

Legislative Council Panel on Economic Development

2017 Policy Address

Policy Initiatives of the Commerce, Industry and Tourism Branch, Commerce and Economic Development Bureau

Our Vision

The economy of Hong Kong is currently performing quite well. In the second quarter of this year, Hong Kong has recorded an year-on-year economic growth of 3.8% in real terms. The latest unemployment rate remains at a very low level of 3.1%. In the past 20 years, the Mainland and Hong Kong, as well as economies in the vicinity, have experienced enormous economic growth. China is now one of the largest economies in the world, while Asia has also become the engine for global economic growth.

2. In view of opportunities arising from changes in the external trade front, with its unparalleled strengths under “One Country, Two Systems”, advantageous geographical location, free and open markets, highly efficient and transparent regulatory regime, reputable legal system, as well as a business environment which is highly compatible with international standards, Hong Kong should be able to enjoy more significant economic growth and long-term economic development.

3. In this connection, we need to search for a new focus for Hong Kong’s economic development, so that our economy can further prosper. Hong Kong must develop into a high value-added and diversified economy. The traditional pillar industries must innovate and look for new opportunities in the Mainland and overseas markets. Emerging creative industries must expand and drive Hong Kong’s continuous economic growth, and embrace the development opportunities arising from the Belt and Road Initiative and the development of the Guangdong-Hong Kong-Macao Bay Area.

Tourism

Tourism performance

4. Comprehensive planning with targeted enhancement for the tourism industry is integral to assisting Hong Kong in establishing new areas of economic growth. In view of the change in the mix and spending pattern of visitors to Hong Kong in recent years, coupled with the competition posed by other destinations in the region, the Government has timely adjusted Hong Kong's tourism development strategies. We have been in pursuit of diversifying our products and attracting high-spending overnight visitors to Hong Kong as our direction for development. Thanks to the co-operation and efforts among the Government, Hong Kong Tourism Board ("HKTB") and the tourism trade, as well as the improvement in the external environment, our tourism industry regains growth momentum this year. Total visitor arrivals grew by 1.9% year-on-year in the first eight months this year, of which the number of overnight visitors rose by nearly 5%.

Development Blueprint for Tourism Industry

5. To strengthen the competitiveness of Hong Kong as a major tourist destination in the region and further exploit the potential of Hong Kong's tourism resources, the current-term Government considers it necessary to formulate a development blueprint for Hong Kong's tourism industry. A visionary and pragmatic approach will be adopted to put together various tourism-related initiatives and measures and systematically formulate new ones.

6. To this end, the current-term Government has set in the first Policy Address a clear vision and mission for the tourism industry, which is to press ahead with the development of Hong Kong into a world-class premier tourism destination with a view to ensuring the balanced, healthy and sustainable development of the industry. Accordingly, four development strategies have been mapped out as the backbone of the development blueprint. Based on these four development strategies, we have enacted 13 implementation goals, in

accordance with which we will formulate and implement various short-, medium- to long-term tourism initiatives and measures in a holistic and orderly manner. Furthermore, the Financial Secretary convened a high-level tourism co-ordinating meeting in early October this year, directing bureaux and departments to drive the implementation of various tourism-related measures in the areas of tourist support and management, planning of tourism facilities and transport support, and tourism diversification through closer co-operation and co-ordination.

Strategy 1: To develop a diversified portfolio of visitor source markets for Hong Kong, with an emphasis on attracting high-yield overnight visitors

7. The prime objective of the tourism industry is not limited to maintaining a steady growth in visitor arrivals. The diversification of visitor source markets is of equal importance. To further expand Hong Kong's visitor source markets, we have formulated the following four implementation goals –

- (a) **to assist the trade in seizing business opportunities, including those arising from the development of the Guangdong-Hong Kong-Macao Bay Area and Belt and Road Initiative:** In August 2017, the HKSAR Government and the China National Tourism Administration (“CNTA”) signed the “Agreement on Further Enhancement of Tourism Co-operation between the Mainland and Hong Kong” to further strengthen mutual collaboration. In the year ahead, the two sides will progressively take forward the agreement, which includes promoting Belt and Road countries and Bay Area cities to jointly develop “multiple-destination” tourism products with Hong Kong, conducting joint promotion of “multiple-destination” itineraries and products in overseas markets, as well as fostering the collaborative development of “Hong Kong — Maritime Silk Road” cruise products (cities). We also plan to organise a “Belt and Road” tourism forum in 2018, with the participation of Belt and Road countries and the relevant tourism sectors to help the local industry expand their visitor source markets. In the medium to long term, we

will discuss with CNTA and the tourism industry to continue to deepen tourism collaboration between the Mainland and Hong Kong;

