Assessment Report on Hong Kong's Capacity to Receive Tourists

Commerce and Economic Development Bureau
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CONTENT

Chapter 1：Foreword

1.1 Tourism is an important pillar of Hong Kong's economy. The number of visitors we received has increased steadily over the past ten years. In 2012, visitor arrivals reached 48.62 million[1], representing an increase of 16% over 2011. Among these, more than 70% (about 34.91 million) were Mainland visitors, representing an increase of 24% over 2011. As at end November 2013, visitor arrivals went up by 12% to 49.08 million as compared with the corresponding period last year, of which around 36.86 million came from the Mainland.

1.2 The Ministry of Public Security announced in August 2012 that starting from 1 September 2012, a new measure providing convenience for entry and exit would be implemented. Under the new measure, workers or tertiary students who are non-permanent Mainland residents but ordinarily reside in Beijing, Tianjin, Shanghai, Chongqing, Guangzhou and Shenzhen would be allowed to apply for various entry and exit documents (including Exit-Entry Permits for Travelling to and from Hong Kong and Macao as well as various types of exit endorsements for visiting Hong Kong) at their usual place of residence. Non-permanent residents of Shenzhen can also apply for one-year multiple-entry Individual Visit Endorsements in Shenzhen.

1.3 The announcement generated concerns in Hong Kong. Some members of the public were worried that the local facilities could not cope with the surge in visitor arrivals. In this connection, the Chief Executive (CE) announced on 7 September 2012 that the relevant Mainland authorities would liaise and work closely with the HKSAR Government to ascertain the receiving capacity of Hong Kong before:

(i) implementing the initiative of multiple-entry Individual Visit Endorsements for non-permanent residents of Shenzhen; and

(ii) arranging the orderly issuance of exit endorsements for non-permanent residents (i.e. one-entry or two-entry endorsements) in six cities.

1.4 Meanwhile, the CE announced that the relevant authorities of

1. The visitor arrivals numbers in this report are provided by the Hong Kong Tourism Board (HKTB).

the two places would, through a liaison and coordination mechanism, ensure:

(i) the healthy development of the tourism industry in Hong Kong; and

(ii) quality hospitality services will be provided and the impact on the livelihood of our community will be reduced.

1.5 To this end, the Commerce and Economic Development Bureau (CEDB) took the lead in conducting an assessment on Hong Kong's capacity to receive tourists.

1.6 There are demands for various local facilities by the visitors. This report will conduct analysis and assessment on different areas with regard to Hong Kong's capacity to receive tourists (including Mainland residents visiting Hong Kong under the Individual Visit Scheme (IVS)). Such areas include the handling capacity of control points, capacity of tourism attractions, the accommodation capacity of hotels, the carrying capacity of public transport networks, the impact on the livelihood of the community and the economic effects of the IVS, etc.

Chapter 2：Individual Visit Scheme

This chapter sets out the policy background of the IVS and the characteristics of IVS visitors in terms of growth in arrivals, means of entry, length of stay and spending pattern. This serves as the background information in the subsequent chapters for assessing various areas for receiving tourists.

2.1 Policy Background

2.1.1 Implemented since July 2003, the IVS was one among the various tourism liberalisation measures which brought about the most significant effects under the Mainland and Hong Kong Closer Economic Partnership Arrangement. The IVS has brought in a large number of Mainland visitors and was one of the main reasons contributing to the prosperous development of the tourism industry in Hong Kong over the past few years. The outbreak of Severe Acute Respiratory Syndrome in 2003 led to a sluggish economy in Hong Kong. The implementation of the IVS provided timely impetus to the local economy at that time. In that year, Mainland tourists visited Hong Kong and generated spending under the IVS, and this produced an immediate and substantial boost to our economy.

2.1.2 The IVS was applied only to four Guangdong cities (Dongguan, Zhongshan, Jiangmen and Foshan) when it was first introduced on 28 July 2003. The IVS was expanded a few times from July 2003 to January 2007 and now covers 49 Mainland cities, including all cities in Guangdong province, the main cities in the Pan-Pearl River Delta region as well as municipalities such as Beijing and Shanghai. The chronology of opening up these 49 cities from July 2003 to January 2007 is set out below:

Date of Opening	Cities Opened under the IVS
28 July 2003	**Guangdong Province**: Dongguan, Zhongshan, Jiangmen, Foshan
20 August 2003	**Guangdong Province**: Guangzhou, Shenzhen, Zhuhai, Huizhou
1 September 2003	**Municipalities directly under the Central Government**: Shanghai and Beijing
1 January 2004	**Guangdong Province**: Shantou, Chaozhou, Meizhou, Zhaoqing, Qingyuan, Yunfu

Date of Opening	Cities Opened under the IVS
1 May 2004	**Guangdong Province**: Zhangjiang, Shaoguan, Heyuan, Maoming, Yangjiang, Jieyang, Shanwei
1 July 2004	**Fujian Province:** Fuzhou, Xiamen, Quanzhou **Jiangsu Province:** Nanjing, Suzhou, Wuxi **Zhejiang Province:** Hangzhou, Ningbo, Taizhou
1 March 2005	**Municipalities directly under the Central Government**: Tianjin and Chongqing
1 November 2005	Shenyang, Dalian, Jinan and Chengdu
1 May 2006	Changsha, Nanchang, Nanning, Kunming, Guiyang, Haikou
1 January 2007	Shijiazhuang, Changchun, Hefei, Zhengzhou, Wuhan

2.1.3 In April 2009, the Central Government implemented a measure to allow eligible Shenzhen permanent residents to apply for one-year multiple-entry Individual Visit Endorsements to visit Hong Kong. This measure not only facilitates visitors who are familiar with the IVS travel patten to visit Hong Kong frequently for leisure and shopping, but also enhances the movement of people between Shenzhen and Hong Kong. The utilisation rate of this type of endorsements has been on the rise. In 2012, visitor arrivals with this type of endorsements reached 9.83 million, accounting for 42.5% of all visitor arrivals under the IVS. As at end June 2013, about 27.2 million Shenzhen visitors came to Hong Kong with such endorsements. In December 2009, the Central Government implemented another measure to allow eligible non-Guangdong permanent residents ordinarily residing in Shenzhen to apply for Individual Visit Endorsements in Shenzhen to visit Hong Kong. On 15 December 2010, the measure was extended to cover most of the non-Guangdong permanent residents working in Shenzhen, making it more convenient for Shenzhen residents to visit Hong Kong.

2.2 Statistics of IVS Visitor Arrivals

2.2.1 The IVS has led to increases in Mainland visitor arrivals. In 2002, before the launch of the IVS, there were about 6.8 million Mainland visitors coming to Hong Kong. In 2012, there were 34.91 million, among which 66% (about 23.14 million) were IVS visitors. In the first half of 2013, the Mainland visitor arrivals under the IVS further increased by 22.7% over the corresponding period in 2012.

2.2.2 As at the first half of 2013, the cumulative number of Mainland visitors under the IVS were over 100 million. The percentage of IVS visitors rose from 34.8% in 2004 to 67.1% in the first half of 2013, making the IVS the major means of entry for Mainland visitors. On the whole, the annual growth rate of Mainland visitor arrivals under the IVS from 2004 to 2012 ranged between 10.1% and 34.5%, representing an average annual increase of 23.6%. The visitor arrivals under the IVS in the past years are set out in the table below:

Year	Visitor arrivals under the IVS* ('000)	Percentage Growth	Percentage of Mainland visitors	Percentage of all visitors to Hong Kong
28 July to 31 December 2003	667	-	-	-
2004	4 260	-	34.8%	19.5%
2005	5 550	30.3%	44.3%	23.8%
2006	6 673	20.2%	49.1%	26.4%
2007	8 593	28.8%	55.5%	30.5%
2008	9 619	11.9%	57.0%	32.6%
2009	10 591	10.1%	59.0%	35.8%
2010	14 244	34.5%	62.8%	39.5%
2011	18 344	28.8%	65.3%	43.8%
2012	23 141	26.2%	66.3%	47.6%
January to June 2013#	12 625	22.7%	67.1%	49.8%
Total from 28 July 2003 to 30 June 2013	**114 309**	-	-	-

* Figures may not add up to total due to rounding.

\# Breakdowns of visitor arrival figures in this report are updated to end June 2013.

2.2.3 Regarding the ten major IVS visitor source cities, Shenzhen, Guangzhou and Dongguan ranked at the top three in the first half of 2013, accounting for 48.8% (6.16 million), 16.3% (2.06 million) and 4.7% (0.6 million) of the arrivals under the IVS respectively. Details of the ten major IVS visitor source cities are set out in the table below:

Rank	City	Percentage of IVS visitors	Visitor arrivals* ('000)	In comparison with the corresponding period in 2012
1	Shenzhen	48.8%	6 162	+22.3%
2	Guangzhou	16.3%	2 061	+24.9%
3	Dongguan	4.7%	600	+22.7%
4	Shanghai	4.2%	528	+17.4%
5	Foshan	4.1%	523	+16.0%
6	Beijing	3.0%	377	+5.6%
7	Jiangmen	1.8%	224	+56.6%
8	Zhongshan	1.4%	183	+35.7%
9	Zhuhai	1.3%	164	+66.4%
10	Huizhou	1.2%	148	+26.0%
Total		**86.9%**	**10 968**	**+22.9%**
The total visitor arrivals under the IVS from January to June 2013: 12 625 226				

* Figures may not add up to total due to rounding.

2.3 Means of Entry for IVS Visitors

2.3.1 IVS visitors generally come to Hong Kong through the land border. In the first half of 2013, the percentages of IVS visitors came to Hong Kong by land, air and sea were 88.1%, 6.2% and 5.7% respectively. This phenomenon is closely related to the source cities of IVS visitors. According to HKTB's figures, in the first half of 2013, 82.6% of IVS visitors came from Guangdong Province, followed by 4.2% from Shanghai and 3.0% from Beijing. There were 10.43 million, 530 000 and 380 000 visitors coming from these three cities respectively.

