the promotion of green tourism in Northeast New Territories. In fact, this was one of the programme of the "Nature Kaleidoscope" which also included attractions such as visits to the Hong Kong Wetland Park (HKWP) and Kadoorie Farm to be launched from September 2006 onwards. Other similar programme including tours for outlying islands and the south side of Hong Kong Island would also be launched and promoted in September. HKTB had also issued a useful guide for railway tour to facilitate visitors exploring the green attractions in

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New Territories.

Complementary conservation and educational initiatives

36. Mr CHAN Kam lam pointed out that marine parks and reserves in Hong Kong had been facing severe damage arising from destructive fishing activities by fishermen from the Mainland. He urged the Administration to step up enforcement actions against destructive fishing activities in order to protect the marine ecology, in particular the Marine Park at Yan Chau Tong and the surroundings of Plover Cove and Tolo Channel area and Tung Ping Chau.

37. In response, Senior Country Parks Officer (Southeast) of the Agriculture, Fisheries and Conservation Department advised that marine parks were designated under the Marine Parks Ordinance for protecting important marine environment and marine life in Hong Kong. He assured members that the Administration would step up patrols and enforcement actions against illegal activities within the marine parks. Concerted efforts would be made by the Marine Police and the Mainland authorities to combat illegal and destructive fishing activities if necessary. PS/ED added that the promotion of responsible nature appreciation would be carried out to educate the public to avoid causing disturbance to the marine environment.

38. Miss TAM Heung-man was in support of the promotion of green tourism which would help raise awareness of environmental conservation. Noting that visitors were found throwing cigarette ends in HKWP, she worried that the same problem would be encountered under the pilot scheme. In this connection, she enquired whether the operation of the scheme would cause adverse effect on the conservation areas at Plover Cove and Tolo Channel area in view of the enhancement works and the increase in the number of visitors joining the tour.

39. In response, C for Tourism advised that as the green groups considered some of the locations under the pilot scheme too ecologically sensitive for any form of active development, the Administration had, therefore, adopted a minimal approach to improve the basic facilities under the sustainability development principles. She stressed that a balance between the desire to implement extensive infrastructure development for the purpose of attracting visitors and raise awareness of environmental conservation in these locations had to be maintained. Efforts would be made to educate visitors not to litter in order to protect the environment. PS/ED supplemented that tourist guides would help promote responsible nature appreciation to visitors and remind them to keep the environment clean. The Chairman suggested that tourist guides should bring along litterbags with them to facilitate disposal of litter by visitors.

40. Miss TAM Heung-man enquired whether sufficient tourist guides with decent training would be available to meet visitors' demand under the pilot scheme so as to avoid the situation of shortage as in the case of HKWP during its opening. C for Tourism advised that resources had been allocated for the provision of training courses on nature appreciation under the SU Scheme. With the involvement of several

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community groups as the organizers, about 20 classes of 400 to 500 places would be provided for tourist guides for such training to be conducted in the coming month. Candidates enrolled would receive a direct subsidy of 70% of the course fee from the Government via the SU Scheme. The community groups would keep the matter in view and respond to market demand in the event of full enrolment.

Way forward

41. Summing up the discussion, the Chairman expressed in principle the support of the Panel for the pilot scheme and called for the Administration to take members' views and suggestions into consideration with a view to enhancing the promotion of green tourism in Hong Kong.

VII Hong Kong Tourism Board Annual Business Plan

(LC Paper No. CB(1)1805/05-06(05) - Information paper provided by the Administration

LC Paper No. CB(1)1865/05-06(02) - Powerpoint presentation materials
(*tabled and subsequently issued on 27 June 2006*) on Hong Kong Tourism Board Annual Business Plan provided by Hong Kong Tourism Board

LC Paper No. CB(1)1865/05-06(03) - Supplementary information on the
(*tabled and subsequently issued on 27 June 2006*) total marketing expenditure provided by Hong Kong Tourism Board)

42. Members noted that Mrs Selina CHOW would attend this discussion session in the capacity of the Chairman of the Hong Kong Tourism Board (C/HKTB).

