

**Legislative Council Panel on Economic Development**

**2021 Policy Address**

**Policy Initiatives of**

**Commerce, Industry and Tourism Branch,**

**Commerce and Economic Development Bureau**

**Our Vision**

In the past two years, the COVID-19 pandemic has brought challenges to all sectors. Our economy contracted by 6.1% in 2020, the largest annual decline on record. In 2021, the Hong Kong economy was on track for recovery along the improving global economic conditions and receding local epidemic. Real Gross Domestic Product (GDP) grew 8.0% in the first quarter, followed by a notable year-on-year 7.6% increase in the second quarter. In particular, total merchandise trade grew robustly, overall investment expenditure accelerated, and unemployment rate fell notably. However, some industries, such as inbound tourism, convention and exhibition (C&E) industry, etc., remained affected by the global pandemic and travel restrictions.

2. Integration into the national development is the axis of the 2021 Policy Address. It mentions in paragraph 38 that ‘the loud and clear heading of “Integration into the National Development” in the economy chapter in this year’s Policy Address has expressly stated that the developments of Hong Kong and our country are closely related. Only by leveraging the Central Government’s policies in support of Hong

Kong can we give full play to our unique strengths, which will in turn bring continuous impetus to our economy.’ Facing the uncertainties brought by the pandemic and geopolitical tensions, the Government of the Hong Kong Special Administration (HKSAR) will continue to make good use of the HKSAR’s unique advantages under “One Country, Two Systems”, and, amidst the “dual circulation” development strategy of our nation and the support of the 14th Five-Year Plan, develop relevant areas in respect of the “eight centres” and better integrate Hong Kong into the national development. Taking the opportunities brought about by dual growth engines of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) development and the Belt and Road Initiative, Hong Kong will proactively become a participant in domestic circulation and a facilitator in international circulation, and enhance our international competitiveness.

3. The ensuing paragraphs brief Members on the progress of the policy initiatives related to the Economic Development Panel in the 2021 Policy Address. The Commerce and Industry Panel and the Information Technology and Broadcasting Panel had already discussed on other various proposals related to economic and trade development, such as supporting small and medium enterprises, trade finance, C&E industry, investment promotion, etc. We will not repeat such proposals here.

## **Tourism**

### ***Tourism performance***

4. Tourism is a pillar industry of Hong Kong which accounted for about 4% of our GDP and employed about 230 000 people before the COVID-19 pandemic. With cross-border and cross-boundary travel grinding to a complete halt amid the persistent outbreak of the pandemic around the globe, the tourism industry is one of the hardest hit sectors under the pandemic. In the first eight months of 2021, Hong Kong only received about 50 000 visitor arrivals, representing a plunge of 99.9% as compared with about 44 million during the same period in 2019 before the pandemic. The hotel and retail sectors were also affected consequently. While “staycation activities” and individuals undergoing compulsory quarantine at hotel provided some support to the hotel industry, the hotel room occupancy rate was only 59% in the first eight months this year, 27 percentage points lower than the 86% recorded during the same period in 2019 before the pandemic. The value of total retail sales in the first eight months this year also fell by about 25% over the same period in 2019.

### ***Helping the trade tide over***

5. The Government has been maintaining close liaison with the trade and has rolled out a series of measures to help it tackle the difficult business environment, including providing five rounds of financial support to the tourism industry through the Anti-epidemic Fund (AEF), benefitting over 1 700 travel agents and some 21 000 practitioners, some

2 100 hotels and guesthouses, and the cruise trade<sup>1</sup>. Apart from providing direct financial support, the Government has increased the financial commitment for the Travel Agents Incentive Scheme and the Green Lifestyle Local Tour Incentive Scheme (GLIS) to around \$150 million and \$100 million respectively. GLIS has received active response from the trade especially during the summer holiday and has received applications from around 430 travel agents involving subsidy amount over \$30 million. Considering the above measures as a whole, the support provided by the Government to the tourism industry in the past two years amounted to a cumulative commitment of about \$2.85 billion in total.

