

## **Index Page**

### **Replies to initial written questions raised by Finance Committee Members in examining the Estimates of Expenditure 2018-19**

**Director of Bureau : Secretary for Commerce and Economic Development**

**Session No. : 11**

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<b>Reply Serial No.</b>	<b>Question Serial No.</b>	<b>Name of Member</b>	<b>Head</b>	<b>Programme</b>
<a href="#"><u>S-CEDB(CIT)01</u></a>	S0067	SHIU Ka-chun	152	(6) Travel and Tourism
<a href="#"><u>S-CEDB(CIT)02</u></a>	S0075	TAM Man-ho, Jeremy	152	(7) Subvention: Hong Kong Tourism Board
<a href="#"><u>S-CEDB(CIT)03</u></a>	SV037	TAM Man-ho, Jeremy	152	(6) Travel and Tourism

**CONTROLLING OFFICER'S REPLY**

**S-CEDB(CIT)01**

**(Question Serial No. S0067)**

Head: (152) Government Secretariat: Commerce and Economic Development Bureau (Commerce, Industry and Tourism Branch)

Subhead (No. & title): (-) -

Programme: (6) Travel and Tourism

Controlling Officer: Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (Acting) (Ms Vivian SUM)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

Regarding the Government's reply to part 2 of Question Serial No. 3336 (Reply Serial No. CEDB(CIT)152), are the accounts showing the cumulative revenue having deducted all the costs, rent and expenses incurred since the Scheme commenced in 2017? If yes, please set out the net revenue of each food truck operator after deducting all the costs, rent and expenses incurred; if no, please calculate their net revenue and give me a reply.

In reply to part 3 of Question Serial No. 3336 (Reply Serial No. CEDB(CIT)152), the Government mentioned that bazaar's policy did not fall within the purview of Tourism Commission. Nonetheless, given that both overseas visitors and local citizens were attracted to bazaars held by non-governmental organisations in the past, will the Government consider asking the various departments concerned to take forward their policies on bazaars in co-ordination? If yes, what are the details; if no, what are the reasons?

Asked by: Hon SHIU Ka-chun

Reply:

In the answer to reply serial no. CEDB(CIT)152, the Tourism Commission (TC) summarised the gross revenue of 15 food trucks from their respective dates of commencement of business up to 4 February 2018. Food trucks operate in a commercial manner and their operating costs are sensitive commercial information, for which TC can hardly verify. Hence, we do not have the requested information.

Bazaar's policy does not fall within the purview of TC. The concept and positioning of bazaar and the Food Truck Pilot Scheme are different. At present, the bazaars held in districts adopt a bottom-up approach whereby the relevant organisation has to obtain support from the local community and District Council to its proposal. If food trucks wish

to operate at bazaars, they can communicate with the event organiser on the details and apply to TC through the application procedures for operation at self-identified events.

- End -

**CONTROLLING OFFICER'S REPLY**

**S-CEDB(CIT)02**

**(Question Serial No. S0075)**

Head: (152) Government Secretariat: Commerce and Economic Development Bureau (Commerce, Industry and Tourism Branch)

Subhead (No. & title): (-) -

Programme: (7) Subvention : Hong Kong Tourism Board

Controlling Officer: Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (Acting) (Ms Vivian SUM)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

Regarding Reply Serial Nos. CEDB(CIT)007 and CEDB(CIT)003:

In Reply Serial No. CEDB(CIT)007, the Government states that the Hong Kong Tourism Board (HKTB) will continue to promote Hong Kong as a premier tourist destination in different source markets.

However, according to the data provided by the Government in Reply Serial Nos. CEDB(CIT)007 and CEDB(CIT)003, the resources allocated for “new markets” by the Government in 2017-18 were reduced by 35% over the previous year. Among these new markets, the reduction in India was the largest, which was nearly halved from \$18 million in the previous year to \$9.9 million in 2017-18. It will be further reduced to \$7.5 million in the 2018-19 Proposed Budget.

In addition, there was also a significant reduction in the resources allocated for short-haul markets.

