

商務及經濟發展局局長

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SECRETARY FOR COMMERCE
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18 March 2008

Chairman
Public Accounts Committee
Legislative Council
Legislative Council Building
8 Jackson Road
Central
Hong Kong
(Attn : Ms Serena Chu)

Dear Ms Chu,

**The Director of Audit's Report on the
Hong Kong Tourism Board
Report No. 49, Chapters 5 and 6**

Thank you for your letter of 12 March 2008.

From time to time, the Commissioner for Tourism (CT) reports to me and the Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PSCIT) on important matters relating to the Hong Kong Tourism Board (the HKTb) during our weekly directorate meetings and through other internal communication channels. These HKTb matters have come to CT's attention through communication with the HKTb management, attendance at meetings of its Committees and Board, as well as engagement with the travel industry. They include matters concerning HKTb's budget proposals and its use of public funds.

For instance, the current CT reported to the then Secretary for Economic Development and Labour (SEDL) on her concerns about the proposed salary increase and break clause arrangement for the senior staff of the HKTb in mid-2006. With SEDL's advice, CT conveyed to the Chairman of the Board and its Staff and Finance Committee our concerns, and raised the same at a subsequent Board meeting. Also, the former CT apprised SEDL of the progress made by the HKTb in taking forward requests for reviewing the effectiveness of HKTb's existing policies, established guidelines and procedures relating to the use of resources and recruitment.

In reporting these important HKTb matters, CT supports PSCIT in performing her role as Controlling Officer for the subvention to the HKTb. Serving as a link between the Board and the Administration, CT offers advice to the Executive Director (ED) of the HKTb on the latest development of tourism policies and infrastructure. This helps facilitate the HKTb in formulating tourism promotion strategies and marketing activities to achieve the relevant government policy objectives. In the process of implementation, the HKTb management as led by its ED is expected to comply with relevant due process and procedures for subvented organisations. In fact, in conveying the then SEDL's approval for the proposed estimates of income and expenditure and programme of activities submitted by the Board, both CT and the former Permanent Secretary for Economic Development invariably reminded ED to ensure the prudent use of public resources.

It is incumbent on the HKTb senior management to familiarize themselves and relevant statutory requirements, including those in the HKTb Ordinance and the Public Finance Ordinance, and to advise the Board exceptions to the due process and procedures governing the day-to-day use of public resources. HKTb management and its Board are supported by an internal legal advisor who may tender advice on HKTb's compliance with relevant legislation in discharging its functions. In this regard, the Deputy Executive Director's duty list specifically includes overseeing of the "legal counsel, systems and process management".

The paper (LC Paper No. CB(1)1647/04-05(03)) submitted by the then Economic Development and Labour Bureau (EDLB) to the Panel on Economic Services in May 2005 referred to, inter alia, the HKTb's estimate that the two visitor information and service (VIS) centres in Beijing and Shanghai could serve about one million visitors each year. Such information was in fact provided by the HKTb to its Staff and Finance Committee and its Board for approval of the proposed establishment of two VIS centres. As the proposed VIS centres would be located in large-scale shopping malls/districts in city centres, the HKTb then estimated that the people flow at these locations could

reach 50,000 to 80,000 per day. From this the HKTb estimated that there might be about 1,500 visits to the proposed VIS centres per day. The Board accepted the estimation, amongst other considerations, and approved the establishment of the proposed centres. It is based on this estimate that the HKTb arrived at a projected target of one million visitors to be served by the two centres. There was therefore no question of intentionally misleading LegCo on the part of the HKTb or the then EDLB.

Yours sincerely,



(Frederick S. Ma)

Secretary for Commerce and Economic Development

cc Secretary for Financial Services and the Treasury
 Permanent Secretary for Commerce and Economic Development
 (Commerce, Industry and Tourism)
 Commissioner for Tourism
 Executive Director, Hong Kong Tourism Board
 Director of Audit