6. With the stabilisation of the epidemic situation, the Government has been striving to create room for business for the tourism industry by

<sup>1</sup> Five rounds of measures have been rolled out under the AEF and the financial support provided to eligible travel agents and their staff, tourist guides and tour escorts, as well as tour service coach drivers is summarised as follows -

<b>Beneficiary</b>	<b>1<sup>st</sup> Round</b>	<b>2<sup>nd</sup> Round</b>	<b>3<sup>rd</sup> Round</b>	<b>4<sup>th</sup> Round</b>	<b>5<sup>th</sup> Round</b>
<b>Travel Agents</b>	\$80,000	\$20,000 - \$200,000 (amount subject to number of staff)	Subsidy amount proportional to the number of staff members, with subsidy level per staff member set at \$5,000; a one-off subsidy of \$5,000 for travel agent without any staff	10 staff members or less: \$100,000 ; 11 staff members or more: subsidy amount proportional to the number of staff members, with subsidy level per staff member set at \$10,000	10 staff members or less: \$50,000 ; 11 staff members or more: subsidy amount proportional to the number of staff members, with subsidy level per staff member set at \$5,000
<b>Travel Agents' Staff, Tourist Guides, and Tour Escorts</b>	--	Subsidy equivalent to \$5,000 per month for six months	\$15,000	\$15,000	\$7,500
<b>Tour Service Coach Drivers</b>	--	\$10,000	\$6,700	\$6,700	\$3,350

Furthermore, eligible **guesthouses** may receive a subsidy of either \$50,000 or \$80,000 (depending on the number of guest rooms) under AEF 1.0; eligible **hotels** may receive a subsidy of either \$300,000 or \$400,000 under AEF 2.0 (depending on the number of guest rooms). For the **cruise trade**, under AEF 2.0, the Government waived the monthly fixed rent and management fees of the Kai Tak Cruise Terminal, and provided refund of berth deposits to cruise lines for cancelled ship calls during suspension of immigration service.

striking a balance between epidemic containment and resumption of economic activities. This includes reopening of the two theme parks in February, with subsequent relaxation of the visitor capacity limit to up to 75% in a gradual manner. Since end-April 2021, the Government has allowed the resumption of organising local group tours of 30 participants or below with conditions, and since end-June, the restriction on the number of participants for group tours with two-thirds of the participants having received the first dose of COVID-19 vaccine has been relaxed to 100 persons. As at 30 September, over one-third of the travel agents have registered for organising local group tours involving close to 11 000 itineraries in total. Moreover, “cruise-to-nowhere” itineraries have resumed since end-July 2021. As at 30 September, a total of 26 ship calls departed and served around 35 000 passengers.

7. Furthermore, the Hong Kong Tourism Board (HKTB) has been leveraging the “Holiday at Home” platform for promotion to support local tourism. It has rolled out five rounds of “Free Tours” and “Staycation Delights” programmes with support of around \$45 million to the tourism industry, boosting consumption in the city’s retail as well as catering sectors as well as encouraging the public to experience local tourism and enjoy the services and facilities of local hotels. The latest programmes include the launch of the “Free Tours Lucky Draw” in August offering 20 000 reward quotas of free local tours to Hong Kong citizens who have received the first dose of COVID-19 vaccine, as well as the second round of “Staycation Delights” reward with a total of 20 000 quotas.

8. The Government also just announced in end-August the extension of waivers or concessions of various government licence fees and charges till end-September 2022, and that an additional \$35 billion will be injected to the Special 100 per cent Guarantee Product under the SME Financing Guarantee Scheme to extend the application period to end-June 2022. The tourism industry can also benefit from these two measures.

***Supporting the trade to prepare for recovery***

9. We will support the trade to get prepared and seize the opportunities for relaunch of tourism once the pandemic is receding and cross-border and cross-boundary travel can gradually resume.

10. The Government and HKTb will continue to boost the local ambience, support and stage mega events, and maintain Hong Kong's exposure in the source markets through various publicity campaigns while keeping in view the development of the pandemic. When individual markets are ready to resume travel to Hong Kong, HKTb will roll out targeted promotions and various offers to attract visitors to come to Hong Kong.

