

3rd China Tourism Forum on
15 December 2006
Keynote speech by Commissioner for Tourism

Dr. Rifai, Prof. Chon, distinguished guests, ladies and gentlemen:

It is a challenge to speak after Dr. Rifai's very insightful presentation. I am glad to join the opening of the Third China Tourism Forum; and I have to congratulate the Hong Kong Polytechnic University and the World Tourism Organisation on co-organising this meaningful event. The Forum brings us together to share thoughts on topical issues pertinent to the expanding Mainland tourism market. Prof. Chon asked me to talk about cooperation with the Pearl River Delta. I feel much obliged to do so. In fact, I should take even a wider scope to talk about cooperation in tourism development between Hong Kong and the Mainland.

Overview: Global, Mainland and Hong Kong tourism profile

2. The international tourism market as a whole has been developing with continued growth of the global economy, despite various challenges in the past few years. According to the World Tourism Organisation, the number of visitor arrivals worldwide increased from 687 million in 2000 to 764 million in 2004, registering an annualized growth rate of 2.7%. Even other potential negative factors still loom large, such as fluctuation in oil prices, potential avian flu pandemic and threats of terrorist activities, the number of international visitor arrivals in 2005 (totaling 806 million) still achieved a growth rate of 5.5% as compared to 2004.

3. China's tourism market showed robust growth in the same timeframe. With its vigorous development of tourism in recent years, China's visitor arrivals ranked fourth in the world in 2005 when 46.8 million overnight visitors were received. China was the only Asian country ranked among the top ten.

4. Looking at Hong Kong, our tourism market has experienced respectively a period of difficult times, quick recovery and steady growth since the outbreak of SARS in 2003. We have been fortunate enough to secure the unfailing support of the tourism industry. Our tourism industry continued to perform well in 2005. The total visitor arrivals broke another new record of 23 million, up 7% when compared with 2004. The major long

and short haul markets, including the Americas, Europe, Australasia as well as South and Southeast Asian markets, picked up strongly with double-digit growth. The total expenditure associated with inbound tourism in 2005 reached over HK\$100 billion. Hong Kong is the top ranking city in terms of tourists received.

5. One of the factors that underlined this strong and steady growth is the introduction of the Individual Visit Scheme in July 2003 under the Mainland and Hong Kong Closer Economic Partnership Agreement (which we called “CEPA” in short). Of the 44 eligible cities under the Scheme, 21 are in the Pearl River Delta. The growth trend is continuing in 2006. Up to October this year, the number of Mainland visitors reached over 11 million, representing an increase of 10% over the same period last year, and accounting for about half of our total visitor arrivals. Of these Mainland visitors, about half came under the Individual Visit Scheme. Visitors from the Pearl River Delta region comprise more than 80% of Mainland arrivals.

Challenges and opportunities

6. The global economic growth has fueled the demand for business and leisure travels both regionally and internationally. Many tourist destinations have therefore endeavoured to developing tourism infrastructure aggressively and launching extensive promotions and publicity. Hong Kong is facing keen international competition with neighbouring tourist destinations, and we believe that this trend will continue in future.

7. In parallel with this regional competition, we also face numerous challenges posed by the rapid development of the tourism market in the Mainland. We have to compete with various Mainland destinations for Mainland visitors because domestic travels are preferred by many first-time travelers in the Mainland. In 2005, domestic travel in the Mainland recorded a growth rate of nearly 10%, generating about 529 billion RMB receipt. At the same time, we have to compete with them for overseas visitors, as the Mainland steps up its efforts to develop and promote tourism. Some traditional destinations, such as Beijing, Shanghai and Shenzhen, and some emerging destinations, such as Kunming and Xizang are good examples of our competitors. We all compete for overseas visitors.

8. Meanwhile, we also have to compete with other

destinations worldwide for Mainland Chinese visitors. As at March 2006, the Chinese government has granted the Approved Destination Status for outbound tourism to 81 countries, a significant increase over year 2000 when only 14 countries were granted this Status. This provides the Mainland residents with more choices. Many other tourist destinations are eyeing on this huge market and vast development potentials – take the Guangdong Province as an example, the population is more than 90 million, more than that of France. With the introduction of direct flight service from a number of overseas destinations to Mainland cities, the competition will become even more intense.

9. Hong Kong's edges lie in being a mature tourist destination. Our hardware, including aviation network, city infrastructure and tourist attractions, and supporting software, including the quality of services and management, hotel accommodation, dining and shopping, are on a par with world-class standards. The cosmopolitan image and the perfect blend of East and West have made us a unique city of China. With our strategic location at the doorstep of China and as the international aviation hub, we are readily accessible to visitors from all corners of the world. We have one of the freest visa policies in the world which facilitates the entry of visitors. Our historical background, in particular our colonial past, allows us to appreciate readily Western values and culture, while preserving our Chinese outlook. This has traditionally made our society more open and receptive to overseas visitors.

