

ITEM FOR ESTABLISHMENT SUBCOMMITTEE OF FINANCE COMMITTEE

**HEAD 152 – GOVERNMENT SECRETARIAT :
COMMERCE AND ECONOMIC DEVELOPMENT
BUREAU (COMMERCE, INDUSTRY AND TOURISM
BRANCH)**

Subhead 000 Operational expenses

Members are invited to recommend to Finance Committee the creation of the following supernumerary post in the Tourism Commission, Commerce and Economic Development Bureau (Commerce, Industry and Tourism Branch) for a period of three years with immediate effect upon approval of the Finance Committee –

1 Administrative Officer Staff Grade C
(D2) (\$164,500 – \$179,850)

PROBLEM

The supernumerary Administrative Officer Staff Grade C (AOSGC) (D2) post created in the Tourism Commission (TC) (designated as Assistant Commissioner for Tourism (4) (AC(T)4)) for promoting cruise tourism in Hong Kong, overseeing the operation of the Kai Tak Cruise Terminal (KTCT), and overseeing the operation and development of the Hong Kong Disneyland Resort (HKDL) lapsed on 1 January 2018. There is a need to re-create this post to provide continued directorate support to drive the development of these two important tourism portfolios in Hong Kong.

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PROPOSAL

2. We propose to re-create a supernumerary AOSGC (D2) post (designated as AC(T)4) in the TC for a period of three years with immediate effect upon approval of the Finance Committee (FC) to promote cruise tourism in Hong Kong, to oversee the operation of the KTCT and the operation and development of the HKDL.

JUSTIFICATION**Kai Tak Cruise Terminal and cruise tourism development***General*

3. In recognition that the cruise industry was one of the fastest growing segments of the worldwide travel industry and that the berthing facilities at the Ocean Terminal were inadequate to meet the growing demand, particularly in light of the trend of using larger vessels by international cruise companies, the Government decided to construct the KTCT in 2008. The KTCT is an important tourism infrastructure in Hong Kong which has the capacity to accommodate simultaneously two largest international cruise ships in the world with gross tonnage of up to 220 000 each. To oversee the relevant tender exercise and to monitor the progress of the construction of the KTCT, the FC of the Legislative Council (LegCo) approved on 9 February 2007 the creation of a supernumerary AOSGC post in the TC (designated as AC(T)4) for two years from 1 April 2007 to 31 March 2009. The FC subsequently approved on 12 December 2008 and 11 July 2014 the extension of the AC(T)4 post to continue to implement the KTCT project, to oversee the operation of the KTCT and to promote cruise tourism in Hong Kong, as well as to oversee the operation and development of the HKDL (see also paragraphs 15 to 18 below).

4. The Government is committed to developing Hong Kong into a leading regional cruise hub because this not just enriches our tourism portfolios in attracting high-value overnight visitors, but also brings economic benefits to Hong Kong as a result of various economic activities associated with cruise tourism, including those relating to travel agents, tourist attractions, replenishments and transportation, etc.

5. In the past few years, having regard to the changing landscape and environment of the cruise market, the Government set strategic directions and initiatives on cruise tourism development in Hong Kong, which were reflected and promulgated every year in the Government's Policy Addresses, Policy Agendas as well as Budget Speeches. In taking forward the strategic directions and initiatives

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for developing cruise tourism, the Government has been working closely with the Hong Kong Tourism Board (HKTb), cruise lines and the travel trade. Examples of the Government's initiatives include the setting up of the Asia Cruise Fund in 2014 to foster regional cooperation and encourage cruise lines to include participating ports in their cruise itineraries; streamlining immigration arrangements for Mainland passengers taking cruise trips in Hong Kong in 2015; launching 'fly-cruise' programmes to diversify source markets outside the Mainland in 2016; and introducing additional new initiatives for intensifying promotion to deepen market penetration in Southern China and encouraging more spending by cruise passengers through the shore excursion products development scheme in 2017.

