Panel on Economic Development

Minutes of meeting held on
Monday, 25 January 2010, at 10:45 am
in Conference Room A of the Legislative Council Building

Members present : Hon Jeffrey LAM Kin-fung, SBS, JP (Chairman)
Hon Paul TSE Wai-chun (Deputy Chairman)
Hon Albert HO Chun-yan
Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon CHAN Kam-lam, SBS, JP
Hon Miriam LAU Kin-yee, GBS, JP
Hon Emily LAU Wai-hing, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon Vincent FANG Kang, SBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon WONG Ting-kwong, BBS, JP
Hon CHIM Pui-chung
Hon Starry LEE Wai-king
Dr Hon LEUNG Ka-lau
Hon IP Wai-ming, MH

Members absent : Hon Fred LI Wah-ming, SBS, JP
Hon Albert CHAN Wai-yip
Hon Ronny TONG Ka-wah, SC
Hon Paul CHAN Mo-po, MH, JP
Hon Tanya CHAN
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Dr Hon Samson TAM Wai-ho, JP

Public officers attending : Agenda Item IV
Mrs Rita LAU, JP
Secretary for Commerce and Economic Development
Miss Yvonne CHOI, JP  
Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism)

Ms Joey LAM  
Acting Commissioner for Tourism

Mr Clement LEUNG, JP  
Deputy Secretary for Financial Services and the Treasury (Treasury)

Mrs Helen CHAN, JP  
Government Economist

Miss Patricia SO  
Assistant Commissioner for Tourism (4)

Agenda Item V

Ms Joey LAM  
Acting Commissioner for Tourism

Mrs Laura ARON  
Assistant Commissioner for Tourism

Attendance by invitation:  

Agenda Item IV

Hong Kong Disneyland

Mr Andrew KAM  
Managing Director

Mr B C LO  
Vice President, Public Affairs

Mrs Aliana HO  
Vice President, Sales and Travel Trade Marketing

Agenda Item V

Hong Kong Tourism Board

Mr James TIEN Pei-chun, GBS, JP  
Chairman
I Confirmation of minutes and matters arising

(LC Paper No. CB(1)771/09-10) - Minutes of meeting held on 16 November 2009

LC Paper No. CB(1)925/09-10 - Minutes of meeting held on 8 December 2009)

The minutes of the meetings held on 16 November and 8 December 2009 were confirmed.

II Information papers issued since last meeting

(LC Paper No. CB(1)749/09-10(01)) - Administration's information note on the development of a new cruise terminal at Kai Tak

LC Paper No. CB(1)779/09-10(01) - Letter from Hon WONG Kwok-hing on reporting mechanism of the Ngong Ping ropeway (Chinese version only)

LC Paper No. CB(1)779/09-10(02) - Administration's response to the letter from Hon WONG Kwok-hing on reporting mechanism of the Ngong Ping ropeway
2. Members noted the above information papers issued since the last regular meeting.

III Items for discussion at the next meeting
(LC Paper No. CB(1)908/09-10(01) - List of outstanding items for discussion
LC Paper No. CB(1)908/09-10(02) - List of follow-up actions)

3. Members noted and agreed to discuss the item "Safety Oversight Audit of the Hong Kong Civil Aviation" proposed by the Administration at the next meeting to be held on 22 February 2010, at 10:45am.

4. The Chairman said that further to the Administration's response on the reporting mechanism of the Ngong Ping 360 ropeway (CB(1)779/069-10(02)) issued on 31 December 2009, Mr IP Wai-ming requested the Panel to discuss the subject matter. The Chairman suggested the Panel discuss issues relating to the operation of the Ngong Ping 360 ropeway at the next regular meeting. Members agreed.

5. Regarding the item "Review of operation of the Travel Industry Council of Hong Kong" originally scheduled for discussion in February 2010 (item 2 in the Panel's list of outstanding items for discussion), the Chairman said that according to the Administration, it was still sorting out a few issues and would confirm in early February its readiness or otherwise for inclusion in the February agenda. The Chairman advised that if the Administration required more time, discussion of the item could be deferred to the regular meeting in March 2010.
(Post-meeting note: The Administration subsequently advised on 4 February 2010 that the item would be ready for discussion at the March 2010 meeting.)