10. Here, I would like borrow a word from the joint study done by the World Tourism Organisation and the Hong Kong Polytechnic University on the Mega Trends on Tourism in Asia Pacific, that is, “co-operatition” (i.e. “co-operation” and “competition”), to describe the hybrid situation of the present competition and cooperation between the Mainland and Hong Kong. We believe that the booming market prospects in the Mainland offer excellent opportunities to promote cooperation between Hong Kong and the Mainland. We endeavour to capitalize on these opportunities in different aspects, with a view to enhancing tourism development on both sides. It is hugely important for Hong Kong to strengthen its “co-operatition” with the Mainland, and explore new opportunities to achieve a win-win situation. In this respect, our strategic initiatives include, first, investment in tourism infrastructure; second, joint overseas marketing strategies with the Mainland; third, leveraging on the opportunities presented by CEPA; fourth, enhancing professional

training; and last but not least, tackling market irregularities for better tourism service.

(1) Investment in Tourism Infrastructure

11. First of all, we are committed to investing in tourism infrastructure. Hong Kong boasts its comprehensive tourism infrastructure, the cornerstones of a metropolitan city, for sustainable tourism development. To maintain our appeal to overseas visitors, both from the Mainland and other places, the Government has stepped up its efforts in recent years by investing heavily in new tourism projects and enhancing existing tourist hot spots. We seek to provide a full range of diverse attractions and activities suitable for visitors of all kinds and ages, with particular emphasis on family and business travelers.

12. To mention a few notable examples: the Hong Kong Disneyland was opened late last year; and the Hong Kong Wetland Park, Ngong Ping 360, the new cable way in Lantau, and the Asia World-Expo for the MICE market were all opened this year. These new developments help meet the diverse need of our visitors and enrich their experience. Thanks to these initiatives, the first six months in 2006 witnessed some 24.4% year-on-year increase in overnight family visitors. Of these, the proportion with children increased almost doubled. There is also an increase of 9.9% in overnight business visitors in the same period. But these are not enough. We are embarking on the redevelopment plan of the 29-year-old Ocean Park, the development of a new cruise terminal at the former runway in Kai Tak, and expansion of the Hong Kong Convention and Exhibition Centre. The development of new tourism infrastructure is an integral and indispensable part of our tourism strategy in meeting our visitors' need.

(2) Joint marketing strategies to attract overseas visitors

13. Having tourism hardware is not enough. We need concerted efforts with our tourism partners to promote the hardware. In particular, we recognise that creating synergy with neighbouring destinations will be a win-win solution for our "co-operation" relationship. A major element of our marketing strategy is to develop and promote "multi-destination" itineraries with relevant tourism destinations in the Mainland. For example, we have designed thematic "multi-destination" itineraries to integrate the strengths of Hong Kong and the diversified tourism

resources in the Pearl River Delta. This will help attract more overseas visitors to this region and lengthen their stay here.

14. Indeed, the Guangdong Province, Hong Kong and Macau have engaged in such a mode of “co-operation” since 1993. We have developed thematic “multi-destination” itineraries for different market segments (e.g. on dining, golfing, leisure and entertainment). Looking further to the Pan Pearl River Delta, for example, Guilin in Guangxi: we have designed an itinerary for overseas visitors a Hong Kong-Guilin route on nature appreciation. In June 2006, the Hong Kong Government and the Yunnan authorities reached a consensus to jointly design and develop thematic “multi-destination” itineraries to attract different market segments, including the pensioners, young couples and young business travelers from long haul markets, especially those from Europe and the United States, to visit Yunnan via Hong Kong.

15. Through this “co-operation” relationship, we also stand ready to share our rich promotion experience and international marketing network with various tourism partners in the Pearl River Delta and beyond, with a view to enhancing their tourism development. In this regard, the Hong Kong Tourism Board, our marketing arm, has been pressing ahead joint promotional efforts in overseas source markets with various provinces in the Pan Pearl River Delta. Examples in recent years include joint roadshows in the United States and Canada, and international travel expos in Japan and India, as well as in the Pan Pearl River Delta, such as Yunnan, Fujian and Hunan.

(3) Leveraging on Opportunities Presented by CEPA

16. The Mainland also presents huge market potential for our outbound travel industry. We are committed to leveraging on the opportunities offered by CEPA. Starting from next January, qualified Hong Kong travel agents will be allowed to operate group tours for Guangdong residents to Hong Kong and Macau. Albeit a small step, we believe this market change is in the right direction. It helps introduce Hong Kong outbound tourism management to the Guangdong market, diversify the tourism products for Guangdong customers, and induce healthy competition. No doubt it will benefit the operation of both Hong Kong and Mainland tourism markets.