Presentation by HKTB

43. With the aid of Powerpoint, Ms Clara CHONG, Executive Director of HKTB (ED/HKTB) briefed members on the following –

- (a) the competitive global tourism environment and the steady growth in visitor arrivals in the past few years;
- (b) the performance of Hong Kong's tourism industry in 2005 and visitors' satisfaction as recognized by overseas tourism industries;
- (c) strategic objectives and work plan for 2006, including the global marketing campaign named "2006 Discover Hong Kong Year" (DHKY) and the opening of new tourism attractions; and
- (d) budget for 2006-07.

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Discussion

HKTB's performance

44. Members noted that HKTB had 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 were all vetted and monitored by relevant Committees established under the Board. HKTB submitted quarterly reports to the Government to report on how it used the additional funds and progress of the initiatives. Miss TAM Heung-man was concerned about the composition and operation of these committees and ways to ensure their independence and transparency. She also requested the Government/HKTB to forward copies of the aforesaid quarterly reports to the Panel on a regular basis for the information of members and the public. Noting that a total of \$470 million non-recurrent additional funding had been earmarked for 2005-06 and 2006-07 for HKTB to promote tourism, Miss TAM sought information on the actual cost-effectiveness of the promotional programmes held in the period, in particular during April to June 2006, as compared to the original forecasts.

45. Secretary for Economic Development and Labour (SEDL) remarked that the Government was equally concerned about the operation of HKTB and its proper disposal of public resources. He highlighted that HKTB was subject to a range of statutory and administrative checks and balances to ensure its transparency and accountability to the public in fulfilling its statutory functions. The business plan and budget etc were required to be vetted and endorsed by relevant committees under the Board. Government also exercised ongoing monitoring over the work of HKTB through direct participation in its Board and committees. SEDL further assured members that for effective monitoring, the Government had requested HKTB to maintain separate accounts for managing and auditing the additional funding for 2005-06 and 2006-07; and to submit a separate audited account and financial report to the Government. In addition, under the HKTB Ordinance, the annual financial statement of the HKTB had to be audited by an external auditor appointed by the Government; and its annual report of activities would have to be submitted to the Chief Executive and laid before the Legislative Council.

46. Given that in 2005-06 and 2006-07, HKTB continued to launch similar marketing and promotional activities in overseas market and build on very popular mega events, Mr Fred LI queried how HKTB could maintain separate accounts for the additional funding for these two years. As HKTB had previously said that for each dollar it spent, it could help Hong Kong generate a return of \$20. In this respect, Mr LI enquired about the level of benefits brought to Hong Kong from the additional funding so far.

47. PS/ED assured members that a separate audited account and financial report for the additional funding would be submitted by HKTB to the Government. On

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mega events, PS/ED said that on the advice of the tourism industry, it would be more appealing to visitors if the same title could be used for mega events held in the same period of a year while the contents and features of the events could be different. In this connection, Mr TANG Kwai-nang, Chairman of Marketing and Business Development Committee, HKTB (C/MBDC, HKTB) supplemented that the mega events would be staged at different periods to balance the business opportunities of the travel and retail sectors. C/MBDC, HKTB further advised that to optimize overall return on investment and establish solid foundation for future growth, HKTB had identified several high-yield and high potential segments. In the first few months of 2006, these segments had performed satisfactorily. C/MBDC, HKTB believed that the growth in overnight business and family arrivals had stimulated visitors' spending in Hong Kong.

Effectiveness of mega events

48. Ms Miriam LAU commended HKTB's efforts in promoting Hong Kong's tourism. However, she reflected the concern of some stakeholders in the catering industry that they could not be benefited from certain mega events launched by HKTB, such as the "Best of the Best Culinary Awards". Ms LAU urged HKTB to make reference to popular events held in other places, like the October Fest of Germany and organize more appealing and cost-effective events to stimulate business growth.

49. C/HKTB highlighted the success of "Best of the Best Culinary Awards", which had demonstrated why Hong Kong was renowned for its culinary excellence and carried the mantle of Culinary Capital of Asia. Winners of this annual cooking competition would be enlisted in a booklet to facilitate visitors in dining out. However, those restaurants which did not take part in the competition might not be benefited directly from this annual event. Nevertheless, C/HKTB stressed that over the years, HKTB had been partnering with the catering industry to promote Hong Kong as a world of dining. For example, visitors could enjoy numerous food promotions in participating restaurants under the current "2006 Hong Kong Shopping Festival" or Winterfest. Restaurants could also join the Quality Tourism Services (QTS) Scheme organized by HKTB which helped visitors find restaurants they could trust.