Latest performance of cruise tourism in Hong Kong

6. The efforts of the Government and the parties concerned have yielded encouraging results. The number of ship calls and cruise passenger throughput in Hong Kong saw steady and healthy growth from 2013 to 2017. The number of ship calls at the KTCT went up from 28 in 2014 (its first full-year of commissioning) to 186 in 2017 (+564%); and this has led to an increase in the total number of ship calls in Hong Kong as a whole from 89 in 2013 to 245 in 2017 (+175%). Passenger throughput recorded a higher percentage rise of 371% between 2013 and 2017 as the size and capacity of the cruise ships visiting Hong Kong also increased during the same period. A summary of the number of ship calls and passenger throughput from 2013 to 2017 is as follows –

Year	No. of Ship Calls		Cruise Passenger Throughput	
	KTCT	Hong Kong	KTCT	Hong Kong
2013	9	89	46 158	191 062
2014	28	140	130 608	366 981
2015	56	142	264 572	452 768
2016	95	191	424 868	677 031
2017*	186 [#]	245	>720 000*	>900 000*

* Latest estimation as at early January 2018, subject to final confirmation

The KTCT received a total of 190 cruise ships in 2017. Four of them were 1-night cruises with no itinerary and were excluded following international convention.

7. Back in the earlier years when the Government was considering the construction of the KTCT, it was projected that the number of ship calls and cruise passenger throughput in Hong Kong as a whole would range from 181 to 258 and from 564 102 to 1 041 031 respectively by 2023. With the joint efforts of the Government, the HKTb, the terminal operator and the travel trade, together with the confidence that cruise lines have in the Hong Kong market, it is noteworthy that the number of ship calls and cruise passenger throughput in Hong Kong as a whole in 2017 (as shown in the above table) have both achieved the then projected performance by 2023, six years ahead of schedule.

8. While significant progress has been made in developing cruise tourism in Hong Kong over the past few years, we aspire to be a leading cruise hub in the region. Indeed, in the Development Blueprint for Hong Kong's Tourism Industry (the Blueprint) published by the current term Government in the context of the Chief Executive's Policy Address in October 2017, the development of cruise tourism forms an integral part of our strategies to develop Hong Kong into a world-class premier tourism destination. The Government will constantly review its strategies and formulate initiatives to develop cruise tourism in the light of the dynamic changes in the market environment.

Driving cruise tourism development in Hong Kong

9. Looking ahead, the future of cruise tourism in Hong Kong will face both opportunities and challenges. In terms of opportunities, we believe that Hong Kong has competitive edges to provide unique and unparalleled experience to cruise passengers. Apart from locating at the doorstep of the huge Mainland market, we have a very comprehensive aviation network in Hong Kong with over 1 100 flights every day, connecting 220 destinations, and we can reach over half of the world's population within five hours of flight time. This enables Hong Kong to reach a very wide network of source markets for a diversified mix of cruise passengers. Moreover, we expect Hong Kong's cruise tourism will benefit from the planned commissioning of major cross-boundary infrastructure (including Hong Kong-Zhuhai-Macao Bridge and Guangzhou-Shenzhen-Hong Kong Express Rail Link), which will expand our catchment area in the Mainland and enable cruise lines to penetrate deeper in some of the source markets due to the shortened travelling time. The opportunities under the 'Belt and Road' Initiative and the 'development plan for a city cluster in the Guangdong-Hong Kong-Macao Bay Area' will also help drive the growth of our cruise industry.