2.4 Length of Stay for IVS Visitors

2.4.1 According to HKTB's survey, IVS visitors tended to stay shorter but came to Hong Kong more frequently than general visitors. They came here mainly for sightseeing and shopping. In the first half of 2013, the number of same-day IVS visitors amounted to 8.26 million, accounting for 65.4% of overall arrivals under the IVS. It is worth noting that over 90% of visitors travelling on multiple-entry endorsements did not stay overnight. The number of these same-day visitors has increased significantly in recent years, contributing to a significant rise in the percentage of same-day IVS visitors from 47.7% in

2009 to 65.4% in June 2013. The numbers of same-day and overnight IVS visitors between 2009 and June 2013 are set out in the table below:

Year	Total ('000)	Same-day visitor arrivals ('000)	Same-day visitor arrivals Percentage	Overnight visitor arrivals ('000)	Overnight visitor arrivals Percentage
2009	10 591	5 052	47.7%	5 539	52.3%
April to December 2009*	*7 835*	*3 785*	*48.3%*	*4 050*	*51.7%*
2010	14 244	7 586	53.3%	6 658	46.7%
2011	18 344	10 448	57.0%	7 896	43.0%
2012	23 141	14 600	63.1%	8 541	36.9%
January to June 2013	12 625	8 257	65.4%	4 368	34.6%

* The multiple-entry endorsements were introduced in April 2009.

Visitors with multiple-entry endorsements						
Year	Total ('000)	Percentage of IVS visitors	Same-day visitor arrivals ('000)	Same-day visitor arrivals Percentage	Overnight visitor arrivals ('000)	Overnight visitor arrivals Percentage
2009	-	-	-	-	-	-
April to December 2009*	*1 472*	*18.8%*	*1 204*	*81.8%*	*268*	*18.2%*
2010	4 168	29.3%	3 565	85.5%	603	14.5%
2011	6 168	33.6%	5 402	87.6%	766	12.4%
2012	9 827	42.5%	8 931	90.9%	897	9.1%
January to June 2013	5 569	44.1%	5 102	91.6%	466	8.4%

* The multiple-entry endorsements were introduced in April 2009.

2.4.2 In 2012, overnight IVS visitors spent an average of 2.6 nights in Hong Kong, which was shorter compared to overnight non-IVS visitors who stayed an average of 5.1 nights.

2.5 IVS Visitors' Spending

2.5.1 In 2012, the average per capita spending by overnight IVS visitors ($8,229) was several times higher than that by same-day IVS visitors ($2,582). Meanwhile, the average per capita spending by these two groups of visitors was still higher than that by corresponding groups of visitors from other places.

2.5.2 Among these, the average per capita spending by overnight IVS visitors from places outside Guangdong Province ($13,116) was 2.6 times higher than that from Guangdong Province ($5,002). The average per capita spending by different groups of visitors in 2012 is set out in the table below:

Groups of Visitors	Overnight			Same-day
	Length of stay (night)	Average per capita spending ($)	Average per capita per day spending ($)	Average per capita spending ($)
Mainland visitors	3.7	8,565	2,339	2,489
IVS visitors	2.6	8,229	3,199	2,582
Guangdong	2.2	5,002	2,248	2,450
Non-Guangdong*	2.8	13,116	4,697	5,183
Multiple-entry endorsements*	2.1	4,799	2,325	2,057
Non-IVS visitors	5.1	9,190	1,810	2,128
Visitors from other places	3.3	6,516	1,987	665

* HKTB's estimates were based on a small sample size.

2.6 Impact of the IVS on Overall Visitor Arrivals

2.6.1 Since the implementation of the IVS in end July 2003, the percentage of Mainland visitors increased from about 50% in the beginning to over 70% in June 2013. Such growth rate has a direct impact on Hong Kong's capacity to receive tourists.

2.6.2 In the past ten years, there has been a continuous growth in the overall visitor arrivals, with a larger increase in recent years. The annual growth rate of the overall visitor arrivals between 2005[2] and 2009 was relatively moderate, averaging at about 6.3% per year. However, the annual growth rate increased to 18.1% between 2010 and 2012. The Mainland visitor arrivals alone increased on average by 24.8% per year between 2010 and 2012, representing a difference of more than 15% compared to the annual growth rate of 8% between 2005 and 2009.

2.6.3 Visitor arrivals in different categories since the implementation

2. The IVS was implemented in end July 2003. Taking 2005 as the starting point for calculating the change in overall visitor arrivals can effectively reflect the first whole-year increase following the implementation of the policy.

of the IVS are set out in the table below:

Year	Total visitor arrivals (year-on-year change)	Overnight visitor arrivals (year-on-year change)	Same-day visitors arrivals (year-on-year change)	Mainland visitors arrivals (year-on-year change)	Percentage of Mainland visitor arrivals
2003	15 540 000 (-6.2%)	9 660 000 (-9.7%)	5 870 000 (+0.2%)	8 470 000 (+24.1%)	54.5%
2004	21 810 000 (+40.4%)	13 650 000 (+41.3%)	8 160 000 (+38.9%)	12 250 000 (+44.6%)	56.1%
2005	23 360 000 (+7.1%)	14 770 000 (+8.2%)	8 590 000 (+5.3%)	12 540 000 (+2.4%)	53.7%
2006	25 250 000 (+8.1%)	15 820 000 (+7.1%)	9 430 000 (+9.8%)	13 590 000 (+8.4%)	53.8%
2007	28 170 000 (+11.6%)	17 150 000 (+8.4%)	11 020 000 (+16.8%)	15 490 000 (+13.9%)	55.0%
2008	29 510 000 (+4.7%)	17 320 000 (+1.0%)	12 190 000 (+10.6%)	16 860 000 (+8.9%)	57.1%
2009	29 590 000 (+0.3%)	16 930 000 (-2.3%)	12 660 000 (+3.9%)	17 960 000 (+6.5%)	60.7%
2010	36 030 000 (+21.8%)	20 090 000 (+18.7%)	15 950 000 (+25.9%)	22 680 000 (+26.3%)	63.0%
2011	41 920 000 (+16.4%)	22 320 000 (+11.1%)	19 610 000 (+23%)	28 100 000 (+23.9%)	67.0%
2012	48 620 000 (+16.0%)	23 770 000 (+6.5%)	24 840 000 (+26.7%)	34 910 000 (+24.2%)	71.8%
January to June 2013	25 370 000 (+13.6%)	11 940 000 (+8.7%)	13 430 000 (+18.5%)	18 820 000 (+20.7%)	74.2%

2.6.4 Benefiting from the commissioning of a few cross-boundary major infrastructure projects in the coming years, our tourism industry would continue to grow despite global economic uncertainties. Based on the existing trend and assuming a steady growth of Mainland and short-haul visitor arrivals, as well as a very mild growth from the long-haul markets, it is projected that visitor arrivals in 2017 would exceed 70 million, while that in 2023 could exceed 100 million under rather conservative assumptions. The projected visitor arrivals number in 2017 was taken as the basis for a more realistic assessment of Hong Kong's capacity to receive tourists in the medium term.

2.6.5 On the other hand, we learnt in the first half of 2013 that the Mainland would implement the Tourism Law in October 2013 to regulate its tourism market. Notwithstanding that the Tourism Law regulates tour groups and that the Mainland inbound tour group visitors only account for 10% of the total visitor arrivals, there is a need for us to

observe the impact on the means of entry, length of stay and spending pattern of Mainland tourists due to these relevant regulation and measures, so as to come up with a comprehensive assessment of Hong Kong's capacity to receive tourists.

Chapter 3：Handling Capacity of Control Points

With the continuous growth in visitor arrivals, the number of Hong Kong residents and visitors, particularly Mainland visitors, passing through various control points continue to increase correspondingly. The handling capacity of various control points is one of the important factors in deciding whether Hong Kong can receive more visitors. This chapter analyses the existing handling capacity of control points in Hong Kong and sets out plans to enhance their handling capacity, with a view to assessing the overall capacity of our control points in receiving visitors.

3.1 Current Situation of Passenger Clearance at Control Points

3.1.1 Handling Capacity of Control Points

3.1.1.1 At present, there are a total of 14 immigration control points[3]. The designed daily handling capacity of passenger clearance of the hardware facilities of various control points[4], and the actual daily highest and average passenger throughput are set out below:

Control points	Designed daily handling capacity of passenger clearance (no. of passenger trips)	January to June 2013	
		Actual daily highest passenger throughput (no. of passenger trips)	Actual daily average passenger throughput (no. of passenger trips)
Airport	123 000	152 195	108 055
Lo Wu	425 000	362 212	255 318
Hung Hom	15 000	15 037	11 848
Lok Ma Chau Spur Line	176 000	160 546	123 577
Lok Ma Chau (Huanggang)	181 000	99 416	77 546
Man Kam To	39 000	1 328	753*

3. The service at Tuen Mun Ferry Terminal has been suspended since 1 July 2012.

4. Except for the Airport, the figures of the daily handling capacity of passenger clearance of various control points are extracted from the findings of a review report prepared by the Planning Department in 2011. The figure of the daily handling capacity of passenger clearance of the Airport is provided by the Airport Authority. Figures include entry and exit of Hong Kong residents and visitors.

