

LCQ10: Measures to boost tourism and assist tourism sector

Following is a question by the Dr Hon Lam Tai-fai and a written reply by the Secretary for Commerce and Economic Development, Mr Gregory So, in the Legislative Council today (May 4):

Question:

The Central Authorities announced on April 13 last year the tightening of the policy on Shenzhen permanent residents visiting Hong Kong, under which the issuance of one-year multiple-entry Individual Visit Endorsements (multiple-entry endorsements) was stopped with immediate effect (endorsements which had been issued and yet to expire would not be affected), and was replaced by the issuance of one trip-per week (OTPW) Individual Visit Endorsements only. The Chief Executive said at that time that such measures were meant to crack down on parallel trading activities, and Hong Kong still welcomed visitors from all over the world to come for sightseeing. However, according to the statistics of the Immigration Department, during the period from April 13 last year to March 31 this year, the number of Mainland visitor arrivals was about 42.49 million, representing a year-on-year drop of 8.6 per cent. Among them, the number of visitor arrivals travelling to Hong Kong on multiple-entry endorsements not yet expired was about 6.315 million (a year-on-year drop of 57.3 per cent), while the number of those travelling to Hong Kong on OTPW endorsements was about 4.38 million. The Travel Industry Council of Hong Kong announced last month that the number of registered Mainland inbound tour groups to Hong Kong in March this year stood at 4 789 only, representing a sharp drop of 48.8 per cent when compared with the 9 350 tour groups during the same period last year; and the number for the first quarter of this year was 11 665 only, representing a drop of 59.3 per cent over the same period last year. Some members of the tourism industry have pointed out that the drastic drop in the number of Mainland visitor arrivals has not only affected the livelihood of tour escorts and tourist guides, but also impacted on the catering and retail industries, causing a number of restaurants and shops dedicated to serving tour groups having closed down one after another in recent months. In this connection, will the Government inform this Council:

(1) whether it has assessed if the tightening of the policy on Shenzhen permanent residents visiting Hong Kong is the cause for the drop in the number of Mainland visitors under the Individual Visit Scheme (IVS); if it has, of the details; if not, the reasons for that;

(2) whether it has assessed the impacts of the drop in the number of IVS visitors on industries such as tourism, hotel, retail, catering, transport, real estate, and of the latest figures on business turnover, employment rate and unemployment rate, etc. of such industries;

(3) from the perspective of the changes in the number of people engaged in parallel trading activities, of the decline in such activities since the implementation of the OTPW arrangement;

(4) of the number of operations conducted by the Customs and Excise Department to combat parallel trading activities since the implementation of the OTPW arrangement, and the number of people arrested in such operations (with a breakdown by District Council district);

(5) whether it has assessed, from an economic perspective, the impact of the OTPW arrangement on Hong Kong's overall economic development; if it has, of the details; if not, the reasons for that;

(6) whether it has assessed, from a perspective of integration between the Mainland and the Hong Kong Special Administrative Region (SAR), how the OTPW arrangement helps resolve the problem of conflicts between the two places; if it has, of the details; if not, the reasons for that;

(7) whether it has assessed if the OTPW arrangement has caused repulsion and ill feelings among the Mainlanders towards the practices of the SAR Government; if it has, of the details; if not, the reasons for that;

(8) whether the Government had, before the implementation of the OTPW arrangement, considered carefully as well as conducted detailed analysis and study to ensure that such an arrangement would not bring about adverse impacts on various aspects; if it had, of the details; if not, the reasons for that;

(9) whether it will request the Central Authorities to resume the multiple-entry endorsements arrangement; if it will, of the details; if not, the reasons for that, and the circumstances under which the SAR Government will make that request to the Central Authorities;

(10) whether it has examined the impacts of the drop in the number of visitors to Hong Kong on the attendances at and the revenue of Hong Kong Disneyland, Ocean Park Hong Kong, Ngong Ping 360, racecourses, etc., as well as on the numbers of jobs in the related organisations; if it has, of the details; if not, the reasons for that;