In this connection, will the Government inform this Committee of the following:

1. What are the reasons for the HKTB to cut the budget for tourism promotion overseas (in particular, short-haul markets and new markets)? What was the main use of the savings from the cut in expenditure? Has the Government taken any remedial measures?
2. What are the numbers of visitors to Hong Kong from each country in the past 3 years? What about Indian market? Has there been a year-on-year decrease in the numbers of visitors to Hong Kong in the past 3 years?

Asked by: Hon TAM Man-ho, Jeremy

Reply:

1.

Regarding Reply Serial Number CEDB(CIT)007, the marketing resources allocated to source markets by the Hong Kong Tourism Board (HKTb) in 2015-16, 2016-17 and 2017-18 have all included the additional funding allocated to the HKTb by the Government in each respective year for promotions in source markets.

The difference in promotional resources for 2015-16, 2016-17 and 2017-18 was mainly due to varied key areas of allocation of the additional funding provided by the Government each year. In 2015-16, the additional funding provided by the Government was mainly used in organising the retail-focused “Happy@Hong Kong” campaign to stimulate spending. As the promotion activities of the campaign were more focused on Short-haul Markets, marketing expenses for Short-haul Markets had a greater growth in that year.

In 2016-17, the HKTb rolled out its new brand campaign “Best of all, it’s in Hong Kong”, and focused its promotion efforts in Short-haul Markets and some of the New Markets, including the broadcast of brand videos on regional and national TV networks in source markets. Therefore, marketing expenses for Short-haul Markets in that year were at a similar level as that of 2015-16, whereas expenses for New Markets had a greater increase.

In 2017-18, the HKTb continued to promote its “Best of all, it’s in Hong Kong” brand campaign in Short-haul and New Markets, and used the additional funding to scale-up its mega events and enrich event programmes. Also, a brand new mega event “E-sports & Music Festival Hong Kong” was organised to further enrich visitors’ in-town experience. Although the additional funding was not directly invested in local promotions in source markets, mega events served a key role in enticing visitors from various source markets to visit Hong Kong.

With regard to Reply Serial Number CEDB(CIT)003, HKTb’s proposed budget for 2018-19 has not yet included the additional funding provided by the Government to the HKTb for promotion in source markets. Hence, it is not appropriate to directly compare it with last year’s budget. Nevertheless, the HKTb has adjusted its allocation of marketing resources to source markets according to their performances and prospects, with a view to maximising effectiveness of promotional resources. For instance, although Russia’s market performance continued to improve in 2017, other New Markets were still affected by a host of different factors, such as the requirement introduced in early 2017 for Indian nationals to complete pre-arrival registration before visiting Hong Kong, and the cancellation of direct flights between Hong Kong and Saudi Arabia by Cathay Pacific also contributed to a decrease in visitor arrivals from the GCC markets, etc. As the aforementioned situations are expected to prevail in 2018, the HKTb will reallocate part of its marketing resources from New Markets to Short-haul Markets in 2018-19 in order to step up its promotions in Short-haul Markets. As a result, even without taking into account the additional funding in 2018-19, marketing expenses allocated to Short-haul Markets in 2018-19 are higher than that of 2017-18 with additional funding included, which reflects a stepping-up of promotion efforts for Short-haul Markets in 2018-19.

The HKTB will review its market priorities and investments in different markets and report its findings to the Board. The HKTB will also maintain flexibility in its resource allocation and closely monitor market situation, in order to make swift adjustment in response to any unforeseeable changes in the macro environment and stepping up its promotion in major markets to attract more visitors to Hong Kong.

2.

Visitor arrivals from 20 key source markets in the past 3 years are set out below. As far as the Indian market is concerned, the visitor arrival has dropped in the past three years.