Control points	Designed daily handling capacity of passenger clearance (no. of passenger trips)	January to June 2013	
		Actual daily highest passenger throughput (no. of passenger trips)	Actual daily average passenger throughput (no. of passenger trips)
Sha Tau Kok	16 000	14 636	9 452
Shenzhen Bay	111 000	121 507	84 690
Macau Ferry Terminal	121 000	89 427	47 551
China Ferry Terminal	47 000	43 271	24 607
Tuen Mun Ferry Terminal (service suspended since 1 July 2012)	12 000	0	0
Kai Tak Cruise Terminal	–	**	**
Harbour Control	–	8 505	2 445
River Trade Terminal	–	21	1

* Due to the reconstruction works at the passenger clearance area of the Shenzhen side of the Man Kam To Control Point, only goods vehicles, cross-boundary students and limited cross-boundary coaches were allowed to use the Man Kam To Control Point starting from 22 February 2010. Upon completion of the works, the control point became fully operational in August 2013.

** Owing to the seasonal nature of cruise operations, the utilisation of the cruise terminal during certain periods (such as typhoon season) is lower. Hence, its utilisation rate should not be analysed in terms of its daily handling capacity of passenger clearance.

3.1.1.2 It is worth noting that the figures of designed daily handling capacity of passenger clearance of control points shown in the above table refer to the passenger clearance that the hardware facilities of the control point concerned are able to handle, based on the assumption that there is no manpower constraint. Taking into consideration the existing manpower at control points, the volume of passenger clearance that the Immigration Department (ImmD) and the Customs and Excise Department (C&ED) can actually handle is set out in the table below:

Year	Overall daily average passenger throughput	Daily average Mainland visitors throughput	Daily average vehicles throughput at land boundary control points	Manpower establishment of control points* (as at 1 April of the corresponding year)	
				ImmD	C&ED#△
2009	610 990	96 891	40 763	3 300	1 886

Year	Overall daily average passenger throughput	Daily average Mainland visitors throughput	Daily average vehicles throughput at land boundary control points	Manpower establishment of control points* (as at 1 April of the corresponding year)	
				ImmD	C&ED#△
2010	660 182 (+8.1%)	122 994 (+26.9%)	43 116 (+5.8%)	3 210 (-2.7%)^	1 860 (-1.4%)
2011	694 257 (+5.2%)	152 651 (+24.1%)	42 774 (-0.8%)	3 225 (+0.5%)	1 852 (-0.4%)
2012	731 492 (+5.4%)	189 180 (+23.9%)	42 439 (-0.8%)	3 226 (+0.0%)	1 859 (+0.4%)
January to June 2013	745 877 (+5.5%)	206 413 (+21.5%)	41 527 (-0.3%)	3 313 (+2.7%)	1 911 (+2.8%)
Average yearly increase	+6.1%	+24.1%	+1.0%	+0.1%	+0.3%

* Other than the manpower establishment, the ImmD and the C&ED, having regard to the anticipated number of passengers during peak cross-boundary traffic periods, adopt a flexible deployment of staff to provide reinforcement for carrying out clearance at control points through internal deployment among divisions.

\# Establishment of the Land Boundary Command covers manpower for carrying out customs clearance for goods and vehicles.

△ Changes in the establishment of the C&ED are mainly due to internal resource allocation and staff deployment owing to the reconstruction works at control points.

^ During the initial period of the commissioning of Lok Ma Chau Spur Line Control Point and Shenzhen Bay Control Point, the passenger flow was lower than expected. Hence, as recommended in the review report on manpower undertaken by the ImmD in 2008, nearly 100 officers were deployed from Lok Ma Chau Spur Line Control Point and Shenzhen Bay Control Point to address the imminent service need in other areas in the 2010 financial year. At present, passenger flow at Lok Ma Chau Spur Line Control Point and Shenzhen Bay Control Point have reached and exceeded the expected level. The ImmD, therefore, has actively sought to secure additional manpower.

3.1.2 Immigration Clearance Waiting Time at Control Points

3.1.2.1 The ImmD's performance pledge for immigration clearance waiting time at control points is set out below:

Travellers	Control points	Performance pledge for immigration clearance waiting time
Hong Kong residents	All control points	98% will be completed within 15 minutes
Visitors	Airport	95% will be completed within 15 minutes
	Other control points	95% will be completed within 30 minutes

3.1.2.2 Generally speaking, the ImmD is able to meet the performance pledge for immigration clearance waiting time. However, during certain periods or particular times of the day when there is bunching of

passengers, it is possible that the performance pledge for immigration clearance waiting time for visitors at individual control points may not be met.

3.2 Plans to Upgrade the Handling Capacity of Control Points

3.2.1 Introduction of Information Technology

3.2.1.1 To shorten the time for immigration clearance and enhance the handling efficiency, ImmD has launched the e-Channel service[5] for frequent Mainland visitors at a number of control points by phases since January 2012 to allow eligible and successfully enrolled Mainland visitors to go through immigration clearance at e-Channels. As at end June 2013, over 520 000 eligible frequent Mainland visitors have enrolled for e-Channel service and visitor arrivals via such service reached 16.49 million, accounting for more than 20% of the total Mainland visitor arrivals at the above control points. Currently, there are a total of 102 e-Channels at control points for use by successfully enrolled Mainland visitors.

3.2.1.2 In addition, the ImmD implemented the non-stamping immigration clearance arrangement for visitors with effect from 19 March 2013. Upon completion of arrival clearance, visitors are issued with landing slips in lieu of stamping on their travel documents. This helps save time for handling immigration clearance procedures and further enhances clearance efficiency at control points.

3.2.1.3 The ImmD is planning to launch a new immigration control system (ICONS) to support future operational needs and enhance efficiency at control points. In view that the Mainland authorities will soon introduce by phases a new electronic Exit-Entry Permit for Travelling to and from Hong Kong and Macao, and that the popularity of electronic passports worldwide is growing, the ImmD anticipates a continuous increase in the number of visitors holding electronic travel documents (e-TD). The percentage of visitors holding e-TDs among overall visitor arrivals will exceed 60% by 2016 and as much as over 90% in 2020. As such, the ImmD is planning to introduce enrolment-free automated departure clearance under ICONS for inbound

5. Mainland visitors eligible to enroll for the e-Channel service must:
   (a) be aged 18 or above;
   (b) be a holder of a valid booklet Exit-Entry Permit with valid one-year multiple-exit endorsements (including endorsements for visiting relatives, individual visit or business);
   (c) have visited Hong Kong three times or more in the past 12 months; and
   (d) have no adverse record in Hong Kong.

visitors holding e-TDs, and upgrading and increasing the number of multi-purpose e-Channels to enhance clearance efficiency. According to the current plan of the ImmD, ICONS could be launched in early 2016.

3.2.2 Constructing Additional Control Points

3.2.2.1 With the completion and commissioning of new control points starting from 2013, the handling capacity of Hong Kong's control points can be enhanced. The new control points are expected to be commissioned in the following years:

New Control Point	Expected Year of Commissioning
Kai Tak Cruise Terminal[@]	2013
Guangzhou-Shenzhen-Hong Kong Express Rail Link	2015
Hong Kong – Zhuhai – Macao Bridge	2016
Liantang/Heung Yuen Wai Control Point	2018

@ The first berth of the Kai Tak Cruise Terminal was officially commissioned on 12 June 2013 and the second one is expected to be commissioned in the second half of 2014.

3.3 Conclusion

3.3.1 Overall speaking, based on the existing hardware facilities in Hong Kong's control points, if additional manpower is adequately provided, there is indeed room to enhance the handling capacity of the control points. Besides, the ImmD and the C&ED will further increase the handling capacity and efficiency of control points through various means, such as improving the control points' facilities, making good use of information technology, and flexibly deploying manpower according to passenger flow patterns, etc. As more control points will be commissioned gradually, if adequate manpower is provided through the existing resource allocation mechanism, and visitors can be diverted effectively instead of bunching at individual control points, together with the timely implementation of various information technology plans, the handling capacity of our control points will be further enhanced to handle the visitor arrivals amounting to over 70 million as projected in paragraph 2.6.4 above.

Chapter 4：Capacity of Tourism Attractions

The itineraries for visitors to Hong Kong generally include visits to major tourist attractions and shopping. This chapter analyses the existing and anticipated growth in the capacity of the major tourist attractions, including our two theme parks (the Hong Kong Disneyland and the Ocean Park), Ngong Ping 360, the Peak Tram and Sky Terrace 428, so as to assess their capacity to receive tourists.

4.1 The Hong Kong Disneyland

4.1.1 Background

4.1.1.1 The Hong Kong Disneyland (HKD) was officially opened on 12 September 2005. The HKD is owned by the Hongkong International Theme Parks Limited (HKITP), a joint venture between the HKSAR Government and The Walt Disney Company (TWDC). Upon its opening, the HKD covers 22.4 hectares of land and has two hotels, namely the Hong Kong Disneyland Hotel (400 rooms) and the Disney's Hollywood Hotel (600 rooms). The whole HKD Resort (Phase I site) covers over 125 hectares of land.

4.1.1.2 To enhance the attractiveness of the HKD, the HKSAR Government reached an agreement with TWDC in July 2009 on the expansion of the HKD and the relevant financial arrangements. According to the expansion plan, three new themed areas would be built, including the Toy Story Land, Grizzly Gulch and Mystic Point. With their opening by phases from 2011 to 2013, the area of the HKD has increased by about 23% to 27.5 hectares. More than 30 new attractions, entertainment performances and interactive experiences have been added, bringing the total number of attractions in the HKD to over 100.

4.1.1.3 To further improve the attractions of the HKD to visitors and meet their demand for hotel rooms, the HKD will introduce night parades and build a new themed area based on the Iron Man in the next few years. At the same time, the HKD is actively preparing for the construction of a new hotel.

