

HONG KONG TOURISM BOARD: EFFORTS IN PROMOTING TOURISM

Executive Summary

1. The Hong Kong Tourism Board (HKTB) is a government-subvented body established in April 2001 under the HKTB Ordinance (Cap. 302). The primary responsibilities of HKTB are to market and promote Hong Kong as a destination worldwide, and to take initiatives to enhance visitors' experience when they arrive. The Board is the governing body of HKTB. The Board has appointed five Committees to oversee various aspects of HKTB's operations. As at 31 March 2020, HKTB had an establishment of 379 staff. The Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) is the Controlling Officer of the subvention granted to HKTB. In 2019-20, HKTB had a total income of \$869.3 million, which included government subvention of \$834.6 million. In the same year, HKTB had a total expenditure of \$865.2 million.

2. According to HKTB, since mid-2019, the social unrest in Hong Kong has brought about a negative impact on the performance of the tourism industry. Since January 2020, the outbreak of the coronavirus disease (COVID-19) has hard hit the tourism industry of Hong Kong and the world as a whole. In the period from January to August 2020, the number of visitor arrivals to Hong Kong was about 3.5 million, representing a drop of about 92% as compared to the same period in 2019. The Audit Commission (Audit) has recently conducted a review of HKTB. The findings are contained in this Audit Report and another one entitled "Hong Kong Tourism Board: Corporate governance and administrative issues" (Chapter 7 of the Director of Audit's Report No. 75). This Audit Report focuses on matters relating to mega events, marketing activities, the Quality Tourism Services (QTS) Scheme, and way forward.

Mega events

3. *Need to enhance effectiveness of open invitations for title sponsorship.* Audit examined 10 open invitations for title sponsorship for mega events completed in the period from 2014-15 to 2018-19 and noted that: (a) no expression of interest (EOI) was received for 5 (50%) invitations; (b) for some events, the timing of inviting title sponsorship varied from year to year; and (c) the time allowed for submission of EOI (i.e. number of days between the placing of the open invitation and the deadline

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for the submission) was short, ranging from 9 to 15 calendar days, averaging 12.8 calendar days (paras. 2.5 and 2.6).

4. ***Comprehensive event budgetary information not always provided when seeking approval of event implementation.*** Audit noted that for different mega events, event budgetary information of different levels of details was provided to the Product and Event (P&E) Committee in seeking approval for the 32 mega events completed in the period from 2015-16 to 2018-19. In 12 events, information on the proposed event budgets was provided. In 4 of the 12 events, detailed budgetary information with cost breakdown (e.g. covering the staging, marketing and promotion of the event) was also provided. In the remaining 20 events, no information on the proposed event budgets was provided (para. 2.10).

5. ***Need to draw lessons from “Hong Kong New Year Countdown Celebrations” for 2019-20.*** HKTb organised a digital countdown with lucky draw on 31 December 2019 because the fireworks could not be staged for the mega event “Hong Kong New Year Countdown Celebrations”. A number of major issues were encountered after the launch of the event website. For instance, many participants were unable to access the event website. In May 2020, the consultant appointed by HKTb completed a review on the lucky draw event and made 13 recommendations. HKTb needs to draw on the experience gained from the event with a view to preventing recurrence of similar deficiencies in organising other events in the future (paras. 2.11, 2.12 and 2.14).

6. ***Room for enhancing reporting of event performance to P&E Committee.*** HKTb uses a performance measurement framework with 11 performance indicators to measure the performance of its mega events. Upon the completion of a mega event, a post-event report including the achievement of performance indicators would be submitted to the P&E Committee for consideration. Audit noted that of the nine events completed in 2018-19: (a) the achievement in event awareness was only reported for one event; and (b) the actual expenditure was not reported to the P&E Committee for each event (paras. 2.17 and 2.18).

7. ***Need to improve the achievement of some performance indicators.*** Audit noted that for the mega events completed in the period from 2014-15 to 2018-19: (a) the visitor’s split of some events was on the low side. For instance, the visitor’s split of “e-Sports and Music Festival Hong Kong” was 9% in 2017-18 and 7% in 2018-19; and (b) the awareness of some events was decreasing. For example, while

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HKTB increased its spending on marketing and promoting “Hong Kong Wine and Dine Festival” by 59% from \$12.3 million in 2017-18 to \$19.5 million in 2018-19, the event awareness decreased from 33% to 28% over the same period (paras. 2.20 to 2.22).

