

Legislative Council Meeting of 28 March 2018
Motion on
“Stimulating internal demand and opening up new visitor sources”
Progress Report

Purpose

At the Legislative Council (“LegCo”) Meeting held on 28 March 2018, the motion on “Stimulating internal demand and opening up new visitor sources” moved by Hon SHIU Ka-fai and amended by Hon YIU Si-wing, Hon Michael TIEN and Hon WU Chi-wai was passed. The wording of the motion passed is at Annex. This paper aims to report the relevant follow-up actions.

The Budget

2. The Financial Secretary mentioned three main objectives in this year’s Budget: diversifying economy to create wealth for Hong Kong and provide wider and better development opportunities for our young people; deploying resources proactively to improve our living environment to make Hong Kong an ideal smart city to work and live in; and fostering a caring and sharing culture to give more support to the grassroots and underprivileged and relieve the burden of middle-class families. The Government has been allocating additional resources in recent years to improve various areas concerning people’s livelihood, such as education, health care and social welfare services. In 2018-19, the estimated recurrent expenditure on these three areas accounts for about 60% of Government recurrent expenditure, exceeding \$230 billion. The recurrent expenditure in these three areas recorded a cumulative increase of 42.8% over the past five years.

3. The Budget embraces the current-term Government’s new fiscal philosophy. It not only ensures that there are sufficient resources for implementing all the initiatives announced in the Policy Address, but also adopts forward-looking and strategic financial management principles to take proactive actions, optimise the use of surplus and introduce various measures to promote economic development and improve business

environment. After the passage of the Appropriation Bill on 10 May 2018, the relevant bureaux and departments including the Tourism Commission (“TC”) are actively taking forward the relevant projects in order to achieve the three main objectives.

Capitalising on the economic opportunities brought by the Belt and Road Initiative as well as the Guangdong-Hong Kong-Macao Bay Area development

4. The Belt and Road Initiative as well as the Guangdong-Hong Kong-Macao Bay Area (“Bay Area”) development are the major impetus to Hong Kong’s future economic growth. The current-term Government has actively implemented policies and measures to demonstrate and leverage Hong Kong’s distinctive edge, and supported different sectors to capitalise on the vast opportunities brought by these two critically important national development strategies. We aim to leverage Hong Kong’s advantages to meet the country’s needs, while at the same time promote Hong Kong’s long-term development.

5. To facilitate the promulgation of the Development Plan for a City Cluster in the Bay Area, we will, through Invest Hong Kong, strengthen the promotion of Hong Kong as a prime investment destination to encourage enterprises and investors to establish or expand their businesses in Hong Kong. The Hong Kong Trade Development Council (“TDC”) will organise investment and business missions to Bay Area cities to help Hong Kong enterprises identify business opportunities, and explore organizing joint overseas missions with Bay Area cities to explore investment and cooperation opportunities. Hong Kong will continue to strengthen co-operation with cities within the region on tourism front using the “Tourism Federation of Cities in Guangdong, Hong Kong and Macao Bay Area” jointly established by the three sides in December 2017 as a platform to deepen collaboration in areas including publicity and promotion, market regulation and sharing of tourism information amongst the cities concerned, as well as to promote the development of multi-destination tourism within the Bay Area in keen support of the Nation’s goal to develop the region into a “quality living circle ideal for living, working and travelling”.

6. The Government has enhanced communication and co-operation with the Central Authorities in taking forward the Belt and Road Initiative. This includes signing of the Arrangement between the National Development and Reform Commission (NDRC) and the Government of the Hong Kong Special Administrative Region for Advancing Hong Kong's Full Participation in and Contribution to the Belt and Road Initiative ("the Arrangement").

7. The current-term Government is dedicated to enhancing our external economic and trade relations, with the pursuit of the Belt and Road Initiative being a pivot of our efforts. Such efforts include organising trade and professional missions to relevant economies to promote our strengths and businesses, and explore new co-operation and investment opportunities under the Initiative. For example, the Commerce and Economic Development Bureau led a 48-strong business and professional delegation to Cambodia and Vietnam in March 2018. The delegates comprised entrepreneurs and professionals from sectors including commerce and industry, accounting and finance, legal and dispute resolution services, start-ups and infrastructure development sectors etc. They met with local business leaders and representatives of the government authorities overseeing industry, investment and trade promotion, and visited local factories and industrial parks. The delegation took the opportunity to showcase Hong Kong's strengths, acquired first-hand information on the local business environment and opened up collaboration opportunities.

