

For Focus Group Discussion

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- Professional Services, Information &  
Technology and Tourism

## **Economic Summit on “China’s 11<sup>th</sup> Five-Year Plan and the Development of Hong Kong”**

### **Tourism**

(Translation)

#### **Preamble**

This paper presents a preliminary analysis of the challenges and opportunities for Hong Kong’s tourism development under the 11<sup>th</sup> Five-Year Plan from the perspective of the Government and public sector, with a view to triggering discussion among different sectors in the community. This will facilitate preparation of a practicable “action agenda” by the Summit in the following months.

#### **Purpose**

2. This paper looks into the development framework for tourism development in the 11<sup>th</sup> Five-Year Plan with a view to exploring how best the Hong Kong Special Administrative Region (SAR) Government and local tourism industry should meet the challenges and grasp the opportunities ahead, in order to further enhance co-operation with the Mainland in the field of tourism, promote continuous development of local tourism, consolidate the status of Hong Kong as a premier destination for visitors in the region, and thereby complementing our development in the fields of international finance, trade, shipping, etc.

## **Background**

### **I. Global Tourism Overview**

3. Despite facing various impacts and challenges in the past few years, international tourism as a whole has been developing with the continued growth of global economy. According to the World Tourism Organization, the number of visitor arrivals worldwide increased from 697 million in 2003<sup>1</sup> to 766 million in 2004, registering a 10% growth. However, affected by various global challenges, such as rising oil prices, a potential avian flu pandemic, tsunami and terrorist attacks, the number of international visitors arrivals in 2005 (totalling 808 million) showed a slower growth of 5.5% as compared to 2004.

4. According to the World Tourism Organization, the three most popular tourist destinations in 2005, in terms of the number of inbound overnight visitors, were France, Spain and the United States. They received 76 million, 55.6 million and 49.4 million overnight visitors respectively. 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. Over the past few years, Hong Kong has faced various challenges. For instance, the outbreak of Severe Acute Respiratory Syndrome (SARS) led to a 6.2% drop in visitor arrivals in 2003. With the concerted efforts of various sectors in Hong Kong, visitor arrivals still rose from 13.7 million in 2001 to 23 million in 2005, representing an annualised increase rate of 14%. This demonstrates that Hong Kong tourism has been enjoying a steady and sustainable growth. In 2005, the number of overnight visitors to Hong Kong reached 14.8 million, ranked 14th among the countries/regions in the world in terms of overnight visitor arrivals. And Hong Kong topped the list of the most popular cities<sup>2</sup>.

5. Many countries and destinations in the world have endeavoured

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<sup>1</sup> International tourism in 2003 was seriously affected by Severe Acute Respiratory Syndrome (SARS).

<sup>2</sup> In 2004, Hong Kong was ranked the seventh major tourist destination in the world by the World Tourism Organization on the basis of its total number of visitors (21.81 million). In 2005, the World Tourism Organization amended the methodology of statistic and calculated only the number of overnight visitors in ranking the destinations.

to develop tourism by aggressive development of tourism infrastructure and major promotions. We believe that this trend will continue in future. Hong Kong is facing keen international competition with neighbouring tourist destinations, e.g. Singapore and Malaysia will open airport terminals for low cost carriers in 2006. While Malaysia has stepped up promotion for its 2007 Visit Malaysia Year global campaign, Thailand has also launched its Thailand Grand Invitation campaign to celebrate the 60th anniversary of the Thai King's accession to the throne. Dubai, an emerging destination, has implemented Festival City Phases 1 and 2, and the whole tourism project will be completed in December 2006.

6. While an increasing number of countries and places have been striving to develop tourism, the continued development of the global economy has led to the rise of many new economic powers which have in turn become new visitor source markets. For example, the rapid economic development of China and India in recent years has brought about a continued growth in the number of their outbound travellers. Many countries aspire to tap into these new markets. To ensure our share in these new markets, Hong Kong has to study the needs of these markets and to formulate suitable market development and promotion strategies.

## (II) Tourism Development in Hong Kong

7. Hong Kong has developed into a mature tourist destination over the years, with both its hardware (including aviation network, city infrastructure and tourist attractions) and supporting software (including the quality of services and management, hotel accommodation, dining and shopping) having reached world-class standards. Hong Kong's cosmopolitan image, free and open atmosphere as well as perfect blend of East and West have made it a unique city of China. As the trendsetter in various fronts such as fashion, dining, electrical appliances and technology products, Hong Kong attracts visitors from all segments to come for shopping and sightseeing. With a prime location and world-class air, land and marine transport network, we are readily accessible to visitors from all corners of the world. In addition, we are committed to making entry/exit quick and easy for visitors. Currently, nationals of some 170 countries are allowed visa-free visits to Hong Kong for periods ranging from seven days

to 180 days. These are Hong Kong's strengths in the promotion of tourism.