10. On the other hand, the commissioning of new cruise ports in Southern China (namely, Nansha and Shenzhen) will present both collaboration opportunities and challenges to us. In this regard, Hong Kong should position itself as a regional destination offering a diverse range of experiences for our cruise passengers and is not just a port pursuing the sheer number of berthing of ships. Cruise passengers can experience the different attractions, from internationally-branded theme parks to a glimpse of local historical and cultural tours; worldwide gourmet foods; unique scenery both in the city and in the countryside which can be reached by a half-hour ride from downtown; as well as the year-round events in Hong Kong. We also have a wide variety of cruise products covering different consumer segments. In 2017, we had cruise vessels from a total of 16 brands calling at the KTCT, with ship calls comprising around 85% turnaround calls and 15% transit calls. Indeed in 2016, around 34% of the

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cruise passenger throughput in Hong Kong were from the international markets, which was different from the market segments currently served by the other ports in Southern China. Moreover, we would continue to leverage on our comprehensive aviation network to diversify our source markets and attract passengers from Southeast Asia and from long-haul markets to Hong Kong. We believe that Hong Kong, being an international city, should also position ourselves as the gateway for international cruise passengers who would like to experience cities in Southern China. In 2016, of the cruise passenger throughput in Hong Kong, nearly 30% were from the long-haul markets. We thus see much room for collaboration with other ports in Southern China, including developing itineraries featuring multiple destinations.

11. In our recent engagement with trade stakeholders (including cruise lines, travel agents, hotels, tourist attractions, retailers and academia), it was generally agreed that in line with our overall development strategy, we should seek to diversify our source markets, attract more ship deployments to Hong Kong, and entice cruise passengers to stay longer and spend more. We will continue to closely engage these stakeholders and play to the strength of our transport infrastructure, international coverage of our aviation network, opportunities arising from the ‘Belt and Road Initiative’ and the Guangdong-Hong Kong-Macao Bay Area, as well as a wide variety of our attractions and cruise products to entice more passengers to come to Hong Kong to take cruises (for turnaround calls) or choose itineraries that cover Hong Kong (for transit calls). Likewise, promotion and marketing efforts targeting our source markets will be stepped up. Our goal is to develop Hong Kong not just as a port for berthing cruise ships, but as an appealing destination for passengers to visit in its own right.

12. In the coming years, we will need continued directorate support by the AC(T)4 post to take forward the various important tasks as set out above, including the regular review on our strategies for cruise tourism development. AC(T)4 will formulate specific plans to cultivate partnership and in particular, to unleash Hong Kong’s edges in the face of the emerging challenges and opportunities with the commissioning of other new ports in Southern China, and under the ‘Belt and Road’ Initiative and the Guangdong-Hong Kong-Macao Bay Area. In addition, AC(T)4 will continue to serve as the focal point of contact with the international cruise trade, particularly with the top executives of cruise lines at headquarters level, and the local cruise trade to understand the latest market trends and the factors that affect their deployment decisions. AC(T)4 will also provide support to the Advisory Committee on Cruise Industry, chaired by the Commissioner for Tourism, to engage the trade in the process of formulating our strategic directions and specific measures and initiatives in enhancing cruise tourism in Hong Kong.

/Overseeing

Overseeing the operation and driving good utilisation of Kai Tak Cruise Terminal

13. As regards the operation of the KTCT, the continued directorate input of AC(T)4 is needed to lead the multi-disciplinary Cruise Team to oversee the performance of the terminal operator and coordinate the efforts of various Government departments in ensuring the smooth operation (including improving its transport connectivity) and good maintenance of this important tourism infrastructure. AC(T)4 is responsible for monitoring both the day-to-day operation and the business development of the KTCT and is required to work in close collaboration with the terminal operator to attract more ship calls and increase the overall utilisation of the terminal building.

