

LCQ19: Impact of financial tsunami and Influenza A (H1N1) on travel and related industries

Following is a question by Dr the Hon Lam Tai-fai and a written reply by the Secretary for Commerce and Economic Development, Mrs Rita Lau, in the Legislative Council today (June 10):

Question:

It is learnt that the downturn of the global economy due to the financial tsunami and the worldwide spread of the Influenza A (H1N1) epidemic have resulted in a substantial reduction in the number of visitors to Hong Kong, and hence the relevant industries such as tourism, hotel, catering, exhibition and retail have been hard hit. In this connection, will the Government inform this Council:

(a) of the number of visitors to Hong Kong in each of the past twelve months, broken down by the type of visitors (including business and sightseeing) and their region of origin (overseas and Mainland China);

(b) whether it has assessed the extent to which the aforesaid industries have been affected in the past three months by the financial tsunami and the Influenza A (H1N1) epidemic; if it has, of the details; if not, the reasons for that;

(c) whether it has assessed the business situation of the aforesaid industries and the unemployment rates concerned in this month and the next six months (especially June, July and August) under the impact of the Influenza A (H1N1) epidemic; if it has, of the outcome; if not, the reasons for that;

(d) whether it has studied implementing new measures to alleviate respectively the operational difficulties of the aforesaid industries and unemployment among people engaged in the industries concerned; if it has, of the details; if not, the reasons for that;

(e) whether it will request travel agencies, schools and other relevant organisations to stop organising study tours for

local students to go to countries with major outbreaks of Influenza A (H1N1) (e.g. Mexico, the United States and Japan) during the summer holidays this year, so as to reduce the chances of students getting infected; and

(f) as it is expected that the Fifth East Asian Games, which will take place in December this year, will attract a large number of overseas and mainland visitors to Hong Kong to attend events of the Games, whether the authorities have formulated any contingency plan (including under what situations the various events will be stopped) in respect of the Influenza A (H1N1) epidemic; if it has, of the details; if not, the reasons for that?

Reply:

President,

(a) Figures on the monthly Mainland and overseas visitor arrivals in 2008-09 by purpose of visit obtained from the Departing Visitor Survey conducted by the Hong Kong Tourism Board (HKTB) are set out at Annex.

The survey results for April and May 2009 are being processed and hence a detailed breakdown is not available.

(b) The actual impact of the global economic recession caused by the financial crisis and Influenza A (H1N1) on the travel and related trades is yet unclear. In comparison with 2008, the performance of the travel, hotel, catering and retail sectors have recorded a reduction to varying extent, as shown below -

For tourism, the overall visitor arrivals in April and May 2009 were at 2 439 490 and 2 026 365 respectively, with an increase of 0.8% and a decrease of 13.5% compared to the same period in 2008. The cumulative visitor arrivals for January to May 2009 totalled 11 869 568, representing a year-on-year drop of 1.4%.

For hotels, the average hotel occupancy rate from January to April 2009 was 79%, which was lower than the 84% recorded

in the same period in 2008. The decrease was more pronounced in high tariff hotels (-9%) as against moderately-high tariff hotels (-5%) and medium tariff hotels (-1%). The rental for hotel accommodation from January to April 2009 was 16.3% lower than that for the same period in 2008.

For catering, according to the preliminary data for the first quarter of 2009, the total revenue of the trade recorded a year-on-year increase of 1.5% in value, but a slight drop of 1.8% in volume after discounting price changes.

For retail, with the rebound of the local stock and property markets as well as the performance of inbound tourism in April, retail sales fared better in April. The total amount of sales dropped by 5.5% year-on-year. The rate of reduction was the same as that for the first quarter but significantly lower than that of 9.2% in March.

(c) Given the uncertainty in the development of Influenza A (H1N1), it is difficult to accurately assess its impact on various trades and the overall economy at this stage. It is clear though that the threat of Influenza A (H1N1) has introduced further changeability to the already critical global economic situation. We will continue to closely monitor the development of Influenza A (H1N1) and its impact on the economy. Apart from the uncertainty associated with Influenza A (H1N1), entry of new graduates into the labour market in the coming few months will also exert pressure on the job market.

(d) The Government is very concerned about the impact of the global financial crisis and Influenza A (H1N1) on the travel and related trades. To assist enterprises in coping with the financial crisis, the Government introduced a package of relief measures in end 2008, including the Special Loan Guarantee Scheme (SpGS), which aims at helping enterprises in Hong Kong to secure loans to address the liquidity issue. On May 26, the Financial Secretary announced a series of new relief measures, including extending the application period for SpGS, raising the loan guarantee ratio from 70% to 80%, doubling the loan ceiling for each enterprise from \$6 million to \$12 million, and doubling the amount that can

be used for revolving credit facilities from \$3 million to \$6 million. The maximum guarantee period will also be extended from three to five years. We believe that these measures will further assist the trades in securing loans from lending institutions to help them tide over the difficult times.

To provide relief to the trades most affected by the financial crisis and Influenza A (H1N1), the Financial Secretary also proposed a one-year licence fee waiver for the transport, travel, catering and entertainment trades to ease their burden. The Government will prepare the necessary subsidiary legislation to implement the one-year licence fee waiver as soon as possible. Furthermore, in response to the requests of local tourist guides, we have secured the agreement of the Hong Kong Disneyland and the Ocean Park to waive the fee for tourist guides' passes for one year with effect from June 1, 2009. Both Ngong Ping 360 and the Wetland Park are offering free admission to tourist guides holding the Tourist Guide Pass issued by the Travel Industry Council (TIC).