11. A number of major cultural and leisure facilities have recently come on stream or are about to do so in the coming few years, providing the ideal conditions for relaunching tourism as they will offer more diversified experience for visitors when we welcome them again. For instance, Water World of Ocean Park (OP) has just opened last month and the Hong Kong Museum of Art reopened in November 2019 after

facelift; in the West Kowloon Cultural District, M+ will open on 12 November while the Hong Kong Palace Museum is set to be commissioned next year. We will also continue to step up the promotion of cultural, heritage, green and creative tourism with a view to enhancing the local tourism resources, including extending well-received projects such as the Yim Tin Tsai Arts Festival and Design District Hong Kong, etc. in the coming year to further enrich Hong Kong's tourism elements through collaboration among cultural and creative professionals, local stakeholders, and the tourism sector. In addition, HKTB will step up effort in promoting the staging of mega events and the development of MICE (i.e. Meetings, Incentive travels, Conventions and Exhibitions) tourism in Hong Kong, examples include the "Hong Kong Neighbourhoods – West Kowloon" programme freshly rolled out in September, the Hong Kong Wine & Dine Festival to be held in November in an "Online + Offline" format, and the 2022 RISE Conference which has recently announced its staging back in Hong Kong, etc.

12. Furthermore, since the Finance Committee of the Legislative Council (LegCo) approved the financial arrangements for the future strategy for OP on 19 March 2021, the Government and the Ocean Park Corporation have been actively implementing the future strategy, which includes completing the relevant legislative amendments, carrying out the tendering exercise to outsource various zones of OP, commencing the technical studies for the pier projects at Deep Water Bay and Tai Shue Wan in 2022, and exploring the feasibility of providing temporary landing facilities prior to the completion of the pier projects. OP will transform into a resort and leisure destination that focuses on

conservation and education, grounded in nature and complemented by adventure and leisure elements to enhance visitor experience.

### *Long term development*

13. Regarding long term tourism development, the current-term Government promulgated in 2017 the Development Blueprint for Hong Kong's Tourism Industry (Blueprint), setting out directions for the long term development strategies of Hong Kong's tourism, including upgrading the service quality of tourism industry, developing a diversified portfolio of visitor source markets, nurturing and developing tourism products and initiatives with local and international characteristics, as well as promoting the development of smart tourism, with a view to consolidating and enhancing Hong Kong's status as Events Capital of Asia and a premier tourism destination for MICE. During the past four years, the Government has formulated and implemented various measures and initiatives according to the Blueprint in a comprehensive and orderly manner. Meanwhile, HKTb is actively reviewing Hong Kong's tourism positioning and establishing tourism brand of the GBA. It is also planning to launch a rebranding project after the gradual resumption of tourism.

14. In addition, to foster the healthy and long-term development of the tourism industry, the Government established the Travel Industry Authority (TIA) in end-2019 to enhance the professionalism and service quality of the travel trade through a statutory licensing and regulatory system. The Government is committed to supporting the TIA in preparing for the formulation of the new regulatory regime for the



tourism industry, which is expected to be implemented in full within 2022.

15. Looking ahead, the Government will continue to enhance local tourism resources and develop projects in relation to cultural, heritage and creative tourism with characteristics based on the guiding directions for tourism development of Hong Kong under the National 14th Five-Year Plan, the Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area, and the Culture and Tourism Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area. When the timing of the resumption of travel arrangements amongst Guangdong, Hong Kong and Macao becomes clearer, the Government will further deepen tourism cooperation within the GBA, pool resources to establish the GBA tourism brand, as well as enhancing the accessibility and attractiveness of cruise tourism by introducing diversified cruise products through multi-sectoral and cross-boundary collaboration in order to attract overseas and high value-added overnight tourists to embark on GBA multi-destination journeys via Hong Kong, with a view to unleashing the roles of Hong Kong as a core demonstration zone for multi-destination tourism and an international tourism hub.

### **Closing Remarks**

16. Hong Kong is a free, open and diversified economy and a metropolis that attracts talents, organisations and enterprises of different scales from all over the world. It has been proven that, with our advantages under “One Country, Two Systems” and by leveraging the

support from our nation while engaging the world, Hong Kong can overcome challenges. Under the “dual circulation” development strategy of our nation, there will be substantial opportunities in Hong Kong, providing room for international investors to enjoy more vibrant and diverse development.

17. The Policy Address sets out in detail many other proposals on promoting commerce and developing industry and trade. The CEDB had also briefed other Panels of the LegCo (including the Commerce and Industry Panel and the Information Technology and Broadcasting Panel) on proposals of relevance to them. We will not repeat such proposals here.

Commerce, Industry and Tourism Branch  
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