4.1.2 Receiving Capacity

4.1.2.1 The receiving capacity of the HKD is primarily subject to the

"Maximum Capacity of the Venue" (MCV)[6] stipulated in the Places of Public Entertainment Licence issued by the Food and Environmental Hygiene Department. One of the factors considered in calculating the maximum capacity of the HKD is the "Theoretical Hourly Ride Capacity" (THRC) provided by the HKD. The changes in the THRC and MCV in recent years are set out in the table below:

Period	Capacity	
	Theoretical Hourly Ride Capacity	**Maximum Capacity of the Venue (Different from daily attendance)**
November 2011 Before the opening of Toy Story Land	25 308	37 000
November 2011 After the opening of Toy Story Land	27 502	39 000
July 2012 After the opening of Grizzly Gulch	29 422	40 500
May 2013 After the opening of Mystic Point	30 772	42 000

Note 1: The THRC only takes into account the capacity of each ride facility. Given that (1) the demand for different ride facilities varies; (2) there are other facilities (such as shops and restaurants) that can also receive visitors; and (3) operational limitations (such as the spare capacity reserved for evacuating visitors in case of emergencies, waiting time for ride facilities and seasonal nature of operation), there is a certain difference between the MCV and the THRC.

Note 2: As the visitors' arrival time and duration of stay vary, the HKD estimates that it can receive up to about 50 000 persons in daily attendance.

4.1.2.2 As there are many other facilities (such as restaurants and shops) in the HKD that can accommodate visitors, the value of the MCV is higher than that of the THRC. These two values would be adjusted upwards when new attractions in the new themed areas come into operation. Upon the completion of the expansion plan in May 2013, the current MCV and THRC reached 42 000 and 30 772 respectively.

4.1.2.3 Attendance at the HKD has been on the rise in recent years. The average daily attendance of the HKD in Fiscal Year 2012 (i.e. from October 2011 to September 2012) was 18 388, representing an increase of 30.4% over its first year of operation (i.e. Fiscal Year 2006). The

6. "Maximum capacity of the venue" refers to the maximum number of visitors that may be admitted to the HKD at any one time and is not the maximum number of daily attendance. If the maximum limit stipulated in the Licence is reached, admission will be suspended until there is spare capacity made available by departing visitors.

average daily attendance for the peak travel periods (i.e. July and August) in Fiscal Year 2012 was 25 306, accounting for 62.5% of its MCV.

4.1.2.4 The HKD set a record high daily attendance of nearly 45 000 during the Lunar New Year in February 2013. However, given that the visitors' arrival time and duration of stay vary, the actual number of daily attendance that the HKD can handle is higher than its MCV. On the day with the highest daily attendance (44 872), the number of visitors on the premises at any one time was about 34 300, accounting for 81.7% of its maximum capacity. The attendance statistics of the HKD in recent years are set out in the table below:

Attendance	**Fiscal Year**			
	2009	**2010**	**2011**	**2012**
Annual Average Daily Attendance	12 614	14 337	16 268	18 388
Average Daily Attendance in Peak Seasons (July and August)	12 516	18 161	22 161	25 306
Total Attendance (million)	4.604	5.233	5.938	6.730

Note: According to the internal financial arrangement of the HKD, the fiscal year ends on the Saturday closest to 30 September. Taking Fiscal Year 2012 as an example, it covers the period from 2 October 2011 to 29 November 2012.

4.1.2.5 During peak travel seasons, visitors have to wait for an hour for some popular amusement rides. However, the number of complaints concerning long waiting time or over-crowding that the HKD received is insignificant. Therefore, our assessment is that the HKD has sufficient capacity to cope with the current number of visitors.

4.1.3 Future Development Plans

4.1.3.1 To receive the anticipated continued increase in the number of visitors, the HKD is studying further expansion on the Phase I Site (i.e. the remaining 15.2 hectares of land designated for the development of theme park and retail-dining-cum-entertainment facilities). According to an earlier estimate, the THRC and MCV of the HKD will increase in the coming five to eight years upon the completion of a series of expansion plans, and the estimated annual attendance will increase to 11 million (i.e. an average daily attendance of 30 137), representing an increase of 65.5% over Fiscal Year 2012. Taking the average daily attendance of 25 306 during the peak travel seasons (i.e. July and August) in Fiscal Year 2012 as the basis for calculation, the expanded HKD will

have sufficient capacity to cope with the number of visitors in Fiscal Year 2020 even if the daily attendance increases by 65.5% to 41 881 during the corresponding peak travel seasons.

4.2 The Ocean Park

4.2.1 Background

4.2.1.1 The Ocean Park occupies an area of over 87 hectares in Wong Chuk Hang. It comprises two major themed areas, namely the Waterfront and the Summit, which are connected by cable cars and Ocean Express. To enhance its appeal in the face of intensifying competition in the region, the HKSAR Government approved the Ocean Park Corporation's (OPC) $5.55 billion Master Redevelopment Plan (MRP) in 2005. Upon the completion of the project in mid-2012, the number of attractions in the Ocean Park has increased from some 30 to more than 80 currently, bringing a greater variety of experiences to visitors.

4.2.2 Receiving Capacity

4.2.2.1 The attendance figures for the Ocean Park have recorded an average annual increase of about 12.6% in the past five years. For 2012-13 (i.e. from 1 July 2012 to 30 June 2013), the total attendance of the Ocean Park exceeded 7.7 million (with an average daily attendance of around 21 160). The Ocean Park projects that its attendance will be about 8.5 million by 2020 (with an average daily attendance of around 23 300), while its maximum capacity (at any one time) will be 36 300 visitors. There was a significant increase in the THRC of various attractions inside the Park (including both amusement rides and other attractions) upon the completion of the MRP, from 28 000 in 2005 to 69 000 in 2012. Regarding complaints about over-crowding in the Park, two and four cases were recorded in 2011-12 and 2012-13 respectively. As for complaints about long waiting time for cable cars and amusement rides, 43 and 28 cases were recorded in 2011-12 and 2012-13 respectively.

4.2.2.2 The annual summer vacation (i.e. July and August) is always the peak season of the Ocean Park. Taking July and August in 2012 as an example, the Ocean Park recorded an average daily attendance of 26 400 and 33 000 respectively whereas the highest daily attendance was 46 700. As visitors entered the Park at different times in a day, the total number of visitors did not exceed the MCV of 36 300 at any one time.

4.2.3 Future Development Plan

4.2.3.1 To further enhance the overall appeal and receiving capacity of the Ocean Park, the OPC will develop the Tai Shue Wan area into a new integrated theme zone, with the main focus on an all-weather indoor cum outdoor waterpark. It is projected that the waterpark can admit about a maximum of 7 000 visitors at any one time, with a maximum daily attendance of around 10 500. The Finance Committee of the Legislative Council approved in May 2013 a Government loan of $2.29 billion to the OPC to facilitate its early commencement of the Tai Shue Wan Development Project. According to the OPC's latest workplan, the project is expected to be completed in the second half of 2017. In the meantime, the scheduled commissioning of the Mass Transit Railway (MTR) South Island Line (East) in 2015 will help alleviate the congestion problems in the roads near the Ocean Park and cut short the travelling time of visitors going to the Park by way of rail or road-based transport modes.

4.3 Ngong Ping 360

4.3.1 Background

4.3.1.1 The Ngong Ping 360 (NP360) cable car ride is the longest bi-cable ropeway in Asia, running between the terminals at Tung Chung and Ngong Ping plateau.

4.3.2 Passenger Capacity

4.3.2.1 The NP360 can provide a maximum of 108 passenger carrying cable car cabins, comprising 36 crystal cabins and 72 standard cabins. The maximum passenger capacity of a crystal cabin and a standard cabin is 10 persons and 17 persons respectively. At a maximum permitted speed of 5 km per second, the NP360 can handle a maximum of 19 500 passengers daily on average. It recorded a total annual patronage of about 1.7 million in 2010 and 2011 and about 1.36 million[7] in 2012. The patronage for the first half of 2013 was about 814 000.

4.3.2.2 The NP360 operates between 9:00 a.m. and 6:30 p.m. (9.5 hours in total) during holidays and between 10:00 a.m. and 6:00 p.m. (8 hours in total) during weekdays. The NP360 receives more visitors during holidays (including Lunar New Year, Buddha's Birthday, summer

7. The NP360 suspended its service between 26 January and 4 April 2012 for ropeway maintenance works.

vacation, Christmas and other festivals), averaging at about 6 000 to 7 000 a day. On weekdays, there are about 3 000 to 4 000 visitors on average. The daily peak period is between 11:00 a.m. and 1:00 p.m. (from Tung Chung Terminal to Ngong Ping Terminal) and between 4:00 p.m. and 6:00 p.m. (weekdays) or 6:30 p.m. (holidays) (from Ngong Ping Terminal to Tung Chung Terminal). The average waiting time for boarding passengers is 30 minutes during the peak period and 10 minutes during other periods. This report considers that the NP360 still has spare capacity to receive the projected increase in the number of visitors.

4.4 The Peak Tram

4.4.1 Background

4.4.1.1 The Peak Tram is the earliest ropeway system in Asia. The two tramcars run in opposite directions to carry passengers to and from the Peak. The maximum speed of the tram is 21.6 km per hour (6 m per second).

4.4.2 Patronage

4.4.2.1 The Peak Tram provides continuous service for locals and tourists throughout the year. Its operating hours are from 7:00 a.m. to 12:00 midnight (17 hours per day). Each tramcar carries up to 120 passengers, including 95 seated and 25 standing. Based on the system design and current operating situation, the Peak Tram can run 254 trips and carry a maximum of 30 480 passengers each day. In a year, it can carry a maximum of 11 125 200 passengers.

4.4.2.2 In 2012, the Peak Tram ran 76 706 trips and carried 5 918 334 passengers in total with an average daily patronage of about 16 215 passengers. In the first half of 2013, it ran 38 103 trips and carried 2 944 451 passengers with an average daily patronage of about 16 267 passengers.