(11) whether it has assessed the correlation between the drop in the number of Mainland visitors and protests against parallel traders, the problem of conflicts between the two places, the riot in Mong Kok, social sentiments, "shopping tour" protests, etc.; if it has, of the details; if not, the reasons for that;

(12) of the average hotel occupancy rate last year and the anticipated average hotel occupancy rate this year; the number of hotels expected to be completed in the next five years and the number of rooms to be provided by such hotels;

(13) whether it has examined the existing tourist carrying capacity of public transport services, as well as the overall tourist carrying and receiving capacities of Hong Kong; if it has, of the details; if not, the reasons for that; of the concessionary measures to be introduced by the Government this year and next year for attracting more Mainland and overseas visitors to Hong Kong;

(14) whether it has regularly reviewed the operation and effectiveness of the OTPW arrangement with the relevant Mainland authorities; if it has, of the details; if not, the reasons for that;

(15) given that the number of IVS visitors has dropped significantly, whether the authorities will consider abolishing the restriction on powdered formula, i.e. each person aged 16 or above may carry, on his/her departure from Hong Kong within a 24-hour period, powdered formula for infants and young children under the age of 36 months of a total net weight no more than 1.8 kilograms; if they will, of the details; if not, the reasons for that; and

(16) whether the Government will, in the light of the latest situation of the tourism industry, introduce short, medium and long term policies and relief measures to assist members of the industry in tiding over the difficult times?

Reply:

President,

After consulting relevant policy bureaux, our consolidated reply to the question raised by the Dr Hon Lam is as follows:

The Government of the Hong Kong Special Administrative Region (HKSAR) attaches great importance to the long-term and healthy development of Hong Kong's tourism industry. While ensuring the stable and orderly development of the tourism industry, we also seek to minimise as far as possible the inconvenience caused by increasing visitor arrivals to local residents, with a view to striking a balance between the impact of the tourism industry on Hong Kong's economy and the livelihood of the community. In this regard, the HKSAR Government has been working on various fronts, including the completion of the Assessment Report on Hong Kong's Capacity to Receive Tourists (Assessment Report) in late 2013. In response to the public's views and following our conveyance of different opinions of the community to the Central Government, the Mainland announced on April 13 last year that the issuance of "multiple-entry" Individual Visit Endorsements for permanent residents of Shenzhen was stopped and replaced with "one trip per week" Individual Visit Endorsements with immediate effect.

The "one trip per week" measure has been implemented for more than one year. The drop in Mainland visitor arrivals, in particular the number of same-day visitors, is within expectation. Meanwhile, the local tourism industry is facing keen competition as a result of various factors, including the weakening external economy, devaluation of currencies of neighbouring travel destinations and their relaxation of visa requirements for Mainland tourists. The unfriendly incidents initiated by a small number of radicals that were directed against Mainland visitors have also affected Mainland tourists' desire to visit Hong Kong.

The decrease in visitor arrivals has impacts on Hong Kong's tourism industry and relevant sectors (e.g. retail, food and beverage services and hotel, etc.) as well as on tourist attractions. However, it is difficult to accurately estimate the impact of individual factors. It is worth noting that after several rounds of promotion, non-Mainland visitor arrivals have increased in recent months, with 5.4 per cent year-on-year growth in the first quarter of this year. The HKSAR Government will continue to facilitate the healthy and stable development of the tourism industry. We will also move towards diversified and high value-added services with a view to attracting more high-spending overnight visitors to visit Hong Kong.

In response to the opinion that the HKSAR Government should request the Central Government to resume the "multiple-entry" arrangement, as mentioned above, Hong Kong's tourism industry should not merely focus on the growth in tourist numbers, but should move towards diversified and high value-added services. Therefore, the HKSAR Government has no plan to request for the resumption of the "multiple-entry" arrangement, but will focus on attracting more high value-added overnight visitors to visit Hong Kong. We will also continue to observe the effect of the "one trip per week" measure, and maintain close liaison with the relevant departments of the Central Government regarding the overall arrangement for Mainland residents travelling to Hong Kong.