8. As mentioned in paragraph (4) above, tourism around the world is subject to uncertainties such as economic or political changes, terrorism and contagious diseases. Inevitably, these factors have an impact, be it positive or negative, on the tourism in Hong Kong. With efforts made by the SAR Government and the industry in the development and promotion of tourism over the years, visitor arrivals continue to break new records. Total tourism expenditure is also encouraging. Visitor arrivals in 2005 increased to 23 million, up 7% from 2004. The growth was mainly led by the good performance of overseas markets. Long haul markets including Europe, the Americas, Australia and New Zealand all recorded a double-digit growth. Compared with 2004, for instance, visitor arrivals from Europe, Africa and the Middle East increased by 25%, while arrivals from Australia and New Zealand rose by 28%. Short haul markets with great potential, such as South Korea, the Philippines and Thailand, also witnessed strong performance with an increase of visitor arrivals by 19%, 16% and 20% respectively, while Singapore recorded a 24% growth (statistics at Annex I).

9. The growth of outbound tourism in the Mainland slowed down from 42% in 2004 to 7% in 2005. This, notwithstanding Mainland visitor arrivals in Hong Kong in 2005 increased by 2.4% over 2004. Other tourist destinations, such as Malaysia, Singapore and Thailand, recorded a decrease of 36%, 2.5% and 2.3% of Mainland visitors respectively. The Mainland was the largest visitor source market for Hong Kong with more than 12.5 million arrivals in 2005, accounting for 54% of the total visitor arrivals. In the first half of 2006, Mainland visitor arrivals recorded a strong growth of 14% to 6.7 million.

10. The Individual Visit Scheme (IVS) was first introduced in four Guangdong cities in July 2003 under the Mainland and Hong Kong Closer Economic Partnership Agreement (CEPA). The number of Mainland cities covered by the Scheme has since increased to 44 and over 220 million Mainland residents can visit Hong Kong under the Scheme (statistics at Annex II). The IVS has become increasingly popular. In

the first half of 2006, the number of Mainland visitors travelling to Hong Kong under the Scheme reached some 3.16 million or about 48% of the total Mainland visitor arrivals. Among them, more than 80% came from Guangdong. According to statistics, other Mainland visitors with permits for group tours and for visiting relatives, as well those on business visas accounted for about 11%, 13% and 14% respectively.

### (III) Tourism Development in the Mainland

11. Among the tasks set out under Section 17.3 in the 11<sup>th</sup> Five-Year Plan are comprehensive development of domestic tourism, promotion of red tourism and active development of inbound tourism, which include rational development and protection of tourism resources, upgrading infrastructure, pushing ahead with the development of key travel zones, tour routes, sightseeing tourism, leisure vacationing and thematic tourism, as well as encouraging the development of special tourism products. Other tasks include regularisation of outbound tourism development and market order, as well as speeding up the consolidation and restructuring of tourism enterprises.

12. With a relatively short history, Mainland tourism has caught the attention of the world with its high-speed development. The industry has been expanding for twenty years and has become one of the fastest growing sectors of the national economy, and also one of the industries that possess clear competitive edge in the international market. Since China implemented the reform and opening-up policy, notably during the 10<sup>th</sup> Five-Year Plan period, the Mainland tourism industry has adopted the market strategy of “vigorously developing inbound tourism, actively developing domestic tourism and moderately developing outbound tourism”, resulting in a rapid expansion of tourism with inbound, domestic and outbound travel flourishing concurrently. In respect of inbound tourism, China is now the fastest growing and most vibrant tourist destination in the world.

13. In 2005, China received 46.8 million inbound overnight tourists and earned US\$29.3 billion in foreign exchange, ranked fourth and sixth respectively in the world. In respect of domestic tourism, the Mainland has become the largest domestic tourist market in the world. The number of domestic tourists stood at more than 1.2 billion in 2005, generating an income of RMB 528.6 billion yuan or 69% of the country's total tourism receipts. Thriving domestic tourism has given domestic demand a major boost, stimulated consumption and led the development of related industries. As for outbound tourism, the Mainland is emerging rapidly as a new source market. The growth of China's outbound tourism has far exceeded the world's average. China is now the largest source market of outbound tourists in Asia. According to the World Tourism Organization, the number of tourists worldwide totalled 800 million in 2005, representing an increase of 18% over 2000. The statistics of the CNTA indicate that more than 31 million Mainland residents travelled abroad in 2005, a rise of more than 196% over 2000.

