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Panel on Economic Development
Meeting on 25 February 2019

Updated background brief on
the work plan of the Hong Kong Tourism Board

Purpose

This paper provides background information on the establishment and funding arrangements for the Hong Kong Tourism Board ("HKTB"). It also summarizes the major views and concerns expressed by members of the Panel on Economic Development ("the Panel") on the work of HKTB and related matters in previous discussions.

Establishment of HKTB

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

- (a) endeavour to increase the contribution of tourism to Hong Kong;
- (b) promote Hong Kong globally as a leading international city in Asia and a world-class tourist destination;
- (c) promote the improvement of facilities for visitors;
- (d) support the Government in promoting to the community the importance of tourism;
- (e) support, as appropriate, the activities of persons providing services for visitors to Hong Kong; and

- (f) make recommendations to and advise the Government on measures which may further any of the foregoing objectives.

3. The governing body of HKTb is the Board which consists of 20 members including the Commissioner for Tourism.¹ The detailed plans and programmes of HKTb are implemented by various functional units in the Head Office in Hong Kong as well as HKTb's 21 Worldwide Offices.²

Funding arrangements for HKTb

4. HKTb's activities are primarily funded by the Government having regard to the needs of HKTb as presented in its work plan and annual budget.³ The subvention for HKTb forms part of the Appropriation Bill, the passage of which is subject to approval by the Legislative Council ("LegCo"). The Government may provide non-recurrent funding to support HKTb in implementing specific promotional activities.

5. HKTb may also collect fees for its services to achieve cost recovery as appropriate, solicit sponsorship for funding its events, activities and communication materials, and generate revenue by accepting advertisements in its publications and website, as well as in the venue of HKTb's mega events.

Monitoring mechanisms

6. HKTb has an established mechanism of financial monitoring and internal audit to ensure cost-effectiveness of its promotional activities. Its work plan, budget, programmes, financial procedures, guidelines and progress of marketing are required to be vetted and monitored by the relevant committees established under the Board.

¹ The Tourism Commission, a functional unit within the Commerce and Economic Development Bureau and led by the Commissioner for Tourism, works closely with HKTb and some other organizations to promote the development of tourism in Hong Kong. The Government has appointed the Commissioner as a member of the HKTb Board since its establishment and the Commissioner is also a member of all the five Committees under the Board.

² HKTb has a worldwide network of 15 offices (including Beijing, Shanghai, Guangzhou, Chengdu, Tokyo, Seoul, Singapore, Taipei, Sydney, London, Paris, Frankfurt, Los Angeles, New York and Toronto) and has representatives in 6 places (including New Delhi, Bangkok, Jakarta, the Philippines, Moscow and Dubai) which handle travel trade, media and consumer enquiries.

³ The HKTb's budgetary cycle dovetails with the Government's annual budgetary process. Under section 17B(1) of HKTBO, HKTb is required to forward a programme of its proposed activities and estimates for the next financial year to the Government before an appointed date.

7. Under section 18 of HKTBO, the annual financial statement of HKTB has to be audited by an external auditor appointed by the Government. A copy of the statement of the audited accounts together with the auditor's report on statement/accounts shall be laid before LegCo as soon as possible. Section 19 of HKTBO provides that HKTB has to submit an annual report of activities to the Chief Executive, and the Secretary for Commerce and Economic Development ("SCED") shall lay the report on the table of LegCo. In addition, HKTB is included in the list of "public bodies" under the Prevention of Bribery Ordinance, and is subject to the scrutiny of the Director of Audit.

8. To track the effectiveness of the promotional programmes and activities, HKTB has established four objective Key Performance Indicators (viz. visitor arrivals, length of stay, visitor satisfaction and spending of visitors) and brought in a second tier of corporate performance indicators to measure the effectiveness and performance of HKTB's marketing programmes and activities by strategic focuses.

Work plans of HKTB

9. Under section 17B of HKTBO, HKTB has to submit its annual work plans to SCED for approval. In drawing up the work plans, HKTB conducts extensive consultation with various tourism stakeholders, including travel agents, airlines, hotels, retailers, restaurants, attractions, as well as the academia.

