

Box 4.1

**Benefits to Hong Kong
stemming from vibrant inbound tourism in the Mainland***

The Mainland is an increasingly pre-eminent destination in Asia for visitors around the globe. Compared with 1999, total number of inbound visitors (excluding Hong Kong and Macao residents) to the Mainland leaped by an average of 13% to 20.6 million in 2004. In the first ten months of 2005, there was a further surge of 21% over a year earlier.

Hong Kong's tourism sector has been benefiting from the growth of the Mainland's inbound tourism, as lots of travellers tie Hong Kong with the Mainland destinations in their itineraries for three major reasons. *First*, Hong Kong is conveniently located in South China and provides easy access to the Mainland, especially the Guangdong Province that hosts about one-third of total inbound visitors (excluding Hong Kong and Macao residents) to the Mainland. *Second*, attractions of Hong Kong are quite unique as compared to many destinations in the Mainland so that they are often packed in one trip. *Third*, Hong Kong with its world-class external transport facilities and connectivity provides an efficient gateway for travellers to the Mainland.

Comparing 2005 with 2002, the proportion of overnight visitors (excluding the Mainland and Macao residents) to Hong Kong who also visited the Mainland rose from 38% to around 45%. The corresponding proportion for long-haul visitors even reached 50-60% in 2005.

Overnight visitors to Hong Kong who also include the Mainland in their itineraries

<u>Country/territory of residence</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005[#]</u>
	(% share in overnight visitors from the sources concerned)			
All (except the Mainland and Macao)	38	36	42	45
Americas	52	48	56	60
Europe, Africa and Middle East	42	40	46	50
Rest of Asia	34	32	36	37

Notes : Figures prior to 2002 and for same-day visitors are not available.
(#) Provisional estimates.

Source : Hong Kong Tourism Board.

Note : (*) Inbound tourism in the Mainland does not cover visits by Hong Kong and Macao residents for the purpose of analysis in this article.

Box 4.1 (cont'd)

Transport is another sector benefiting from the Mainland's inbound tourism through the use of our connection services. Apart from serving those visitors who stay in Hong Kong, Hong Kong International Airport (HKIA) provides air transfer/transit services in connection with the Mainland and other modes of transport in connection with Pearl River Delta (PRD). In recent years, the passenger movements for all these services showed appreciable rises.

HKIA's transfer/transit passenger movements in connection with the Mainland

<u>Mode of transport</u>	<u>Average annual growth (%)</u>
Transfer/transit in connection with the Mainland by air	9.4 (1999-2004) 13.8 (year-on-year in Jan-Nov 2005)
Cross-boundary ferry services ^(a)	56.3 (2005)
Cross-boundary coach services ^(b)	11.2 (2000-2005)

Notes : (a) The ferry services connect HKIA's SkyPier operating since September 2003 with five PRD ports at end-2005. The figure here refers to the growth in 2005 over 2004.

(b) Commencing operation since mid-1999, the coach services now connect HKIA with 40 cities in the PRD region. Non-domestic passengers using this service are classified as incoming visitors as they have to pass through immigration clearance.

Sources : Civil Aviation Department, Government of the Hong Kong Special Administrative Region (HKSARG); Hong Kong Airport Authority.

It is worth of note that the rapid advancement of airport facilities in the Mainland has reduced its reliance on connection services via Hong Kong. Yet from a wider perspective, improved airport facilities enable the Mainland to receive a larger number of visitors, some of whom especially those with footprints in PRD may visit Hong Kong as well. Besides, increased capacity of the Mainland airports facilitates a further expansion in their connections with HKIA. As reckoned by figures below, Hong Kong is positioned to share the fruits from rapid development of the tourism and civil aviation sectors in the Mainland.

	<u>Average annual growth during 1999-2004(%)</u>
Air passenger movements of the Mainland for international routes and regional routes with Hong Kong and Macao	9.0
Air passenger movements of Hong Kong in connection with the Mainland (including terminating, originating, transfer and transit passengers)	8.2
Number of inbound visitors to the Mainland (excluding Hong Kong and Macao residents)	13.1
Number of inbound visitors (excluding Mainland, Hong Kong and Macao residents) to both the Mainland and Hong Kong	7.2 ^(a)

Notes : (a) This is crude estimate based on the record of incoming visitors (excluding the Mainland and Macao residents) kept by the Immigration Department of HKSARG. Within the total for incoming visitors except the Mainland and Macao residents, arrivals with the Mainland being the place of embarkation are added to the departures with the Mainland being the place of immediate destination to provide a proxy of visitors travelling to both the Mainland and Hong Kong in one trip. Due to data limitation, other visitors likewise going to both places yet with elsewhere in-between such as Macao cannot be counted. Besides, the transfer services provided by HKIA's SkyPier since September 2003 has led to a substantial shift in status from en route incoming visitors to transfer passengers, thereby giving restraining impact on the estimated growth rates presented here.

Sources : Ministry of Public Security of Central People's Government (CPG), Civil Aviation Administration of CPG; Immigration Department of HKSARG; Civil Aviation Department of HKSARG.

Box 4.1 (cont'd)

In order to capture the business opportunities arising from increased visitors to the Mainland, it is essential to enhance Hong Kong's overall competitiveness as a premier tourist destination, now ranking seventh globally in terms of incoming visitor number according to the World Tourism Organisation. Continued efforts to develop new infrastructure facilities, upgrade existing tourist attractions, enhance service quality and nurture hospitality culture are necessary. Promotion of multi-destination itineraries also helps to induce travellers to the Mainland, especially those destined for PRD, to include Hong Kong in their trips.

It is also important to maintain Hong Kong's leading transport hub position, which is one of our major strengths to bring in visitors from different markets in the world. In this connection, Hong Kong has to uphold its edge in terms of air connectivity and service frequency, including the inter-modal connection between HKIA and PRD. Regarding handling capacity, the Hong Kong Airport Authority has recently undertaken to invest \$4.5 billion in the next five to six years for capacity enhancement projects at HKIA. These include, for example, construction of a satellite concourse with additional parking stands for small aircrafts, reconfiguration of the Passenger Terminal Building to enhance passenger flow, resurfacing of existing runways and taxiways, and construction of additional taxiways.