#### (IV) Tourism Development in Guangdong Province

14. The 11<sup>th</sup> Five-Year Plan of Guangdong Province proposes to seize the opportunities arising from Pan-Pearl River Delta (PRD) co-operation to forge ahead with regional collaboration in tourism development; improve tourism facilities and infrastructure; steer the development of tourism industry in the direction of chain operation, economies of scale and brand building; actively promote co-operation among Guangdong, Hong Kong and Macau in such areas as logistics, tourism, finance, referral and consultancy, technology, education, culture, hygiene, information, environmental protection and immigration clearance; and facilitate the expansion of services industries which enjoy a competitive edge, namely tourism, information services, real estate, and wholesale and retail business. Key tourism projects include the construction of convention and exhibition facilities, notably the Phase 2 development of Guangzhou International Convention and Exhibition Center, as well as the Danxia Mountain scenic area in Shaoguan.

15. The Guangdong, Hong Kong and Macau Tourism Marketing Organisation was established back in 1993 to promote tourist attractions in the PRD to overseas markets in a structured manner, and to develop thematic “multi-destination” itineraries (e.g. dining, golfing, leisure and entertainment) for different markets and segments. Guangdong is rich in natural resources and tourist attractions, and is geographically close to Hong Kong. These constitute favourable conditions for Guangdong to further develop with Hong Kong on thematic “multi-destination” itineraries for different segments.

16. The 11<sup>th</sup> Five-Year Plan of Guangdong Province calls for active promotion of co-operation between Guangdong and Hong Kong in many areas, including tourism. This complements a new measure under the CEPA, i.e. allowing Hong Kong travel agents to operate “Hong Kong and Macau Tours” in Guangdong under a pilot scheme. According to a survey conducted by the Hong Kong Tourism Board (HKTB), it was estimated that some 9.15 million visitors to Hong Kong in 2005 were from Guangdong, accounting for about 70% of total visitor arrivals from the Mainland. Among them, about 340,000 (3.8%) visited Hong Kong on group tours, while other visitors came to Hong Kong mostly under the IVS. The IVS provides Mainland visitors, especially residents of the neighbouring Guangdong Province, with greater convenience and flexibility to plan their visits to Hong Kong. Despite their relatively short stay, they tend to visit Hong Kong more frequently. According to the findings of a study made by the HKTB, before the introduction of the IVS, the average number of visits to Hong Kong made by visitors from Guangzhou and Shenzhen per year was 1.3 and 3.3 respectively. After the introduction of the IVS, the figures rose significantly to 2.7 and 5.6 respectively. These visitors came to Hong Kong mainly for shopping and entertainment.

### **Challenges and Opportunities**

17. The Mainland visitor source has an important impact on the development of tourism in Hong Kong. As the Mainland steps up its efforts to develop tourism, Hong Kong is faced with many challenges. First, with the rapid development of domestic tourism in the Mainland, our largest visitor source market, Hong Kong has to compete with various

Mainland provinces and cities for visitors because first-time travellers may prefer domestic attractions. In 2005, the number of domestic tourists in the Mainland reached 1.21 billion, up about 10% from 2004. The domestic tourism market is expected to grow further in 2006. Meanwhile, the number of countries granted Approved Destination Status (ADS) for outbound tourism has gradually increased, thus providing the Mainland residents with more choices. As at March 2006, the number of countries approved for outbound tourism by the Mainland authorities reached 81, a significant increase over 2000 when only 14 countries were granted ADS. Many other tourist destinations want to tap into the huge visitor source market in China. With the introduction of non-stop air service from a number of overseas destinations to Mainland cities, the competition will become even keener. Moreover, with the continuous development of tourism in the Mainland, some places or cities such as Shanghai and Shenzhen may emerge as Hong Kong's competitors in tapping overseas visitor sources.

18. The IVS has brought about limitless opportunities to Hong Kong's tourism industry. We should seize these opportunities and explore how best to leverage on the convenience provided under the Scheme to attract Mainland visitors. Given the fact that many Mainland visitors have visited Hong Kong, we need to further enhance the appeal of Hong Kong (including tourist attractions and the quality of services) so as to entice repeated visits. While the Mainland visitor arrivals have been on the rise, it may pose potential risks to local tourism development if Hong Kong, an international tourist destination, relies too much on one single market. Therefore, while striving to increase our market share, we have to maintain a diversified market as well.