4.4.2.3 The frequency of the Peak Tram is about 8 to 15 minutes (it takes about 5 to 10 minutes to complete a one-way trip and 3 to 5 minutes for boarding and alighting). The peak hours on weekdays are from 5:00 p.m. to 7:00 p.m. and the average waiting time of the passengers from the waiting area is 30 minutes. During the peak seasons (such as summer vacation) and festive occasions (such as Chung Yeung festival), generally more locals and tourists take the Peak Tram to the Peak for sightseeing and the average waiting time of the passengers from the

waiting area will be extended to about 1 hour. To cope with the high patronage, the Peak Tramways Company Limited will make special arrangements correspondingly. Apart from deploying more manpower, it will also increase the frequency of tram service. On days with high patronage such as Chung Yeung Festival, the Peak Tramways Company Limited will liaise with the Police in advance and take special crowd control measures.

4.5 Sky Terrace 428

4.5.1 Background

4.5.1.1 The Sky Terrace 428 (Sky Terrace) of the Peak Tower is a hot spot for a panoramic view of the Victoria Harbour. Inside the Peak Tower, there are also restaurants, characteristic retail outlets and other entertainment and leisure facilities.

4.5.2 Receiving Capacity

4.5.2.1 According to the current design of the Sky Terrace, it can accommodate a maximum of 500 persons at a time. Given that a tourist will stay for about 20 minutes on average and the Sky Terrace normally opens for 13 hours each day, it can receive a maximum daily patronage of 19 500. Taking the extended opening hours (15 hours) during holidays as a basis for calculation, the maximum daily patronage can be up to 22 500. In normal circumstances, tourists do not need to queue up for visiting the Sky Terrace.

4.5.2.2 The Sky Terrace opens from 10:00 a.m. to 11:00 p.m. from Monday to Friday. It opens earlier at 8:00 a.m. during Saturday, Sunday and public holidays. As the weather condition and tourism peak seasons may have direct impact on the number of tourists visiting the Sky Terrace, the Peak Tower Limited indicates that the daily patronage of the Sky Terrace ranges from hundreds to over 10 000. Assuming that it receives 10 000 tourists every day, the current patronage of the Sky Terrace is only around 50% of its maximum receiving capacity.

4.5.2.3 As the Sky Terrace is subject to an entry fee and not the only spot for a panoramic view of the Victoria Harbour, tourists can choose to visit the nearby viewing spots which are free of charge (such as the Lugard Road Lookout and Lions View Point Pavilion). As such, even if there will be an increase in the number of tourists in future, the Sky Terrace should have sufficient capacity to cope with the increase.

4.6 Conclusion

4.6.1 To conclude, the major tourist facilities in Hong Kong have sufficient capacity to meet the current demand and most of the visitors have positive experience. As to whether these facilities can cope with the demand arising from the anticipated increase in the number of visitors, it depends on factors such as the annual growth rate of visitors, and whether the commencement of expansion works for individual tourism facilities is on schedule, etc. According to available information, if the growth of visitor arrivals remains steady in the next few years, the major tourist facilities in Hong Kong will have sufficient capacity to receive more visitors.

Chapter 5：Receiving Capacity of Hotels

5.1 Background

5.1.1 The demand and supply of hotel rooms in Hong Kong has always been market-driven. As of end June 2013, there were 217 hotels providing a total of 68 677 rooms in Hong Kong. High Tariff A Hotels (such as Four Seasons Hotel), High Tariff B Hotels and Medium Tariff Hotels account for 26%, 39% and 28% of the incumbent total supply of hotel rooms respectively, with the remaining 8% unclassifiable. A breakdown on the hotel categorisation in the past years is given in the table below:

Year / Number of Hotel Rooms	High Tariff A Hotels	High Tariff B Hotels	Medium Tariff Hotels	All Hotels
2002	8 600	15 187	10 608	38 949
2003	9 473	15 786	11 465	38 133
2004	9 473	16 073	11 038	39 128
2005	10 808	18 616	11 475	43 866
2006	10 809	18 478	14 435	47 128
2007	10 855	18 951	15 496	51 581
2008	13 570	18 468	16 735	54 804
2009	15 116	21 638	17 342	59 627
2010	16 052	21 432	17 591	60 428
2011	17 181	24 315	17 072	62 830
2012	17 522	25 258	19 566	67 394
June 2013	17 522	26 493	19 447	68 677

5.1.2 The average occupancy rate for hotels in the past decade stood at a high level of over 80% (with the exception of 2003 and 2009 as a result of economic recession) and gradually increased to nearly 90% in recent years. A “full house” situation was found from time to time. A breakdown of the average occupancy rate for hotels in the past years is given in the table below:

Year / Hotel Occupancy Rate	High Tariff A Hotels	High Tariff B Hotels	Medium Tariff Hotels	All Hotels
2002	80	86	85	84
2003	67	72	70	70
2004	84	89	89	88
2005	84	86	87	86
2006	85	88	87	87
2007	84	88	86	86
2008	79	87	86	85
2009	72	81	80	78
2010	81	88	90	87
2011	85	91	93	89
2012	85	91	92	89
January to June 2013	84	88	90	87

5.1.3 The hotel room rates recorded double-digit increases every year in the past decade, except in 2002, 2003, 2008 and 2009. Compared to the same period in 2012, the average room rate in the first six months in 2013 decreased slightly by 1.6% to HK$1,423. Please see in detail the average hotel room rates (in Hong Kong dollars) in the past years as follows:

Year / Average Hotel Room Rate	High Tariff A Hotels	High Tariff B Hotels	Medium Tariff Hotels	All Hotels
2002	1,245 (-6.2%)	526 (-5.4%)	367 (-1.7%)	713 (-5.3%)
2003	1,171 (-6.0%)	517 (-1.8%)	334 (-9.1%)	674 (-5.5%)
2004	1,356 (+15.8%)	638 (+23.5%)	414 (+24.0%)	803 (+19.1%)
2005	1,611 (+18.8%)	732 (+14.8%)	460 (+11.3%)	934 (+16.4%)

Year / Average Hotel Room Rate	High Tariff A Hotels	High Tariff B Hotels	Medium Tariff Hotels	All Hotels
2006	1,906 (+18.3%)	831 (+13.4%)	537 (+16.5%)	1,091 (+16.8%)
2007	2,141 (+12.3%)	934 (+12.5%)	570 (+6.2%)	1,215 (+11.4%)
2008	2,106 (-1.6%)	974 (+4.3%)	586 (+2.9%)	1,222 (+0.6%)
2009	1,808 (-14.1%)	779 (-20.0%)	481 (-18.0%)	1,023 (-16.3%)
2010	1,965 (+8.7%)	946 (+21.4%)	585 (+21.7%)	1,165 (+13.9%)
2011	2,229 (+13.4%)	1,129 (+19.3%)	710 (+21.4%)	1,356 (+16.4%)
2012	2,457 (+10.2%)	1,228 (+8.8%)	781 (+10.0%)	1,489 (+9.8%)
January to June 2013	2,368 (-2.3%)	1,168 (-1.5%)	733 (+0.4%)	1,423 (-1.6%)

5.2 The HKSAR Government's Measures to Increase Hotel Room Supply

5.2.1 To cater for the demand for hotel rooms arising from the continuous visitor growth, the HKSAR Government has taken a multi-pronged strategy to boost hotel room supply in recent years. The HKSAR Government has implemented the "hotel only" scheme since 2008-09, which is applicable to the Land Sale Programme (LSP) as well as the lease modification and land exchange applications opting for "hotel only" development. Under the scheme, the reserve price for "hotel only" sites included in the LSP and the premium for lease modification and land exchange cases opting for "hotel only" development will be assessed on a "hotel only" basis instead of their maximum permissible development potential.

5.2.2 As at June 2013, the HKSAR Government has sold four sites (in Sai Kung, Queen's Road East, Hung Hom Bay reclamation area and the western part of ex-North Point Estate respectively) since the launch of the "hotel only" scheme, providing a total of about 2 030 hotel rooms. Furthermore, hotel development must be included in another site sold for mixed residential/commercial uses (Oil Street in North Point) which can

provide about 370 hotel rooms. In the 2013-14 LSP, invitation of tender for a "hotel only" site (i.e. the Murray Building) providing about 300 hotel rooms was also issued in June 2013.

5.2.3 As at end June 2013, there were a total of three cases of lease modification/land exchange opting for "hotel only" development, providing about 1 300 hotel rooms. In addition, since the introduction of revitalisation measures for industrial buildings in April 2010, the Lands Department has granted approval to 14 applications in redevelopment or wholesale conversion of industrial buildings as hotels as at end June 2013. It is expected that such applications will result in the provision of some 3 000 hotel rooms.

5.2.4 Besides, the Ocean Park plans to build two hotels in the Park, which can provide about 950 rooms in total. The HKD is also actively exploring building another new hotel with over 750 rooms in the theme park.

5.2.5 It is believed that these measures will encourage the market to develop different types of hotels.

5.3 Outlook on the Demand and Supply of Hotel Rooms

5.3.1 As at end June 2013, there were 99 hotel projects approved by the Building Authority involving around 16 000 rooms to be completed by 2017. Assuming all these hotel projects will proceed as planned, the estimated number of hotel room supply in 2017 will be around 84 000.

5.3.2 Moreover, subject to the necessary statutory/lease approvals, developers may also convert their existing sites or industrial buildings for hotel use. In addition, the HKSAR Government has adopted a multi-pronged approach to increase land supply and build up a land reserve so as to cope with various land use demand in future. All these may have a positive impact on the actual hotel room supply in the medium to long term.

