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Panel on Economic Development
Meeting on 25 May 2020

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 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 Worldwide Offices.

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.² 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.

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 (Cap. 201), and is subject to the scrutiny of the Director of Audit.

8. 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.

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.

² The HKTB's budgetary cycle dovetails with the Government's annual budgetary process.

Recent discussions and Members' concerns

9. The Panel on Economic Development ("the Panel") received an annual briefing by HKTB on its work plan for 2019-2020 as well as an overview of 2018 tourism performance at the meeting on 25 February 2019. The Panel was briefed on the policy initiatives to be undertaken by the Administration in 2019 relating to tourism at the policy briefing meeting on 28 October 2019. At the former meeting, the Panel noted that in 2018, overall visitor arrivals and overnight visitor arrivals had increased by 11.4% and 4.9% respectively compared with the previous year. At the latter meeting, the Panel was informed that overall visitor arrivals to Hong Kong had increased by 14.9% year-on-year in the first five months of 2019, yet the growth decelerated to 8.5% in June 2019. The trend reversed in July with a year-on-year decline of 4.8%, followed by a widening drop of 30%-40% in August and September. In the first ten days of October 2019, the drop was more than 45%.

10. Matters relating to declining tourism performance due to local social events were also touched upon at the meeting of the Subcommittee on Travel Industry Ordinance (Commencement) Notice 2019 on 25 October 2019. Questions on impacts of social events on tourism industry and measures to assist the industry were raised at the Council meetings of 20 and 27 November 2019, 11 December 2019, 15 January and 6 May 2020.

11. The outbreak of a novel coronavirus since December 2019 ("COVID-19") has dealt an even more severe blow to the tourism industry in Hong Kong. At the special meeting of the Finance Committee ("FC") to examine the Estimates of Expenditure 2020-2021 on 7 April 2020, SCED advised that the Government had been in close liaison with HKTB, the Travel Industry Council of Hong Kong and the trade, and rolled out several rounds of measures to reduce the trade's operation pressure. They included the Travel Agents Incentive Scheme introduced in November 2019, the Green Lifestyle Local Tour Incentive Scheme introduced in January 2020, as well as the Travel Agents Subsidy Scheme ("TASS") and the Licensed Guesthouses Subsidy Scheme ("LGSS") set up under the Anti-epidemic Fund ("AEF") in February 2020. The four schemes were all cash subsidy schemes. The total amount disbursed had exceeded \$280 million. Among the subsidy schemes, the government had completed over 99% of the registrations for TASS and LGSS. Nearly all travel agents and guesthouses had already received the subsidies.

12. SCED also advised that the Government had proposed to provide an additional funding of \$791 million in 2020-2021 for HKTB to step up promotion and revive the tourism industry when the pandemic was over. The overall provision to HKTB in 2020-2021 was almost 40% more than that of 2019-2020 for supporting the trade, launching large-scale tourism promotion worldwide,

restoring visitors' interest in travelling to Hong Kong and rebuilding the city's tourism image. In light of the COVID-19 outbreak, HKTB had formulated strategic direction to be carried out in three phases. Details of the initial plan on the allocation of the additional funding and the strategic direction formulated by HKTB are respectively set out in **Appendices I and II**.

13. On 18 April 2020, FC approved the Government's proposal to inject into AEF to provide funding for a second round of relief measures. The Tourism Industry Support Schemes³, which aimed to provide financial support to various stakeholders in the tourism industry, were among the second round of relief measures proposed. The total funding required was about \$1,070 million.

Council questions

14. At the Council meetings of 21 March and 23 May 2018, 9 January, 20 November, 27 November, 11 December 2019, 15 January and 6 May 2020, Hon YIU Si-wing, Hon SHIU Ka-fai, Hon Claudia MO, Hon Holden CHOW, Hon WONG Ting-kwong, Hon Mrs Regina IP and Hon Elizabeth QUAT raised questions covering tourism industry, impacts of social disturbances to the industry and relief measures under AEF. Hyperlinks to the Council questions and the Administration's responses are provided in the **Appendix III**.

Latest development

15. At the Panel meeting on 25 May 2020, HKTB will present its work plan for 2020-2021, and brief the Panel on the overview of Hong Kong tourism industry in 2019 and the outlook of 2020.

Relevant papers

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

Council Business Division 4
Legislative Council Secretariat
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³ Under the Tourism Industry Support Schemes, financial support would be provided to travel agents, their employees and freelance accredited practitioners whose main occupations are tourist guides or tour escorts, hotels, cruise terminals and cruise lines, as well as drivers of tour service coach and international passenger service coach.