19. Hong Kong and the Mainland are the primary visitor source market to each other. As an important gateway to China, Hong Kong received nearly 4 million overseas visitors (including business and leisure visitors) who destined for the Mainland. Hence, one important goal of Hong Kong and Mainland tourism industries in their co-operation is to promote cross-border visitor flow. In 2006, significant breakthroughs have been achieved in many areas following the review of the Air Services Arrangement with the Chinese Mainland (the Arrangement). Under the



Arrangement, the number of air routes between Hong Kong and Mainland cities will increase from 11 to 56, covering most major cities and tourist hot spots in the Mainland, e.g. Xishuangbanna, providing more visitors with non-stop air service to and from Hong Kong. The Arrangement will reinforce Hong Kong's position as an aviation hub and attract more overseas visitors to travel to and from the Mainland via Hong Kong. This will help the tourism industries of both sides develop new itineraries and strengthen their advantages in developing "multi-destination" itineraries. However, the continuous expansion of economic activities in China will give rise to an increase of non-stop air service between the Mainland and overseas destinations. This trend may dampen Hong Kong's role as an aviation interchange to the Mainland. How to establish Hong Kong's status as a must-visit destination for overseas visitors to China is a major challenge to us.

20. Hong Kong has put in place a regulatory regime for local tourism services, including a statutory licensing scheme and codes of practice. Nevertheless, there exist unscrupulous business practices in local market targetted at Mainland visitors, such as "zero-fare" and "negative-fare" tours, tourist purchase rebates, and travel agents not paying wages to tourist guides. In such cases, travel agents on both sides try to make more profits by forcing Mainland visitors to make purchases during the tour. This has given rise to visitors' complaints and resulted in their loss of confidence in the tourism industries on both sides. Moreover, their confidence in visiting Hong Kong on group tours has been affected. After reviewing the situation, the CNTA has taken measures to strengthen the regulation of travel agents and practitioners: first, to regulate the Mainland tourism market in accordance with existing rules and regulations; second, to carry out a nation-wide policy of ensuring a high standard of professional ethics in the industry ("Honest and Quality Travel"), that is, travel agents, tourist shops and related trades are required to maintain their integrity in business operations; and lastly, to educate tourists on sensible spending. In the light of the CNTA's vigorous promotion of "Honest and Quality Travel" and their call for protection of tourists' rights, we consider that it is necessary to explore how best Hong Kong can complement the CNTA's policies (please refer to para. (38)).

21. Under the relaxation measures announced in the latest phase of the CEPA, wholly-owned or joint-venture Hong Kong travel agencies set up in Guangdong can apply for operating group tours to Hong Kong and Macau for Guangdong residents under a pilot scheme. This measure enables local stakeholders to expand their businesses and at the same time bring their well-established modes of corporate management and human resources development to the Mainland, thereby enhancing gradually the quality of tourism services as a whole.

## **Responses/Actions of the Government and Other Sectors**

### **(I) Investment in Tourism Infrastructure**

22. Hong Kong boasts a state-of-the-art international airport, a globe-girdling aviation and maritime network, an extensive road and railway network, and convenient public transport services. These infrastructures are the cornerstones of a metropolitan city. They not only provide Hong Kong with advantages in economic development, but also satisfy the basic requirements for the continuous development and promotion of tourism in Hong Kong. To maintain a diversified market, Hong Kong has endeavoured over the years to tap into the international visitor source market and attract visitors from all over the world. To maintain the appeal of Hong Kong to visitors from the Mainland and other places, the SAR Government has stepped up its efforts in recent years by investing heavily in new tourism projects and enhancing existing tourist hot spots to bring about a fresh look for visitors. The Hong Kong Disneyland, opened in September 2005, introduced this summer a trio of new attractions, namely Autopia, Stitch Encounter and UFO Zone. The Hong Kong Wetland Park, a green tourism attraction with edutainment facilities for both the old and the young, was opened in May 2006. The Ngong Ping 360, comprising the Ngong Ping Skyrail and Ngong Ping Village, will come into operation shortly. In addition, A Symphony of Lights Phase II launched in Christmas last year, which covers 33 buildings along the waterfront of the Victoria Harbour, has been well received by visitors and local citizens.