As regards occupancy and supply of hotels, the hotel room occupancy rate in 2015 was 86 per cent. The Government does not have estimates on hotel room occupancy rates. The supply of hotel is largely market-driven. Developers will decide on and adjust their hotel development plans and construction pace with reference to various factors such as their forecasts on visitor arrival growth, economic prospect, hotel business environment and profitability. A number of new hotels are coming on stream in the years ahead, including those of the two flagship theme parks and that of the Airport's North Commercial District. Also, the 2016/17 Land Sale Programme includes three hotel sites in Kai Tak. Overall speaking, it is expected that the total supply of hotel rooms in 2019 will be around 95 000. The Government will continue to closely monitor the supply and demand situation of the hotel sector, with a view to facilitating the healthy and stable development of the tourism industry.

In response to public concern about the impact of continuous growth in visitor arrivals on the livelihood of the community, the Government has comprehensively assessed Hong Kong's capacity to receive tourists and completed in end-2013 the Assessment Report. On the basis that projected visitor arrivals would be over 70 million in 2017, the assessment suggests that Hong Kong would generally be able to receive the visitor arrivals in 2017. The Government will continue to monitor closely the situation in order to take forward relevant measures to increase our capacity to receive tourists in a progressive manner.

Regarding public transport services, as advised by the Transport and Housing Bureau, the occupancy rate of and waiting time for public transport services in Hong Kong vary on different days (holidays versus working days), during different periods (peak versus non-peak hours) and in different districts (commercial versus residential areas). The capacity of our public transport network to receive passengers will thus

vary accordingly. This shows that the receiving capacity of public transport modes has certain flexibility. In the planning of public transport services, the Government will respond to and assess the overall passenger demand (including that of local residents and tourists). The Transport Department will continue to work with the operators to introduce new services or adjust existing road-based public transport services where necessary and feasible.

As for railways, when compared with 2014, the patronage of the MTR trains in 2015 was generally stable, with loading of individual lines either recorded a moderate growth or a slight decrease during morning peak hours on the busiest sections. The MTR Corporation Limited has been closely monitoring the service level of each existing line and will adjust service arrangement to meet overall passengers' needs as necessary. With the upgrading of its signalling systems and the commissioning of new railway lines in succession, the capacity of the MTR network will be further enhanced. Details are at Legislative Council paper No. CB(4)854/15-16(07) issued on April 12, 2016. In respect of new railway lines, following the full commissioning of the West Island line in March 2015, the Kwun Tong Line Extension, South Island Line (East), Hong Kong Section of Guangzhou-Shenzhen-Hong Kong Express Rail Link and Shatin to Central Link (SCL) are now under construction. These projects are expected to be completed successively between 2016 and 2021. Upon completion, this would help increase the capacity of the railway network and that of the overall public transport network, and also help re-distribute visitor flow. Take the SCL for instance, it is estimated that approximately 20 per cent of the southbound passengers of the New Territories (including those of the East Rail Line and Ma On Shan Line) will switch to the SCL for travelling to East Kowloon and Hong Kong Island upon its completion. This would help relieve the loading of the East Rail Line during peak hours.

On combatting parallel trading activities, according to the information provided by the Security Bureau, since September 2012, the law enforcement agencies have been mounting large-scale joint operations to suppress parallel trading activities and improve order at railway stations and boundary control points. They have also refined their enforcement strategies in response to the mode of operation of parallel traders. Amongst other departments, the Customs and Excise Department (C&ED) has pinpointed suspected parallel goods storage and packing establishments, and passed intelligence to the Immigration Department (ImmD) and the Police to conduct enforcement actions. The C&ED has also been exchanging intelligence and planning dedicated operations with the Shenzhen authorities. From April 1, 2015 to March 31,