<b>(‘000)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Mainland Market	45,840	42,780	44,450
Short-haul Markets			
Japan	1,050	1,090	1,230
Taiwan	2,020	2,010	2,010
South Korea	1,240	1,390	1,490
Singapore	680	670	630
The Philippines	700	790	890
Malaysia	540	540	520
Indonesia	410	460	480
Thailand	530	590	560
Long-haul Markets			
The US	1,180	1,210	1,220
Australia	570	580	570
The UK	530	550	560
Canada	360	370	370
France	210	210	200
Germany	210	230	230
New Markets			
India	530	480	390
Russia	150	140	150
GCC Markets	50	50	40
Vietnam	60	60	60
The Netherlands	90	100	90

- End -

**CONTROLLING OFFICER'S REPLY**

**S-CEDB(CIT)03**

**(Question Serial No. SV037)**

Head: (152) Government Secretariat: Commerce and Economic Development Bureau (Commerce, Industry and Tourism Branch)

Subhead (No. & title): (-) -

Programme: (6) Travel and Tourism

Controlling Officer: Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (Acting) (Ms Vivian SUM)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

Regarding the operation of the Kai Tak Cruise Terminal, how will the Government follow up the opinions and recommendations in Chapter 5 of the Director of Audit's Report No. 68?

Asked by: Hon TAM Man-ho, Jeremy

Reply:

The Tourism Commission (TC) has coordinated with relevant Government departments and the terminal operator to take follow-up actions in accordance with the recommendations in Chapter 5 of the Director of Audit's Report No. 68 ("the Audit Report"). The progress made was reported in the Government Minute submitted to the Legislative Council on 18 October 2017. The recommendations as set out in the Audit Report cover three major aspects, namely (i) the performance of cruise tourism in Hong Kong as a whole and utilisation of the Kai Tak Cruise Terminal (KTCT); (ii) performance monitoring of the terminal operator; and (iii) other administrative issues (including transport arrangements, repair and maintenance of terminal facilities as well as strategic planning for cruise tourism development, etc.). The Government has implemented the recommendations as set out in the Audit Report. Some recommendations that require on-going follow-up actions have been included as our regular duties. Specific details are summarised below.

Regarding (i) performance of cruise tourism in Hong Kong as a whole and utilisation of the KTCT, the Audit Report recommended the Government implement further measures to attract more ship calls and review the effectiveness of such measures. As a matter of fact, the Government is committed to developing Hong Kong into a cruise hub in the region and has formulated comprehensive strategies and directions for cruise tourism development to seize the opportunities brought about by the growth in the international cruise tourism

market, as well as to ensure the balanced, healthy and sustainable development of cruise tourism in Hong Kong. The specific strategic directions pursued by the Government in developing cruise tourism include driving more ship deployment to Hong Kong; cultivating Hong Kong as a cruise destination; diversifying cruise tourism markets; and elevating Hong Kong's profile in the international cruise trade.

Every year, the Government reviews the relevant strategies and directions having regard to the latest development of the market and in consultation with the trade. The Government would launch corresponding initiatives subsequently. In 2017-18, the Government allocated additional provision to the Hong Kong Tourism Board (HKTb) to promote cruise tourism. The initiatives included continuing with the "fly-cruise" promotion programme launched in 2016-17 by collaborating with the trade in the promotion of cruise tourism products of Hong Kong in Southeast Asia and long-haul markets to encourage more cruise visitors to take flights to and from Hong Kong and join cruise journeys, with a view to further diversifying cruise tourism source markets; encouraging the collaboration between cruise lines and attractions in Hong Kong (e.g. theme parks) to launch special offer packages in southern China, with a view to leveraging on the competitive advantages of Hong Kong in terms of tourist attractions and enhancing the competitiveness of Hong Kong through penetrating deeper into the southern China regional market; and supporting the trade in developing and enriching shore excursion products of Hong Kong.

Considering the outcome of the above schemes and the response from the trade, in 2018-19, the Government will allocate an additional provision of \$14 million for the HKTb to ensure the sustainable growth of cruise tourism by leveraging on the strengths of Hong Kong, consolidating the established diversified source markets, as well as seizing the opportunities brought about by the commissioning of the cross-boundary transport infrastructure. Specific initiatives include continuing with the promotion on "fly-cruise" tourism; seizing the opportunities brought about by the upcoming commissioning of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL) by encouraging the trade to launch travel products that bundle XRL tickets with cruise travel; and launching promotion campaigns targeting some of the mainland cities along the express rail network, with a view to cultivating more source markets and increasing the depth of market penetration. In addition, the HKTb will leverage on the competitive advantages of Hong Kong's tourist attractions to launch special offer packages that cover cruise and attractions, with a view to further consolidating the visitor source markets in southern China.

