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**Panel on Economic Development**  
**Meeting on 22 February 2016**

**Updated 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"). It also summarizes the views and concerns expressed by members about the work of HKTB when relevant issues were discussed at the Panel on Economic Development ("the Panel").

**Establishment of HKTB**

2. HKTB is a statutory body established on 1 April 2001 under the HKTB Ordinance (Cap. 302). 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;
- (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 ("CE") of the Hong Kong Special Administrative Region in relation to any measures which may be taken to further any of the foregoing matters.

3. The governing body of HKTB is the Board which consists of 20 members including the Commissioner for Tourism<sup>1</sup>. 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 21 Worldwide Offices<sup>2</sup>.

#### Funding arrangements for HKTB

4. 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>3</sup>. 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.

5. HKTB may also 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. As advised by the Administration at the Panel meeting on 16 February 2015, HKTB aimed to generate around \$55 million in cash sponsorship and other commercial sponsorship income in 2015-2016.

6. To signify the Government's continuous support to the development of the meetings, incentives, conventions and exhibitions ("MICE") tourism of Hong Kong, the Government has allocated in the past an annual provision of \$30 million to the HKTB for its MICE promotion work. The Government has further earmarked an additional time-limited annual provision of \$15 million to

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<sup>1</sup> 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 establishment and the Commissioner is also a member of all the five Committees under the Board.

<sup>2</sup> HKTB has a worldwide network of 15 offices (including Beijing, Shanghai, Guangzhou, Chengdu, Tokyo, Seoul, Singapore, Taipei, London, Paris, Frankfurt, Los Angeles, New York, Toronto and Sydney) and has representatives in 6 places (including New Delhi, Bangkok, Manila, Jakarta, Moscow and Dubai) which handle travel trade, media and consumer enquiries.

<sup>3</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.

the HKTB from 2014-2015 onwards for three years (i.e. until 2016-2017) to scale up the bidding packages, primarily by beefing up the scale of the hospitality offers for MICE event organizers, so as to increase Hong Kong's competitiveness in bidding for international MICE events.

### Monitoring mechanisms

7. HKTB has 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.

8. 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 CE, and the 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.

9. To track the effectiveness of the promotional programmes and activities, HKTB has established four objective Key Performance Indicators (viz. visitor arrivals, length of stay, satisfaction level and spending of visitors) and brought in a set of about 50 corporate performance indicators to measure the effectiveness and performance of the HKTB's marketing programmes and activities by strategic focuses.

### Work plans of HKTB

10. 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.

## **Initiatives under 2016 Policy Address to support the work of HKTB**

11. In connection with the 2016 Policy Address, SCED briefed the Panel at its meeting held on 26 January 2016 of the initiatives to be undertaken by the Administration to support the work of HKTB. The Administration advised that HKTB would invest about 75% of its resources in the overseas markets to maintain a diverse visitor portfolio. The remaining would be allocated to the Mainland market, with the bulk going to the non-Guangdong provinces. It would also strengthen promotion in short-haul markets with growth potential and in various new markets to increase the desire of consumers of these markets to visit Hong Kong.

12. To reinvent Hong Kong's tourism image, HKTB would start looking into and formulating the new image as well as the corresponding market positioning and promotion strategy. HKTB also planned to highlight the edges of Hong Kong's gourmet culture in future promotion efforts, such as featuring the attractiveness of Hong Kong's gourmet through international media and inviting Hong Kong chefs to perform at overseas promotion activities of HKTB.

13. To pursue greater diversification of tourism products to attract more overnight and high value-added visitors, HKTB would also strengthen the development of various initiatives, including promotion of local animation and comic industry, opening of the "Big Station" in Central District and promotion of cruise tourism and MICE events.

## **Panel members' views and concerns**

14. The Panel discussed HKTB's work plan for 2015-2016 at the Panel meeting held on 16 February 2015. Discussions were also held on the development of tourism industry in Hong Kong at the Panel meeting held on 26 January 2016. Members' main concerns and views are summarized in the ensuing paragraphs.

15. Some members expressed grave concern on the growth of the number of Mainland visitors coming to Hong Kong and Hong Kong's capacity to receive tourists. Some members however expressed support for HKTB's previous proposal to increase the number of Individual Visit Scheme cities to boost the number of overnight tourists, on condition that the parallel trading activities were curbed and the multiple-entry Individual Visit Endorsements were abolished. The Administration advised that the increase of Mainland visitors was a global trend. The Government was looking into ways to adjust the number of Mainland visitor arrivals and their composition in collaboration with

the Central Government and relevant Mainland authorities. The Administration was also urged to take forward the proposal of developing a shopping centre near the boundary to cater for the needs of the Mainland visitors and to help divert visitors from congested areas.