23. On enhancing existing attractions, the completed projects include enhancement of the Sai Kung waterfront, improvements to Lei Yue Mun, enhancement of the Central and Western District, and the Avenue of Stars which is a joint venture with the private sector. The Tsim Sha Tsui Promenade Beautification Project and the Stanley Waterfront Improvement Project are underway, due to be completed in 2006 and 2007 respectively. Works of the Peak Improvement Scheme and the new transport link in Tsim Sha Tsui East have commenced and are scheduled for completion in 2007. Projects on the drawing board include the Aberdeen Tourism Project to complement the redevelopment plan of Ocean Park. The latter project will commence this year, which aims to turn the 29-year-old Ocean Park into a world-class marine theme park. The Government is considering the proposal on the development of hotels at the Ocean Park from legal, financial, operational and institutional aspects. The hotel development will further enhance the attractiveness of the Park and induce longer stay. Other projects include further enhancement of the facilities along Lei Yue Mun waterfront and the development of a piazza at Tsim Sha Tsui.

(II) Promoting Tourism

24. The HKTB is highly experienced in tourism promotion and has established a comprehensive network for this purpose. To maintain the advantages of Hong Kong's tourism and the diversity of our source markets, the HKTB has drawn up a marketing programme for promoting diversified visitor sources based on its market research. It targets 16 major markets which account for about 93% of the total visitor arrivals, including the Mainland and Japan, and other countries and places in different regions. On the basis of previous researches and studies, we have identified families and business travellers as the visitor groups with great potential. Among the business travellers, many belong to conventions, exhibitions, corporate meetings and incentive groups (known as MICE in the industry). The HKTB wishes to actively leveraging on Hong Kong's advantages as a gateway to the Mainland to reinforce our status as a premier destination for conventions and exhibitions. It has been carrying out wide publicity on the activities and events we have successfully secured for hosting in Hong Kong with a view to enhancing the city's image. To increase the contribution from the business market segment to our tourism, the HKTB

uses the global marketing programme and a number of major events under the Discover Hong Kong Year as a platform to encourage longer stay, companion travel, repeated visits and more spending by business travellers. In collaboration with airlines and with the aid of media institutions and corporate databases targetting the business sector, the HKTb also organises promotion specially for those business travellers who intend to visit Hong Kong. To cater for their demand for easily accessible information, the HKTb has specially developed the service for downloading the information on Hong Kong tourism by portable digital assistance (PDA). In the first half of 2006, the arrivals of all the key visitor groups recorded satisfactory growth, while the number of overnight business visitors increased by 9.9% year-on-year.

25. In addition, the HKTb has been pushing ahead with its promotional efforts in the Mainland and overseas, and co-operates with the industry to further tap into the IVS market and identify second-tier Mainland cities with great potential. Visitors coming to Hong Kong under the IVS make up a large portion of the free independent travellers (FITs) category, although FITs also include visitors on business visas and those with permits to visit relatives. The HKTb is active in stimulating demand across the entire FITs sector. Trade and media briefings were conducted in new IVS cities in April and May 2006 to disseminate information about visiting Hong Kong under the IVS. The HKTb also provides residents of IVS cities with travel information about Hong Kong's control points, transportation as well as shopping and spending tips, etc. to help them decide the most suitable dates and arrangements when planning their trips to Hong Kong. The pre-departure pamphlets for Mainland visitors and the leaflets on shopping and dining tips published by the HKTb have been available for visa applicants at the visa application offices of the Ministry of Public Security. To step up publicity on the IVS to Mainland residents, the HKTb has placed advertisements in major local newspapers in Mainland cities to publicise the IVS policy and the convenience provided, and introduced a series of IVS itineraries in collaboration with airlines and local travel agents. Trade familiarisation visits as well as media and trade briefings have also been conducted by the HKTb to support the promotion work targetting FITs.

### (III) Joint Development of Tourism

26. Joint development and promotion of “multi-destination” itineraries is a major area of co-operation between the HKSAR and the Mainland in respect of tourism. The Guangdong, Hong Kong and Macau Tourism Marketing Organisation was established back in 1993 to promote tourist attractions in the Pearl River Delta (PRD) to overseas markets in a structured manner, and to develop thematic “multi-destination” itineraries (e.g. dining, golfing, leisure and entertainment) for different markets and segments. As the Pan-PRD region is rich in tourism resources and its provinces boast different attractions and strengths, the HKSAR wishes to co-operate with the provinces and cities within the region and make use of their rich resources and attractions to plan and promote a variety of thematic itineraries, thereby extending the co-operation framework among Guangdong, Hong Kong and Macau to the Pan-PRD region. In so doing, we can provide overseas tourists with more choices to accommodate their different needs and interests. At the Third Pan-PRD Regional Co-operation and Development Forum held in Yunnan this June, the SAR Government and the Yunnan authorities reached a consensus to jointly design and develop thematic “multi-destination” itineraries to attract more long haul travellers, especially those from Europe and the United States, to visit Yunnan via Hong Kong. It was also agreed that both sides should study the operation of direct flights between Hong Kong and Lijiang to be operated by Hong Kong airlines to enhance visitor flow between the two places.

