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Panel on Economic Development
Meeting on 24 February 2014

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 work of HKTB when relevant issues were discussed at the Panel of Economic Development ("the Panel").

Establishment of HKTB

2. HKTB is 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")¹.

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;
- (c) promote the improvement of facilities for visitors;

¹ 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.

- (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 Executive² 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 24 Worldwide Offices ("WWOs")³. 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. The governing body of HKTB is the Board⁴ 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 2013-2014, the headcount of HKTB in its Head Office and WWOs would be 362.

6. The Tourism Commission, 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 Government has appointed the Commissioner as a member of the HKTB Board since its

² The Chief Executive of the Hong Kong Special Administrative Region.

³ 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 8 places (including New Delhi, Mumbai, Bangkok, Manila, Jakarta, Vietnam, Moscow and The Middle East) which handle travel trade, media and consumer enquiries.

⁴ 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 with effect from 1 July 2007.

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 budget⁵. The subvention for HKTB forms part of the Appropriation Bill, the passage of which is subject to approval by the Legislative Council ("LegCo"). 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. The Administration has continued to earmark funds in 2013-2014 to HKTB for such purpose.

8. 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 2013-2014, HKTB aimed to achieve over \$54.4 million of commercial sponsorship income, an increase of 9.2% over the amount in 2012-2013.

Monitoring mechanisms

9. 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.

10. 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

⁵ 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.

second tier of corporate performance indicators to measure the effectiveness and performance of the HKTB's marketing programmes and activities by strategic focuses.

11. 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 statement/accounts shall be laid before LegCo as soon as possible. Section 19 of the Ordinance provides that HKTB has to submit an annual report of activities to the Chief Executive, and Secretary for Commerce and Economic Development ("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.

Work plans of HKTB

12. 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.

The Administration's initiatives to support the work of HKTB

13. In connection with the announcement of the Chief Executive's Policy Address on 15 January 2014, SCED had informed the Panel at its meeting held on 27 January 2014 of the initiatives the Administration would undertake to support the work of HKTB. HKTB would increase its promotion resources in the international markets from 70% to 75% with the remaining 25% allocated to the Mainland market, mainly to non-Guangdong regions.

14. To further promote Hong Kong as the preferred tourist destination, the Administration has advised the Panel that HKTB will launch an image-boosting marketing campaign in core markets, and will continue to launch a hospitality campaign in Hong Kong to foster a friendly culture that contributes to positive visitor experience. The Administration undertakes to support HKTB in stepping up the promotion of Hong Kong as a premier MICE destination and soliciting more MICE events to be staged in Hong Kong.

15. Capitalizing on the opportunities brought by the development of the Kai Tak Cruise Terminal, the Administration has informed the Panel that it will continue to collaborate with HKTB and the cruise trade to step up promotion on Hong Kong's advantages in cruise tourism. HKTB will continue to cultivate its source markets (including the Mainland, India and other long haul markets) to attract more visitors to join cruise journeys from Hong Kong, and will facilitate itinerary development by promoting regional co-operation on cruise tourism with neighbouring ports as well as participating in or organizing trade events.

Panel members' views and concerns on HKTB's 2013-2014 work plan

16. The Panel discussed HKTB's work plan for 2013-2014 at the Panel meeting held on 25 February 2013. Discussions were also held on the development of tourism industry in Hong Kong at the Panel meeting held on 27 January 2014. Members' main concerns and comments are summarized in the paragraphs below.

Support facilities and services for tourists

17. Some members expressed concern that the increasing number of tourists visiting outlying islands were competing with local residents for public transport services. Members enquired what measures HKTB or the Administration would adopt to improve the facilities for visitors. The Administration advised that it would liaise with the transport service providers concerned to make special arrangements to meet the need of visitors and local commuters.

Developing tourist attractions and capacity to receive tourists

18. Some Panel members disagreed with HKTB's spending \$50 million in 2013-2014 on promotion activities in the Mainland as most of the tourists visiting Hong Kong were already from the Mainland. Members also pointed out that the large number of tourists from the Mainland had given rise to many social issues and inconveniences to the public. A member suggested that the Administration should stop issuing multiple-entry permits for Mainland visitors. Other Panel members had suggested that the Administration should consider levying a landing tax on Mainland tourists or a sales tax on luxurious goods.

19. Panel members suggested that the Government should expedite its review on the capacity of Hong Kong in handling an increasing number of visitors. The Administration has completed the assessment on Hong

Kong's capacity to receive tourists, and the report has been issued to members vide LC Paper No. CB(1)765/13-14 on 17 January 2014. According to the assessment, on the basis that projected visitor arrivals would be over 70 million in 2017, Hong Kong would generally be able to receive the visitor arrivals at that time.