The abovementioned initiatives have yielded good result. The business of the KTCT has been growing steadily in the past few years with its number of ship calls increased from 9 in 2013 to 186 in 2017. This drove the total number of ship calls in Hong Kong as a whole to increase from 89 in 2013 to 245 in 2017. The total passenger throughput in Hong Kong as a whole also increased from around 200 000 in 2013 to over 900 000 in 2017. Back in the earlier years when the Government was considering the construction of the KTCT, the Government 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. In other words, the number of ship calls and cruise passenger throughput in Hong Kong as a whole in 2017 have both been achieved, ahead of plan, the then projected performance by 2023. We will continue to closely monitor the development of cruise tourism in Hong Kong and launch suitable measures.



As regards (ii) performance monitoring of the terminal operator, the Audit Report pointed out some areas for improvement, which have no bearing on the performance of the daily operation of the KTCT or the financial interest of the Government. TC has already put in place a more comprehensive mechanism with strengthened assessment to ensure the terminal operator's full and strict compliance with the requirements under the Tenancy Agreement. This is achieved through regular review in a more structured manner and regular meetings with the terminal operator on its compliance with the requirements of the Tenancy Agreement. The mechanism concerned has been put in place since early 2017 and there has been no incompliance observed so far.

As regards (iii) other administrative issues, the recommendations in the Audit Report mainly covered transport arrangements of the KTCT, management and maintenance of its facilities, as well as strategic planning on cruise tourism development.

As far as the transport arrangements of the KTCT are concerned, the Audit Report recognized that the KTCT is already served by a number of different public transport services. Yet, it has made recommendations on the specific arrangements of certain transport services as well as its traffic management plan (e.g. arrangement for taxi pick-up/drop-off location, and service hours of other public transport services). TC and the terminal operator have implemented the recommendations in full. The terminal operator and relevant Government departments have been maintaining contact to implement corresponding transport measures to support the operations of the KTCT. Currently, the transportation arrangements during ship calls are generally smooth. Apart from taxi services and coach services arranged for visitors joining shore excursion programmes, there are free shuttle services arranged by nearby malls and paid coach services to hotel districts. In terms of public transport services during other usual time, there are currently franchised buses, green minibuses and ferries providing daily services that connect the KTCT and the vicinity with other locations. We have made continued improvements to these public transport services. We strengthened the franchised bus service in 2016 through expanding its weekend and public holiday service to run on a daily basis. Also, the green minibus service has been strengthened since 2017 with higher frequency and longer service hours. Moreover, ferry service has been provided at weekends and holidays in the form of kaito since April 2016. From December 2016 onwards, the kaito service has been replaced by a ferry route operating between North Point and Kwun Tong making a stopover at the Kai Tak Runway Park Pier at designated times, and the service has since been extended to be provided on a daily basis. Some cruise companies and event organisers also made use of the Kai Tak Runway Park Pier to ferry their cruise passengers and participants between the KTCT and other locations. These have provided members of the public and visitors with the alternative mode of transportation other than land transport. In the first half of this year, there will also be a new franchised bus route connecting the KTCT.

Regarding repair and maintenance of the terminal building facilities, TC, the Electrical and Mechanical Services Department (EMSD) and the Architectural Services Department (ArchSD) have taken measures to further improve the fault call cases of lifts/escalators and water seepage/leakage situations. We saw significant improvement in the number of fault call cases of lifts/escalators, which was reduced by 67% from 64 fault call cases in 2016 to 21 in 2017 (with only 8 being equipment failure). As regards seepage/leakage issues, significant improvement is also observed, with the total number of seepage/leakage cases

reduced by 69% from 146 in 2016 to 45 in 2017, and the majority of the cases in 2017 (44 out of 45) being minor seepage. ArchSD and EMSD will continue to take forward suitable measures to further improve the situation.

As for the strategic planning for cruise tourism development, as mentioned above, we have formulated comprehensive strategies and directions for cruise tourism development and have launched corresponding initiatives to drive the development of cruise tourism in Hong Kong on a continued basis.

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