5.3.3 As for the demand side, the potential hotel room demand in future will be affected by various factors, including global economic performance, major changes to the tourism policies in the tourist destinations in the Mainland and the Asia Pacific Region which are not readily predictable. On the other hand, we have a broad idea on a number of other factors that may affect the actual demand for hotel rooms. These include (i) the visitors' length of stay in Hong Kong, (ii) hotel

room rates, (iii) choices of other types of accommodation, (iv) pattern of choices on room type (i.e. single-bed room, twin-bed room and triple-bed room, etc.); and (v) improving connectivity between Hong Kong, Macao and the Mainland. That said, it is anticipated that there will still be a shortage of supply of hotel rooms in Hong Kong in 2017.

5.3.4 The continuous tight supply of hotel rooms inevitably brings pressure on the upward adjustment of hotel room rates. It will not only reduce the desire of our visitors, including business and MICE (Meetings, Incentive Travels, Conventions and Exhibitions) visitors, for travelling to Hong Kong or they may shorten their duration of stay in Hong Kong, but will also weaken the overall competitiveness and appeal of Hong Kong as an international tourist destination. The long-term healthy development of the tourism industry of Hong Kong will be hampered.

5.3.5 There is understandably a great demand for land in Hong Kong and it is necessary to increase the residential land supply in a short time. However, in face of a gap in hotel supply in the future, we consider there is a pressing need to identify enough suitable sites for hotel development with a view to supporting the sustainable development of the tourism industry of Hong Kong.

Chapter 6：Carrying Capacity of Hong Kong's Public Transport Network

6.1 Background

6.1.1 The occupancy rate of and waiting time for the public transport services in Hong Kong vary on different days (holidays versus working days), at different time intervals (peak versus non-peak hours) and in different districts (commercial versus residential areas). The capacity of Hong Kong's public transport network to receive a large number of visitors would thus accordingly vary.

6.1.2 The above shows that while the receiving capacity of public transport modes has certain flexibility, some may be more crowded or would have a longer waiting time at certain hours and areas. The crowdedness on MTR during busy hours is a case in point. The waiting time for taxis may also be longer in commercial areas during peak hours. As for cross-boundary passengers, the waiting time for buses at the Lok Ma Chau Spur Line and Shenzhen Bay Control Points would be longer during Hong Kong holidays or long holidays of the Mainland.

6.1.3 Meanwhile, the railway network is still undergoing expansion. Upon the completion of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL) in 2015 and the commissioning of the Shatin to Central Link (SCL) in 2018[8], the capacity of the public transport network in overall terms and particularly for cross-boundary travel would increase. The commissioning of other new railway lines[9] between 2014 and 2015 will also help re-distribute the visitor flow.

6.1.4 If the growth in the number of visitors is gradual and steady, it would be easier for various public transport modes to meet passenger demand through frequency adjustment and manpower re-deployment.

6.1.5 Whilst advance ticketing arrangement is available for the long-haul cross-boundary coach service and the MTR Corporation Limited (MTRCL)'s Intercity Through Train service, it is generally not

8. The Tai Wai to Hung Hom section and the Hung Hom to Admiralty section are expected to commission in 2018 and 2020 respectively.

9. They include the West Island Line, the South Island Line (East) and the Kwun Tong Line Extension.

available for local public transport services. Flexible adjustment of service frequency and manpower may not be able to completely alleviate the capacity issue arising from an upsurge of visitor arrivals within a short period of time. If the number of visitor arrivals continues to increase rapidly, the public transport services may become more crowded and the waiting time may be longer during peak hours or holidays. An analysis on the various public transport modes is set out in the ensuring paragraphs.

6.2 Cross-boundary Traffic

6.2.1 At present, the average daily patronage of cross-boundary coaches (excluding Lok Ma Chau-Huanggang Cross-boundary Shuttle Bus) is about 60 500. During periods of great demand (e.g. festivals), the patronage will rise to about 75 800. The occupancy rate ranges from about 49% to 73%. According to past experiences, the daily passenger carrying capacity of cross-boundary coaches could be raised to about 90 000 if necessary. This represents an increase of some 20% over that of normal peak periods.

6.2.2 The average daily patronage of Lok Ma Chau-Huanggang Cross-boundary Shuttle Bus is about 26 800. During periods of great demand, the average daily patronage will rise to about 34 700. The occupancy rate ranges from about 39% to 64%. According to past records, the highest daily patronage of this service could reach some 50 000.

6.2.3 Both Hong Kong and Guangdong authorities will allocate additional ad-hoc coach trip quotas a few weeks before major festivals (e.g. Spring Festival, Ching Ming Festival and National Day holiday, etc) to meet the projected increase in passenger demand. As tickets for long-haul cross-boundary coach services are generally sold in advance, the operators can adjust the service frequency in accordance with the ticketing situation. For Lok Ma Chau short-haul cross-boundary coach and shuttle bus services, the operators are able to make immediate arrangements to cope with the patronage during peak hours by arranging additional trips as far as possible.

6.3 Traffic at Boundary Control Points (BCPs)

6.3.1 Regarding the feeder public transport services between BCPs and the urban areas of Hong Kong, the franchised bus companies have, in view of the increase in passenger demand, enhanced their services for the

Lok Ma Chau Spur Line and Shenzhen Bay Control Points in recent years. At present, the average daily passenger carrying capacity of the franchised bus routes for the two BCPs is 90 000. The occupancy rate ranges from 52% to 99% during peak hours. It is below 30% at other periods.

6.3.2 Given the constraints in terms of size, facilities and environment of the public transport interchanges at the two BCPs, there is limited room for further enhancing the franchised bus services for them. Visitors may therefore have to wait longer for buses during Hong Kong holidays or long holidays of the Mainland. At present, the average waiting time is about 3 to 10 minutes during the peak visitor arrival hours in holidays. If the number of IVS visitors increases in the future, the HKSAR Government and bus operators will encourage visitors to use other BCPs or transport modes as the circumstances may warrant. Depending on the increase in passengers, operators will also temporarily re-deploy buses from other routes to provide limited additional trips as soon as possible.

6.4 Public Transport of Hong Kong

6.4.1 Railway

6.4.1.1 According to the market research conducted by the MTRCL in 2012, among various public transport modes used by the inbound tourists (including IVS visitors), railway accounted for 55% of the share.

6.4.1.2 On the whole, the existing railway network still has room to handle more passengers. The overall loading during non-peak hours is below 40%. Although the loading of certain railway lines is relatively high during peak hours, the demand could be met in general. To alleviate crowdedness and shorten the waiting time during peak hours, the MTRCL has gradually strengthened the train service for different railway lines[10]. For the whole year in 2012, over 1 200 train trips was added per week, i.e. increasing carrying capacity by 3 million passenger trips. In 2013, the MTRCL strengthened the train service of the Island Line and the West Rail Line during the busiest hours in the morning. Special runs of trains have been provided at the busy interchange stations to relieve the crowdedness at the bottle-neck position. The MTRCL also strengthened the train service of the West Rail Line during non-peak hours from afternoon to evening from Monday to Saturday. In addition, the

10. They include the Tsuen Wan Line, the Island Line, the Kwun Tong Line, the Tseung Kwan O Line, the Tung Chung Line and the West Rail Line.

MTRCL has arranged a total of 49 additional train trips for the Kwun Tong Line, the Tsuen Wan Line and the Island Line on Friday evenings. For the East Rail Line, the MTRCL has also strengthened the train service between Hung Hom Station and Lo Wu Station as well as Lok Ma Chau Station on Saturday afternoons. After the commissioning of the SCL, the MTRCL will replace the signalling system and trains of the East Rail Line, and its carrying capacity will be further increased[11].

6.4.1.3 When the SCL is fully commissioned in 2020, it is estimated that approximately 23% (about 74 000 passengers daily) of the southbound passengers of the New Territories (including the East Rail Line and the Ma On Shan Line) will switch to use the SCL travelling to East Kowloon and Hong Kong Island. It helps relieve the loading of the East Rail Line during peak hours. As for the patronage projection, the Highways Department estimates that 1 100 000 daily commuters will use the SCL in 2021. In addition, after the XRL is completed in 2015, it is estimated that the daily patronage will be 99 000 in 2016.

6.4.2 Hiring of Tourist Coaches

6.4.2.1 As at end June 2013, there are around 3 000 non-franchised public buses (NFB) with tour service endorsements, representing about 40% of all NFBs in the market[12]. Over the past two years, the number of NFBs with tour service endorsements has increased by 5%. Under the current system, operators may, in response to market demand, apply for increasing or adjusting the number of vehicles or service endorsements. If they intend to provide tour service, they should submit a valid agreement and relevant supporting documents to the Transport Department (TD) for the application. There is no upper limit for the total number of endorsements to be issued.

11. When the harbour crossing section of the SCL is completed by 2020, the signalling system will be upgraded to enable an increase of train frequency from 3 minutes to 2 minutes for the East Rail Line during peak hours. Although 12-car trains are changed to 9-car trains, with an increase in train frequency, there is still room to increase the overall carrying capacity.

12. NFBs may, in accordance with the endorsements issued by the TD, provide tour service, hotel service, student service, employees' service, international passenger service, residents' service and contract hire service. Operators may, in response to market demand and development, submit an application to the TD for adjusting the number of vehicles in and types of service provided by their fleets. The applications have to be supported by valid service agreements. Each NFB can be issued with more than one endorsement so that they may respond to market demand instantly and provide various types of passenger services flexibly. At present, the total number of NFBs is around 7 000.

6.4.3 Public Transport to the Peak

6.4.3.1 Apart from the peak tramway, visitors can also go to the Peak by taking green minibus route No.1 (the Peak – Central (Hong Kong Station)), New World First Bus Services Limited (NWFB) route No.15 (Central Pier No. 5/Exchange Square – the Peak) and NWFB route No.15B (Tin Hau Station – the Peak).

