

**For discussion
on 27 November 2017**

Legislative Council Panel on Economic Development

**Retention of a Supernumerary Directorate Post
in the Tourism Commission**

Purpose

This paper seeks Members' views on the proposed retention of a supernumerary directorate post of Administrative Officer Staff Grade C ("AOSGC") (D2) (designated as Assistant Commissioner for Tourism (4) ("AC(T)4")) in the Tourism Commission ("TC") for three years, and in this connection updates Members on the latest performance of cruise tourism in Hong Kong, including the performance of the Kai Tak Cruise Terminal ("KTCT").

Justifications

Kai Tak Cruise Terminal and cruise tourism development

2. 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, the Government decided to construct the KTCT in 2008. The KTCT is an important tourism infrastructure 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 Finance Committee ("FC") of the Legislative Council 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 Hong Kong Disneyland Resort (“HKDL”) (see also paragraphs 12 to 15 below). The post of AC(T)4 will lapse on 1 January 2018.

3. 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, reprovisioning and transportation, tourist attractions, etc.

4. In the past few years, having regard to the changing landscape and conditions 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 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 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

5. The efforts of the Government and the parties concerned have yielded results. In terms of number of ship calls and cruise passenger throughput, we have sustained a steady and healthy growth from 2013 to 2017. The number of ship calls at the KTCT increased from 28 in 2014 (its first full-year of commissioning) to around 190 in 2017 (+579%); and this has led to the total number of ship calls in Hong Kong as a whole to increase from 89 in 2013 to over 245 in 2017 (+175%). The cruise passenger throughput recorded a

higher percentage growth of 345% between 2013 and 2017 as the capacity of cruise ships visiting Hong Kong also increased during the same period. A summary of the number of ship calls and cruise 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 (estimated)	190	>245	N/A	>850,000

6. 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, and 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 this year (as shown in the above table) will both achieve the then projected performance by 2023.

7. While significant progress has been made in developing cruise tourism in Hong Kong over the past few years, Hong Kong aspires to be a leading cruise hub in the region, with our mission clearly set on driving more ship calls as well as attracting more high-value overnight cruise passengers to visit Hong Kong. Indeed, in the Development Blueprint for Hong Kong's Tourism Industry ("the Blueprint") published recently by the current term Government in the context of the Chief Executive's Policy Address, the development of cruise tourism forms an integral part of our development strategies to develop Hong Kong into a world-class premier tourism destination. The Government will spare no effort in constantly reviewing our strategies and formulating initiatives to develop cruise tourism in the light of the dynamic changes in the market environment.

Driving cruise tourism development in Hong Kong

8. Looking ahead, the development of cruise tourism in Hong Kong will be faced with 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 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 to new or relatively untapped sources markets, and enable cruise lines to penetrate deeper in some of the source markets due to the shortened travelling time, as well as the opportunities that will be unleashed under the "Belt and Road" initiative and the "development plan for a city cluster in the Guangdong-Hong Kong-Macao Bay Area".

9. On the other hand, we reckon that the commissioning of new ports in Southern China (namely, Nansha at Guangzhou and Prince Bay at Shenzhen) will present both collaboration opportunities and challenges to our cruise tourism development. In this regard, Hong Kong aspires itself to be a regional cruise destination which offers a diverse range of tourism experience which would bring benefits to our travel trade as a whole and is not just a port for pursuing the 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; 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 the first half of 2017, we have cruise vessels from a total of 16 brands calling at the KTCT, with ship calls comprising around 75% turnaround

calls¹ and 25% transit calls. Indeed in 2016, around 34% of the cruise passenger throughput in Hong Kong was from the international markets, which was different to 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 cruise 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 the development of cruise itineraries featuring multiple destinations for mutual benefits.

10. In our recent engagement with the trade stakeholders (including cruise lines, travel agents, hotels, tourist attractions, retailers and academia), it was generally agreed that in line with our overall tourism 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 in developing cruise tourism in Hong Kong. We will continue to closely engage the trade 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 “development plan for a city cluster in the Guangdong-Hong Kong-Macao Bay Area”, as well as a wide variety of our attractions and cruise products to entice more cruise 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 visitor source markets will be stepped up. Our goal is to develop Hong Kong not just as a port for berthing of cruise ships, but as an appealing cruise destination for cruise passengers to visit in its own right.

11. 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 to regularly review our strategies for cruise tourism development in

¹ **Transit calls** are ship calls with cruise itineraries that call at Hong Kong as one of their stops. Cruise passengers on transit calls will get back to the cruise ships and continue their cruise journeys after visiting Hong Kong.

Homeport / turnaround calls are ship calls with itineraries that start and / or end at Hong Kong. Cruise passengers embark and / or disembark at Hong Kong to commence and / or end their cruise journeys.

Hong Kong for consolidating our position as a regional cruise hub and overseeing the operation of the KTCT.

Hong Kong Disneyland Resort and its expansion and development plan

12. 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 and to drive the overall economic development. 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 under way to bring new attractions and offerings progressively almost every year from 2018 to 2023 in order to renew the attractions of the HKDL and to bring it to a new higher level.

13. In February 2009, the FC approved the creation of a supernumerary AOSGC post in the TC (designated as Assistant Commissioner for Tourism (5)) 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 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 Hongkong International Theme Parks Limited ("HKITP") (i.e. the joint venture set up by the Government and The Walt Disney Company for the HKDL project).

14. We need the continued efforts of AC(T)4 in leading the Disney Team in providing policy guidance to and monitoring the operation and performance of the HKDL, and co-ordinating with Government departments on the discussion with The Walt Disney Company 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 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 discussing the overall directions of the long-term development of the HKDL with The Walt Disney Company.