HKTB's initial plan on the allocation of the additional funding

Initiatives	Amount (HK\$ million)
<p>1. Launching a global tourism brand campaign to rebuild Hong Kong's tourism image</p> <ul style="list-style-type: none"> • Launching a new tourism brand campaign, with most of the resources used to conduct promotions in partnership with influential international media and digital platforms to draw attention of international consumers and stand out from regional competitors. 	226
<p>2. Strengthening support for the travel trade to open up business opportunities and recover visitors' momentum</p> <ul style="list-style-type: none"> • Subsidising the travel trade's promotions in source markets. Apart from waiving their participation fees for joining trade activities organised by HKTB in different markets and offering subsidies for air tickets and hotel accommodations for such trips, HKTB will organise travel missions to conduct roadshows in key markets as well as organising more trade activities in visitor source markets. • Increasing HKTB's contribution to the matching fund scheme to support the travel trade's marketing promotions. • Supporting merchants in the Quality Tourism Services Scheme by waiving the renewal fee for accredited merchants and offering a 50% reduction on the application fee for new joiners; and strengthening the promotion of the Scheme. 	117
<p>3. Stepping up promotions in source markets, cultivating new source markets and driving MICE tourism</p> <ul style="list-style-type: none"> • Intensifying promotions in source markets and for multi-destination travel, as well as striving to open up new source markets. • Strengthening trade support and promotion in the area of MICE tourism to attract the return of MICE events and bid for new international conventions. 	171
<p>4. Enriching and developing diversified tourism offerings by promoting event tourism and thematic tourism</p> <ul style="list-style-type: none"> • Enhancing the existing mega events and inviting more international events to be held in Hong Kong to boost the city's tourism attractiveness. 	277
Total	791

Source: Administration's replies to initial written questions raised by Finance Committee Members in examining the Estimates of Expenditure 2020-2021

Strategic direction formulated by HKTB

Phase 1 (current): Work together to fight the outbreak

- HKTB is constantly providing instant updates to visitors and the travel trade, including the latest outbreak control measures implemented by the Government, on HKTB's official website (DiscoverHongKong.com). A dedicated section has been created to provide visitors with travel tips, such as information about the status of attractions. The daily operating hours of HKTB's Hotline Service have been extended to answer enquiries from visitors and trade partners, including hotels and shopping malls. In addition, HKTB is regularly disseminating the latest information to the travel trade in both Hong Kong and source markets; and
- HKTB is also actively consulting the trade to offer support and planning the promotion work for the next two phases.

Phase 2: Strengthen trade support and work with our trade partners on tactical promotions to attract visitors to Hong Kong

- HKTB will roll out campaigns to stimulate domestic consumption in order to rebuild the positive city ambience, boost consumer confidence in Hong Kong, and convey a positive message to source markets; and
- HKTB will also enhance its support for the travel trade by, for example, launching funding scheme to support travel trade's promotion work for visitor recovery, and working with the travel trade on promotions to stimulate visitors' interest in travelling to Hong Kong.

Final phase: Launch a new branding campaign to rebuild the tourism image of Hong Kong

- HKTB will leverage mega events, including the Hong Kong Sevens, which has been rescheduled to October 2020, to showcase Hong Kong's vibrant appeal;
- HKTB will launch a new tourism brand campaign, with promotions to be conducted in partnership with influential international media and digital platforms to attract the international spotlight, stand out from regional competitors, and rebuild Hong Kong's tourism image; and
- HKTB will also organise more trade activities and enhance its global promotions.

Source: Administration's replies to initial written questions raised by Finance Committee Members in examining the Estimates of Expenditure 2020-2021

List of relevant papers

Issued by	Meeting date/ Issue date	Paper
Panel on Economic Development	25 February 2019 (Item III)	Administration's paper Administration's follow-up paper Background brief Minutes
	28 October 2019 (Item II)	Administration's paper Minutes
Subcommittee on Travel Industry Ordinance (Commencement) Notice 2019	4 November 2019	Report
Finance Committee	21 February 2020	Administration's paper
	7 April 2020	Administration's replies to Members initial written questions
	18 April 2020	Administration's paper
Council Meeting	21 March 2018	Council question on "Hong Kong Tourism Board's 'Old Town Central' campaign" raised by Hon YIU Si-wing
	23 May 2018	Council question on "Measures to improve the reception of visitors to Hong Kong" raised by Hon SHIU Ka-fai
	9 January 2019	Council question on "Local tourism industry" raised by Hon Claudia MO

Issued by	Meeting date/ Issue date	Paper
	20 November 2019	<u>Council question on "Impacts of social disturbances on the economy and people's livelihood" raised by Hon Holden CHOW</u>
	27 November 2019	<u>Council question on "Impacts of social disturbances on the tourism industry" raised by Hon WONG Ting-kwong</u>
	11 December 2019	<u>Council question on "Assisting the tourism industry in tapping business opportunities" raised by Hon YIU Si-wing</u>
	15 January 2020	<u>Council question on "A proposal to hand out consumption vouchers" raised by Hon Mrs Regina IP</u>
	6 May 2020	<u>Council question on "Relief measures under the Anti-epidemic Fund" raised by Hon Elizabeth QUAT</u>