### IV Update on Hong Kong Disneyland

<table>
<thead>
<tr>
<th>Document Number</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>LC Paper No. CB(1)908/09-10(03)</td>
<td>Administration's paper on update on Hong Kong Disneyland</td>
</tr>
<tr>
<td>LC Paper No. CB(1)908/09-10(04)</td>
<td>Paper on Hong Kong Disneyland prepared by the Legislative Council Secretariat (Updated background brief)</td>
</tr>
<tr>
<td>LC Paper No. CB(1)984/09-10(01)</td>
<td>Presentation materials provided by Hong Kong Disneyland (power-point presentation materials) (Chinese version only)</td>
</tr>
</tbody>
</table>

**Briefing by the Administration**

6. At the invitation of the Chairman, the Secretary for Commerce and Economic Development (SCED) briefed members on the performance of the Hong Kong Disneyland (HKD) in the fiscal year 2008-2009 (FY09) in respect of attendance, guest survey results, the economic benefits generated by HKD for Hong Kong, and on the HKD's expansion plan, as set out in the Administration's paper (LC Paper No. CB(1)908/09-10(03)). In gist, she highlighted that FY09 performed better than the last two years, with 17% growth in induced tourists over the previous year. SCED stressed that HKD was a long-term tourism asset that was still in its early years of development, and like other large-scale infrastructure, it would take a longer time to recoup the capital investment. Besides, HKD had brought about $10.3 billion of value added to the Hong Kong economy in the first three years. This had raised the Gross Domestic Product (GDP) by an average of about 0.2% each year. For FY09, the additional value added amounted to over $4.4 billion, raising its contribution to GDP to about 0.3%. To improve the financial performance of the Hongkong International Theme Parks Limited (HKITP), the management would strive to enhance the appeal of the theme park, while implementing stringent cost control and improving operational efficiency. Being the majority shareholder of HKITP, the Government would continue to monitor HKD's development through HKITP's Board of Directors and other regular liaison.

**Presentation by the Hong Kong Disneyland**

7. With the aid of power-point and video presentations, Mr Andrew KAM, Managing Director of HKD briefed members on the overall strategies of HKD to
attract patronage, drive repeat visitation, enhance per capita spending, and improve financial performance; the marketing strategies targeting the local, Mainland and overseas markets for different visitor segments; as well as the sales initiatives enhancing partnerships with the travel trade and other strategic partners. **Mr Kam** mentioned HKD's increasing engagement with different stakeholders as well as the longstanding commitment to staff development. He also said that the HKD expansion works had already commenced and would be completed in phases before mid-2014. Prior to the opening of the first new themed area, HKD would mark its 5th Anniversary with new product offerings to encourage visitation during the celebration year. He also took the opportunity to explain that the biometric technology adopted in the HKD's Ticket Tag System, which was used to facilitate park entry for HKD Annual Pass holders and the "Stay and Play for 2 Days" ticket holders, did not involve storage, transmission or record of fingerprint image in order to protect personal data privacy of HKD's guests. At the request of the Chairman, **Mr KAM** agreed to provide his speaking notes for members' reference after the meeting.

(Post-meeting note: The speaking notes of Mr Andrew Kam were circulated to members on 27 January 2010 vide LC Paper No. CB(1)1003/09-10 (01).)

**Discussion**

**Marketing strategies**

8. **Mr CHAN Kam-lam** stressed the importance to inject new elements into tourism to enhance the overall attraction of Hong Kong as a preferred destination. He considered that HKD could bring substantial economic benefits to Hong Kong in the long run, although the project investment could not be recouped in the earlier years of the park's operation. He hoped that the park management would continue to improve the performance of the park and enhance the transparency of HKD's operation. Noting the small increase of attendance of Mainland visitors from 40% in FY08 to 41% in FY09, **Mr CHAN** opined that more marketing efforts and resources should be directed to the Mainland market, with a view to promoting HKD as a "must see" destination to Mainland tourists. In this connection, he enquired about HKD's marketing strategy and sales network for the Mainland market.

9. **Mr Andrew KAM** of HKD said that HKD had focused marketing strategies on 24 Mainland cities which were categorized into three priority groups according to market study. In addition to the existing sales offices in Beijing, Shanghai and Guangzhou, HKD would set up its fourth Mainland sales office in Chengdu in March 2010. From these offices, the sales network of HKD would continue to expand to cover more neighbouring secondary cities in the Mainland. HKD's promotion work would capitalize on the latest Individual Visit Scheme arrangements under CEPA (the Mainland and Hong Kong Closer Economic Partnership Arrangement) for permanent Shenzhen residents and non-Guangdong residents in Shenzhen to visit Hong Kong. To encourage repeat visitation by
Mainland tourists and to expand the market in the Guangdong Province, HKD was studying the conceptual feasibility of a multiple ticket scheme for visitors from Guangzhou and Shenzhen.