- (b) **to draw more visitors to Hong Kong upon the upcoming commissioning of large-scale transport infrastructures such as Hong Kong-Zhuhai-Macao Bridge (“HZMB”) and Guangzhou-Shenzhen-Hong Kong Express Rail Link (“XRL”):** The commissioning of HZMB and XRL will considerably reduce the travel time between Hong Kong and Mainland cities, thus promoting inter-city travelling. Apart from encouraging and providing assistance for the trade to develop travel packages associated with HZMB, XRL, and cruise-cum-these transport infrastructures, we will also discuss with the trade the enhancement of feeder services between major attractions of Hong Kong and these transport infrastructures;
- (c) **to leverage on Hong Kong’s aviation network to strengthen its position as an international tourism city and aviation hub:** Every year, over 20 million passengers transfer or transit through the Hong Kong International Airport for other destinations. Over the past five years, there was a cumulative increase of 20%. We consider it opportune to tap the opportunities brought about by this type of passengers through offering benefits for transit or overnight visitors to entice them to visit and spend more in Hong Kong while staying in town. Under the Government’s funding support, HKTB launched the Hong Kong Transit Programme and the Hong Kong Extended Stay Programme in September this year. We will continue to consolidate and strengthen the aviation network between Hong Kong and the rest of the world (including Belt and Road countries) so as to continue to expand source markets and conduct promotion and publicity; and
- (d) **to support the marketing and promotion efforts of HKTB and travel trade:** We have been supporting the marketing and promotion work of HKTB. In 2017-18, we allocated a total promotion budget of \$620 million to HKTB with an aim to attract more overnight visitors to Hong Kong. We will

continue to support HKTB in promoting Hong Kong's diversified tourism features and image, including our strengths in shopping and gourmet, in source markets. We will also support HKTB in stepping up the promotion of "multiple-destination" products in collaboration with Mainland provinces and cities, as well as with Macao.

Strategy 2: To develop and explore tourism products and projects with local and international characteristics, including cultural tourism, heritage tourism, green tourism and creative tourism, and consolidate and enhance Hong Kong's status as a travel destination for meetings, incentive travels, conventions and exhibitions ("MICE") tourism, a regional cruise hub and an Events Capital of Asia

8. Despite being a small city, Hong Kong embraces distinctive and diversified tourism features. We will develop and explore tourism products and projects with local and international characteristics, including cultural tourism, heritage tourism, green tourism and creative tourism to enrich visitors' experience. To this end, we have formulated the following four implementation goals –

- (a) **to facilitate the development of local historical and heritage, cultural and creative tourism:** In recent years, we have been spearheading the development of featured tourism genres to enrich visitors' experience in different districts. In the Central and Western District, we are carrying out works to revitalise and enrich Dr Sun Yat-sen Historical Trail, which are scheduled for completion in end-2017/early-2018. The revitalised trail, together with "Tai Kwun" (Central Police Station Compound) to be open soon, will further showcase a mix of historical and artistic elements in the Central and Western District. We will also explore the feasibility of collaborating with a creative media school to enable visitors to experience, through the use of multimedia and creative technology, the historical landscape and community culture of places with a rich historical culture amidst the modern urban setting of these places today, so as to enrich our cultural and heritage tourism products. This will provide opportunities for students to participate and showcase their creativity. In the short to medium term, we will continue

to explore further developing tourism characteristics on this front;

- (b) **to develop green tourism:** Hong Kong has rich green tourism resources, including Hong Kong UNESCO Global Geopark, the natural scenery of outlying islands and hiking trails, etc. Apart from promoting these tourist spots to visitors through the “Great Outdoors Hong Kong” platform, the Government has provided funding to HKTB to launch in September this year a pilot scheme to provide funding support to the trade in developing diversified in-depth green tourism products. In the short to medium term, we will explore developing different green tourism attractions and collaborate with local districts to promote the development of sustainable green tourism, and examine ways to improve their supporting transport arrangements;
- (c) **to enhance the tourism characteristics of the Victoria Harbour and harbourfront promenades:** All along, the Victoria Harbour is an internationally-renowned attraction. To add colour to the nighttime scenery of the Victoria Harbour, the Government, in collaboration with HKTB, is updating “A Symphony of Lights” by redesigning its lighting effects. The updated “A Symphony of Lights” is expected to be launched in December this year and, together with the Hong Kong Pulse Light Show staged in the same period, will bring visitors new look and feel. In the short to medium term, the Government will explore instilling more leisure-cum-tourism elements into major promenades, such as those in Central and Tsim Sha Tsui, to make good use of the promenades as part of our tourism resources; and
- (d) **to support the development of tourism products and initiatives with branding impact:** Having regard to economic conditions, the two theme parks in Hong Kong have been enriching their attractions and entertainment offerings to strengthen their attractiveness and competitiveness. In the medium to long term, Hong Kong Disneyland Resort is taking forward the works of the expansion and development plan, under which the new performance venue using the theme of

“Moana” is scheduled to be open in 2018, and other attractions will be progressively rolled out every year thereafter until 2023. Ocean Park is developing an all-weather waterpark and two new hotels, which are scheduled for completion from 2018 to 2021 progressively. Furthermore, we will explore with and provide assistance to interested international brands in introducing different types of tourist facilities into Hong Kong for enriching visitors’ experience.