50. In reply to Ms Miriam LAU's further enquiry on ways to quantify the success or otherwise of a mega event, ED/HKTB said that in measuring the marketing effectiveness, HKTB would conduct surveys after mega events to keep track of visitor arrivals, length of stay, spending and satisfaction level during the event period. It would also collate information from visitors about their intention to revisit Hong Kong, their interest to participate in the same event again, whether they would recommend the programmes to their friends and relatives, etc. This helped measure the effectiveness of the event, and serve as useful reference for HKTB for organizing similar events in future. ED/HKTB stressed that it took time for the impact of mega events, such as the International Chinese Year Parade, Rugby Seven etc, to emerge. Taking note of the member's concern on the "Best of the Best Culinary Awards",

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ED/HKTB undertook to collaborate with the catering industry further to boost the participation rate of this cooking competition.

QTS Scheme

51. Mr Jeffrey LAM welcomed the Administration's initiatives to devise effective measures to boost visitor arrivals in the past years. However, he noted that a number of tourists had lodged complaints against fake products sold in Hong Kong and called on the Administration to strengthen the QTS Scheme to enhance Hong Kong's status as a "Shopping Paradise".

52. ED/HKTB said that HKTB launched the QTS Scheme in 1999 to accredit those retail shops and restaurants that could meet the stringent standards of the Scheme. In 2006-07, HKTB would continue its efforts in enhancing the QTS Scheme by stepping up the promotion of Hong Kong's image as a quality tourism destination, expanding coverage of the Scheme to include more tourism-related sectors, such as guesthouses, and stepping up surveillance and complaint handling mechanism to afford better protection to visitors. For example, HKTB would make available pamphlets introducing the QTS Scheme in those Mainland cities which were newly covered under the Individual Visit Scheme (IVS). In addition to QTS pamphlets, the "Leisure Guide for Business Travellers" also contained information on shops/restaurants under the QTS Scheme.

53. PS/ED also advised that to safeguard the consumer rights of group tour visitors in shopping arranged by travel agents in Hong Kong, the Travel Industry Council had implemented the "14 Days 100 Percent Refund Guarantee Scheme" since February 2002. Under the said Scheme, if group tour visitors were dissatisfied with the purchases made at shops arranged by the travel agents, the shops needed to provide 100% refund to tourists. Nevertheless, the Government would continue to monitor the trend of complaints received from tourists and work closely with the Consumer Council, HKTB and the travel trade to enhance consumer protection for visitors.

54. Mr Vincent FANG declared that he was a member of QTS Association. He commended on the success of the QTS Scheme which had helped boost the confidence of visitors, in particular Mainland visitors, in their patronage of reliable shops and restaurants under the Scheme. Echoing with the view that it was necessary to enhance visitors' experience and protect consumer interest by strengthening the QTS scheme, Mr FANG enquired whether consideration could be given to extending the Scheme to other industries in addition to those under planning, i.e. licensed tourist guesthouses and the grooming service industry.

55. C/HKTB remarked that all along, HKTB had emphasized the effectiveness of the QTS Scheme. She assured members that HKTB would continue to strive to maintain the service standards of the shops/restaurants concerned.

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56. In reply to Mr Vincent FANG's further enquiry, ED/HKT said that HKT continued to build flexibility into all its plans and activities so as to remain responsive to changes in the global environment or other challenges such as health risks. For example, several activities planned for the launch of DHKY in short-haul markets had been postponed from late 2005 to 2006 due to heightened fears of the spread of Avian Flu. To tie in with the launching time of major new attractions, such as Ngong Ping 360 and the Hong Kong Wetland Park in 2006, HKT had also rescheduled several major international promotions and activities linked to the 2006 DHKY campaign to the second half of 2006. ED/HKT also said that HKT would continue to closely monitor different markets and take proactive measures as appropriate to boost visitor arrivals from a particular market if it was envisaged that there might be a shortfall in the target.

Visitor arrivals and marketing expenditures

57. In view of the delay in the opening of Hong Kong Wetland Park and Ngong Ping 360, and the lower than expected patronage to Hong Kong Disneyland, Mr Andrew LEUNG was doubtful whether Hong Kong could still meet its planned target of 27 million visitor arrivals in 2006. Indeed, HKT could not take all the credit for the increase in visitor arrivals as this was the result of many factors and not just the effort of HKT alone. In this connection, Mr LEUNG was concerned about how HKT accounted for its performance and justified its expenditures.