10. **Mr Vincent FANG** appreciated HKD’s efforts in achieving a year-on-year attendance growth by 2% in FY09 in spite of the adverse economic environment and the impact of the human swine influenza infection. Noting the drop in the share of international visitors in the total attendance (i.e. from 26% to 23%) and as the economy in Europe and America had yet to revive in the near future, he urged HKD to step up marketing efforts on the Mainland and local markets. He stressed the importance to stabilize the local source market, having regard that the opening of a new disneyland in Shanghai in 2014-2015 might reduce the number of Mainland tourists visiting HKD.

11. **Mr Andrew KAM** of HKD said that HKD placed equal emphasis on the local, Mainland and international markets. To attract local visitors and encourage them to visit the park again, HKD had been launching a variety of theme-based and innovative events in different seasonal periods. For instance, the upcoming "Year of the Tiger Celebration" during the Chinese New Year period would combine Chinese traditions with Disney creative elements to generate guest excitement in visiting HKD. HKD would also continue to launch Halloween and Christmas events to induce repeat visitations, and stimulate renewal of annual passes.

12. **Dr LEUNG Ka-lau** suggested that HKD should conduct market study to ascertain the target number of local people that would likely visit HKD to facilitate the planning of marketing strategies. Noting that Mainland visitors formed only some 36% of the total attendance to HKD compared to 41% for local visitors, **Dr LEUNG** urged that HKD should make more efforts to expand the Mainland market segment, in particular the Guangdong Province which had a population of over 100 million. Referring to the long queuing time for using park facilities in the peak seasons, he was worried that the park capacity had reached a bottleneck that would hamper further growth in attendance.

13. **Mr Andrew KAM** of HKD said that while HKD used to study its market penetration and park attendance, it was difficult to conduct a territory-wide survey on the actual demand in terms of number of local people intending to visit or having visited HKD. **Mr KAM** further said that since HKD had just completed its fourth year of operation, it was premature to assess the attendance performance of the Mainland market and the effectiveness of related marketing strategies at this stage. He assured members that HKD would continue to ride on the liberalization measures for tourism under CEPA, expand its sales network in the Mainland, and partner with large Mainland travel agents to include HKD in the itineraries of their Hong Kong tours.

14. **Mr Albert HO** noted that the park's net loss for FY08 and FY09 amounting to nearly $3,000 million in total was a very substantial sum. While understanding that it would take time for large-scale infrastructure like HKD to yield investment return, **Mr HO** was concerned about the strategies and measures to be put in place
for HKD to withstand keen competition from other theme parks in the region. To increase the appeal of HKD to visitors, he suggested HKD partner with the Ocean Park and other scenic spots as strategic alliances to offer city pass to attract visitors. The Chairman shared similar concern.

15. Mr Andrew KAM of HKD said that HKD had been working with the Mass Transit Railway Corporation Limited, airline companies, hotels, shopping centres and scenic spots such as the Peak and Ngong Ping 360 ropeway in organizing joint promotions, while collaboration with other scenic spots were under discussion. As there were different factors affecting visitor arrivals to Hong Kong, he considered it important to raise the overall competitiveness of Hong Kong as a premier destination, and HKD would continue to collaborate with the Hong Kong Tourism Board in promoting Hong Kong to overseas visitors. HKD would also step up marketing efforts in the growth markets such as the Phillipines and Malaysia in South East Asia, and expand its reach to emerging markets like India.

16. Mr Paul TSE suggested that HKD should make reference to the Universal Studio theme parks to offer entertainment and attractions to tie in with new movies staged by The Walt Disney Company (TWDC), with a view to injecting new elements in the park attractions. Mr Andrew KAM of HKD highlighted HKD's attractions which featured the themes and characters of classic and popular Walt Disney movies. For instance, the new themed area "Toy Story Land" under the expansion project was set to capture the anticipated public's interest following the stage of "Toys Story 3" in 2010.