2016, the two sides cracked down on 359 smuggling cases involving parallel traders, seizing goods with a total value of about \$9.8 million. During the same period, the C&ED also detected 3 824 cases of attempting to export unlicensed powdered formulae, involving the seizure of 26 000 kilograms of powdered formula and arrest of 3 826 people. Besides C&ED, other departments (e.g. ImmD, the Police, the Lands Department, the Food and Environmental Hygiene Department and the Fire Services Department) are also actively taking various measures to combat parallel trading activities. After a series of enforcement actions, parallel trading activities have subsided. The HKSAR Government will continue to take targeted measures against parallel trading activities and enhance inter-departmental co-operation and collaboration with relevant Mainland authorities.

Separately, as advised by the Food and Health Bureau, the policy objective of the Import and Export (General) (Amendment) Regulation 2013 (the Amendment Regulation) is to ensure stable and adequate supply of powdered formulae to local infants. The Amendment Regulation has to a certain extent struck a balance between the supply of, local demand and non-local demand for powdered formulae. It has catered for the needs of parents of local infants and young children for powdered formulae while safeguarding free trade and commerce. The HKSAR Government has established a regular mechanism to monitor the demand and supply of local powdered formulae. We will review and improve the supply chain of powdered formulae with the trade and the relevant stakeholders to ensure its effective operation having regard to the market circumstances.

To reduce the tourism and relevant industries' costs of operation and enhance Hong Kong's attractiveness and competitiveness, the Financial Secretary has announced in the 2016-17 Budget various short, medium and long-term measures. Short-term measures include waiving the licence fees for travel agents, hotels, guesthouses, restaurants and hawkers for one year. We will also expand the scale of major events to be held this year, such as holding the Formula E Championship for the first time, expanding the venue for the Hong Kong Wine and Dine Festival with more featured themes, extending the race of the Hong Kong Cyclothon to 50 kilometres and staging additional Pulse 3D Light Shows at the Hong Kong Cultural Centre. Moreover, we will, through the Hong Kong Tourism Board (HKTB), re-package Hong Kong's tourism image with new promotional videos and step up publicity in the Mainland for quality and honest tours. On measures to support the industry, through the HKTB, we will continue the implementation of the matching fund for promoting tourist attractions, promotion of MICE (Meetings, Incentive Travels, Conventions and Exhibitions)

tourism and "fly-cruise" tours, and waiving of local traders' participation fees for overseas promotion fairs. Through the Travel Industry Council of Hong Kong, we will subsidise small and medium-sized travel agents, on a matching basis, to make use of information technology so as to enhance the competitiveness of the industry. Furthermore, we will continue to promote Hong Kong's natural scenery as well as our unique history and culture, including enriching the contents of the Dr Sun Yat-sen Historical Trail.

In the medium and long term, we will continue to upgrade different types of tourism infrastructure, with a view to enriching Hong Kong's attractiveness as a tourist destination. Hong Kong Disneyland will open a new themed area based on Marvel's "Iron Man" franchise and the new hotel with a theme dedicated to the spirit of exploration in this and the coming year respectively. Ocean Park is also developing an all-weather waterpark and two new hotels, which are scheduled for completion from 2017-2020. From 2017 to 2019, the West Kowloon Cultural District will be in the spotlight of cultural tourism. Facilities such as the public open space, the Xiqu Centre and the M+ museum for visual culture will be successively completed in the coming few years. Further, the building at the site originally known as "Hung Shing Yi Hok" will be revitalised into the Tai Hang Fire Dragon Heritage Centre. In addition to enjoying the fire dragon dance in the Mid-Autumn Festival, visitors can also visit the Tai Hang Fire Dragon Heritage Centre to experience the special culture and history of this traditional festival. The Government is also planning the development concerning the tourism node of Kai Tak Fantasy and Lantau. We will also continue the discussion on the further development of the Hong Kong Disneyland Resort with The Walt Disney Company.

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