8. To facilitate and promote participation in Belt and Road projects, the Government held a large-scale seminar in conjunction with the Belt and Road General Chamber of Commerce in February this year at the Great Hall of the People in Beijing targeting state-owned enterprises. The theme of the seminar was on "Leveraging Hong Kong's Advantages, Meeting the Country's Needs", and sought to facilitate establishment of direct contact between enterprises and professionals in the Mainland and Hong Kong. The full-day seminar was attended by over 120 representatives from the business and professional services sectors in Hong Kong, and more than 380 chief executives and members of senior management from over 170 state-owned enterprises. Furthermore, to promote Hong Kong as the international commerce and trading platform for the Belt and Road Initiative, the Government annually organises the Belt and Road Summit jointly with

the TDC, and supports the latter's investment and business matching efforts. The focus of the Summit to be organised on 28 June this year will be about "Collaborate for Success" with a view to highlighting the importance of wider, deeper and closer collaboration among governments and businesses for successful implementation of Belt and Road projects.

9. On 12 December this year, TC and the Hong Kong Tourism Board ("HKTB") will co-organise a tourism co-operation forum cum business matchmaking conference with dual themes on the Belt and Road Initiative and the Bay Area development with the participation of representatives from tourism authorities and travel trades of the relevant countries and regions. The forum will foster exchanges amongst governments and matchmaking and co-operation amongst travel trades, strengthen Hong Kong's position as an international tourism hub, and help the Hong Kong travel trade expand its source markets.

10. The Government has also put in place a number of funding schemes which may serve to support enterprises and organisations in taking forward work related to the Belt and Road Initiative. The Professional Services Advancement Support Scheme launched in November 2016 provides funding support for the implementation of industry-led non-profit-making projects which aim to increase the exchanges and co-operation of Hong Kong's professional services with their counterparts in external markets (including Belt and Road related regions), promote relevant publicity activities and enhance their service standards and external competitiveness. The SME Export Marketing Fund (EMF) administered by the Trade and Industry Department (TID) provides funding support to small and medium enterprises (SMEs) to expand their markets outside Hong Kong, including markets along the Belt and Road, through participation in export promotion activities.

Supporting SMEs to drive domestic demand

11. We have been striving to create a business-friendly environment for SMEs to stimulate economic growth. In October last year, the Government announced in the Policy Address that tax measures will be deployed strategically to assist SMEs, including the implementation of the two-tiered profits tax rates regime to reduce the profits tax rate to 8.25% for the first \$2

million of profits. The profits thereafter will continue to be subject to a tax rate of 16.5%. The measure will hopefully help foster the development of a diversified economy and enhance the competitiveness of Hong Kong. The relevant amendment bill was passed by the LegCo on 21 March 2018, and the two-tiered profits tax rates regime applies to years of assessment commencing on or after 1 April 2018.

12. In addition, the Budget proposed to inject \$1 billion into the SME Export Marketing and Development Funds and to introduce enhancement measures to strengthen support for SMEs. Enhancement measures include increasing the cumulative funding ceiling of the EMF from \$200,000 to \$400,000; increasing the grant ceiling per application from \$50,000 to \$100,000; and removing the condition of use of the last \$50,000 of the grants, so as to step up support in assisting SMEs to explore new markets and new business opportunities. Furthermore, to simplify application procedures and enhance operation efficiency, the SME Development Fund and the Organisation Support Programme under the Dedicated Fund on Branding, Upgrading and Domestic Sales (“BUD Fund”) will be merged to form the Trade and Industrial Organisation Support Fund. The Budget also proposed to inject \$1.5 billion into the BUD Fund for increasing the cumulative funding ceiling under the Enterprise Support Programme (ESP) for individual enterprises undertaking projects in the Mainland from \$500,000 to \$1,000,000; and to extend the geographical scope of the ESP to cover Association of Southeast Asian Nations (“ASEAN”) markets, with the cumulative funding ceiling for individual enterprises undertaking projects in the ASEAN markets also being \$1,000,000. TID has reviewed the application requirements and vetting mechanisms of the funding schemes, and would implement various facilitation measures, such as simplifying the application procedures and the requirements for the reallocation of grant amongst approved budget items etc., with a view to providing more flexible and convenient support to SMEs.