17. In reply to Mr Paul TSE, Mr Andrew KAM of HKD clarified that HKD offered the same ticket prices for the Mainland and local travel agencies. However, due to a lower operating cost in the Mainland, the travel agents there might be able to sell the tickets at a lower retail price to attract customers.

Operating and financial performance

18. Referring to the year-on-year park attendance growth by 2% from 4.5 million in FY08 to 4.6 million in FY09, Ms Starry LEE was concerned that the increase was just admissions by complimentary tickets. In this connection, she urged HKD to consider sponsoring more free visitations to HKD for the elderly, particularly during the low seasons. Mr Andrew KAM of HKD advised that visitations on complimentary tickets were counted in the annual attendance but they accounted for only 1% to 2%. To improve clarity, Ms LEE requested HKD to present the attendance figures in respect of complimentary tickets separately from regular admissions in future updates, and asked Mr KAM to provide attendance information in relation to complimentary tickets in FY08 and FY09.

19. Mr Paul TSE observed that HKD had been making improvements in its operation and brought benefits to Hong Kong tourism sectors, although the attendance figures had yet to meet the target projection in 1999. Highlighting the difficulty in striking a balance between commercial and public interests in running the joint-venture, Mr TSE asked whether the Government had considered an exit
strategy in the long run. SCED said that in taking forward the development of HKD, the Government had agreed with TWDC on long-term arrangements such as park expansion and a gradual conversion of the subordinated shares representing land premium to ordinary shares. At this stage, both parties would focus on the expansion works and marketing to improve the park's operation.

20. In response to Ms Starry LEE's concern about the drop in revenues by 1% (or $27 million) from $2,568 million to $2,541 million in FY09 in spite of the attendance growth, Mr Andrew KAM of HKD explained that the global economic downturn in FY09 and the outbreak of the human swine influenza had dampened consumers' desire for consumption. Although HKD's attendance grew by 2% in FY09, in-park spending including merchandizing and F&B (food and beverage) business had suffered setbacks. As he observed, the consumption power of local visitors, which had contributed to the growth in park attendance, was relatively weaker than their Mainland and overseas counterparts.

21. Noting HKITP's net finance costs of $605 million and $387 million for FY08 and FY09 respectively whereas the non-current liabilities for the corresponding years were $6,811 million and $4,063 million, Ms Starry LEE expressed concern about the relatively high finance cost, and enquired whether it was due to the need to cover a higher interest rate for the TWDC loan to HKD. She emphasized the importance to put in place a mechanism to ensure that HKD's expenditures were processed in a fair and open manner. Mr Albert HO shared concern about the finance costs in the future financing arrangement for HKD amidst uncertainty in the macro-economic environment and fluctuation of interest rates.

22. Mr Andrew KAM of HKD said that finance costs in FY08 were related to the interest expenses for the Government loan and TWDC loan. The Deputy Secretary for Financial Services and the Treasury (Treasury) 2 (DS(Tsy)2, FSTB) added that the entire balance of the TWDC loan was converted to equity pursuant to the capital realignment agreement. That was why the finance costs in FY09 were essentially interests for the remaining Government loan, and the interest rate was endorsed by the Finance Committee of the Legislative Council in 1999.

23. In reply to Ms Starry LEE and Mr Albert HO's further enquiry about HKD's costs and expenses related to payment to TWDC, Mr Andrew KAM of HKD said that TWDC had waived the management fees for FY08 and FY09. DS(Tsy)2, FSTB supplemented that under the capital realignment agreement between the Government and TWDC, the formula for calculating the base management fee had been revised to link it to HKITP's earnings before interest, tax, depreciation and amortisation (EBITDA).

24. Mr Albert HO requested HKD to make reference to the Ocean Park to provide more detailed information in the annual disclosure of HKD's operating and financial results, such as the breakdown of operating costs and expenses. Mr Andrew KAM of HKD agreed to reflect his request to the shareholders.
25. The Chairman welcomed the initiative to enhance the transparency of HKD's operation and requested the Government and park management to take heed of members' suggestion to provide more details on the financial results in the future annual business review. Noting that HKD's attendance for the first half of FY09 recorded a double-digit growth over the same period in FY08, and the full year's attendance grew by 2% in spite of the impact of the financial turmoil and human swine influenza, he enquired about the major factor contributing to the net loss for FY09, and the expected timing of making profits. Highlighting the net loss was mainly due to depreciation of assets which would nevertheless continue to generate revenue for the park without affecting cash flow, Mr Andrew KAM of HKD said that the park management aimed at yielding profits from HKD as early as possible. Considering that HKITP's loss of $70 million before interest, taxes, depreciation and amortization in FY09 was relatively small when compared to the operating costs and expenses of $2,611 million for the same year, the park management was confident that the financial performance of HKITP would improve in near future. In the interim, it was important to expedite the expansion works to enhance HKD's attractions and hence patronage to the park.