16. Some members expressed grave concern over the protests staged in Tuen Mun and Shatin against Mainland parallel traders and visitors, as well as the impact of parallel trading on local people's daily lives. In response, the Administration advised that the Chief Secretary for Administration had chaired an inter-departmental meeting to review the work in combating parallel trading activities. The enforcement agencies would continue to take appropriate actions against any illegal behaviour, including those involved in violent protests and suspected parallel trading activities.

17. On members' enquiry about the latest progress of the collaboration among Hong Kong, the Mainland and Macao on the multiple-destination travel arrangement, HKTB advised that it had been working closely with its counterparts in the Pearl River Delta to promote multi-destination itineraries and the number of tourists taking such itineraries was on an increase with 34% of the overnight visitor arrivals in 2014 travelling to neighbouring cities after visiting Hong Kong. In 2015, HKTB would enhance its collaboration with neighbouring cities to step up the joint promotions in new markets including India and Russia.

18. Members generally opined that the Administration should concentrate resources on drawing high-yield overnight visitors to Hong Kong from diversified source markets as the same-day return tourists coming frequently from Mainland neighbouring cities under the multiple-entry Individual Visit Endorsements might not bring significant economic benefits to Hong Kong. The Administration informed members that it would devise measures to attract more overnight and high-spending tourists to Hong Kong, as well as to strike a balance between sustaining the momentum of the tourism industry and alleviating the impacts of tourists increase on the community.

### **Council questions**

19. At the Council meetings on 20 November 2014, 11 February, 3 June, 4 November and 18 November 2015, Hon WONG Ting-kwong, Hon WONG Yuk-man, Hon Paul TSE and Hon Regina IP raised questions relating to the impact of the Occupy Central Movement on the tourism industry, impacts of tourists on residents in Hong Kong, accommodation for tourists, rationalization of tourism-related bodies and overseas tourism promotion. Hyperlinks to the

Council questions and the Administration's responses are provided in the **Appendix**.

### **Latest development**

20. The Panel will discuss HKTB's work plan for 2016-2017, the overview of Hong Kong tourism industry in 2015 and the outlook for 2016 at its meeting on 22 February 2016.

### **Relevant papers**

21. A list of relevant papers which are available on the LegCo Website (<http://www.legco.gov.hk>) is in the **Appendix**.

Council Business Division 4  
Legislative Council Secretariat  
17 February 2016

List of relevant papers

Issued by	Meeting date/ Issue date	Paper
Panel on Economic Development	24 February 2014	<a href="#">Agenda</a> <a href="#">Minutes</a> <a href="#">Background brief</a> <a href="#">Information paper issued by the Administration</a> <a href="#">Follow-up paper issued by the Administration</a>
	2 February 2015	<a href="#">Agenda</a> <a href="#">Policy Initiatives of the Commerce, Industry and Tourism Branch, Commerce and Economic Development Bureau</a>
	16 February 2015	<a href="#">Agenda</a> <a href="#">Minutes</a> <a href="#">Background brief</a> <a href="#">Information paper issued by the Administration</a>
	26 January 2016	<a href="#">Agenda</a> <a href="#">Policy Initiatives of the Commerce, Industry and Tourism Branch, Commerce and Economic Development Bureau</a>
Council Meeting	20 November 2014	<a href="#">Council question on "Impact of Occupy Central movement on staging of events and tourism industry" raised by Hon Wong Ting-kwong</a>
	11 February 2015	<a href="#">Council question on "Impacts of tourists on residents in Hung Hom and To Kwa Wan" raised by Mr WONG Yuk-man</a>

<b>Issued by</b>	<b>Meeting date/ Issue date</b>	<b>Paper</b>
	3 June 2015	<a href="#"><u>Council question on "Accommodation for tourists" raised by Mr WONG Ting-kwong</u></a>
	4 November 2015	<a href="#"><u>Council question on "Rationalization of tourism-related bodies" raised by Mr Paul TSE</u></a>
	18 November 2015	<a href="#"><u>Council question on "Overseas tourism promotion" raised by Mrs Regina IP</u></a>