### (IV) Enhancement of Service Quality

27. On regulating tourism service quality, we have put in place a statutory licensing scheme for travel agents offering inbound and outbound travel services, to be complemented by the day-to-day self-regulatory work carried out by the Travel Industry Council of Hong Kong (TIC). To ensure that inbound tour guides’ qualifications and services are up to standard, the TIC fully implemented the “Tourist Guides Accreditation System” in July 2004, under which a tourist guide is required to pass an examination upon completion of relevant training before he receives a “Tourist Guide Pass”. Travel agents are required to employ tour guides who hold a valid “Tourist Guide Pass”.

28. To protect the consumer rights of visitors, the HKTB launched in 2001 the “Quality Tourism Services Scheme” which aims at improving the overall quality of services in the retail and dining sectors. The Scheme seeks to ensure the attainment of service excellence by participating merchants through annual assessments. The HKTB intends to extend the Scheme to other tourism-related sectors. In addition, to safeguard the consumer rights of group tour visitors in shopping activities arranged by local travel agents, the TIC implemented the “14 Days 100 Percent Refund Guarantee Scheme” in February 2002. According to the TIC’s guidelines, travel agents need to pre-register with the TIC those shops where they would take their group tour visitors for shopping. These “registered shops” must undertake to provide a 100% refund within 14 days of purchase. If group tour visitors who have made purchases at these shops as arranged by the travel agents are dissatisfied and wish to return their purchases, the shops must provide a 100% refund if the relevant conditions are met. The TIC also launched the “Demerit System for Registered Shops” in April 2005 to give demerits to registered shops for violation of their pledges. When the demerits given to a shop have reached a specified threshold, the shop’s registration will be suspended or revoked. In view of the complaints lodged by visitors recently, we believe it is necessary to review and enhance these safeguards so as to promote “smart spending” by Mainland tourists in Hong Kong.

(V) New Opportunities Presented by CEPA

29. With a lower entry threshold, a concession granted under the CEPA, stakeholders in the industry can now tap into the Mainland market to operate domestic travel services. The Government liaises with the industry from time to time to listen to their views on entry into the Mainland market. Meanwhile, the Government is seeking information from the CNTA on details of market access in relation to the measures announced in the latest phase of CEPA (please refer to para. 21), such as vetting mechanism and operation requirements, so as to facilitate the stakeholders to gain access to Guangdong’s outbound travel market by January 2007, in compliance with the CNTA’s rules and other relevant requirements.

## **Recommendations**

30. We would like to seek members' advice on the proposed recommendations set out below and other suggestions that should be further considered.

### **(I) Maintaining Diversified Source Markets**

31. To ensure sustainable tourism development in Hong Kong and reduce the risks posed by the reliance on one single visitor source, we need to diversify our visitor sources. To this end, the HKTB has drawn up an effective marketing programme based on its market research, which targets major markets and also explores new ones in the light of the development trend in the external environment. While committed to maintaining its status as an international financial, trade and shipping hub and furthering co-operation with the Mainland, Hong Kong can create more favourable conditions and an environment conducive to tourism development, in order to attract more visitors and reinforce our status as a premier tourist destination in the region. With our rich international experience, we are able to bring foreign visitors into the Mainland. At the same time we also look forward to the opportunities to take Mainland travellers abroad. In so doing, Hong Kong can give full play to its unique advantages and fulfill its role as a bridge between Mainland and international tourism markets.

### **(II) Co-operation between Both Sides**

32. Geographically connected, Hong Kong and the Mainland differ in many areas such as social environment and cultural activities. The two sides can complement each other's strengths to make the best use of our competitive advantages. Therefore, we consider it important for Hong Kong to strengthen its "cooperatition" (i.e. cooperation & competition) with the Mainland and make good use of collaborative opportunities to benefit more from the complementary strengths of both sides and achieve a win-win situation.

33. Many provinces and cities in the Mainland are rich in tourism resources but vary in their pace of developing tourism hardware and software. Individual provinces aspire to promote their development of such hardware and software with funds and management experience from Hong Kong, thereby boosting the overall development of tourism. Given its experience and strengths, as well as the rich resources and attractions of different regions, provinces and cities in the Mainland, Hong Kong is a position to co-operate with the Mainland in planning thematic “multi-destination” itineraries and organising related overseas promotion activities to provide more choices for both overseas travellers and Mainland visitors in the region, so as to cater to their different needs and interests.