6.4.3.2 The designed average daily passenger carrying capacity for the above minibus and franchised bus routes is about 4 200, 20 000 and 4 600 respectively[13]. According to TD's survey conducted in the first half of 2013, the occupancy rate of the above routes during the peak hours ranges from 70% to 90%. The present arrangement should be able to meet the transport demand of the visitors.

6.4.4 Other Public Transport Modes

6.4.4.1 The average occupancy rate of franchised buses during peak hours in the morning and afternoon is 70%. During non-peak hours, there would be more room to meet the transport demand of visitors. As for taxis, survey results reveal that the waiting time at the busiest taxi stands[14] may be up to about 15 to 20 minutes but is usually just a few minutes at other taxi stands. As other modes of public transport (such as trams, ferries and minibuses) are less commonly used by visitors, the TD considers that the increase in visitor arrivals should not exert too much pressure on them.

13. NWFB route No.15B provides service from 12:00 p.m. to 7:40 p.m. during Sunday and public holidays only.

14. For example, taxi stands outside the MTR Admiralty, Kowloon Tong and Hung Hom Stations.

Chapter 7：Impact on the Livelihood of the Community

7.1 Law and Order

7.1.1 Background

7.1.1.1 Since the implementation of the IVS in July 2003, the continuous increase in Mainland visitor arrivals has boosted the growth of our overall visitor arrivals. The increasing number of visitors inevitably adds to the workload of the Police in areas like maintaining the public order and crime prevention. There is a need to strengthen the deployment of front-line Police officers for crime prevention and anti-crime operations in various districts, thereby creating pressure on the Police's resources.

7.1.2 Police's Work Targeting at Mainland Visitors

7.1.2.1 Given Mainland visitors account for over 70% of our visitor arrivals, the Police has to deploy plenty of manpower within its existing resources to handle cases concerning Mainland visitors and requests for assistance from them, such as those involving loss of property, pickpocketing, unlicensed massage establishment, vice activities, illegal employment and other offences, etc. According to the Police's statistics, figures of Mainland visitors committing criminal offences are set out below:

Year	Number of Mainland visitors committing criminal offences out of every 100 000 arrivals from the Mainland*		
	IVS visitors	Other Mainland visitors	Overall
2009	4.4	11.3	7.1
2010	3.5	8.7	5.4
2011	3.0	6.9	4.3
2012	3.0	5.7	3.9
January to June 2013	2.5	5.2	3.4

* Criminal offences involved are mainly miscellaneous theft, shoplifting, forgery of documents and use of counterfeit, etc.

7.1.2.2 While the number of crimes involving Mainland visitors has kept at a relatively low level, the overall number of cases handled by the Police has increased due to the upsurge in the number of Mainland visitors, resulting in additional workload to the Police.

7.1.2.3 In addition, the Police has to deploy plenty of manpower within its existing resources at tourist areas (including Central, Wan Chai, Yau Ma Tei, Tsim Sha Tsui and Mong Kok, etc) for crowd and traffic control. At the same time, the Police is required to allocate manpower and resources to immigration control points, cross-boundary ferry terminals and the airport for maintenance of law and order. During special festive seasons and peak tourist periods (including Lunar New Year and National Day Golden Week, etc), the Police will set up an inter-departmental command and control centre in collaboration with other Government departments at the immigration control point in Lo Wu to cope with a large number of cross-boundary passengers.

7.1.2.4 Regarding crime prevention, the Police has adopted strategies such as cross-boundary cooperation, intelligence-led operations and publicity and education activities to combat illegal activities related to Mainland visitors. For example, the Police liaises with law enforcement authorities in the Mainland with regard to mutual assistance in criminal matters through the existing cooperation mechanism. This includes exchange of intelligence and continued intelligence-led operations to combat various criminal offences involving visitors and illegal immigrants from the Mainland. Regarding publicity and education activities, the Police will distribute leaflets at control points to Mainland visitors and remind them to take good care of their belongings, with a view to strengthening the anti-pickpocketing publicity.

7.1.3 Future Manpower Needs of the Police

7.1.3.1 In response to the continuous upsurge in the number of Mainland visitors, which also contributes to the sustained growth in overall visitor arrivals, the Police will have to increase manpower so as to cope with the impact on the demand for our policing needs arising from increasing visitor arrivals.

7.2 Parallel Trading

7.2.1 Since September 2012, the HKSAR Government has implemented a series of measures to combat parallel trade activities and improve the order at the train stations and control points, as well as to protect the daily lives of our community. However, given that combating parallel trade activities and Hong Kong's capacity to receive tourists are two separate issues and should not be discussed together, this report has not included parallel trading in our assessment or discussion.

Chapter 8：Economic Impact

8.1 Background

8.1.1 The sustained growth in the number of IVS visitors has boosted the development of various sectors (including tourism, retail and food and beverage sectors) and contributed to the overall Hong Kong economy.

8.1.2 Paragraph 2.5 above has analysed the spending of IVS visitors. This chapter assesses the economic impact of the IVS on the relevant sectors.

8.2 Economic Impact on the Relevant Sectors[15]

8.2.1 In 2012, IVS visitors had 76% of their spending on shopping, 8% on hotel and accommodation bills, 7% on meals outside hotels and 4% on cross-boundary passenger transport. Their huge spending has directly generated $26.1 billion in value added (equal to 1.3% of Gross Domestic Product (GDP)), and over 110 000 jobs (3.1% 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 industry. Also, in their course of their operations, these economic sectors generated demand for services of other sectors, which further contributed to the overall economy. The following table shows the direct impact of the IVS on relevant sectors in 2012:

	Retail	Hotel and Accommodation Bills	Meals Outside Hotels	Others	Cross-boundary Passenger Transport Services	Total	Share of Hong Kong's Economy
IVS Visitors' Spending ($ billion)	85.2	8.8	7.6	6.3	4.2	112.1	-
Share of IVS Visitors' Spending	76%	8%	7%	6%	4%	100%	-

15. The economic impact assessment in this chapter covers the value addedness and jobs generated by the spending of all visitors under the IVS. On the other hand, the economic impact assessment conducted for the IVS under CEPA in 2005, 2007 and 2010 only covered the value addedness and jobs generated by the spending of incremental visitors induced by the IVS (i.e. they only included visitors who came to Hong Kong because of the IVS but excluded those who would have come to Hong Kong even without the IVS.)

	Retail	Hotel and Accommodation Bills	Meals Outside Hotels	Others	Cross-boundary Passenger Transport Services	Total	Share of Hong Kong's Economy
Value Added ($ billion)	13.6	5.6	2.8	3.2	0.9	26.1	1.3%
Jobs (man-year)	74 420	12 110	17 170	9 330	1 250	114 280	3.1%

8.3 Conclusion

8.3.1 The above analysis shows that the IVS directly generated value addedness equal to 1.3% of GDP and over 110 000 jobs in Hong Kong during 2012. Coupled with the services demand generated for other sectors, the IVS has made notable economic contribution to Hong Kong. In particular, the IVS benefited the retail sector the most, followed by the hotel industry.

Chapter 9：Conclusion

9.1 Economic Prospects of Hong Kong

9.1.1 According to the analysis done by the Economic Analysis and Business Facilitation Unit in December 2013, Hong Kong's economy in the short term is still vulnerable to uncertainties in the global economy. While the recent improvement in the US economy helped underpin global economic sentiment, it has also triggered the Federal Reserve to initiate asset purchase tapering, the uncertainty of which will affect economies worldwide. Meanwhile, the eurozone economy, despite turning more stable, is likely to be held back by the region's high unemployment rate, impaired credit market, and fiscal and structural reforms. The growth slowdown in some major emerging markets is also another concern. Nonetheless, the Mainland economy has stayed resilient, which should render some support to the economic activities in Asia going forward. Against this backdrop, Hong Kong's trade performance may still see some fluctuations in the near term.

9.1.2 On the domestic front, the generally favourable labour market and income conditions as well as the further expansion of the inbound tourism are conducive to the local consumption market. Moreover, the positive local business sentiment coupled with ongoing infrastructure works are also expected to render some support to Hong Kong's economy.

9.1.3 All in all, uncertainties in the global growth prospects still linger and the external environment remains challenging. While Hong Kong's domestic demand should be able to hold steady, Hong Kong's economy as a whole, being small and open, will inevitably be affected. Taking 2008 and 2009 as an example, the tourism performance of Hong Kong in these two years was badly hit due to global financial tsunami and the outbreak of human swine influenza, leading to nearly zero growth in the visitor arrivals.

9.1.4 Tourism is an important pillar of Hong Kong's economy, accounting for 4.5% of the GDP in Hong Kong. It provides impetus to the growth of various sectors and offers 230 000 direct employment opportunities. Among these, about 40% (91 300 persons) work in the retail sector, about 20% (42 800 persons) work in the food and beverages services sector and about 15% (39 000 persons) work in the

accommodation services sector. These sectors need a relatively high number of low-skilled workers, creating employment opportunities for many grassroots workers. Therefore, should the tourism sector lose its momentum significantly, Hong Kong's economy and the labour market may face more downward pressure.

9.2 The Overall Capacity of Hong Kong to Receive Tourists

9.2.1 On the basis that projected visitor arrivals would be over 70 million in 2017 (see paragraph 2.6.4 above), the assessment suggests that Hong Kong would generally be able to receive the visitor arrivals in 2017. Hotel rooms, however, would continue to be in tight supply. The HKSAR Government will continue to increase the supply of hotel rooms through a multi-pronged approach.

9.3 Way Forward and Specific Recommendations

The HKSAR Government will adopt a three-pronged approach, including continuous enhancement of our capacity to receive tourists; attracting high value-added visitor segments to visit Hong Kong; and diverting visitors from popular tourist districts, with a view to facilitating the long-term and stable development of our tourism industry.