The global outbreak of Influenza A (H1N1) has seriously dampened people's desire to travel. In view of this, the HKTB will step up promotion before the summer peak season, in particular in short-haul markets such as the Mainland. Separately, HKTB has earlier allocated \$21 million from its reserve to offer the industry fee concessions for participating in the promotion activities of HKTB in 2009. The aim is to help reduce their operating expenses and encourage them to explore new business opportunities through participation in such promotion activities.

The "Meetings and Exhibitions Hong Kong" (MEHK) Office of HKTB works closely with the Hong Kong Exhibition and Convention Industry Association in supporting the development of the local MICE (meetings, incentive travels, conventions and exhibitions) industry and drive attendance for their shows. In view of the current economic conditions, MEHK has launched an attendance booster campaign entitled "Business Right Here!" with airlines, hotels and major tourist attractions for the exhibition seasons from March to June and

September to December 2009. Under the campaign, special concessions are offered to registered buyers for about 60 trade shows held in Hong Kong. In addition, the Hong Kong Trade Development Council provides concessionary hotel accommodation and air tickets for buyers, in particular those from overseas emerging markets and Mainland China, to attract more participants to its trade fairs in 2009. The AsiaWorld-Expo also provides rent concessions for new trade fairs to be held at its venues. All these measures can help increase business opportunities for the industry.

On sustaining employment amidst the financial crisis, the Labour Department (LD) has implemented a number of measures to enhance labour market efficiency and flow of information on job vacancies to help job seekers. LD adopts a proactive approach in rendering employment assistance to employees who have lost their jobs in company retrenchments and closures. In major redundancy and closure cases, LD reaches out to the retrenched employees to offer employment support services and proactively contact employers of relevant industries to canvass suitable vacancies. Moreover, LD organises thematic job fairs targeted at industries hard-hit by the economic downturn as well as district-based job fairs at shopping centres or community halls to disseminate vacancy and employment information to job seekers.

The Employees Retraining Board (ERB) is committed to providing training courses and related placement services to assist local employees affected by the economic downturn to change jobs or secure employment. At present, ERB provides a total of 10 full-time placement-tied training courses for the tourism industry, including travel consultant, tourist guide, culture and eco tourist guide, project assistant for MICE, event and exhibition assistant and customer services assistant for cruises. Full-time placement-tied courses of ERB are offered free-of-charge. Trainees who meet the attendance requirement will be given a training allowance. Those in need may also enrol in part-time or evening cross-sector generic skills courses, including workplace languages, computing and numeracy skills, to enhance their competitiveness.

The Skills Upgrading Scheme (SUS) and TIC also provide focused skills training for members of the tourism industry to enhance their employability and competitiveness in the market and help them adapt to the changing economic environment. We will continue to encourage the industry to launch suitable courses to help their employees to continue to upgrade themselves.

(e) On the organising of study tours, the Food and Health Bureau (FHB) has actively communicated with schools and travel agencies through the Education Bureau and Tourism Commission and provided them with appropriate guidelines. According to FHB, having considered the current situation, schools do not need to suspend their summer activities and local residents can travel as usual. However, schools should keep in view the latest situation of Influenza A (H1N1) overseas when they organise overseas exchange activities or study tours. If they have to visit a destination affected by Influenza A (H1N1), they should bring sufficient protective supplies (e.g. masks and alcohol-based handrub) and take preventive measures. Participants of study tours should pay attention to government announcements at the destination, observe the health guidelines issued by the local public health authorities and avoid contact with patients. Students should purchase travel medical insurance in advance and immediately seek medical treatment if any flu symptoms appear.

(f) The Government, in collaboration with 2009 East Asian Games (Hong Kong) Ltd., are actively making preparations for the East Asian Games to be held in December 2009. These include the formulation of contingency plans for various emergencies or situations, such as measures in response to Influenza A (H1N1). Given the uncertainty in the Influenza A (H1N1) situation, the Administration will closely monitor developments and take corresponding action, so as to be fully prepared for the Games.

Ends

Mainland Visitors

	Arrivals	Vacation	Business	Visit Friends or Relatives	En-route	Others
April 08	1 305 002	48%	25%	17%	7%	3%
May 08	1 290 806	51%	19%	20%	7%	3%
June 08	1 145 551	51%	20%	18%	8%	3%
July 08	1 660 243	58%	16%	16%	7%	3%
August 08	1 699 309	56%	14%	18%	9%	3%
September 08	1 249 545	52%	19%	19%	7%	3%
October 08	1 373 910	46%	25%	19%	7%	3%
November 08	1 363 167	51%	20%	19%	6%	4%
December 08	1 620 828	57%	15%	18%	6%	4%
January 09	1 892 336	59%	16%	16%	6%	3%
February 09	1 345 291	54%	15%	20%	7%	4%
March 09	1 438 182	54%	15%	20%	7%	5%
Total	17 384 170	54%	18%	18%	7%	3%

Overseas Visitors

	Arrivals	Vacation	Business	Visit Friends or Relatives	En-route	Others
April 08	1 114 909	34%	29%	5%	31%	1%
May 08	1 051 340	42%	22%	6%	29%	2%
June 08	1 002 375	39%	23%	6%	31%	2%
July 08	1 049 132	41%	22%	6%	30%	2%
August 08	979 783	45%	18%	5%	31%	2%
September 08	945 295	38%	22%	5%	33%	2%
October 08	1 158 830	38%	23%	5%	31%	2%
November 08	1 058 290	39%	24%	6%	29%	2%
December 08	1 162 780	48%	16%	7%	26%	2%
January 09	903 763	44%	18%	8%	28%	2%
February 09	817 034	40%	20%	7%	30%	2%
March 09	1 007 107	41%	20%	7%	28%	4%
Total	12 250 638	41%	21%	6%	30%	2%