

## Box 3.1

## Individual Visit Scheme: An anecdote

The Individual Visit Scheme (IVS), which was first introduced in July 2003 as a liberalisation measure under the Closer Economic Partnership Arrangement (CEPA), has just celebrated its fifth anniversary. Under the existing scheme, Mainland residents in 49 cities are allowed to visit Hong Kong in their individual capacity with seven-day visas issued by the Mainland's Public Security Bureau. Previously, Mainlanders could only travel to Hong Kong under business visas or by joining organised group tours. The enhanced ease of travel brought by IVS, together with other positive factors such as the increasing affluence of Mainland residents and the appreciation of renminbi, led to a tremendous growth in Mainland arrivals over the past five years. Comparing 2007 with 2002, the number of Mainland residents visiting Hong Kong more than doubled from 6.8 million to 15.5 million, representing an average growth of 17.8% per annum. Within this total, the number of IVS visitor arrivals shot up from 4.3 million in 2004 (first annual figure available) to 8.6 million in 2007, or by an even faster pace of 26.4% per annum. As a consequence, the share of IVS visitors in the total Mainland arrivals leapt from 35% to 55% over the period 2004-2007. In the first half of 2008, the share remained unchanged at 55%.

## The number of IVS versus non-IVS visitor arrivals from the Mainland ('000)

|   | <u>Number of Mainland visitor arrivals</u> |                          |                  | <u>Total number of incoming<br/>visitor arrivals from<br/>all destinations</u> |
|---|--|--------------------------|------------------|--|
|   | <u>IVS</u>                                 | <u>Non-IVS</u>           | <u>Total</u>     |  |
| <b>2002</b>   | <i>n.a.</i>                                | <i>n.a.</i>              | 6,825<br>(41.2)  | 16,566<br>(100.0)  |
| <b>2003</b>   | 667*<br>(4.3)*                             | 7,800<br>(50.2)          | 8,467<br>(54.5)  | 15,537<br>(100.0)  |
| <b>2004</b>   | 4,260<br>(19.5)                            | 7,986<br>(36.6)          | 12,246<br>(56.1) | 21,811<br>(100.0)  |
| <b>2005</b>   | 5,550<br>(23.8)                            | 6,991<br>(29.9)          | 12,541<br>(53.7) | 23,359<br>(100.0)  |
| <b>2006</b>   | 6,673<br>(26.4)                            | 6,918<br>(27.4)          | 13,591<br>(53.8) | 25,251<br>(100.0)  |
| <b>2007</b>   | 8,593<br>(30.5)                            | 6,893<br>(24.5)          | 15,486<br>(55.0) | 28,169<br>(100.0)  |
| <b>Average annual<br/>growth rate<br/>(2002-2007)</b> | <b>26.4<sup>^</sup></b>                    | <b>- 4.8<sup>^</sup></b> | <b>17.8</b>      | <b>11.2</b>  |

Notes: ( ) Figures in brackets represent percentage shares in the corresponding total.  
 (\*) Figures only available from July 2003 onwards.  
 (^) Average annual growth rate for 2004-2007.  
 n.a. Not available.