34. This collaborative framework will be instrumental in further strengthening regional co-operation. Looking beyond the PRD region, the Pan-PRD region has even greater potential for development. With the Pan-PRD region catching up in tourism development, the development and promotion of tourism products related to “multi-destination” itineraries will stand to benefit. In line with the co-operation agreement reached with Yunnan this June, we can explore areas of co-operation and initiate discussions with individual provinces and regions, taking into account their different pace of development. In addition, Hong Kong can organise exchange of visits for stakeholders in the Pan-PRD region, including travel agents and hotels, to help them better understand the economic environment and development potential in the region. They then can consider making investment and explore business opportunities. As for the exchange of talent, there is still room for improvement in terms of service quality and the management of tourism facilities in the Mainland. The local industry and tertiary institutions can share their experience in tourism management with their Mainland counterparts, and take part in the exchange of talent and training. We will continue to encourage the TIC, the local hotel industry and the two universities providing specialised tourism training to explore and identify opportunities for such exchanges and training activities. We believe that these efforts will help Mainland’s tourism industry upgrade their service standards and quality, and help related trades raise their long-term competitiveness. Moreover, we consider that the Government can play its part as a bridge between local



tourism industry and relevant Mainland authorities by promoting communication and understanding.

35. In respect of joint overseas promotion, the HKTB will, in the short run, continue to use primarily the Guangdong-Hong Kong-Macau promotion platform and invite provinces in the Pan-PRD region to take part in overseas promotion activities as appropriate. In the long run, the HKTB hopes to discuss with individual provinces to fine-tune the co-operation mechanism with a view to ensuring more effective co-ordination of multilateral joint promotion efforts. The HKTB will also maintain close liaison with various provincial tourism administrations and continue to exchange tourist information. Currently, substantial tourist information is available on the HKTB's official website. The HKTB also maintains a dedicated website for the industry to help them prepare and promote products related to Hong Kong tours by providing related information and statistics. The HKTB can continue to disseminate tourist information on Hong Kong to local and Mainland tourism industries through these channels.

36. The HKTB plans to review from time to time its publicity and promotion strategies in the Mainland and designs tourism products to cater to the needs and tastes of visitors from different regions. As a result, the HKTB had reinforced its publicity and promotion strategies in the Mainland in past years and plans to work out the order of priority for 30 cities identified as key targets where customised promotion will be launched. For example, in Guangdong and the PRD region, the theme of publicity is the latest shopping and dining information to encourage leisure vacationing in a weekend getaway. As for eastern and central China, the emphasis is on experiences in a vibrant metropolitan city, quality travel and consumption itineraries, as well as family tours. Further to the north and in more distant cities, the focus is on Hong Kong's culture and heritage, consumer protection and package tours promoted in co-operation with airlines, etc.

(III) Capitalising on Opportunities Created by CEPA

37. The CEPA has created numerous business and development opportunities for Hong Kong. Our objective is to step up the promotion of CEPA to encourage the tourism industry to grasp the opportunities arising from the new measures under the CEPA, such as tapping into the Mainland market by operating “Hong Kong and Macau Tours” in Guangdong under a pilot scheme, presenting Hong Kong’s specialist brands to the tourism industry and travelers in the Mainland, strengthening exchange, and offering more diversified and unique tourism products for Mainland visitors. Consumers in the Mainland will enjoy a wider choice. All this will lead to healthy competition which will benefit the operation of the Mainland tourism market.

(IV) Honest and Quality Travel

38. We consider that the SAR Government and the local industry should actively support the CNTA’s policy of “Honest and Quality Travel” to improve the overall quality of tourism services and foster the sustainable development of tourism in Hong Kong. Our proposed efforts include –

- (a) to help Mainland visitors better understand consumer rights, to increase the transparency of safeguard measures, and step up publicity at home and across the border;
- (b) to support the CNTA’s efforts in regularising contracts by informing visitors clearly about the itineraries, accommodation and other charges to encourage sensible spending;
- (c) to urge the TIC to actively publicise and implement the “14 Days 100 Percent Refund Guarantee Scheme” and expedite its review with a view to improving the “Demerit System for Registered Shops” for better consumer rights protection for visitors;
- (d) to request the TIC to actively follow up on visitors’ complaints and impose effective disciplinary sanctions on those travel agents that

have breached its rules. The TIC has already strengthened its communication with the CNTA and will report related complaints;

- (e) on the part of the HKTB, to actively publicise and implement the “Quality Tourism Services Scheme” to help visitors identify reliable retail shops and restaurants, and expand the Scheme to cover more tourism-related trades; and
- (f) to enhance communication between the travel agents and the hotel industry as well as increase the transparency of hotel room supply and room rates, with the aim of facilitating smooth market operation.

