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**Panel on Economic Development**  
**Meeting on 25 February 2013**

**Background brief on the**  
**Work plan of Hong Kong Tourism Board**

**Purpose**

This paper provides background information on the establishment and funding arrangements for the Hong Kong Tourism Board ("HKTB"). The paper also summarizes the views and concerns expressed by Members about the governance and work of HKTB when relevant issues were discussed at different forums of the Legislative Council ("LegCo").

**Establishment of HKTB**

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

3. According to the HKTB Ordinance, the objects of HKTB are to –

- (a) endeavour to increase the contribution of tourism to Hong Kong;
- (b) promote Hong Kong globally as a leading international city in Asia and a world class tourist destination;

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<sup>1</sup> HKTA was set up as a membership organization in 1957. Consequent upon the completion of the Strategic Organisation Review in late 1999, the Board of Management of HKTA decided to abolish the membership system of HKTA and reconstitute it into HKTB. The HKTB Ordinance was enacted in March 2001 to effect these changes. While HKTA was an association of members, HKTB has no affiliation to any specific sector or organization within the industry.

- (c) promote the improvement of facilities for visitors;
- (d) support the Government in promoting to the community the importance of tourism;
- (e) support, as appropriate, the activities of persons providing services for visitors to Hong Kong; and
- (f) make recommendations to and advise the Chief Executive<sup>2</sup> in relation to any measures which may be taken to further any of the foregoing matters.

4. To achieve these statutory objects, HKTB's funding is mainly for marketing and promoting Hong Kong globally as a leading international city in Asia and a world class tourist destination. The detailed plans and programmes of HKTB are implemented by various functional units in the Head Office in Hong Kong as well as HKTB's 23 Worldwide Offices ("WWOs")<sup>3</sup>. HKTB maintains a close watch on global tourism trends, keeps track of competitors' activities, conducts extensive market research and analyses, and develops and implements the Board's marketing, business development and product development strategies.

5. According to HKTB's Annual Report 2011-2012, the governing body of HKTB is the Board<sup>4</sup> which consists of 20 members. There are five committees established under the Board, namely, Audit Committee, Staff and Finance Committee, Marketing and Business Development Committee, Product and Event Committee, and Quality Tourism Services Committee. In 2012-2013, HKTB maintained the headcount in its Head Office and WWOs at 338 established posts.

6. The Tourism Commission ("TC"), a functional unit within the Commerce and Economic Development Bureau and led by the Commissioner for Tourism, works closely with HKTB and some other organizations to promote the development of tourism in Hong Kong. The

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

<sup>3</sup> HKTB has a worldwide network of 16 offices (including Beijing, Shanghai, Guangzhou, Chengdu, Tokyo, Osaka, Seoul, Singapore, Taipei, London, Paris, Frankfurt, Los Angeles, New York, Toronto and Sydney) and has representatives in 7 places (including New Delhi, Mumbai, Bangkok, Manila, Jakarta, Moscow and The Middle East) which handle travel trade, media and consumer enquiries.

<sup>4</sup> The authority for the Chief Executive to appoint members of the Board and approve HKTB's Business Plan and Budget was delegated to the Financial Secretary in April 2001. The latter authority was further delegated to the former Secretary for Economic Development and Labour in July 2004 and then to the Secretary for Commerce and Economic Development (SCED) with effect from 1 July 2007.

Government has appointed the Commissioner as a member of the HKTB Board since its establishment and the Commissioner is also a member of all the five Committees under the Board.

### **Funding arrangements for HKTB**

7. HKTB's activities are primarily funded by the Government having regard to the needs of HKTB as presented in its work plan and annual budget<sup>5</sup>. The subvention for HKTB forms part of the Appropriation Bill, the passage of which is subject to LegCo approval. The Government may provide non-recurrent funding to support HKTB in implementing specific promotional activities. For the years from 2008-2009 to 2012-2013, the Government has earmarked \$30 million every year to HKTB to provide one-stop support for meetings, incentives, conventions and exhibitions ("MICE") events, assist in bidding for prestigious MICE events, generate attendance and promote cross-selling of tourism products. HKTB may collect fees for its services to achieve cost recovery as appropriate, solicit sponsorship for funding its events, activities and communication materials, and generate revenue by accepting advertisements in its publications and website, as well as in the venue of HKTB's mega events. For 2012-2013, HKTB aimed to achieve over \$56.2 million of commercial sponsorship income, an increase of 25.4% over the amount in 2011-2012.