17. Besides, further extension of the Individual Visit Scheme, together with more promotion efforts, to more Mainland

cities will help enhance deeper understanding of Hong Kong among Mainland visitors and attract more visitors to Hong Kong.

(4) Professional training

18. Other than marketing efforts, professional training of industry practitioners is critical to the sustainable development of any tourism hardware. We have strengthened our exchange of talents with the Mainland in the tourism industry, including hotel and catering trades. This seeks to assist the Mainland in developing their human resources and upgrading the quality of tourism service. We have been making full use of the schools of hotel and tourism management under the two local universities in organising more exchanges between Hong Kong and the Mainland, and training courses for those who would like to join the profession, the practitioners, as well as the trainers. We are thankful to the World Tourism Organisation and the Hong Kong Polytechnic University for arranging forums, like this one, which serve as a platform for academics and practitioners to share views and experience.

(5) Market irregularities encountered in the Mainland tourism market – Work in honest & quality tourism

19. As the Mainland market continues to open up, competition among travel agents intensifies. More and more tourism products have emerged in the market. As we have discussed earlier with Dr. Rifai, we must manage growth to ensure quality delivery of tourism services. With reference to the Mainland, the opening up of the outbound travel market has not yet been matched by a corresponding increase in consumer awareness of their rights. Hong Kong, as well as other overseas destinations, have seen market irregularities stemming from the so called “zero-fare” package tours originated from the Mainland. This is neither in the interest of these Mainland visitors, nor in the interest of Hong Kong as a preferred destination among Mainland residents.

20. To promote healthy development of the Mainland source market, the Government has joined force with the Hong Kong Tourism Board, the Consumer Council, the Travel Industry Council, as well as relevant industry practitioners to meet the challenges. We have also been working closely with the China National Tourism Administration in this regard. Allow me to mention a few key measures here.

21. First, we support the China National Tourism Administration to promulgate a model contract between Mainland travel agents and consumers that enhance product transparency. For instance, the contract will set out the itineraries and rights for the Mainland consumers.

22. Secondly, we seek to strengthen the regulatory mechanism and facilitate the exchange of regulatory information with the Mainland. For instance, the Travel Industry Council has recently introduced measures to improve the regulatory and disciplinary mechanism for the travel trade, and introduce heavier penalties for non-compliance of travel agents. It also strengthens its information exchange with the China National Tourism Administration for more effective follow-up of complaints against travel agents and cases of non-compliance.

23. Thirdly, we seek to promote “smart consumption” among Mainland visitors. We have already stepped up publicity at border control points in Hong Kong. In parallel, the China National Tourism Administration also supports our promotion efforts by jointly distributing educational pamphlets in the Mainland. These have helped Mainland visitors to better understand their consumer rights and increase the transparency of complaint channels.

24. Fourthly, the Hong Kong Tourism Board actively promotes “Honest & Quality Tours” in the Mainland, starting from Beijing to Shanghai, Zhongshan and Shenzhen in order to offer more quality choices for the Mainland visitors. These new products have been quite well received. The Hong Kong Tourism Board will launch the “Honest & Quality Tours” in other Individual Visit Scheme cities.

25. Last but not least, we are also mindful of the important task of upgrading the service quality of tour guides. New training courses are being provided for the continuous professional training of tour guides to keep them abreast of latest development in the tourism field and sharpen their skills.

Concluding remarks

26. The Government and the local travel industry will spare no efforts to continue to improve the quality of our tourism service. Under the “One-Country Two-System”, Hong Kong and

the Mainland implement independent regulatory systems. Nonetheless, channels are always open for us to cooperate closely with each other to tackle market irregularities and foster healthier development in both markets. Going forward, we expect to continue to leverage on the “co-operation” relationship with the Mainland, in particular the Pearl River Delta, as part of our strategy for the tourism industry.

27. Ladies and gentlemen, the growing Mainland tourism market has presented us with enormous opportunities and challenges. Based on our experience with selected provinces, like Guangdong and Yunnan, we aim to develop a “co-operation” relationship with more destinations in the Pearl River Delta and beyond through a building block approach. In the process, we are mindful of the need to maintain and develop diversified source markets outside the country, which now account for half of our visitors. For this, we will continue to count on the wise counsel and entrepreneurial spirit of our partners in the tourism industry.

28. Ladies and gentlemen, I wish you all a very successful forum in these two days, and I look forward to seeing you at this evening at the Convention Centre.

29. Thank you.

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