9.3.1 Continuous Enhancement of Our Capacity to Receive Tourists

9.3.1.1 To ensure the healthy and sustainable development of our tourism industry in the medium to long run, we will enhance the overall receiving capacity of our tourism industry on various fronts.

9.3.1.2 Regarding the handling capacity of control points, the ImmD and the C&ED will seek additional manpower under the existing resource allocation mechanism to enhance the handling capacity, and increase the efficiency of the control points through various means, such as improving the boundary control points' facilities, making use of information technology, etc.

9.3.1.3 As regards tourist attractions, the two theme parks (the HKD and the Ocean Park) should undertake expansion projects to further enhance their receiving capacity. In this connection, the HKD planned to introduce a new night parade and put in place a themed area featuring the Iron Man in the coming few years. The Ocean Park is also planning to develop the Tai Shue Wan area into a new integrated theme zone with the main focus on an all-weather indoor cum outdoor waterpark. The

HKSAR Government will develop new attractions and tourism clusters, with a view to attracting high value-added tourist segments to visit Hong Kong (see paragraph 9.3.2 below for the relevant recommendations).

9.3.1.4 Regarding the supply of hotel rooms, the HKSAR Government will continue to increase the supply of hotel rooms through various means, including introducing "hotel only" sites in the LSP and revitalising industrial and historic buildings for hotel use, to facilitate the development of more hotels. In addition, new hotels will be built in our two theme parks.

9.3.1.5 Regarding the carrying capacity of our public transport network, the MTRCL and franchised buses will, whenever practicable, continue to increase service frequency during peak hours as necessary. Meanwhile, we will continue to expand the railway network, so as to increase the passenger capacity of the overall public transport network and help re-distribute visitor flow.

9.3.2 Attracting High Value-added Visitor Segments to Visit Hong Kong

9.3.2.1 As a small and external oriented economy, Hong Kong does not have an option of closing our doors to any particular groups of visitors or setting a limit on the overall visitor arrivals. However, as Hong Kong is small and densely populated, we cannot afford to put all our precious land resources into developing tourism facilities. We will make good use of our resources to attract high value-added visitor segments to visit Hong Kong. "Mid-careers" and "Achievers" [16] amongst the overnight vacation visitors as well as overnight business and MICE visitors have the highest spending power and should be considered as our preferred visitor segments. To attract these preferred visitor segments to visit Hong Kong, we will develop the Kai Tak Fantasy and Lantau into two specialised tourism clusters with new attractions and facilities, such as hotels, restaurants and shopping malls.

9.3.2.2 The Kai Tak Fantasy covers 90 hectares of land and water body. It comprises the former runway tip of Kai Tak Development, Kwun Tong Ferry Pier Action Area and the water body between them. This project has the potential to be developed into a tourism-cum-recreation hub that provides about 300 000 square metres of

16. "Mid-Careers" refer to the married male or female aged below 45 but travelling without kids and "Achievers" refer to male or female aged between 46-60.

floor space for the development of tourism facilities, hotels, restaurants, waterfront dining facilities, and art/music/film studio uses. It is expected that the project can spur the growth of creative industries in the area and, together with the East Kowloon initiatives, achieve synergy effect that will facilitate the transformation of East Kowloon and boost the economic development of Hong Kong in the long run.

9.3.2.3 Given its prime geographical location and close proximity to the future cluster of commercial, entertainment and tourism facilities at East Kowloon (such as the Kai Tak Cruise Terminal as well as the Kwun Tong and Kowloon Bay business districts), we believe that the Kai Tak Fantasy has huge potential to be developed into one of the best world-class attractions.

9.3.2.4 Lantau is the largest outlying island in Hong Kong, with more than half of its land designated as country parks. On the other hand, there are a number of major economic and tourism infrastructures at North Lantau, such as the AsiaWorld-Expo (AWE), the HKD, the Hong Kong International Airport (HKIA), coupled with the Hong Kong-Zhuhai-Macao Bridge (HZMB) which will be officially commissioned in 2016. The development potential in Lantau, particularly North Lantau, is tremendous.

9.3.2.5 Any proposed land use on Lantau will be subject to detailed planning and extensive technical feasibility studies, and must be pursued in line with the prevailing statutory requirements. Given South Lantau's beautiful natural scenery, new tourism attractions offering premium leisure experiences (such as resort-type hotels and high-end spa centres), which are currently lacking in our tourism portfolio, can be considered.

9.3.2.6 As for North Lantau, given its strategic location and close proximity to the HZMB, the HKIA and other important economic and tourism infrastructures, the provision of large-scale retail facilities offering enhanced shopping experiences, and medium-to-high end hotel facilities that can facilitate business visitors attending exhibition and conventions in the AWE, can be considered.

9.3.3 <u>Diverting Visitors from Popular Tourist Areas</u>

9.3.3.1 Hong Kong offers a wide spectrum of tourism offerings and diverse attractions in different districts. At present, visitors often flock to traditional popular tourist areas (such as Mongkok, Tsimshatsui and Causeway Bay, etc). This not only leads to congestion during the peak

travel season, but also causes inconvenience to some local people. Therefore, we would seek to divert visitors to tourist attractions in different areas through promotion and publicity.

9.3.3.2 To encourage visitors to visit the diverse tourist attractions in different districts and experience the city's tourism offerings, the HKTB has all along been promoting them through various channels, such as digital media, publications, visitor centres and hotlines, etc. To encourage visitors to gain some first-hand experience in different districts, the HKTB also works closely with the travel trade in the source markets to package and promote events held in different districts of Hong Kong that coincide with their travel seasons, including the mega events organised by the HKTB. For instance, the Hong Kong Cultural Celebrations in April feature major festivities held in different districts for the sea goddess Tin Hau, the birthday celebrations of the Buddha and the fishermen protector Tam Kung, as well as the Cheung Chau Bun Festival. The Hong Kong Wine and Dine Month of November showcases the gourmet activities at the major dining districts. To further integrate the tourism resources of each district for promotion, the HKTB plans to introduce a dedicated webpage to promote various tourism offerings in the 18 districts in stages starting from this year. The webpage will feature unique attractions and buildings, local living culture and delicacies, themed shopping streets and specialty markets, etc. of various districts.

9.3.3.3 In late 2012, the HKTB launched the New Tour Product Development Scheme to encourage the travel trade to develop new and exciting themed tours to enrich visitors' experience and attract them to visit and spend at different districts. So far, the scheme has subsidised 12 new tourism products, including the "Sham Shui Po Foodie Tour" and the "Six Senses Heritage Experience" which features a cycling tour in Yuen Long and a "big bowl feast" in the walled village.

9.3.3.4 The HKTB will continue to actively pursue the aforementioned promotion initiatives to encourage visitors to visit different districts, alleviating the pressure on the traditional popular tourism areas.

9.3.3.5 In addition, we note there is a suggestion that the HKSAR Government could explore the feasibility of developing a business and shopping centre in Lok Ma Chau. According to information provided by the Development Bureau, the Planning Department and the Civil Engineering and Development Department will jointly conduct a feasibility study in the first quarter of 2014 on the development potential

of and necessary supporting infrastructure for the Northern New Territories. The study will cover the Lok Ma Chau area and explore its commercial development potential. The relevant departments could study the feasibility of the suggestion. On the other hand, as most of the sites concerned in the suggestion are privately owned, it will take quite a long process if the HKSAR Government were to be involved in resuming the land for such development. Considerable time will also be spent on soliciting support from the general public. We believe that it will be more efficient for the market forces to drive the development of that area according to its commercial potential.

9.3.4 Way Forward for the IVS

9.3.4.1 Policy level

9.3.4.1.1 In the past year, the HKSAR Government is highly concerned about the impact of the continuous growth in visitor arrivals on the livelihood of the community. Apart from providing additional tourism facilities, including expanding control points and enhancing the receiving capacity of hotels and tourist attractions, the HKSAR Government has also endeavoured to resolve specific problems such as parallel trade and powdered formula.

9.3.4.1.2 However, given that Hong Kong is small and densely populated, and that the urban environment is crowded and the price level has risen due to rising rental, the HKSAR Government understands that the continuous growth in visitor arrivals has indeed exceeded the public's psychological acceptability, and brought about actual impact on the livelihood of the community in some areas. In view of this, the CE has conveyed public concerns about the continuous growth in visitor arrivals to the Central Government on a number of occasions and maintained close liaison with them on the situation in Hong Kong during different periods.

9.3.4.1.3 To maintain the stable and orderly development of our tourism industry, the Central Government and the HKSAR Government agreed not to increase the number of IVS cities and expand the scope of the multiple-entry permit at the current stage. In fact, the number of cities under the IVS has remained at 49 since January 2007. Mainland residents from regions outside the 49 cities who wish to visit Hong Kong have to apply for endorsements for group visit to Hong Kong, and join group tours at their respective places of residence or in Shenzhen.

9.3.4.1.4 The HKSAR Government will continue to maintain close liaison with the Mainland and exchange views with them on a regular basis regarding the implementation and way forward for the IVS.

9.3.4.2 Tourism promotion

9.3.4.2.1 As recommended above (see paragraph 9.3.2.1), Hong Kong should make good use of our resources to attract high value-added visitor segments to visit Hong Kong. To extend this promotional strategy to the IVS visitors, the HKTB could further increase promotional resources in non-Southern China regions, with a view to strengthening promotion efforts in these regions and attracting high-valued overnight visitor segments from these regions to visit Hong Kong[17].

17. In 2013-14, the HKTB has spent $176.59 million for promotion in visitor source markets. Among these, 70% were allocated to the international markets. The remaining 30% were allocated to the Mainland market, 84% of which to the non-Southern China regions.