### **Monitoring mechanisms**

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

9. To track the effectiveness of the promotional programmes and activities, HKTB has established four objective Key Performance Indicators ("KPIs"), viz. visitor arrivals, length of stay, satisfaction level and spending of visitors. In 2009-2010, HKTB introduced a new performance measurement framework. In addition to the four KPIs, HKTB brought in a second tier of corporate performance indicators to measure the effectiveness and performance of the HKTB's marketing programmes and activities by

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<sup>5</sup> The HKTB's budgetary cycle dovetails with the Government's annual budgetary process. Under section 17B(1) of the HKTB Ordinance, HKTB is required to forward a programme of its proposed activities and estimates for the next financial year to the Government before the appointed date.

strategic focuses. Based on the strategic focuses of 2011-2012, HKTB has drawn up a set of objectives and results for measuring the effectiveness of its promotions and hence efficient use of public resources, the details of which are provided in LC Paper No. CB(1)1090/10-11(09).

10. Under section 18 of the HKTB Ordinance, the annual financial statement of HKTB has to be audited by an external auditor appointed by the Government. A copy of the statement of the audited accounts together with the auditor's report on that statement/accounts shall be laid before LegCo as soon as possible. Section 19 of the HKTB Ordinance provides that HKTB has to submit an annual report of activities to the Chief Executive, and SCED shall lay the report on the table of LegCo. In addition, HKTB is included in the list of "public bodies" under the Prevention of Bribery Ordinance, and is subject to the scrutiny of the Director of Audit ("DoA"). DoA carried out a value-for-money audit for HKTB in 2007. The audit findings are included in Chapters 5 and 6 in Report No. 49 of DoA<sup>6</sup>.

### **Work plans of HKTB**

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

### **Panel members' views and concerns on the recent work plans of HKTB**

#### *2011-2012 work plan*

12. When the Panel discussed HKTB's work plan for 2011-2012 on 24 January 2011, HKTB advised that it would increase investment in non-Southern China regions, expand geographic coverage in emerging markets and tap new markets. On measures to strengthen Hong Kong's destination appeal, HKTB planned to adopt a new thematic marketing platform "Asia's World City" in 2011-2012 and inject new elements and programmes into its annual events calendar. To maximize reach and impact in 2011-2012, HKTB would increase focus on digital marketing, expand partnership with global and regional TV networks.

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<sup>6</sup> Report No. 49 of DoA on the results of value-for-money audits completed between March and September 2007 was tabled before LegCo on 28 November 2007.

13. Some Panel members considered that the record-high visitor arrival rate in 2010 was brought by the appreciation of Renminbi and some other foreign currencies and might not be sustainable. These members urged HKTB to host more appealing events during the non-peak seasons to draw more visitors and to encourage those Mainland visitors who normally travelled on one-day journeys to spend more time in Hong Kong. Noting a reduction in expenditure for its Head Office from \$178.3 million in 2010-2011 to \$149.2 million in 2011-2012, members urged HKTB to streamline the operation of its offices and utilize more of the Internet services to promote Hong Kong.

*2012-2013 work plan*

14. When the Panel discussed HKTB's work plan for 2012-2013 at the meeting on 17 January 2012, members expressed the following views and concerns -

- (a) Members expressed concern that the increase in visitor arrivals from the long-haul markets in 2011 by 1.7% was relatively small as compared to that from the Mainland at 23.9%. HKTB indicated that while the poor economy in Europe and the United States had adversely affected the number of visitor arrivals from the long-haul markets, HKTB would continue its efforts to promote Hong Kong as a tourist destination in these markets;
- (b) With regard to Members' concern that the Avenue of Stars (AOS) was ranked second in the "World's 12 worst tourist traps" list by "CNNgo.com", the Administration informed that HKTB would take steps to improve the attractiveness of AOS, with a view to making it a more comfortable and convenient spot for enjoying the harbour view. The Administration noted a Member's suggestion that in order to enhance AOS's international appeal, more international film stars should be invited to leave their foot- and/or hand-prints at AOS;
- (c) Members stressed the need to secure commercial sponsorship earlier to prevent the recurrence of the last-minute withdrawal of sponsorship for the 2012 countdown pyrotechnics display at the International Financial Centre. The Administration remarked that HKTB would draw lesson from the case and would take early actions to ascertain event

sponsorship, while ensuring that the public image of the sponsors was good and their business was related to tourism;