58. In response, Mr TANG Kwai-nang, Chairman of Marketing and Business Development Committee, HKT pointed out that the planned target of 27 million visitor arrivals for 2006 was very ambitious, representing an increase of 16.1% over 2005. The figure had been set in view of the opening of some major tourism attractions in late 2005 and 2006, and based on the existing political and economic environment, the health condition as well as the availability of supporting services such as hotel and flight services. For 2006, the HKT would remain cautious on the outlook of the tourism industry and build flexibility into all its plans and activities so as to remain responsive to changes in the global environment or other challenges such as health risks. On the performance of HKT, Mr TANG highlighted that HKT had in place an established mechanism in its day-to-day management and financial monitoring to ensure the value-for-money of its promotional activities. Moreover, to track the effectiveness of the promotional programmes and activities, HKT had established four objective key performance indicators (KPIs), including visitor arrivals, length of stay, satisfaction level and spending of visitors. These four KPIs were being constantly tracked and monitored through different surveys to ensure that the marketing efforts achieve the desired results. To measure the effectiveness of mega events, HKT would also track the response of visitors on their satisfaction level of the event, their intention to revisit Hong Kong, their interest to participate in the same event again, whether they would recommend the event to friends and relatives etc. This would serve as useful reference for HKT for organizing similar events in future.

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HKTB 59. Mr Fred LI further queried why the length of visitors' stay remained unchanged from 2004, at 3.7 nights in 2005 (paragraph 5 of the Administration's paper (LC Paper No. CB(1)1805/05-06(05)) when the figure for some markets such as Europe, Australia, Macau and the Mainland had actually dropped (Annex A of the same paper). ED/HKTB responded that this might be due to the round up of decimal points and undertook to provide a written reply after the meeting.

60. Mr Howard YOUNG considered that the target of 27 million visitors was too ambitious. Noting that HKTB was exploring the development of emerging markets such as India and Russia, Mr YOUNG considered that visa waiver for visitors from these markets was more important than marketing Hong Kong to them. Referring to bed and breakfast (B&B) services commonly available in overseas markets for visitors, Mr YOUNG noted that in Hong Kong, B&B services must be licensed. He was concerned whether HKTB had put in any effort to facilitate visa issuance for visitors from the emerging markets and allow local B&B services to operate more freely by lobbying relevant government bureaux/departments (B/Ds) to cut the red tapes.

61. C/HKTB said that in keeping close contacts with the frontline tourism industry, HKTB was able to reflect the industry needs more promptly to the B/Ds. The establishment of Tourism Commission was in fact aimed at improving the communications between the two sides. Regarding travel visa, C/HKTB highlighted that upon the implementation of IVS, both the Mainland authorities and the Government had helped in arranging visa for visitors under the IVS. She believed that similar collaboration with the governments of the emerging markets could be secured.

62. SEDL also remarked that it was important for HKTB to maintain close contacts with the industry and reflect their needs to the Government. He said that all along, he had been in close liaison with the relevant B/Ds on the need to eliminate those regulations/procedures that were considered to be outdated, excessive or unnecessary to facilitate tourism development.

63. Mr CHAN Kam-lam did not agree with HKTB's strategy to maintain a balanced portfolio of visitors from all key markets. He considered that the level of marketing expenditure spent on a particular market should be proportional to its potential. He considered that the Mainland market had tremendous potential and almost half of the total visitor arrivals to Hong Kong in 2005 were Mainland visitors. However, he was concerned that according to HKTB's 2006-07 budget, only \$29.25 million, or 12.5% of total marketing expenditure was spent on the Mainland market.

64. C/HKTB highlighted that the Government had acknowledged HKTB's aim to maintain a balanced portfolio of visitors and thus healthy growth in arrivals from all key markets. This was a prudent strategy designed to uphold Hong Kong's international image as Asia's World City. HKTB had tailored its marketing plans for different markets based on its extensive market research. On marketing expenditures allocated for each market, C/HKTB pointed out that due to higher living standards,

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advertising and related marketing expenses in developed markets such as the United States were much higher than that of the Mainland. Moreover, as Hong Kong was a “must-visit” destination to most Mainland visitors, less marketing investment had been spent on this market.