8. *Need to explore new performance indicators useful for evaluating mega events.* Other than the 11 performance indicators used by HKTB to measure the performance of its mega events, there may be some other performance indicators useful to enhance HKTB’s performance evaluation of such events: (a) “number of non-locals” could supplement the shortcoming of the performance indicator “visitor’s split” and better reflect the situation where there was a growth in the number of non-locals but the “visitor’s split” was distorted by the disproportionate increase in local participants; and (b) while HKTB’s expenditure on its mega events was substantial (the gross expenditure on the staging, marketing and promotion of mega events amounted to \$289 million in 2018-19), HKTB had not established a mechanism to assess the effectiveness of such events in driving visitor spending and bringing economic benefits to Hong Kong (paras. 2.24 to 2.26).

Marketing activities

9. *Need to encourage the use of Funding Support for Small-sized Meeting, Incentive and Convention Groups (Funding Support for SMIC Groups).* The Funding Support for SMIC Groups aims at providing business building assistance for Hong Kong inbound tour operators to enhance their competitiveness in attracting small-sized Meeting, Incentive and Convention (MIC) businesses to Hong Kong. Audit found that for the period from 2016-17 to 2019-20: (a) the amount of funding utilised fell short of the targets by 20.6% in 2016-17, 1.6% in 2017-18, 20.2% in 2018-19 and 53.6% in 2019-20; and (b) the number of MIC overnight visitors benefitted fell short of the targets by 5.6% in 2016-17, 11.7% in 2018-19 and 53.9% in 2019-20 (paras. 3.4 and 3.5).

10. *Need to ensure collection of personal information complies with Personal Data (Privacy) Ordinance.* To apply for the Funding Support for SMIC Groups, an applicant has to submit the name, job title, email, telephone and mobile numbers of the applicant’s contact to HKTB. According to the Personal Data (Privacy) Ordinance (Cap. 486), all practicable steps shall be taken to ensure that the data subject is informed of the details relating to the purpose and manner of collection of personal

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data. However, Audit found that HKTB had not provided the applicants with such information (paras. 3.8 and 3.9).

11. ***Requirements of displaying commercial entities' names on HKTB's website not complied with.*** According to HKTB's requirements regarding the contents on its website (i.e. DiscoverHongKong.com), self-owned contents developed internally should not single out any specific restaurant or shop name and a disclaimer statement should be included in third-party contents. Audit examined 29 articles comprising 4 articles of self-owned contents and 25 articles of third-party contents and found that: (a) all the 4 articles of self-owned contents contained names of specific restaurants or shops; and (b) in 1 (4%) of the 25 articles of third-party contents, no disclaimer statement was included (paras. 3.17 and 3.18).

12. ***Need to require content partners of HKTB's website to avoid conflict of interest with commercial entities they featured.*** According to HKTB's guidelines, when working with content partners who would make recommendations of commercial entities, the contract between HKTB and the content partners would include a clause to avoid any conflict of interest between the content partners and the commercial entities featured. Audit found that in the period from 2014-15 to 2019-20, in 5 (71.4%) of the 7 partnership agreements, there was no documentary evidence showing that the partners were required to avoid conflict of interest between them and the commercial entities they featured (paras. 3.20 and 3.21).

Quality Tourism Services Scheme

13. ***Need to encourage merchants to participate in QTS Scheme.*** QTS Scheme aims to help visitors to identify quality tourism service providers and assist service providers in making continual improvements. Audit found that: (a) in the period from January 2015 to May 2020, the number of QTS accredited merchants decreased by 95 (7.5%) from 1,272 to 1,177 and the number of outlets operated by QTS accredited merchants decreased by 355 (4.3%) from 8,229 to 7,874; (b) as at 31 December 2019, of the 44,680 retailer outlets and 11,448 restaurant outlets, 6,059 (13.6%) and 2,113 (18.5%) respectively joined QTS Scheme; and (c) as at 31 December 2019, only 7 (0.5%) of the 1,520 licensed guesthouses (general) joined QTS Scheme (paras. 4.2, 4.4 and 4.5).

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14. *Need to take measures to encourage QTS accredited merchants to display valid decals.* Every QTS accredited merchant is entitled to display QTS decals at the shop front/visitor accommodation's prominent location showing the valid year of the accreditation. Audit conducted site visits to 30 QTS accredited merchants in June and July 2020 (1 outlet for each merchant) and found that: (a) 20 (66.7%) merchants did not display the decals at their outlets; and (b) 7 (23.3%) merchants displayed the expired decals of 2019 at their outlets instead of the decals of 2020 (paras. 4.9 and 4.10).