14. While the KTCT itself is not positioned as a shopping mall like the Ocean Terminal, the Government has been working closely with the terminal operator and other concerned parties to bring more people to the area. AC(T)4 will lead a dedicated Cruise Team in the TC and adopt a multi-pronged strategy to improve the vibrancy of the KTCT. The first and foremost is to continue to enhance the transport connectivity in the areas near the KTCT. The second strategy is to leverage on and exploit the opportunities brought by the operation of the ancillary commercial areas of the terminal building to bring more people to the KTCT. Apart from aiming at fully leasing out the ancillary commercial areas, TC will explore opportunities for the shops to make good use of the communal areas of the terminal building to drive more people to the KTCT and its surrounding areas. The third strategy is to continue to drive and facilitate the hosting of more non-cruise events, which have proven to be very effective in driving more patronage to the KTCT. Our past experience suggests that the large variety of private and public non-cruise events (e.g. sports events, product launches, media events, corporate events and car shows, etc.) has successfully encouraged many of the general public to go to the KTCT and liven up the area. With the increasingly busy cruise schedule, we will further explore ways to identify slots for hosting non-cruise events at the KTCT. The fourth strategy is to explore partnering with non-Government organisations such as sports associations or other organisations in Hong Kong, to support their use of the communal areas and facilities of the KTCT for ad-hoc or regular events (e.g. sports training) so as to enhance the utilisation of the terminal. Furthermore, we believe that as the various developments (including hotels, office buildings, Kai Tak Sport Park, Kai Tak Tourism Node, etc.) in the vicinity of the KTCT come on stream in the coming years, they will form a commercial-cum-entertainment cluster and create much synergy to greatly enhance the people flow and vibrancy of the area.

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Hong Kong Disneyland Resort and its expansion and development plan

15. Since its commissioning in September 2005, the HKDL has been an important and strategic tourism infrastructure in Hong Kong to promote and diversify the tourism industry. Up to the HKDL's Fiscal Year 2016, it has received more than 64 million guests, generated about \$83.6 billion of value-added at 2014 prices to Hong Kong (equivalent to around 0.37% of Hong Kong's Gross Domestic Product) and created 214 800 jobs (in terms of man-years). With the approval of the financial arrangements by the FC on 2 May 2017 in taking forward the expansion and development plan at the Phase 1 Site of the HKDL (the Phase 1 Expansion), construction works are now underway to bring in new attractions and offerings progressively from 2018 to 2023 in order to renew the attractiveness of the HKDL and to bring it to a new higher level.

16. In February 2009, the FC approved the creation of a supernumerary AOSGC post in the TC (designated as Assistant Commissioner for Tourism (5)) for nine months to undertake duties and responsibilities relating to the HKDL development. Upon the lapse of this post in November 2009, its duties and responsibilities have been absorbed internally by the post of AC(T)4 which was hitherto responsible only for the development of the KTCT and cruise tourism. Since then, the post holder of AC(T)4 has been responsible for providing policy guidance to the operation and the on-going expansion works (e.g. the third hotel development) of the HKDL, as well as housekeeping the work of the Hongkong International Theme Parks Limited (HKITP), i.e. the joint venture set up by the Government and The Walt Disney Company (TWDC) for the HKDL project.

17. We need the continued directorate input of AC(T)4 in leading the Disney Team, providing policy guidance to and monitoring the operation and performance of the HKDL, and co-ordinating with Government departments on the discussion with TWDC on the long-term development of the HKDL. AC(T)4 has been supervising the operation and housekeeping the work of the HKITP and will continue to provide policy guidance to the HKDL in devising suitable strategies to respond to the dynamic market environment while the Phase 1 Expansion is on-going. AC(T)4 and the Disney Team will continue to closely monitor and scrutinise the financial performance of the HKDL and, in the light of its performance, co-ordinate with relevant Government departments in the discussion with TWDC on the overall directions of the long-term development of the HKDL.

18. Following the FC's approval in May 2017 for the Government's funding injection to the HKITP as mentioned in paragraph 15 above, a series of construction works under the Phase 1 Expansion have commenced since August 2017 which will last until 2023. Under the charge of AC(T)4, the Disney Team will provide input to the Phase 1 Expansion and monitor the progress of the

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construction works. AC(T)4 and the Disney Team will work with relevant Government departments in resolving the challenges encountered by the HKDL to ensure timely delivery of the new attractions and offerings and within budget.

Proposed job description

- Encl. 1 19. The job description of AC(T)4 is set out at Enclosure 1. AC(T)4 will report to the Deputy Commissioner for Tourism.

Non-directorate officers' support

- Encl. 2 20. The post of AC(T)4 will continue to be supported by the Cruise Team and the Disney Team comprising 13 non-directorate civil service officers and two non-civil service contract staff. The organisation chart of the team is set out at Enclosure 2.