65. ED/HKTB supplemented that the strategic focus was designed to, inter alia, balance risks resulting from unforeseen events that might affect certain markets, e.g. the 9-11 incident in New York. She also highlighted the diversified, economical and effective means of promoting Hong Kong in the Mainland cities.

66. Echoing Mr CHAN Kam-lam’s concern on the disproportion between marketing expenses and visitor arrivals, Mr Albert CHENG did not subscribe to the responses of C/HKT B and ED/HKT B. He did not agree that it was HKT B’s primary responsibility to maintain Hong Kong’s international image by attracting more overseas tourists to visit Hong Kong. In fact, Hong Kong’s status as a cosmopolitan city and international financial centre was enhanced by a number of factors other than the efforts of HKT B. Moreover, Mr CHENG noted that besides the Mainland, the standards of living in the Philippines and India etc were also relatively lower but the marketing expenditures planned for these markets were more proportionate to their visitor arrivals. He also cast doubt on the view that Hong Kong would be the most preferred destination for most Mainland visitors even without marketing. He drew members’ attention that the growth of Mainland arrivals in Hong Kong in 2005 had decreased and many other destinations were eyeing on a share of arrivals from the Mainland too. He considered it a reverse discrimination for HKT B to allocate relatively lower marketing expenditure for the Mainland than that for other markets. As such, Mr CHENG urged HKT B to spare no effort in promoting Hong Kong to the people in the Mainland.

67. SEDL considered that the views of both sides were in fact consistent. He said that HKT B had considered the Mainland the biggest source market of visitors and classified it as one of the priority markets. To facilitate its promotional work, HKT B had opened new offices in Guangzhou and Chengdu in addition to Beijing and Shanghai and where necessary, it would consider setting up more branches in other Mainland cities. Given that the total visitor arrivals of 23 million in 2005 was contributed by 16 key markets together, SEDL said that it was legitimate for HKT B to focus its marketing efforts on different markets, having regard to the fact that arrivals from many of the overseas markets had a double-digit percentage growth in 2005. As such, HKT B had launched the DHKY global marketing campaign to, inter alia, raise the city’s profile internationally, to showcase its new image and to sustain the growth in visitor arrivals in the future.

Detailed estimates

68. Highlighting his letter dated 6 April 2006 inquiring the detailed estimates for HKT B for 2006-07, Mr SIN Chung-kai was disappointed to note that HKT B had only tabled at the meeting one-page information containing a brief itemized budget of \$560 million. As some 94% of HKT B’s operating expenditures in 2005 came from public

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money, it was duty-bound for Members to scrutinize the estimates of HKTB. He requested the Administration/HKTB to make reference to the estimates provided by the Securities and Futures Commission (SFC) which had enlisted in details expenditure breakdown on premises and personnel expenses, including variable pay awards etc, and provided a budget with similar details for members' consideration.

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69. PS/ED remarked that HKTB had presented its 2006-07 business plan which was based on the budget allocated to it. She also recalled that previously the HKTB had provided a lot of information on the same subject in response to Mr SIN's request. She said that as Hong Kong was competing fiercely with its neighboring places such as Thailand, Singapore and Taiwan for long-haul visitors, it might not be appropriate for HKTB to disclose too much details of its budgeted expenses for each of the individual business activity. Nevertheless, the Administration would look into the matter and provide members with those details that were not commercially sensitive making reference to the proposed estimates of SFC. PS/ED further assured members that the budget of individual marketing programmes was subject to the approval of the relevant committees under HKTB and the financial statement would be audited by an external auditor.

70. Mr SIN Chung-kai was unconvinced. While reckoning the need for Hong Kong not to disclose commercially sensitive information on expenses for the promotion of Hong Kong's tourism, he pointed out that the Administration/HKTB could seek clarification with him on the extent of details he required. Mr SIN considered that as a LegCo Member, it was his duty to monitor the use of HKTB's funding, in particular the cost-effectiveness of deploying the additional funding for 2005-06 and 2006-07. Mr SIN said that he might raise further questions after studying the detailed estimates provided by the Administration/HKTB.

VIII Any other business

71. There being no other business, the meeting ended at 1:00 pm.