13. In addition, to further develop Hong Kong into a trading, storage, logistics and distribution hub for high-value goods, the Budget proposes to cap the charge for each import and export declaration (TDEC) at \$200. There is strong potential for the Hong Kong cargo and supply chain management industry. Many high-value goods are re-exported and distributed through Hong Kong. The proposed cap is expected to save the

trade about \$458 million a year and benefit about 900 000 TDEC cases involving goods at a value above \$1.644 million, further strengthening Hong Kong's position as a trading hub.

Implementing the Development Blueprint for Hong Kong's Tourism Industry to promote economic growth

14. In recent years, the Government has been in pursuit of diversifying tourism products and attracting high-spending overnight visitors to Hong Kong as the direction for tourism development. Hong Kong is a compact city. The Government and the trade shared the views that we should not only pursue the quantum leap in visitor arrivals but should ensure the balanced, healthy and sustainable development of the tourism industry, with a focus to draw more overnight high-spending visitors to Hong Kong. These visitors will stay in our hotels, visit the attractions and shop at the retail stores, bringing greater economic benefits to Hong Kong. The Government shares the view that Hong Kong should play to the strength of our local tourism resources into full play and promote Hong Kong's cultural diversity with a view to attracting more high-spending overnight visitors from different source markets.

15. Through the first Policy Address and the "Development Blueprint for Hong Kong's Tourism Industry" ("Development Blueprint") released in October 2017, the current-term Government has formulated a holistic tourism development plan, such that various short-, medium- to long-term tourism initiatives and measures can be taken forward systematically in the coming years based on four development strategies.

16. The Budget allocated an additional provision of \$396 million for the implementation of the Development Blueprint, comprising the additional recurrent funding of about \$226 million for HKTB, as well as the provision of \$170 million for implementing various new initiatives to further tourism development.

17. The major measures on implementing the new initiatives under the four development strategies of the Development Blueprint include:

(1) *Developing a diversified portfolio of visitor source markets*

18. We will continue to promote Hong Kong's diverse and unique travel experience through HKTB in various visitor source markets, thereby attracting more overnight visitors from different markets to maximize the economic benefits brought by the tourism industry. Furthermore, we need to leverage the opportunities brought by the Belt and Road Initiative and the development of the Bay Area to develop a more diversified portfolio of visitor source markets for Hong Kong. Apart from organising a tourism co-operation forum cum business matchmaking conference with dual themes on the Belt and Road Initiative and the development of the Bay Area in end-2018, we will support the Travel Industry Council of Hong Kong ("TIC") in arranging visits for Hong Kong travel agents to Bay Area cities to deepen their co-operation with the Mainland trade and open up business opportunities. We will also support TIC in setting up a new online platform to help the trade gain access to information about the tourism resources about Belt and Road countries and regions as well as Bay Area cities, with a view to facilitating the trade's development of more tourism products.

(2) *Developing more diversified tourism products and initiatives*

19. We will further promote product diversification to enrich the travel experience of visitors. In April 2018, we revitalised the Dr Sun Yat-sen Historical Trail by inviting nine local artists to create 16 novel artworks to replace the original memorial plaques along the Trail. By integrating the past and the present with art element, the project provided a rich and brand new travel experience for visitors and locals. We will also roll out a tourism project using augmented reality and creative multimedia technology; explore in Sham Shui Po and Wan Chai by promoting diversified collaboration of creative, artistic and cultural elements; organise a new arts cum cultural, historical and green tourism event at Yim Tin Tsai of Sai Kung; enhance the tourism supporting facilities of some popular hiking trails as well as those with tourism appeal potential within country parks by phases; and support the Ocean Park in developing education tourism projects and staging a new 3D projection-cum-water light show with local elements. In addition, the Hong Kong Disneyland Resort is also actively taking forward the expansion and development plan so that new attractions would be launched progressively from this year to 2023. We

hope that by launching these tourism products and initiatives can encourage visitors to lengthen their stay in Hong Kong, explore different districts and experience the unique local culture of the territory. This will also help divert visitors to different districts, thus bringing business opportunities to merchants there. HKTB will also leverage the opportunities brought by the commissioning of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (“XRL”) Hong Kong Section and Hong Kong-Zhuhai-Macao Bridge by stepping up the promotion work in Bay Area and cities along the XRL and encourage the trade to grasp the business opportunities under the initiatives by offering combined XRL-and-Hong Kong (e.g. Cruise itineraries) travel products.