Initiatives under the 2018 Policy Address relating to tourism

10. In connection with the 2018 Policy Address, the Administration briefed the Panel at the meeting held on 22 October 2018 on the following initiatives to support the work of HKTB –

- (a) continue to implement the Development Blueprint for Hong Kong's Tourism Industry by taking forward various tourism initiatives and measures in accordance with four development strategies, namely:
 - (i) to develop a diversified portfolio of visitor source markets for Hong Kong, with a focus on attracting high value-added overnight visitors;
 - (ii) to nurture and develop tourism products and initiatives with local and international characteristics (including green tourism, in-depth local tourism, etc.);
 - (iii) to develop smart tourism; and
 - (iv) to upgrade the service quality of Hong Kong's tourism industry;
- (b) continue to assist the tourism industry in grasping the opportunities brought by the Belt and Road ("B&R") Initiative and the

development of the Guangdong-Hong Kong-Macao Greater Bay Area ("the Greater Bay Area"), with measures including launching "multi-destination" tourism products, and supporting HKTb in stepping up its promotion work in target source markets (including countries and regions along the B&R as well as cities in the Greater Bay Area);

- (c) continue to serve as promoter and facilitator through hosting various types of world-class events and attracting more mega events to be held in Hong Kong, with a view to developing Hong Kong into an events capital of Asia;
- (d) continue with the work of setting up a new regulatory regime for the travel industry, including providing necessary resources for the establishment and initial operation of the Travel Industry Authority;
- (e) enhance the tourism appeal of Sham Shui Po and Wan Chai Districts and enrich visitors' experience through collaboration with the creative industries in staging creative tourism events that feature fashion parades, public art works, comic characters with local originality, and multimedia creative technology;
- (f) enhance the appeal of the Hong Kong Wetland Park as an eco-tourism attraction by upgrading its facilities to offer better visitors' experience of the wetland wildlife and habitats;
- (g) support the strategic repositioning of the Ocean Park to enhance the tourism appeal of the park and attract more high value-added overnight visitors to Hong Kong; and
- (h) reinforce and enhance the status of Wan Chai North as a convention and exhibition hub in Asia by constructing a convention centre above the Exhibition Centre Station of the Shatin to Central Link upon the latter's completion, and redeveloping the sites of the three government towers in Wan Chai North and Kong Wan Fire Station for convention and exhibition, hotel and office uses.

Panel members' views and concerns

11. The Panel received an annual briefing by HKTb on its work plan for 2018-2019 as well as an overview of 2017 tourism performance at the meeting on 26 February 2018. The Panel noted that in 2017, overall visitor arrivals and overnight visitor arrivals had increased by 3.2% and 5% respectively compared

with the previous year. The Panel was also briefed on the policy initiatives to be undertaken by the Commerce and Economic Development Bureau in 2018 relating to tourism at the meeting on 22 October 2018. Members' major views and concerns are summarized in the ensuing paragraphs.

12. Members in general urged the Administration and HKTb to ride on the opportunities arising from the commissioning of new transportation infrastructures connecting the Mainland and Hong Kong, and the development of the Greater Bay Area in promoting Hong Kong to Mainland and overseas visitors. The Administration advised that leveraging on the planned commissioning of the Hong Kong-Zhuhai-Macao Bridge ("HZMB") and the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL"), HKTb planned to introduce promotions through various channels in the Mainland and overseas markets to attract more visitors. Relevant initiatives included promotion of multi-destination travel from Hong Kong to the Mainland via HZMB and the express rail network, as well as joint promotions with cruise liners to offer combined cruise-and-XRL travel products. The Government had also provided additional funding to HKTb in the 2018-2019 Budget, of which about \$10 million would be used for stepping up promotions after the commissioning of HZMB and XRL.

13. On the resources allocated by the Government to HKTb for promoting tourism and fostering trade development, the Administration advised that an additional funding of \$226 million was allocated to HKTb in the 2018-2019 Budget to take forward the Government's development plan for the tourism industry.