15. AC(T)4 will also lead the Disney Team in monitoring the work of the HKDL to ensure the new attractions and offerings under the Phase 1 Expansion of the HKDL will be completed on schedule and within budget. Following the FC's approval in May 2017 for the Government's funding injection to the HKITP as mentioned in paragraph 12 above, a series of construction works under the Phase 1 Expansion commenced in 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 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.

Need for Continued Directorate Support

16. We envisage that the above tasks of AC(T)4 will be on-going in the coming few years given that cruise tourism and the continuous development of the HKDL are among the key initiatives to sustain Hong Kong's position as a premier tourist destination. We therefore propose to retain the post of AC(T)4 for three years. The proposed job description of AC(T)4 is at **Annex A**. 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.

Alternatives Considered

17. The Commissioner for Tourism is at present supported by one Deputy Commissioner at Administrative Officer Staff Grade B ("AOSGB") level, four

Assistant Commissioners² at AOSGC / Senior Principal Executive Officer level, and the Registrar of Travel Agents at Principal Executive Officer level.

18. The major duties of the above officers include 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 Development Blueprint for Hong Kong’s Tourism Industry in October 2017, they will also need to take forward various initiatives under the respective strategies and implementation goals as set out in the Blueprint. In addition, they will 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.

19. 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. An organisation chart of the TC is at **Annex B**.

Financial Implications

20. The proposed retention of the supernumerary AOSGC post will bring about an additional notional annual salary cost at mid-point of \$2,094,600.

² Including AC(T)4

21. We will absorb any additional expenditure from within the existing provision in 2017-18 and will include the necessary provision in the draft Estimates of the relevant years to meet the cost of this proposal. All the non-directorate posts mentioned in paragraph 16 above are existing posts in the TC and no additional staff cost is involved arising from the proposed retention of the AOSGC post.

Advice Sought

22. Members are invited to comment on the proposed retention of the post of AC(T)4 and note the performance of cruise tourism in Hong Kong. Subject to Members' views, we will seek the necessary funding approval from the Legislative Council.

Tourism Commission

Commerce and Economic Development Bureau

November 2017

Job Description

Post title : Assistant Commissioner for Tourism (4)

Rank : Administrative Officer Staff Grade C (D2)

Responsible to : Deputy Commissioner for Tourism

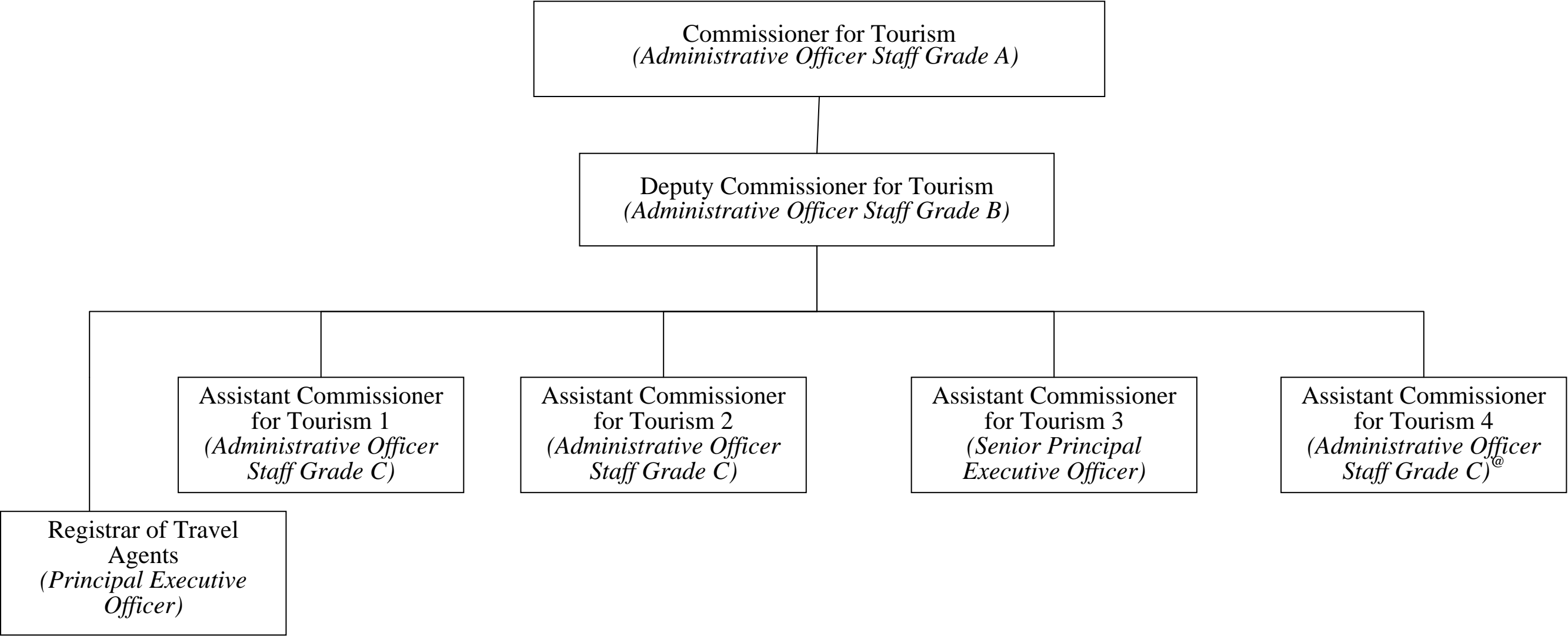
Main Duties and Responsibilities –

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 –
 - (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.

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Organisation Chart of the Tourism Commission



[@] Supernumerary post proposed to be extended for three years