26. Mr Paul TSE suggested that travel industry players should be appointed to the Board of HKITP to enhance the supervision of HKD's operation. SCED said that the two existing independent non-executive directors on the Board were experienced in business and financial management. The Government would consider more engagement with the travel trade to gauge market trend and demand.

Staffing issues

27. Mr IP Wai-ming expressed concern that according to some media reports, HKD would lay off contract staff in order to cut down the park's operating costs. He was worried that their workload would have to be absorbed by the remaining staff who might face higher risk of work-related injuries yet without extra pay.

28. Mr Andrew KAM of HKD clarified that the said media reports were just hearsay reports. He further advised that HKD deployed human resources according to seasonal demand in order to achieve cost-efficiency. He stressed that since the park's opening in 2005, HKD had not laid off any staff. Mr KAM further said that HKD attached great importance to enhancing workplace safety, and the number of work-related injuries had dropped by 23% in FY09. In fact, in the past four years, the hotels and catering establishments of HKD had attained a total of 34 safety awards in the Catering Industry Safety Award Scheme jointly organized by the Labour Department and the Occupational Safety and Health Council, including Group Safety Performance gold medal award for two consecutive years. At the request of Mr IP Wai-ming, Mr KAM agreed to provide information showing the changes in HKD's staffing situation as well as the number of work-related injuries in the past three fiscal years.

Conclusion

29. The Chairman concluded that Panel members generally welcomed the
enhancement of transparency in the operation of HKD. They raised a number of concerns about the park attendance, visitor profile and marketing strategies, park appeal and competitiveness, and staffing issues. He requested the Administration and the park management to take note of members' concerns and suggestions and continue to improve HKD's operation.

V  Hong Kong Tourism Board Work Plan for 2010-2011

- Administration's paper on Hong Kong Tourism Board Work Plan for 2010-2011
- Paper on work plan of Hong Kong Tourism Board prepared by the Legislative Council Secretariat (Updated background brief)
- Presentation materials provided by Hong Kong Tourism Board (power-point presentation materials) (Chinese version only))

Briefing by the Hong Kong Tourism Board (HKTB)

30. At the invitation of the Chairman, Mr James TIEN, Chairman of HKTB, briefed members on the 2009 overview of the Hong Kong tourism industry and the outlook for 2010, HKTB's major marketing initiatives in 2009-2010 and the work plan for 2010-2011 as set out in the Administration's paper CB(1)908/09-10(05). He highlighted that HKTB's proposed marketing budget in 2010-2011 was $367.9 million. HKTB would continue to adopt a prudent approach in investing its marketing resources and vigorously control cost, while making the best endeavour to solicit sponsorships for funding its events and activities. It would also maintain a flexible approach in allocating resources for various markets in response to unforeseen changes in the macro environment.

31. With the aid of power-point and video presentations, Mr Anthony LAU, Executive Director of HKTB briefed members on the details of HKTB's marketing initiatives in 2009-2010, highlighting the year-round promotions locally and in key source markets under the theme of "Hong Kong Food and Wine Year", such as the Wine and Dine Festival and the six-episode television programme featuring Hong Kong's culinary excellence in the MasterChef Australia series. He also informed members that in 2009-2010, HKTB had stepped up the promotion of multi-destination itineraries with various Mainland cities, as well as web-based and mobile promotions. As for the work plan for 2010-2011, Mr LAU said that HKTB would adopt "Festive Hong Kong 2010" as its annual marketing theme to highlight Hong Kong's wide array of festivals and cultural celebrations. Under the
platform of this annual marketing theme, there would be six promotional windows during the year, each anchoring on a mega event or key promotion that tied with traditional festivals and cultural celebrations. On the proposed marketing budget, Mr LAU supplemented that HKTB's total marketing budget for source markets for 2010-2011 had increased by 5.6% over the amount in 2009-2010.