ALTERNATIVES CONSIDERED

21. Before the lapse of the AC(T)4 post on 1 January 2018, the Commissioner for Tourism is supported by one Deputy Commissioner at Administrative Officer Staff Grade B (AOSGB) level, four Assistant Commissioners at AOSGC/Senior Principal Executive Officer level, and the Registrar of Travel Agents at Principal Executive Officer level.

22. The major duties of the above officers included coordinating work on policy and projects/initiatives to facilitate tourism development, preparing for the legislation for the establishment of the Travel Industry Authority and implementation of the new regulatory framework for the tourism sector in Hong Kong, promoting quality and honest tourism, overseeing the supply of hotel, facilitating the implementation of the waterpark and hotel projects of the Ocean Park, formulating and coordinating MICE (Meetings, Incentive, Conventions, Exhibitions) tourism initiatives, taking forward new tourism projects/initiatives such as the Kai Tak Tourism Node and the pilot scheme on food trucks, monitoring and facilitating the smooth operation of existing tourism attractions such as revamping the light and sound show 'A Symphony of Lights', the Hong Kong Wetland Park, Ngong Ping 360 and Peak Tramway, coordinating the development and promotion of green, heritage, cultural and creative tourism, housekeeping the HKTb, and overseeing the operation of the Travel Agents Registry. Following the publication of the Blueprint in October 2017, they are also required to take forward

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various initiatives under the respective strategies and implementation goals as set out in the Blueprint. In addition, they are required to continue to work closely with the tourism trade and the Mainland and overseas tourism authorities on initiatives in tourism promotion and development, as well as promoting the service quality of the tourism industry.

23. The above officers are already fully engaged with their own portfolios and it will not be viable for them to absorb or share the duties of AC(T)4 without compromising the performance of their existing duties. The organisation chart of the TC is at Enclosure 2.

Encl. 2

FINANCIAL IMPLICATIONS

24. The proposed creation of the supernumerary AOSGC (D2) post will bring about an additional notional annual salary cost at mid-point of \$2,094,600. The additional full annual average staff cost, including salaries and staff on-cost, is \$2,916,000.

25. All the non-directorate posts mentioned in paragraph 20 above are existing posts in the TC. No additional staff cost is involved arising from the proposed re-creation of the supernumerary AOSGC post.

26. We will include the necessary provision in the draft Estimates of the relevant financial years to meet the cost of this proposal.

PUBLIC CONSULTATION

27. We consulted the Panel on Economic Development on the above staffing proposal on 27 November 2017. Members in general supported the proposal and expressed views and concerns on the utilisation and vibrancy of the KTCT. As requested by Members, supplementary information about the strategies and comprehensive plan to liven up the KTCT and how the post-holder of AC(T)4 could assist in taking forward the strategies and initiatives was provided to the Panel on 22 December 2017.

/ESTABLISHMENT

ESTABLISHMENT CHANGES

28. The establishment changes in Commerce and Economic Development Bureau (Commerce, Industry and Tourism Branch) for the past two years are as follows –

Establishment (Note)	Number of Posts			
	Existing (As at 1 January 2018)	As at 1 April 2017	As at 1 April 2016	As at 1 April 2015
A [@]	18+(1) [#]	18+(2)	18+(1)	18+(1)
B	72	71	59	50
C	140	132	128	124
Total	230+(1)	221+(2)	205+(1)	192+(1)

Note:

A - ranks in the directorate pay scale or equivalent

B - non-directorate ranks, the maximum pay point of which is above MPS point 33 or equivalent

C - non-directorate ranks, the maximum pay point of which is at or below MPS point 33 or equivalent

() - number of supernumerary directorate posts

@ - excluding supernumerary posts created under delegated authority

- As at 1 January 2018, there was no unfilled directorate post in CITB

CIVIL SERVICE BUREAU COMMENTS

29. The Civil Service Bureau supports the re-creation of the proposed supernumerary AOSGC post in the TC for three years. The grading and ranking of the post are considered appropriate having regard to the level and scope of responsibilities required.