(3) *Developing smart tourism*

20. We will make use of smart technology to enhance visitors’ travel experience, provide better tourist services, and encourage the travel trade to leverage smart technology to enhance their competitiveness. We will explore providing more free Wi-Fi spots in various tourist attractions in Hong Kong as well as enhancing the speed, information security and the like of the services to facilitate visitors’ use of free public Wi-Fi services. We will also explore different smart tourism measures and initiatives, such as launching a new “Smart Travel” landing page in 2018 for visitors arriving at the Hong Kong International Airport, West Kowloon Station of XRL, and Hong Kong Boundary Crossing Facilities of Hong Kong-Zhuhai-Macao Bridge, with useful tourist information to facilitate their itinerary planning and ease of travelling in the city.

(4) *Upgrading the service quality of our tourism industry*

21. The tourism sector involves various service industries, such as transportation, hotel and accommodation, food and beverages. The tourism practitioners are at the most forefront position in receiving inbound visitors, and hence their service quality may affect the visitors’ impression on the local culture, history and attractions. To make Hong Kong a world-class premier tourist destination, concerted efforts in the tourism industry are needed to provide high quality and professional services. We will provide additional funding to TIC for continuing to run and enhancing the Pilot Information Technology Development Matching Fund Scheme for Travel

Agents, so as to encourage more small and medium-sized travel agents to make use of information technology for elevating service quality, strengthening information system security, improving crowd management of inbound tour groups, etc.

Present Economic and Tourism Landscape

22. The economy has maintained steady growth since the beginning of 2018. The sustained improvement in global demand provides impetus to the growth of Hong Kong's exports. Favourable job and income conditions have rendered support to the local consumption sentiment.

23. Hong Kong's inbound tourism regained growth momentum in 2018 in light of the collaboration and efforts made by the Government, HKTB and travel trades as well as improvement in external environment. Total visitor arrivals in the first quarter rose by 9.6% year-on-year to 15.61 million, while the high-spending overnight visitors registered 7.2% increase. Buttressed partly by the growth in inbound tourism, the retail sales showed strong performance in the first quarter of 2018, with the value of total retail sales leapt by 14.3% year-on-year.

24. The Government will continue to work closely with the trade to sustain our positive growth so as to promote the long-term and healthy development of Hong Kong's tourism industry. We are also receptive to different views, including those from the tourism trade, District Councils, local community, advisory groups and professional bodies, with a view to reinforcing Hong Kong's position as a premier tourist destination.

Commerce and Economic Development Bureau
Commerce, Industry and Tourism Branch
June 2018

**Motion on
“Stimulating internal demand and opening up new visitor sources”
moved by Hon SHIU Ka-fai
at the Legislative Council Meeting of 28 March 2018**

**Motion as amended by Hon YIU Si-wing, Hon Michael TIEN and Hon
WU Chi-wai**

That, with the Government’s ample fiscal reserves and fiscal stability, this Council therefore urges the Government to make good use of this favourable state of public finance for launching more measures to improve people’s livelihood, so as to return wealth to people and stimulate internal demand; the Government should at the same time expedite the provision of additional tourism supporting facilities as per the Development Blueprint for Hong Kong’s Tourism Industry released by the Commerce and Economic Development Bureau in October 2017, including but not limited to studying the development of underground space, or local cultural and creative parks, or multi-purpose venues for holding road events, in order to upgrade Hong Kong’s visitor receiving capability and capacity, and alleviate the inconvenience caused by visitors to members of the public through better diversion, so as to open up new visitor sources for the benefit of the tourism, retail, catering and transport sectors, etc. and the overall economy of Hong Kong; the Government should also make good use of the fiscal surplus in excess of its original estimate every year and allocate in various ways the extra surpluses to projects which have not been implemented or enhanced for years due to a lack of financial resources.