Discussion

Market prioritization

32. Mr Vincent FANG said that he was pleased to note that the negative trend in visitor arrivals to Hong Kong, which emerged during the second half of 2008 and intensified in 2009 due to deterioration of economic conditions and the outbreak of the human swine influenza, was reversed in the later part of 2009, and finally achieved a year-on-year increase of 0.3% in visitor arrivals in 2009. He opined that 2010 would be another challenging year for Hong Kong's tourism-related industries, having regard to the competition from the opening of Universal Studio Singapore and the staging of World Expo 2010 Shanghai. Noting that the proposed marketing budget would be reduced from $378 million in 2009-2010 to $367.9 million in 2010-2011, Mr FANG expressed concern and urged that more resources should be deployed for HKTB to strengthen Hong Kong's destination appeal to withstand the upcoming competition.

33. Mr CHAN Kam-lam said that the tourism industry was susceptible to changes in the macro environment. While 2009 was a difficult year for the travel trade, the world economy had shown signs of recovery in the later part of 2009, as evidenced in the increase in visitor arrivals from the Mainland under the Individual Visit Scheme following its significant economic growth. As such, he shared the concern about the reduction in HKTB's proposed marketing budget, including the marketing budget for the Mainland market in 2010-2011.

34. Mr James TIEN of HKTB explained that the relatively higher total marketing budget in 2009-2010 was mainly accounted by the one-off allocation of approximately $15 million from HKTB's reserve to support the tourism industry to withstand the impact of the financial tsunami in 2009-2010. Regarding the marketing budget for the Mainland market, an additional sum of $10 million was allocated to boost marketing in the Mainland in 2009-2010 to counteract the negative impact of the outbreak of the human swine influenza on visitor arrivals in the second quarter of 2009, but the need for such additional sum was not envisaged for 2010-2011. Discounting this additional sum, the marketing budget for the Mainland market had actually been increased by around $7 million in 2010-2011. Nevertheless, Mr TIEN assured members that HKTB would deploy resources flexibly to meet unexpected needs as and when necessary.

35. Ms Emily LAU noted that while the introduction of scheduled air services between Taiwan and the Mainland had led to decline in same-day arrivals from Taiwan to Hong Kong in 2009, the total overnight vacation arrivals from Taiwan in the year had reached 456,000, representing an increase of 9.5%. She suggested
HKTB consider more effective marketing initiatives to capture the potential of the overnight vacation segment from Taiwan, such as promotional campaigns and tours that featured popular artists and singers. Mr Anthony LAU of HKTB said that there were some 2.2 million visitor arrivals from Taiwan annually, and around 0.7 million of which were overnight visitors. To compensate for the loss in same-day arrivals from Taiwan, HKTB would continue to target marketing efforts at the potential overnight vacation segment. On the enhancement of Hong Kong’s appeal in arts and culture, Mr LAU cited the Summer Pop Concert and Summer International Film Festival which would be promoted by HKTB in July-August 2010 under the "Hong Kong Summer Spectacular". HKTB would continue its efforts in promoting tours of special interests to tourists, including itineraries that would highlight films to be staged, such as the movie "Lust, Caution" in the previous year.

Ms Emily LAU expressed concern about HKTB's measures to control cost and reform its image as a spendthrift. Mr James TIEN of HKTB said that HKTB would strive to deploy resources in a cost-effective manner and in accordance with the changing circumstances. For instance, HKTB would adopt an integrated digital marketing approach through web-based and mobile marketing to expand the reach and impact of its promotions cost-effectively. While HKTB would continue to focus marketing in the Mainland, it would resume investment in the long-haul markets as the global economy gradually improved. HKTB would also continue to review the establishments of its Worldwide Offices to save expenditures and obviate the need to deploy its reserve.

Ms Miriam LAU commended HKTB’s efforts to cut down the budget for its Head Office through stringent cost management. Referring to the aggressive promotional campaigns launched by the Taiwan tourism authority at the Mass Transit Railway platforms and local television channels, Ms LAU expressed concern that Hong Kong was facing fierce competition in the short-haul markets, including Singapore, Thailand and Macau, as Taiwan seemed to be putting much more resources than Hong Kong in tourism marketing and advertising. Mr James TIEN of HKTB highlighted that visitor arrivals to Taiwan and Japan were just about 4 million and less than 10 million a year respectively vis-à-vis 30 million for Hong Kong, which might call for different marketing strategies and initiatives for tourism promotion. Mr Paul TSE cautioned that visitor arrivals for different areas should be carefully studied together with visitor profiles. He pointed out that as Hong Kong was geographically linked to the Mainland and the Asian continent, many visitors might just stop over Hong Kong before visiting the Mainland or Asian places, which was different from target visitations to island destinations such as Taiwan and Japan.

