

LEGCO QUESTION NO. 16

(Written Reply)

Asked by : Hon SIN Chung-kai

Date of meeting : 24 January 2007

Replied by : Secretary for Economic
Development and Labour

Question

The Hong Kong Tourism Board (“HKTB”) was allocated an additional provision of \$470 million in the two financial years 2005-2006 and 2006-2007 for launching global marketing campaigns with a view to attracting 1.2 million extra visitors. However, visitor arrivals in the first 11 months of last year stood at about 23 million only, suggesting that the annual figure would likely fall short of the expected 27 million. In this regard, will the Government inform this Council:

- (a) whether it will reduce the above additional provision on a pro rata basis according to the percentage of last year's visitor arrivals falling short of the expected figure, so as to uphold the principle of prudent financial management; if it will, of the details; if not, whether it has assessed if the relevant expenses incurred by HKTB are cost effective; and
- (b) as HKTB has repeatedly been criticized for its ineffective use of public money, whether the Government will review the practice of funding HKTB substantially from public coffers and consider subsidizing only part of HKTB's expenses instead, while allowing it to explore chargeable services?

Reply

Madam President,

- (1) Hong Kong's tourism industry continued to grow in the past two years. According to provisional figures, total visitor arrivals in 2006 exceeded 25 million, representing 8% growth as compared with 2005. Although the visitor arrival figure did not reach the original forecast of the Hong Kong Tourism Board (HKTB), provisional figures indicated promising growth in a number of areas -
 - (a) total expenditure associated to inbound tourism for 2005 and 2006 exceeded HKTB's original estimate by HK\$10 billion, a clear demonstration of the continued contribution of our tourism industry to the economy;
 - (b) one of our promotion strategies in the past two years was to develop the consumption visitor segment and stimulate visitors' spending in Hong Kong. During that period, the average per capita spending by same-day in-town visitors increased significantly by about 45% from HK\$689 in 2004 to HK\$1,000 in 2006; and
 - (c) another promotion strategy was to focus on the family, business and young executive visitors as the key target segments. Catering to their needs, new tourism products and mega events were launched to stimulate their interest in visiting Hong Kong. In 2006, the number of family visitors has grown by about 13%, and the number of visitors aged 16 or under has increased by about 30% when compared with 2004. The number of arrivals attending conventions and exhibitions has also increased by about 30% when compared with 2004.

The Government provided additional funding of \$470 million to HKTB in the 2005-06 and 2006-07 financial years. The funding, which was one-off and not recurrent in nature, aimed to support HKTB in implementing "Discover Hong Kong Year", promotional activities targeting the family and business sectors and the Quality Tourism Services Scheme (QTS Scheme). In these two years, the work of HKTB was affected by a number of external factors, such as the threat of Avian Flu and the postponed opening of some major tourist attractions. As a result, HKTB adjusted its promotion strategy a number of times through,

for example, deferring some of its overseas and local promotional activities. Based on the existing financial situation, we envisage that there will be unspent funding due to the adjustments in promotion programmes. The exact amount will be confirmed after the end of the 2006-07 financial year. We will consider the level of funding for next year according to the needs of HKTB promotion strategy and programmes. When assessing the overall performance of the tourism industry and effectiveness of HKTB's work, we need to take into account performance indicators rather than using just one particular indicator to consider HKTB's level of funding.

- (2) According to the Hong Kong Tourism Board Ordinance, the major functions of the HKTB are to promote Hong Kong globally and increase the contribution of tourism industry to Hong Kong's economy. Tourism development facilitates the growth of a considerable number of economic sectors, for example, travel agents, retail, entertainment, catering, hotel and transport sectors, and brings benefits to them. It is therefore difficult to define on which sectors a levy should be imposed for the purpose of funding HKTB.

Where there are clear service targets for its services, HKTB will, as appropriate, collect fees for such services to achieve cost recovery. For example, the mode of operation of the QTS Scheme implemented by HKTB falls into this category where a fee is imposed on the participating merchants of the Scheme. Apart from the retail and catering sectors, HKTB extended the Scheme to cover the visitor accommodation sector in November 2006. In addition, HKTB will actively seek private market sponsorship when organising mega events. This helps enhance cooperation with different sectors of the tourism industry and reduce the financial burden on HKTB. When considering funding for HKTB, we will take into account HKTB's source of revenue, including revenue from service charges and the possibility of sponsorship.

Based on the established monitoring mechanism and requirements in the law, the Government and the Board of HKTB will continue to monitor HKTB's resource deployment so as to ensure effective use of public resources. These include requiring HKTB's annual financial statement to be audited by an external auditor appointed by the Government; and the submission of HKTB's annual report to the Government and tabling the same before the Legislative Council. In addition, HKTB has an

established mechanism of financial monitoring and internal audit to ensure the cost-effectiveness of its promotional activities. Its work plan and budget, marketing programmes, financial procedures and guidelines are all vetted and monitored by relevant Committees established under the Board. In addition, HKTB is requested to submit quarterly reports showing details of the programmes funded by the additional funding, including the expenditure and the outcome of the programmes, to its Board and the Government.

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