

(Draft – Please check against delivery at Chamber)

LEGCO QUESTION NO. 6

(Oral Reply)

Asked by : Hon Fred LI

Date of meeting : 15 November 2006

Replied by : Secretary for Economic
Development and Labour

Question

Regarding the work of the Hong Kong Tourism Board ("HKTB") to promote Hong Kong as a tourist destination, will the Government inform this Council:

- (a) given that the results of a reader survey on the world's best tourist cities conducted by a leading travel magazine show that Hong Kong's ranking in Asia has fallen from the third last year to the fifth this year, and tourist arrivals in Hong Kong during the recent National Day Golden Week holidays have dropped by 7% compared to the same period last year, whether the Government knows if HKTB has conducted studies on whether Hong Kong's attractiveness to tourists is diminishing; if that is the case, of the reasons for that, and whether HKTB has drawn up any counter measures in this regard;
- (b) whether it knows the mechanism and procedure adopted by HKTB for selecting Mainland media for placing advertisements, the respective budgets on various types of media in the current financial year, and the mechanism adopted by HKTB for monitoring the effectiveness of such advertisements; and
- (c) as the staff of HKTB are given a pay rise between 2% and 8% in the current financial year, whether the authorities have reviewed if the pay adjustment of HKTB staff should be linked to the performance of Hong Kong's tourism industry; if the findings of the review are in the affirmative, whether the Government will request HKTB to consider, in

the light of the performance of Hong Kong's tourism industry, freezing the pay of all its senior staff?

Reply

Madam President,

- (1) Hong Kong's visitor arrivals, after hitting a new record high of 23 million in 2005, continue to grow steadily in the first three quarters of 2006 with an increase of 9.5% over the same period last year. Most of our markets including Europe, Africa, the Middle East, South and Southeast Asia, Australia and New Zealand etc. witnessed promising growth.

Mainland visitors remain Hong Kong's primary visitor source market, representing 55% of our total visitor arrivals in the first three quarters of 2006. With the Individual Visit Scheme (IVS) being increasingly popular, Mainland visitors travel patterns have changed. They tend to spread out their visits to Hong Kong on non-peak seasons or general weekends to avoid crowds or peak season surcharges. Take the non-festive period of July, August and September as an example, Mainland IVS visitor arrivals rose by 20% compared with the same period last year. Hence, we should not focus only on the figures of the Golden Week. As a matter of fact, the overall Mainland visitor arrivals in the first three quarters of 2006 increased by 11% over the same period of last year.

Turning to international markets, Hong Kong has also achieved respectable results. According to the statistics of the Pacific Asia Travel Association, Hong Kong's visitor arrivals have been recording an average annual growth of over 14% since 2001, higher than that of 6% achieved by the entire Asia-Pacific region. Moreover, in the Most Popular Overseas Cities Competition organized earlier this year by two leading British newspapers, *The Guardian* and *The Observer*, Hong Kong's ranking rose to the top from the third last year. Among the readers' choices announced in this month's issue of the *Conde Nast Traveler*, an American travel magazine, Hong Kong was second among the top ten Asian cities.

The Hong Kong Tourism Board (HKTB) has been regularly reviewing the effectiveness of its marketing initiatives and monitoring the performance of the source markets. In the light of the source market performance, the HKTB will fine-tune its marketing strategies and deploy its resources to the most cost-effective markets. The HKTB will continue to adjust its promotion strategies in response to the latest situation of international markets and the development of visitor source markets, with a view to reinforcing Hong Kong's position in international tourism markets.

- (2) The Mainland is a very huge market where provinces and cities differ in terms of economic development, and types and preferences of visitors. The number of countries granted Approved Destination Status has increased from 14 in 2000 to 81 in March 2006. Hong Kong is facing keen competition in developing the Mainland market.

To compete for the Mainland market, the HKTB has been promoting the brand image of Hong Kong through diversified strategies, media and channels in the Mainland. Apart from consumer advertisements on television and in newspapers and publications, the HKTB has actively co-operated with the tourism industry and the media in promoting Hong Kong. Given the differences between Mainland provinces and cities, the HKTB, in planning for marketing, will consider the views of its Mainland offices and the local travel trade as well as various factors such as the priorities of visitor source markets, market situations, promotion objectives, target clientele, media coverage, the creativity of marketing programmes and cost, so as to choose the most cost-effective types of marketing media.

The planning and coordination of HKTB's promotion works in major source markets are assisted by a professional advertising company. The company is selected and approved by the Marketing and Business Development Committee of the HKTB Board which comprises the HKTB Board members. In the Mainland market, due to the differences in the characteristics and strengths of different media in individual cities, the HKTB will inform the advertising company of the objectives, budget and targets of promotion programmes and the company will provide

professional advice to the HKTB. All major promotion programmes will be subject to the final assessment and approval of the HKTB.

Under normal circumstances, the HKTB will choose the mainstream media, i.e. leading newspapers, magazines and television channels with greater coverage, size of issue or viewership, for conducting consumer promotion. In 2006-07, the estimated expenditure for placing advertisements on various types of Mainland media, including television, print, websites and other channels, is approximately \$16.7 million.

Apart from implementing marketing programmes, it is important for the HKTB to establish a good working relationship with the travel trade, and the relevant Mainland authorities in order to increase Mainland visitors' awareness and interest to travel to Hong Kong. In addition to the general means of publicity, the HKTB launches promotion for target clientele in creative ways from time to time, e.g. promoting the distinct characteristics of Hong Kong to local students and their parents in collaboration with Mainland education authorities; promoting to the IVS segment through collaboration with the Public Security Bureau responsible for issuing IVS permits; encouraging Mainland visitors to travel and spend in Hong Kong through joint publicity campaigns with credit card companies; and promoting shopping in Hong Kong in an interactive manner in collaboration with Mainland internet websites during the Hong Kong Shopping Festival.

The HKTB has been relying on two methods to evaluate the effectiveness of various promotion activities in different visitor source markets. First, to monitor the media coverage and viewership/readership of the advertisements to see if they meet the expected targets, and second, to conduct market surveys on a regular basis to gauge tourists' opinions on Hong Kong as a premier travel destination.

In April 2006, the HKTB conducted a Mainland market survey on "2006 Discover Hong Kong Year" campaign. It was found that Hong Kong was regarded as the premier destination of choice, with over 40% of the respondents intending to visit Hong Kong.

- (3) The HKTB has an established policy and mechanism on staff remuneration packages, which are endorsed by the HKTB Board. It commissioned an independent human resources consultant in 2002 to conduct a comprehensive comparison of the compensation and benefits for each level of staff in the organization with those in the market so as to devise a set of benchmarks and recommend appropriate remuneration packages.

Staff at the HKTB Head Office did not receive annual pay adjustment in the six-year period from 1999/2000 to 2004/05, except for 2001/02. In 2006/07, staff of the Head Office received an average pay increase of 3%, which was determined with reference to the market pay trend in Hong Kong.

Based on the findings of the consultancy study, the HKTB will conduct annual pay reviews in accordance with prevailing market pay levels and trends. The pay adjustment for the senior staff of the HKTB is determined by the rating of their individual performance appraisals. The appraisal is based on a set of objective performance criteria, including personal competence, job performance and the overall tourism performance. If a member of the senior staff fails to deliver in any criteria, his/her performance rating will be affected and so will the pay adjustment.

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