

LCQ5: Impact of surge of Mainland visitors to Hong Kong

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Following is a question by the Hon Wong Yuk-man and a reply by the Secretary for Commerce and Economic Development, Mr Gregory So, in the Legislative Council today (March 26):

Question:

The Commerce and Economic Development Bureau completed the Assessment Report on Hong Kong's Capacity to Receive Tourists (the Report) in December last year. The areas covered by the Report include the handling capacity of boundary control points, receiving capacity of tourist attractions and the public transport system, supply of hotel rooms, economic effects of the "Individual Visit Scheme" (IVS), and its impact on the livelihood of the community, etc. It is stated in the Conclusion of the Report that it is necessary to enhance the overall receiving capacity of the tourism industry of Hong Kong on various fronts. In this connection, will the Government inform this Council:

(1) whether it will set quantitative indicators of the upper or lower limits for the various aforesaid areas, so that when any relevant indicator for a certain area has been reached due to a rise in the number of visitors to Hong Kong, the Government will cease implementing policies which attract more visitors to Hong Kong; and

(2) as some scholars, after analysing the data contained in the Report, wrote articles in the newspapers pointing out that IVS merely jacked up the rents of retail shops, with no significant increase seen in the real incomes of positions such as salesman, cook and office manager, etc., how the Government will improve such a situation?

Reply:

President,

Tourism is an important pillar of Hong Kong's economy. The continuous growth in visitor arrivals has indeed brought challenges to Hong Kong. But it has also boosted economic growth and promoted employment at the same time. Taking 2013 as an example, visitor arrivals reached 54 million, generating a total spending of \$340 billion. Tourism, which accounts for 4.7 per cent of our Gross Domestic Product (GDP), has been driving the development of many other sectors, including retail, food

and beverages, and transport. These sectors altogether employ over 250 000 people, including many jobs with relatively low skill requirements.

The HKSAR Government is well aware of public concerns about whether the continuous growth in visitor arrivals would affect the livelihood of the community. In September 2012, the Chief Executive announced that the relevant Mainland authorities would liaise and work closely with the HKSAR Government to ascertain the receiving capacity of Hong Kong before considering implementing multiple-entry Individual Visit Endorsements for non-permanent residents of Shenzhen, and arranging the orderly issuance of exit endorsements for non-permanent residents (i.e. one-entry or two-entry endorsements) in six cities. The HKSAR Government also conducted a comprehensive assessment on Hong Kong's capacity to receive tourists. The areas taken into account include the handling capacity of boundary control points, capacity of tourism attractions, receiving capacity of hotels, carrying capacity of public transport network, impact on the livelihood of the community, and economic impact, etc. The Assessment Report on Hong Kong's Capacity to Receive Tourists (Assessment Report) was completed at the end of last year.

It does not recommend setting a limit on visitor arrivals. However, it acknowledges that with the continuous growth in visitor arrivals, Hong Kong should increase the capacity to receive tourists on various fronts.

We understand that over-concentration of visitors would exert pressure on the community. Hence, we will continue to enhance our capacity to receive tourists on many fronts. First of all, we endeavour to increase the supply of hotel rooms, including actively identifying ways for the gradual release of the six sites facing Victoria Harbour within the "hotel belt" adjacent to the Kai Tak Cruise Terminal to the market starting from the end of next year. Also, the hotel project at the Murray Building site has been successfully tendered. Upon commissioning, this hotel, together with the Ocean Hotel in the Ocean Park and the third hotel in the Hong Kong Disneyland, will provide a total of over 1 500 rooms. Second, on the tourist facilities, the Ocean Park Corporation will develop an all-weather indoor cum outdoor waterpark at Tai Shue Wan. It is expected to be completed in 2017. The Hong Kong Disneyland will also build a new themed area based on the "Iron Man Experience". The terminal building and the first berth of the Kai Tak Cruise Terminal came into operation last June. The second berth is planned to be commissioned this year.

Regarding the relatively long-term planning, we will actively plan for the

development of the "Kai Tak Fantasy" and Lantau into two specialised tourism clusters to attract the high value-added visitor segments. "Kai Tak Fantasy" – International Ideas Competition on Urban Planning and Design is now under way, and it is our target to turn the site into a spectacular world-class tourism, entertainment and leisure hub.

At the same time, we will strengthen promotion of tourism offerings in different districts, so as to offer more choices to visitors and to alleviate congestion at traditionally popular tourist areas. We also hope to broaden the overall economic benefits brought about by the tourism industry to all Hong Kong residents through encouraging visitors to explore, visit and spend in different districts.

The HKSAR Government will do our utmost to balance the impact of the tourism industry on Hong Kong's economy and the livelihood of our community. We also have to prepare for the future, so that Hong Kong will stand ready to provide pleasant experiences for tourists from all over the world regardless of the ups-and-downs of the economic cycle, and to ensure the healthy and sustainable development of the tourism industry as one of the pillars of Hong Kong's economy.

As pointed out in the Assessment Report, the Individual Visit Scheme (IVS) contributes positively towards the overall Hong Kong's economy. In 2012, the IVS visitors' spending directly generated \$26.1 billion in value addedness (equal to 1.3 per cent of GDP) and over 110 000 jobs (3.1 per cent of total employment). Amongst the sectors directly benefited from the IVS, the IVS contributed the most to the retail sector in terms of value addedness, followed by the hotel sector. Also, in the course of their operations, these economic sectors generated demands for services of other sectors, which further contributed to the overall economy.

In fact, members from different sectors also consider that the IVS helps drive overall economic development, as well as providing job opportunities to the grassroot workers. For example, benefiting from the IVS, the prosperous development of the hotel sector creates a continuous demand for relevant labour. Therefore, in recent years, the hotel sector has collaborated with recruitment websites from time to time to attract more talents to join the hotel sector by holding large-scale job fairs. In addition, representatives from the retail sector have pointed out that the IVS has boosted the Hong Kong's retail sector and the IVS visitors' spending has given rise to more than one-fold increase in our retail sales over the past 10 years. Meanwhile, the IVS also brings many business opportunities to the food and beverages sector. Industry representatives estimate that Mainland visitors contribute about \$5 billion to our food

and beverage sector every year.

As far as employees in related sectors are concerned, apart from creating employment, information suggests that the IVS also helps increase their real income. A recent survey found out that, among some 400 front-line employees in the retail sector, more than 70 per cent of the respondents consider that the IVS is conducive to the companies' turnover and their own income. Among these, 38 per cent of them see substantial benefits. The organisation which conducted this survey also considers that the IVS has a positive impact on Hong Kong's economy and provided opportunities to grassroots workers for employment and pay increase.

The healthy development of tourism industry plays a critical role in promoting employment. We will continue to make greater efforts to enhance our capacity to receive tourists on various fronts so as to ensure the stable and orderly development of the tourism industry, and minimise the inconvenience of the increasing visitor arrivals caused to local residents. This was a balance between the impact of the tourism industry on Hong Kong's economy and livelihood of the community.

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