Noting that HKTB would resume investment in the long-haul markets, Ms Miriam LAU opined that the performance of these markets would remain uncertain in the near future as it would take time for the global economy to revive. As such, she held the view that HKTB should focus its efforts on the short-haul markets in the meantime. Mr James TIEN of HKTB remarked that it was crucial to allocate appropriate promotional resources in these markets to sustain awareness of the
destination brand of Hong Kong. He added that the increasing flight movements for long-haul routes by the airlines indicated potential improvements in visitor arrivals from the long-haul markets.

Marketing approaches and programmes

39. Ms Starry LEE stressed the importance of tourism investment as it was a pillar of Hong Kong's economy, particularly in respect of the creation of employment opportunities for the grassroots. Expressing concern about the cost-effective use of HKTB's marketing resources, Ms LEE enquired whether HKTB had conducted visitors' surveys at various control points about their reasons for visiting Hong Kong in order to ascertain the sources from which they had obtained the marketing information. She suggested that HKTB might engage the Immigration Department in conducting such surveys. Mr Anthony LAU of HKTB advised that HKTB used to conduct market surveys in respect of the key performance indicators for tourism. As for the cost-effectiveness of different marketing approaches, he said that HKTB had kept a register of its website traffic statistics such as hit count, and measured the extent of coverage in the media and publications resulting from HKTB's public relations activities.

40. Noting that the "Festive Hong Kong 2010" would be the theme of HKTB's marketing activities in 2010-2011, Mr CHAN Kam-lam opined that HKTB should partner with relevant organizations to include more Chinese traditional and cultural elements, such as Chinese martial arts (e.g. Tai-chi, Choy Li Fut, dragon and lion dances), in the programmes to be organized under the theme. In his view, Western festivals like the Halloween might not have much appeal to foreigners who used to celebrate them in their home countries.

41. Mr Anthony LAU of HKTB said that Hong Kong had a wide array of festivals and cultural celebrations, and fascinating cultural fusion. Some of the HKTB's mega events or key promotions to be delivered under "Festive Hong Kong 2010" would tie in with Chinese traditional festivals and cultural celebrations, such as the Cheung Chau Bun Festival, Birthdays of Tam Kung, Tin Hau and Lord of Buddha, which would be featured in the April-May 2010 promotional window. Notwithstanding, western festivals including the Halloween had special appeal to visitors from the Mainland and Taiwan. Mr James TIEN of HKTB added that HKTB would collaborate with other organizations to stage festive programmes, and co-organizing the International Dragon Boat Races with the Hong Kong Dragon Boat Association in 2010 would be a case in point.

42. Noting that the Tuen Ng Festival this year would fall in June 2010, Mr WONG Ting-kwong enquired about the reason for promoting the Dragon Boat Festival, including the International Dragon Boat Races, in July/August 2010 instead. Mr James TIEN and Mr Anthony LAU of HKTB said that the International Dragon Boat Races were normally held after the local dragon boat competitions had completed in June whereby participating teams would be selected to enter the International Dragon Boat Races, which were usually held in the summer months of July or August to facilitate the participation of overseas teams.
43. Noting that HKTB would strengthen its effort to develop and promote multi-destination itineraries in 2010-2011, Mr WONG Ting-kwong enquired about the specific measures to promote visits to Hong Kong by capitalizing on the World Expo 2010 Shanghai. Mr Anthony LAU of HKTB acknowledged that the Expo in Shanghai would be a golden opportunity to promote Hong Kong, and HKTB would co-operate with the travel trade to develop Hong Kong/Shanghai combo packages for such long-haul markets as the United States, as well as for short-haul markets.

44. Mr WONG Ting-kwong expressed concern about the timing of marketing cruise itineraries given the new cruise terminal at Kai Tak would not commence operation until mid-2013. Mr Anthony LAU of HKTB said that although the first berth of the new cruise terminal would commission by mid-2013, it was necessary to engage the cruise industry at this stage to cultivate demand for home-porting and drive the development of fly/cruise itineraries. The Acting Commissioner for Tourism (Atg C for T) pointed out that cruise itineraries were usually planned two to three years in advance. Hence, there was a need to strengthen promotion from 2010 onwards to attract cruises to call at Hong Kong and use the new cruise terminal.