14. To facilitate overseas visitors to travel on a multi-destination basis to the Greater Bay Area, some members suggested that the Government should explore formulating a simplified visa scheme based on the current 144-hour Convenient Visa to Guangdong Province ("the Visa") and relaxing further the duration of stay under the Visa in discussion with the government(s) of Guangdong Province and/or Macao. The Administration advised that the Government had been liaising with the Mainland authorities to explore further facilitation measures for overseas visitors coming to the region under the Greater Bay Area Initiative.

15. To enhance the tourism performance of Hong Kong, members urged the Administration and HKTb to step up efforts in exploring new tourist attractions apart from promoting the traditional appeals of shopping and delicacies, and assist the travel trade in developing new tourism products. In this regard, some members suggested developing in-depth green tourism, tourism in districts with local characteristics, smart tourism, and enriching the cultural, art and sports programmes in Hong Kong to attract more tourists. Furthermore, some

members urged the Administration to explore new tourist attractions with a view to channeling tourists to different districts of Hong Kong.

16. Some members expressed concern about the low utilization of the Kai Tak Cruise Terminal ("KTCT") and urged the Administration to devise concrete measures to vitalize KTCT to attract both locals and visitors, especially during the period when there was no ship at berth at the terminal. The Administration advised that KTCT was a purpose-built infrastructure with core functions of receiving cruise ships and handling large number of passengers. While promoting the cruise business of KTCT remained the core objective of KTCT, the Administration would work closely with the terminal operator and other event organizers in driving and facilitating more activities to be held within KTCT so as to bring more visitors to the area as far as possible.

Council questions

17. At the Council meetings of 17 May, 14 June, 21 June, 28 June, 22 November and 29 November 2017, 21 March and 23 May 2018, and 9 January 2019, Hon YIU Si-wing, Hon Holden CHOW, Hon MA Fung-kwok, Hon SHIU Ka-fai and Hon Claudia MO raised questions relating to promoting tourism to visitors, development of tourism projects, green tourism and smart tourism, as well as visa arrangements for visitors. Hyperlinks to the Council questions and the Administration's responses are provided in the **Appendix**.

Latest development

18. At the Panel meeting on 25 February 2019, HKTb will present its work plan for 2019-2020, and brief the Panel on the overview of Hong Kong tourism industry in 2018 and the outlook of 2019.

Relevant papers

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

Appendix

List of relevant papers

| Issued by | Meeting date/ Issue date | Paper |
|-------------------------------|--------------------------------|---|
| Panel on Economic Development | 26 February 2018 (Item III) | Administration's paper Administration's follow-up paper Background brief Minutes |
| | 22 October 2018 (Item I) | Administration's paper Minutes |
| Council Meeting | 17 May 2017 | Council question on "Encouraging producers of overseas movies and television programmes to conduct location filming in Hong Kong" raised by Hon YIU Si-wing |
| | 14 June 2017 | Council question on "Development of tourism projects with local characteristics" raised by Hon YIU Si-wing |
| | 21 June 2017 | Council question on "Opportunities for the tourism industry brought by the development of the cities in the Guangdong-Hong Kong-Macao Bay Area" raised by Hon YIU Si-wing |
| | 28 June 2017 | Council question on "Promotion of tourism" raised by Hon Holden CHOW |

| Issued by | Meeting date/ Issue date | Paper |
|-----------|-----------------------------|--|
| | 22 November 2017 | <u>Council question on "New strategies to encourage the staging of events or activities in Hong Kong" raised by Hon MA Fung-kwok</u> |
| | 29 November 2017 | <u>Council question on "Development of green tourism" raised by Hon YIU Si-wing</u> |
| | 21 March 2018 | <u>Council question on "Hong Kong Tourism Board's 'Old Town Central' campaign" raised by Hon YIU Si-wing</u> |
| | 23 May 2018 | <u>Council question on "Measures to improve the reception of visitors to Hong Kong" raised by Hon SHIU Ka-fai</u> |
| | 9 January 2019 | <u>Council question on "Local tourism industry" raised by Hon Claudia MO</u> |