- (d) Members expressed concern about the proliferation of undesirable trade practices in some shops selling products to tourists, in particular some Chinese medical herbs and dried seafood shops. The Administration advised that HKTB, the Consumer Council and relevant Government departments would step up enforcement and publicity actions to deal with the problem, in addition to the existing publicity measures such as the "Quality Tourism Services" (QTS) Scheme, publicity on the relevant websites, and provision of enquiry and complaint hotlines;
- (e) Members expressed the view that in order to ensure that the whole community would benefit from tourism, efforts should be made to promote the district-specific activities as tourist attractions, such as the development of local historical and cultural sites and events. The Administration remarked that efforts were made in such a direction and would be geared up to further highlight the tourist attractions of individual districts;
- (f) Members were concerned that the growth in overnight visitors and the increase in hotel rooms did not match with the growth in the overall number of visitor arrivals. Members urged the Administration and the HKTB to make every effort to ensure that there would be sufficient hotel rooms to meet the demand resulting from the increase in visitor arrivals. Members noted that the Tourism Commission had been closely liaising with the Development Bureau to keep the latter abreast of the supply of and demand for hotel rooms and the increase in visitor arrivals. The Administration was endeavouring to increase hotel supply through identifying sites from the List of Sites for Sale by Application for hotel use, and encouraging the redevelopment and wholesale conversion of industrial buildings for hotel use under the Revitalization of Industrial Buildings initiative. Members, however, noted that nearly half of the 28 million Mainland visitors visiting Hong Kong in 2011 were permanent residents of Shenzhen who usually did not stay in Hong Kong hotels. Whilst the Revitalization of Industrial Buildings initiative would continue, industrial buildings

could be converted not only for hotel use but also for other commercial uses. As regards the aborted plan for development of a hotel in the Ocean Park, the Administration advised that the Tourism Commission had been discussing with the Ocean Park on how to pursue the project again, in recognition of the importance of complementary effect of the hotels on the Park and on increasing hotel supply; and

- (g) In relation to Members' concern regarding the long waiting time of visitors at immigration control points, the Administration advised that the Immigration Department (ImmD) had put in place various measures to relieve the pressure arising from the long waiting time of passengers. These included flexible deployment of staff with reference to passenger traffic, reinforcement of staff from other divisions during peak seasons and forming of a joint command centre with relevant government departments to monitor passenger traffic and to put in place special arrangements where necessary. More staff would be recruited to help increase the manpower at immigration control points. Since early 2012, eligible Mainland frequent visitors might use the e-Channel service at the Lo Wu, Lok Ma Chau Spur Line and Shenzhen Bay control points. The Tourism Commission, ImmD and the HKTB had also stepped up liaison with the travel industry and publicity on the traffic and immigration arrangements at the various control points before and during peak seasons with a view to shortening the waiting time of visitors.

15. At the Panel meeting on 17 January 2012, members also discussed other issues relating to tourism, including ways to cope with cultural conflicts highlighted in a number of incidents such as the D&G case, taxi scams, co-ordination among the Tourism Commission, the HKTB, the Travel Industry Council and the future Travel Industry Authority.

### **Latest development**

16. The Panel will discuss on 25 February 2013 the work plan of HKTB for 2013-2014, the overview of Hong Kong tourism industry in 2012 and the outlook for 2013.

## References

17. The relevant papers are available at the following links –

The Administration's paper on the HKIB Work Plan for 2012-2013

(LC Paper No. CB(1)808/11-12(03))

<http://www.legco.gov.hk/yr11-12/english/panels/eDEV/papers/eDEV0117cb1-808-3-e.pdf>

Background Brief on the Work Plan of HKTb (LC Paper No. CB(1)808/11-12(04))

<http://www.legco.gov.hk/yr11-12/english/panels/eDEV/papers/eDEV0117cb1-808-4-e.pdf>

Minutes of the Panel meeting on 17 January 2012 (LC Paper No. CB(1)1602/11-12)

<http://www.legco.gov.hk/yr11-12/english/panels/eDEV/minutes/eDEV20120117.pdf>

Supplementary information provided by the Administration in response to Members' questions raised at the Panel meeting on 17 January 2012 (LC Paper No. CB(1)1572/11-12(01))

<http://www.legco.gov.hk/yr11-12/english/panels/eDEV/papers/eDEV0117cb1-1572-1-e.pdf>

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