45. The Chairman said that some of HKTB's marketing events in the past were well-received but they were discontinued due to a lack of resources or changes in marketing priorities. He enquired whether HKTB had taken this into account in reviewing the annual work plan, with a view to re-staging those events that were popular. Mr James TIEN of HKTB said that HKTB would continue to review its marketing activities in the light of past experience and public feedback. For instance, having reviewed the launching of the 10-storey high artificial Christmas tree in Statue Square in Central during the previous Hong Kong Winterfest, which was very popular but discontinued due to a lack of sponsorship, HKTB had identified sponsors to launch the initiative in smaller scale in Tsim Sha Tsui in 2009.

46. Mr Vincent FANG commented that the year-round promotions of the Hong Kong Food and Wine Year in 2009-2010 had received very positive response among local people. He opined that marketing efforts should also be directed to stimulate internal consumption within Hong Kong. Mr James TIEN of HKTB said that HKTB's resources were mainly used for overseas marketing to promote Hong Kong globally. Local publicity would be funded by other sources. For instance, the Government had allocated an additional funding of $8 million to sponsor the Wine and Dine Festival organized by HKTB in October and November 2009, which had attracted more than 70 000 participants, with majority being local people. Where possible, HKTB would co-organize festive events with relevant Government bureaux/departments or private organizations or invite them to be sponsors in order to broaden the base of participants and maximize the benefits of HKTB's marketing activities.
Action

Other issues

47. Referring to a motion he had moved for debate at the Council meeting on 13 May 2009, Mr Paul TSE reiterated his concern that a tourism bureau should be established with dedicated responsibilities for handling tourism issues in the long run. In his view, in the absence of a centralized tourism authority serving as the mastermind to devise and steer related policies, HKTB could only deliver its marketing initiatives in a piece-meal fashion which would hamper the cost-effective use of public resources. Referring to the one-week temporary closure of the Metropark Hotel Wanchai on 1 May 2009 following the confirmation of human swine influenza contraction by a hotel occupant, and the problem associated with the distribution of 2009 East Asian Games (EAG) tickets through HKTB, Mr TSE expressed concern about the need to enhance the coordination between relevant Government bureaux/departments and HKTB in handling tourism-related crisis and taking forward tourism initiatives.

48. Mr James TIEN of HKTB observed that tourism authorities in some jurisdictions had taken up a broad range of duties and responsibilities covering as far as management of airline companies, museums, hotels and coach services. Compared to the overseas counterparts, HKTB's role was relatively limited, and indeed Hong Kong lacked an integrative organization overseeing all travel-related matters.

49. Atg C for T said that the Tourism Commission (TC) had made its best efforts to coordinate with different policy bureaux, HKTB, the Travel Industry Council of Hong Kong (TIC) and the travel trade in making necessary emergency arrangements and hospitality measures for visitors affected by closure of the hotel in question and promulgating messages on the latest human swine influenza situation through the Government's overseas networks. As for the distribution of the 2009 EAG tickets, Atg C for T said that the 2009 EAG (Hong Kong) Limited and TC had communicated with HKTB and TIC on ticketing and promotion arrangements. Briefings were organized for the travel trade on ticketing arrangements in the summer of 2009.

50. Ms Emily LAU expressed concern about some speculative reports in the media about the succession of HKTB's chairmanship upon the expiry of the appointment of the incumbent Chairman in March 2010. Atg C for T said that the Government would announce the appointment in due course. She assured members that the Government would take into account the prevailing tourism policies in considering the appointment. Ms LAU requested the Administration to process the appointment in a transparent and accountable manner.

Conclusion

51. Concluding the discussion, the Chairman requested the Administration to take note of members' concerns and suggestions raised at the meeting, and he hoped that HKTB's work plan for 2010-2011 would be successfully implemented. Mr James TIEN of HKTB took the opportunity to thank Panel members for giving
suggestions on the work plan. He said that HKTB would continue to exchange views with members in future at Panel meetings and through informal channels.

VI Any other business

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

Council Business Division 1
Legislative Council Secretariat
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