As for large-scale development in the long run, the Government announced in June this year the Sustainable Lantau Blueprint, which maps out the future direction of “Development in the North, Conservation for the South” for Lantau. The Government will continue to study and plan the tourism development at Lantau.

9. In addition, we will consolidate and enhance Hong Kong’s status as a travel destination for MICE tourism and a regional cruise hub, and strive to attract different kinds of new and mega events to Hong Kong. MICE and cruise tourists are high-spending visitors, who have all along been among our prime targets. Organising different scales and types of mega events and activities also helps enhance Hong Kong’s international image, bring more visitors to Hong Kong and lengthen their stay in town. To this end, we have formulated the following three implementation goals –

- (a) **to maintain Hong Kong as a MICE tourism destination:** The Government has been providing HKTB with recurrent resources to maintain close co-operation with relevant professional bodies and render necessary support services to MICE organisers, with a view to attracting more large-scale international MICE events to Hong Kong. In 2016-17 and 2017-18, the Government further allocated additional funding to HKTB to attract more small-to-medium-sized meetings and incentive travel events to be held in Hong Kong so as to draw more high-spending MICE visitors. In the first eight months this year, there were 1.09 million overnight MICE visitors to Hong Kong, representing a year-on-year increase of about 5%;

- (b) **to implement the new strategy to support the staging of events and activities of different scales and nature in Hong Kong:** In 2017-18, the Government introduced a new strategy to support the staging of events and activities of different scales and nature in Hong Kong, which covers: providing “one-stop” support for large-scale events with significant tourism merits; cultivating home-grown events to enhance their status; providing funding support for international events with significant branding impact on Hong Kong; and supporting HKTB for introducing a pilot scheme in October this year to provide funding support for activities with local characteristics and tourism appeal. Different international events will take place in Hong Kong, including FIA Formula E Hong Kong ePrix in December this year, with a view to drawing more high-spending overnight tourists to Hong Kong. Furthermore, to create a stronger event ambience, the Government will mount bunting in the surroundings of event and convention venues as appropriate; and
- (c) **to attract cruise lines to deploy more ships to Hong Kong and enhance Hong Kong’s attractiveness as a cruise tourism destination:** The Government all along strives to develop Hong Kong’s cruise tourism by promotion and encouraging cruise lines to deploy more cruise ships to berth at Hong Kong, supporting diversification of cruise passenger source markets, and enhancing Hong Kong’s competitiveness through focusing on the “fly-cruise” programme and enhancement to market penetration in Southern China. In 2017-18, under the Government’s funding support, HKTB is implementing a series of measures to support the growth of Hong Kong’s cruise tourism, including extending the “fly-cruise” programme, collaborating with the trade in launching publicity activities in Southern China to cultivate more visitor source markets, and enriching our shore excursion products. With the support of the various strategies and measures of the Government, together with the effort of the trade, HKTB and terminal operators, Hong Kong’s cruise tourism is developing steadily. As far as Kai Tak Cruise Terminal is concerned, the number of ship calls is expected to double from 95 in 2016 to about 190 in 2017. Looking ahead, we will grasp the opportunities arising

from HZMB and XRL to further expand cruise visitor source markets in the western part of the Pearl River Delta and cities along XRL. In addition, HKTB will continue to promote regional collaboration through the platform of Asia Cruise Fund/Asia Cruise Co-operation with a view to enhancing the attractiveness of Asia towards the cruise lines. Shortly, an Asian country will also join this platform currently comprising Hong Kong, Taiwan, Hainan, the Philippines and Xiamen, enlarging the scale of regional co-operation.