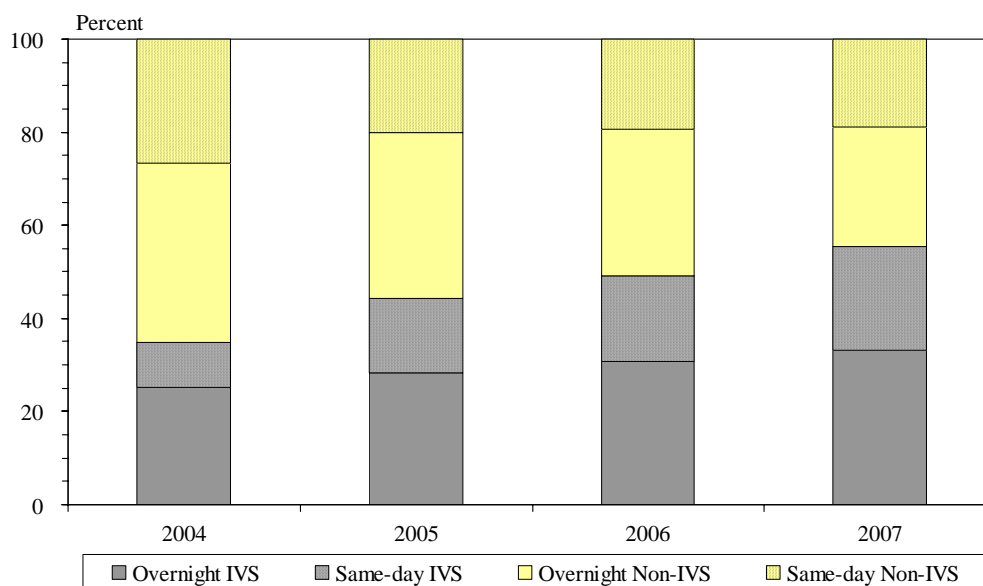
**Box 3.1 (Cont'd)****Characteristics of IVS visitors**

A number of distinct characteristics can be observed for IVS visitors, apart from the rapid growth pace. First, the greater majority of these visitors came from the neighbouring Mainland cities, in particular Shenzhen and Guangzhou. Statistics shows that while visitors from the Guangdong Province accounted for approximately 70% of the total incoming visitor arrivals from the Mainland in 2007, the corresponding share for IVS arrivals was even higher at 80%.

Second, benefiting from the simplified procedure of obtaining visas, IVS travellers had a greater proportion of repeated visitors than their non-IVS counterparts. According to the Hong Kong Tourism Board's Travel Pattern Survey & Departing Visitor Survey 2007, more than three-quarters of IVS visitors took repeated trips to Hong Kong, much larger than the proportion of 35% recorded for non-IVS visitors. The scheme has thus facilitated more Mainlanders to make leisure and casual trips to Hong Kong on a recurrent basis, thereby creating a win-win situation for both visitors from the Mainland and the tourism sector in Hong Kong.

Third, besides the higher frequency for trips, IVS visitors exhibited a higher level of spending in Hong Kong. For overnight visitors, the per capita spending of IVS visitors amounted to \$4,980 in 2007, somewhat below the \$5,583 for their non-IVS counterpart. However, the average length of stay for the latter group of visitors was 5.6 nights, longer than that of 2.3 nights for the former group comprising more frequent travellers. Seen in this perspective, the average daily spending for IVS overnight visitors, at \$2,185, in fact more than doubled that of their non-IVS counterparts, at \$995. Likewise, the average daily spending of IVS same-day visitors, at \$2,232, was distinctly higher than that of non-IVS day-trippers, at \$1,188. As for IVS same-day visitors more specifically, they spent more of their money on shopping, at around \$2,000 per capita, which was twice as much as that for non-IVS visitors. Ready-made wear, cosmetics and skin care products were the most popular items on the IVS visitors' shopping lists.

Last but not least, among the IVS visitors, those making same-day trips registered the most spectacular increase in recent years. This indicated that a large number of Mainland residents had made use of IVS for day-trips to Hong Kong to enjoy the city's high-quality consumer goods and services. The share of leisure travel amongst Mainland same-day travellers in Hong Kong thus soared from 18% in 2002 to 48% in 2007. In stark contrast, whereas Mainland visitors en route to other destinations still took up 15% (956 139 arrivals) of Mainland same-day travellers in 2007, the share fell markedly from 54% (3 466 466 arrivals) in 2002, just before the launch of IVS.

**Box 3.1 (Cont'd)****Composition of Mainland visitor arrivals****Conclusion**

The implementation of IVS has enabled Mainland residents, especially those in the southern part of the country, to make more frequent visits to Hong Kong. Such a development has not only brought about substantial direct benefits to the local economy generally and inbound tourism in particular, which is one of the four key industries in Hong Kong, but also enhanced greatly the economic links between Hong Kong and the Mainland to the mutual benefits of both places.