20. As regards members' concern about the growing number of Mainland visitors, HKTB explained that the increase in Mainland tourists visiting Hong Kong had contributed positively towards the economy and employment. Individual Visit Scheme ("IVS") and the multiple entry permit arrangement should continue. HKTB's comments were shared by some Panel members who suggested that, to cope with the problems, the Administration should, instead, enhance the capacity of the tourist spots and increase the number of tourist attractions so that Hong Kong could receive more visitors. The Chief Executive had announced in his Policy Address on 15 January 2014 that the Administration had discussed the IVS and multiple entry permit arrangement with the Central Government, which agreed to freeze the number of pilot cities for IVS and the scope of the multiple entry permit arrangement on a temporary basis.

21. Other members suggested that the Administration should consider putting in more resources to develop the tourist attractions with good potential and to promote "leisure-historic-rural-township" tours, which would help divert tourists from established and overcrowded tourist hotspots such as the Ocean Park or the Hong Kong Disneyland.

22. The Administration advised the Panel that efforts had been devoted to developing new tourist attractions such as green and cultural tours in the New Territories and the outlying islands. Collaboration was being made with District Councils to identify and develop local attractions which would help divert tourists to ease the over-crowdedness in major tourist hotspots and would enable districts to share the economic benefits of the growth in the tourism industry.

Hotel accommodation

23. Noting that the growth in the number of overnight visitors was much lower than that of same-day arrivals to Hong Kong, some Panel members expressed concerns whether the phenomenon was attributed to the inadequate supply of hotel rooms. Members had also suggested that the Administration should formulate a policy on home-stay lodgings and to introduce measures to support their development so as to ease the shortage of hotel rooms.

24. The Administration advised that many new hotels were coming on stream which would help meet the demand for hotel accommodation. As regards home-stay lodgings, the Administration advised that there were many issues such as public order, fire safety and public acceptability that needed to be addressed in determining the feasibility of the proposal.

Cruise tourism

25. With the commissioning of the Kai Tak Cruise Terminal, members had expressed concern about the development of Hong Kong as the home port for cruise ships and the hub for multi-destination cruise travel. HKTB advised the Panel that it had collaborated with the cruise companies to set up a promotion fund for promoting Hong Kong as the hub for cruise travel. The Administration and HKTB would collaborate with the neighbouring ports to develop attractive and multi-faceted cruise travel programmes for tourists.

Promoting Hong Kong as a tourist destination

26. Panel members had enquired about the collaboration between HKTB and the Trade Development Council in promoting MICE events. HKTB advised the Panel that resources had been allocated for carrying out marketing activities in new markets such as Russia, and stepping up MICE promotion to attract more high-spending visitors. Besides, the Administration advised the Panel that more high quality activities such as the Hong Kong International Wine and Spirits Fair would be organized to meet this objective.

27. Comparing with the growth of Mainland tourists to Hong Kong, the number of visitors from Europe, US and other emerging markets had declined. Panel members enquired what efforts had been made by HKTB to attract visitors from overseas countries. HKTB advised the Panel that it had spent about \$50 million respectively for long-haul markets, short-haul markets and the Mainland in promoting Hong Kong as a tourist destination. However, the growth of visitors from the European and US markets had been sluggish due to the weak economic conditions there.

Latest development

28. The Panel will discuss on 24 February 2014 the work plan of HKTB for 2014-2015, the overview of Hong Kong tourism industry in 2013 and the outlook for 2014.

References

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

The Administration's paper on the HKIB Work Plan for 2013-2014 (LC Paper No. CB(1)565/12-13(03))

<http://www.legco.gov.hk/yr12-13/english/panels/e/dev/papers/e/dev0225cb1-565-3-e.pdf>

Background Brief on the Work Plan of HKTB (LC Paper No. CB(1)565/12-13(04))

<http://www.legco.gov.hk/yr12-13/english/panels/e/dev/papers/e/dev0225cb1-565-4-e.pdf>

Minutes of the Panel meeting on 25 February 2013 (LC Paper No. CB(1)1318/12-13)

<http://www.legco.gov.hk/yr12-13/english/panels/e/dev/minutes/e/dev20130225.pdf>

Administration's paper on 2014 Policy Address - Policy Initiatives of the Commerce, Industry and Tourism Branch, Commerce and Economic Development Bureau (LC Paper No. CB(1)751/13-14 (03))

<http://www.legco.gov.hk/yr13-14/english/panels/e/dev/papers/e/dev0127cb1-751-3-e.pdf>

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