Strategy 3: To promote smart tourism

10. Smart technology will bring the world's tourism sector into a new era. With Hong Kong as an international tourism city, we have formulated the implementation goals **to make use of smart technology to enhance visitors' travel experience, provide better tourist services, and encourage the industry to make good use of innovative technology to enhance their competitiveness.**

11. In the short to medium term, the Tourism Commission will join hands with relevant bureaux/departments to explore providing Wi-Fi spots in various tourist attractions in Hong Kong as well as enhancing the speed, information security and the like of the services to facilitate visitors' use of free public Wi-Fi services. We will also explore different smart tourism measures and initiatives, for instance, using smart technology to provide travel facilitation services for tourists at suitable attractions and border control points (e.g. sending messages to inbound tourists' mobile phones to provide them with basic and useful tourist information and public transport information of different attractions) to facilitate their itinerary planning and ease of travelling in the city, and to encourage the industry to make good use of innovative technology to enhance their competitiveness, assist in managing visitor flow and providing more personalised tourist services, marketing and promotion, etc.

Strategy 4 – To upgrade the service quality of our tourism industry and seek the Legislative Council’s early approval of the Travel Industry Bill to safeguard the rights of tourists, and to promote good business practices in the industry to maintain Hong Kong’s image as a tourist destination

12. Apart from developing and enhancing different tourism initiatives and attractions, raising the service standard and professionalism of the trade is equally important. To this end, we have formulated the implementation goals **to enhance the service and professionalism of the travel trade, step up regulation, and support the Travel Industry Council of Hong Kong in strengthening manpower training**. We are taking forward full steam ahead the legislative work for setting up the statutory Travel Industry Authority and will seek the Legislative Council’s early approval of the Travel Industry Bill. In addition, we will continue to support HKTB in stepping up the publicity of quality and honest tourism and the Quality Tourism Services Scheme in the Mainland to bolster visitors’ confidence in Hong Kong’s tourism trade.

13. In sum, the Government will continue to work hand in hand with HKTB, the tourism trade and other stakeholders in taking forward various short-, medium- to long-term tourism initiatives and measures in accordance with the above development blueprint for the tourism industry, with a view to supporting its balanced, healthy and sustainable development.

Economic Development, Belt and Road Initiative (“B&RI”) and External Trade

14. We will promote exchanges and collaboration at government and industry levels, and encourage the participation of different sectors in the B&RI, in areas such as financing and capital-raising, commerce, trade and logistics, professional and infrastructure services, etc. In addition, we will continue our efforts to forge more Free Trade Agreements and Investment Promotion and Protection Agreements with our trading partners, with a view to enhancing the legal certainty of market access and fair and equitable treatment for Hong Kong traders

and investors in overseas markets, as well as promoting the economic integration of Hong Kong. The Commerce and Industry Panel had been briefed on the details of relevant measures.

15. The booming growth of e-commerce has generated an ever-increasing demand for cross-border logistics and delivery services, in particular air mail and transshipment services. At present, the Air Mail Centre located at the Hong Kong International Airport (“HKIA”) has to process a vast volume of air mail every day. As it has been almost 20 years since it commenced operation, there is room for enhancement in its processing capacity for air mail. In view of this, Hongkong Post is holding discussions with the Airport Authority Hong Kong and other postal authorities on the expansion of the Air Mail Centre at the HKIA in order to enhance its capacity and operating efficiency to cater for the future growth in air mail volume.

Competition Policy

Providing dedicated funding to support the Competition Commission’s litigation work

16. The Competition Ordinance (“Ordinance”) came into full effect on 14 December 2015. Established under the Ordinance, the Competition Commission (“Commission”) has been carrying out its statutory functions including investigation and enforcement, promoting public understanding of the Ordinance and compliance by businesses, conducting market studies and providing advice.

17. As at end-September 2017, the Commission processed about 2 500 complaints and enquires. Among them, around 160 cases were being assessed further, and more than 10% of which had proceeded to in-depth investigation stage. In 2017, the Commission has brought two cases before the Competition Tribunal (“Tribunal”). In March 2017, the Commission commenced its first case in the Tribunal against five information technology companies for suspected bid-rigging arrangement in relation to a tender issued by a social service organisation. In August 2017, the Commission brought the second

case before the Tribunal against 10 engineering and construction companies for suspected market sharing and price fixing in relation to the provision of renovation services in a public housing estate.

18. We provide an annual subvention to the Commission to support its discharge of statutory duties, and have been liaising closely with the Commission on its operational and resource matters. We will increase the annual subvention to the Commission in order to provide enhanced financial support to its planned activities in the coming years. In addition, noting that more cases may be brought to the Tribunal as the Commission's investigations proceed, we will provide a dedicated funding of about \$200 million for covering the Commission's litigation work. The funding required will be included and reflected in the 2018-19 draft Estimates for Commerce, Industry and Tourism Branch.

19. The Policy Address sets out in detail many other proposals on promoting economic development, encouraging innovation and design, attracting investments, and developing tourism. The Government will also brief other Panels of the Legislative Council on proposals of relevance to them. We will not repeat such proposals here.

Commerce, Industry and Tourism Branch
Commerce and Economic Development Bureau
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