15. *Need to step up checking on fraudulent display of QTS decals and logos.* According to HKTb, display of QTS decals or logos by merchants having withdrawn from QTS Scheme is considered as fraudulent display. In the period from January 2019 to May 2020, 132 merchants withdrew from QTS Scheme. Audit conducted site visits to 10 of the 132 merchants in July 2020 and found that: (a) two (20%) merchants displayed QTS decals at the outlets; and (b) another (10%) merchant displayed QTS logo in its promotional material (para. 4.13).

Way forward

16. *Need to optimise the deployment of marketing resources.* HKTb focuses its marketing expenditure on 20 key source markets around the world. The 20 key source markets are classified into four market segments, namely the Mainland, short-haul markets, long-haul markets and emerging markets. Audit found that: (a) HKTb aimed to maintain a diverse market portfolio and balanced visitor mix. For the period from 2014 to 2020 (up to July), the visitor mix remained skewed. The market mix in the period was 65% to 69% of overnight visitor arrivals and 76% to 78% of total visitor arrivals were from the Mainland; and (b) for the period from 2014-15 to 2018-19, in 4 of the 20 key source markets, notwithstanding that there was an increase in marketing expenditure, the numbers of overnight visitor arrivals and total visitor arrivals decreased (paras. 5.3, 5.5 and 5.7).

17. *Need to closely monitor the latest situation in tourism development.* In the period from 2014 to 2018, the amount of tourism expenditure of overnight visitors decreased by \$27.4 billion (12.4%) from \$221 billion to \$193.6 billion and the per capita expenditure of overnight visitor decreased by \$1,346 (16.9%) from \$7,960 to \$6,614. Moreover, according to HKTb, the growing trend of visitor arrivals reversed in July 2019 with the social unrest in Hong Kong. The outbreak of COVID-19 since January 2020 has dealt an even more severe blow to the tourism

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industry in Hong Kong. To revitalise the tourism industry, various efforts have been made by the Government to explore with places which have stabilised their epidemic situation on how to resume cross-border travel in a gradual manner and establish mutual arrangements with them. Facing the new set of constraints and challenges, HKTb needs to closely monitor the latest situation of the challenges facing the tourism development in Hong Kong and take on board the observations and recommendations arising from this audit review in addressing the challenges and enhancing the work in promoting tourism in Hong Kong (paras. 5.12 and 5.15 to 5.17).

Audit recommendations

18. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that the Executive Director, HKTb should:**

Mega events

- (a) **set out the most appropriate timeframe of inviting title sponsorship for mega events and provide sufficient time for submission of EOI (para. 2.8);**
- (b) **enhance the information provided to the P&E Committee in seeking its approval for mega events (para. 2.15(a));**
- (c) **draw on the experience gained from the mega event “Hong Kong New Year Countdown Celebrations” for 2019-20 with a view to preventing recurrence of similar deficiencies (para. 2.15(b));**
- (d) **report the achievement in event awareness to the P&E Committee in the post-event reports on mega events and consider including in the post-event reports the actual expenditure on organising the mega events (para. 2.28(a) and (b));**
- (e) **improve the achievement of performance indicators of mega events and explore the desirability of adopting new performance indicators that are useful for evaluating mega events (para. 2.28(c));**

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Marketing activities

- (f) keep in view the need to step up efforts in encouraging inbound tour operators to make better use of the Funding Support for SMIC Groups (para. 3.10(a));
- (g) ensure that the collection of personal information from the applicants of the Funding Support for SMIC Groups complies with the requirements under the Personal Data (Privacy) Ordinance (para. 3.10(b));
- (h) ensure that commercial entities' names are displayed on HKTb's website according to the requirements (para. 3.22(b));
- (i) require content partners of HKTb's website to avoid conflict of interest with commercial entities they featured (para. 3.22(c));

QTS Scheme

- (j) keep in view the effectiveness of the promotion efforts of QTS Scheme and encourage merchants to participate in the Scheme (para. 4.7);
- (k) encourage QTS accredited merchants to display valid QTS decals and step up the checking on fraudulent display of decals and logos (para. 4.15(a) and (b));

Way forward

- (l) optimise the deployment of marketing resources (para. 5.10); and
- (m) closely monitor the latest situation of the challenges facing the tourism development in Hong Kong and take on board the observations and recommendations arising from this audit review in addressing the challenges and enhancing the work in promoting tourism in Hong Kong (para. 5.18).

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Response from the Hong Kong Tourism Board

19. The Executive Director, HKTb appreciates the effort made by Audit in conducting this review. He has said that HKTb takes very seriously the recommendations in the two Audit Reports and has carried out significant follow-up actions.