ADVICE OF THE STANDING COMMITTEE ON DIRECTORATE SALARIES AND CONDITIONS OF SERVICE

30. As the post is proposed on a supernumerary basis, its creation, if approved, will be reported to the Standing Committee on Directorate Salaries and Conditions of Service in accordance with the agreed procedure.

Job Description
Assistant Commissioner for Tourism (4)

Rank : Administrative Officer Staff Grade C (D2)

Responsible to : Deputy Commissioner for Tourism

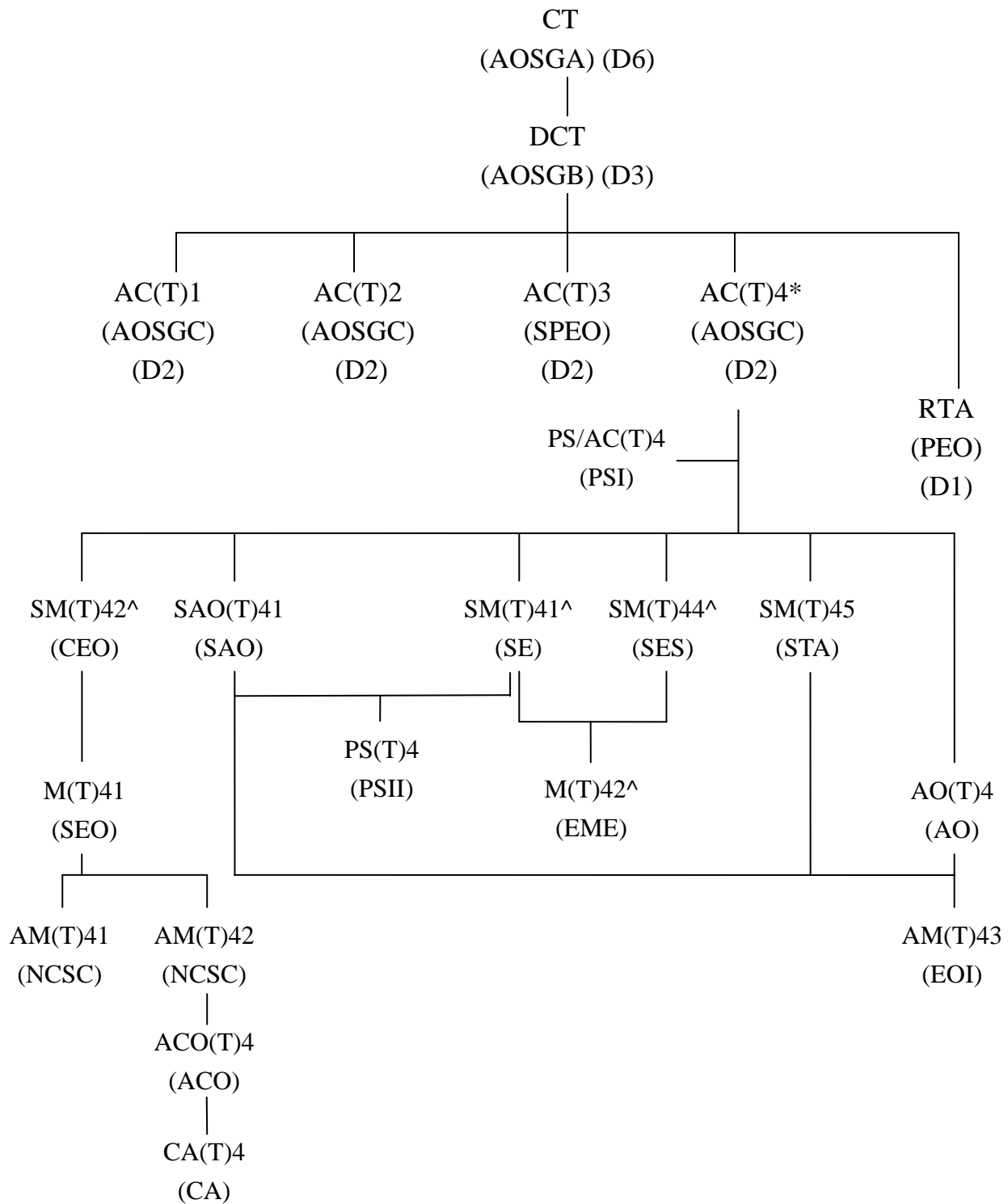
Main Duties and Responsibilities –

1. To lead a dedicated team within the Tourism Commission (TC) of the Commerce and Economic Development Bureau (CEDB) to promote cruise tourism in Hong Kong and oversee and co-ordinate the development and operation of the Kai Tak Cruise Terminal (KTCT). The major duties include –
 - (a) To formulate the strategic directions for driving the development of cruise tourism in Hong Kong.
 - (b) To liaise with the relevant authorities in the Central People's Government, relevant Government authorities and organisations in Mainland and nearby ports, including in the contexts of the 'Belt and Road' Initiative and the 'development plan for a city cluster in the Guangdong-Hong Kong-Macao Bay Area', to cultivate collaboration and partnership to further drive the development of cruise tourism in Hong Kong.
 - (c) To monitor and review the performance of the terminal operator of the KTCT.
 - (d) To support the work of the Advisory Committee on Cruise Industry.
 - (e) To work together with the Hong Kong Tourism Board and key stakeholders in the cruise industry in developing strategies to enhance the position of Hong Kong as a regional cruise hub.
2. To lead a dedicated team within the TC of CEDB to oversee and monitor the operation of the Hong Kong Disneyland Resort (HKDL), including its future expansion projects. The major duties include –