39. It is only with the strong support of the tourism industry and related trades in the HKSAR that the above initiatives can achieve the greatest synergy. Our industries are interrelated and exposed to the influence of one another. The 11<sup>th</sup> Five-Year Plan supports Hong Kong to maintain its status as an international financial, trade and shipping hub, which will help boost other industries like tourism and bring about positive chain effect to related industries. The SAR Government will co-ordinate with, and lend support to, the industries to create favourable conditions and an even more business-friendly environment. Furthermore, in support of the national economic planning and development, the SAR Government will move forward in promoting sustainable and stable development of tourism in Hong Kong and the Mainland, so that both sides will benefit and succeed. This will help us jointly secure a leading position in global tourism development.

### **Advice Sought**

- (a) Is this paper comprehensive and thorough in its analysis of the international competitiveness of our tourism industry? Is supplement necessary?
- (b) Is this paper comprehensive and thorough in its analysis of the opportunities and challenges brought by the 11<sup>th</sup> Five-Year Plan to our tourism industry? Is supplement necessary?

- (c) Is this paper comprehensive and thorough in its analysis of the opportunities and challenges of our tourism industry in the context of Guangdong's 11<sup>th</sup> Five-Year Plan and regional development? Is supplement necessary?
- (d) Are the response actions of the government and public sector to consolidate and develop tourism industry relevant? Which strategic directions require adjustment?
- (e) Are the recommended topics for further studies and exploration aiming to consolidate and develop our tourism industry appropriate?

Tourism Commission  
Economic Development and Labour Bureau  
September 2006

**Visitor Arrivals from Major Markets to Hong Kong**

<b>Market / Year</b>	<b>2004</b>	<b>2005</b>	<b>2006 (Jan – Jun)</b>	<b>Percentage of Overall Visitor Arrivals in 2006 (Jan – Jun)</b>
The Mainland	12,245,862	12,541,400	6,706,392	55.0%
<i>Year-on-year rate of change</i>	(+44.6%)	(+2.4%)	(+14.0%)	
Taiwan	2,074,795	2,130,565	1,039,810	8.5%
<i>Year-on-year rate of change</i>	(+12.0%)	(+2.7%)	(+2.4%)	
North Asia	1,665,440	1,853,328	959,447	7.9%
<i>Year-on-year rate of change</i>	(+34.8%)	(+11.3%)	(+8.6%)	
South & Southeast Asia	2,077,684	2,412,974	1,239,319	10.2%
<i>Year-on-year rate of change</i>	(+52.8%)	(+16.1%)	(+11.0%)	
The Americas	1,399,572	1,565,350	786,723	6.5%
<i>Year-on-year rate of change</i>	(+51.2%)	(+11.8%)	(+4.6%)	
Europe, Africa & the Middle East	1,379,992	1,725,552	888,619	7.3%
<i>Year-on-year rate of change</i>	(+45.8%)	(+25.0%)	(+9.7%)	
Australia, New Zealand & South Pacific	483,247	620,217	318,115	2.6%
<i>Year-on-year rate of change</i>	(+57.8%)	(+28.3%)	(+9.5%)	
Total Visitor Arrivals in Hong Kong	21,810,630	23,359,417	12,197,245	100%
<i>Year-on-year rate of change</i>	(+40.4%)	(+7.1%)	(+11.1%)	

Note: Figures in ( ) represent year-on-year growth rate.

Source: Hong Kong Tourism Board

**Population of Cities Covered Under the Individual Visit Scheme (IVS)**

<b>Time</b>	<b>Cities Covered Under IVS</b>	<b>Population (Million)</b>
As at end October 2005	34 (As at end October 2005, the IVS covered 34 cities, including all 21 cities in the Guangdong Province, Beijing, Shanghai, Tianjin, Chongqing, Nanjing, Suzhou, Wuxi, Hangzhou, Ningbo, Taizhou, Fuzhou (municipal district), Xiamen and Quanzhou.)	170
Since November 2005	38 (Since 1 November 2005, the IVS has been further expanded to cover four more cities, namely Dalian, Shenyang, Chengdu and Jinan.)	200
Since May 2006	44 (Since 1 May 2006, the IVS has been further expanded to cover provincial cities in the Pan-PRD region, including Nanchang (Jiangxi Province), Changsha (Hunan Province), Nanning (Guangxi Province), Haikou (Hainan Province), Guiyang (Guizhou Province) and Kunming (Yunnan Province).)	220