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Panel on Economic Development
Meeting on 27 February 2017

Updated background brief on
the work plan of the 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 major views and concerns expressed by members of the Panel on Economic Development ("the Panel") on the work of HKTB and related matters.

Establishment of HKTB

2. HKTB is a statutory body established on 1 April 2001 under the Hong Kong Tourism Board Ordinance (Cap. 302) ("HKTBO"). According to HKTBO, 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 ("HKSAR") 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 Tourism¹. 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 Offices².

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 budget³. 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.

Monitoring mechanisms

6. HKTB has an established mechanism of financial monitoring and internal audit to ensure cost-effectiveness of its promotional activities. Its

¹ 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.

² 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.

³ The HKTB's budgetary cycle dovetails with the Government's annual budgetary process. Under section 17B(1) of HKTBO, 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.

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.

7. Under section 18 of HKTBO, 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 HKTBO 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.

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

Work plans of HKTB

9. Under section 17B of HKTBO, 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 2017 Policy Address to support the work of HKTB

10. In connection with the 2017 Policy Address, SCED briefed the Panel at its meeting held on 23 January 2017 on the initiatives to be undertaken by the Administration to support the work of HKTB. The Administration advised that the tourism industry should not aim solely at continuous growth in the number of visitors, but should pursue balanced, healthy and value-added services. With a view to driving more high spending overnight visitors and sustaining a stable development of the tourism industry, the Government would work with HKTB to implement various measures to further enrich tourism products. Such measures included organizing various attractive cultural and sports events, updating the "A Symphony of Lights", rolling out various celebratory events to tie in with the celebratory activities for the 20th Anniversary of the Establishment of the HKSAR and arranging the food trucks to operate in the tourism events to enhance the joyful atmosphere.

11. As the meetings, incentive travels, conventions and exhibitions ("MICE") and cruise visitors were mostly high-spending visitors, the Government would allocate recurrent resources to HKTB to support its work in the promotion of MICE and cruise tourism.

12. On tourism hardware, the Administration advised that various new cultural and heritage tourist attractions would be completed in the coming years. In addition, the Government had plans to develop the Kai Tak Tourism Node project in the vicinity of the Kai Tak Cruise Terminal into a world-class tourist attraction.

Panel members' views and concerns

13. The Panel discussed HKTB's work plan for 2016-2017 at the Panel meeting held on 22 February 2016. Members' major views and concerns are summarized in the ensuing paragraphs.

14. The Panel noted with concern that affected by a volatile global economy and other macro-economic factors, visitor arrivals to Hong Kong in 2015 decreased 2.5% over 2014 to 59.31 million. Members urged the Administration to develop new tourist attractions with local characteristics to re-package Hong Kong's tourism image as an international metropolis with diversified attractions and experiences to attract tourists of different preferences. The Administration should also promote eco-tourism and cultural tourism, and enhance the convention and exhibition facilities in Hong Kong to promote MICE events. Measures should be devised to facilitate MICE visitors to visit and experience the vibrant city of Hong Kong during their short breaks.

15. The Panel had also examined the marketing budget of HKTB. Some members considered that sufficient resources should be allocated to rebuild Hong Kong's tourism image, particularly after the recent unpleasant incidents concerning visitors from the Mainland. The Administration advised that one of the focuses of HKTB's 2016-2017 work plan was to concentrate resources on driving high-yield overnight arrivals from different markets so as to maximize the economic benefits brought by the tourism industry. A vast majority of the marketing resources of HKTB for the Mainland market had been allocated for promotions in non-Guangdong areas for attracting more overnight visitors. HKTB had been using social media to rebuild the hospitable image and promote the quality service culture of Hong Kong. Members urged HKTB to regularly review its market priority and investments in different markets.

16. Some members were concerned about the measures taken by HKTB to grasp the opportunities brought by the Belt and Road initiative. HKTB advised that it had aimed at cooperating with the ports along the Belt and Road region to develop cruise tourism.

Council questions

17. At the Council meetings on 20 November 2014, 11 February, 3 June, 4 November and 18 November 2015, 27 January, 4 May, 11 May and 18 May 2016, Hon WONG Ting-kwong, Hon WONG Yuk-man, Hon Paul TSE, Hon Regina IP, Hon YIU Si-wing, Dr Hon LAM Tai-fai, Hon IP Kwok-him and Hon Michael TIEN 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, promoting tourism to overseas and Mainland visitors, and measures to boost tourism and assist the tourism sector. Hyperlinks to the Council questions and the Administration's responses are provided in the **Appendix**.

Latest development

18. The Panel will discuss HKTB's work plan for 2017-2018, the overview of Hong Kong tourism industry in 2016 and the outlook for 2017 at its meeting on 27 February 2017.

Relevant papers

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

List of relevant papers

Issued by	Meeting date/ Issue date	Paper
Panel on Economic Development	22 February 2016 (Item IV)	Administration's paper Background brief Minutes
	23 January 2017 (Item V)	Administration's paper
Council Meeting	20 November 2014	Council question on "Impact of Occupy Central movement on staging of events and tourism industry" raised by Hon Wong Ting-kwong
	11 February 2015	Council question on "Impacts of tourists on residents in Hung Hom and To Kwa Wan" raised by Hon WONG Yuk-man
	3 June 2015	Council question on "Accommodation for tourists" raised by Hon WONG Ting-kwong
	4 November 2015	Council question on "Rationalization of tourism-related bodies" raised by Hon Paul TSE
	18 November 2015	Council question on "Overseas tourism promotion" raised by Hon Regina IP
	27 January 2016	Council question on "Tourism promotion projects and programmes" raised by Hon YIU Si-wing

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	4 May 2016	<u>Council question on "Measures to boost tourism and assist the tourism sector" raised by Dr Hon LAM Tai-fai</u>
	11 May 2016	<u>Council question on "Promoting tourism with the aid of television dramas and films" raised by Hon IP Kwok-him</u>
	18 May 2016	<u>Council question on "Measures to attract Mainland visitors to Hong Kong" raised by Hon Michael TIEN</u>