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- (a) To support the Government Directors on business relating to the Board of the Hongkong International Theme Parks Limited (i.e. the joint venture set up by the Government and The Walt Disney Company for the HKDL project) and the Project Steering Committee on the Implementation of Hong Kong Disneyland.
- (b) To take forward and monitor the expansion plan within Phase 1 site of the HKDL from 2017 up to 2023.
- (c) To monitor the financial performance of the HKDL and work closely with the HKDL to devise strategies to promote the business performance of the HKDL.

**Organisation Chart of Tourism Commission,
Commerce and Economic Development Bureau**



* Post lapsed on 1 January 2018 and proposed to be re-created for a period of three years with immediate effect upon approval of Finance Committee.

^ Time-limited posts

Legend

AC(T)	- Assistant Commissioner for Tourism
ACO	- Assistant Clerical Officer
ACO(T)	- Assistant Clerical Officer (Tourism)
AM(T)	- Assistant Manager (Tourism)
AO	- Administrative Officer
AO(T)	- Administrative Officer (Tourism)
AOSGA	- Administrative Officer Staff Grade A
AOSGB	- Administrative Officer Staff Grade B
AOSGC	- Administrative Officer Staff Grade C
CA	- Clerical Assistant
CA(T)	- Clerical Assistant (Tourism)
CEO	- Chief Executive Officer
CT	- Commissioner for Tourism
DCT	- Deputy Commissioner for Tourism
EME	- Electrical and Mechanical Engineer
EOI	- Executive Officer I
M(T)	- Manager (Tourism)
NCSC	- Non-Civil Service Contract Staff
PEO	- Principal Executive Officer
PS(T)	- Personal Secretary (Tourism)
PS/AC(T)	- Personal Secretary/Assistant Commissioner for Tourism
PSI	- Personal Secretary I
PSII	- Personal Secretary II
RTA	- Registrar of Travel Agents
SAO	- Senior Administrative Officer
SAO(T)	- Senior Administrative Officer (Tourism)
SE	- Senior Engineer
SEO	Senior Executive Officer
SES	- Senior Estate Surveyor
SM(T)	- Senior Manager (Tourism)
SPEO	- Senior Principal Executive Officer
STA	- Senior Treasury Accountant