

UNIVERSITY OF ALGARVE

FACULTY OF ECONOMICS

**EVOLUTION AND IMPACTS OF TOURISM POLICIES IN HONG KONG**

**BIN SU**

**Dissertation**

**Master in Tourism Economics and Regional Development**

Work made under the supervision of:

Prof. Pedro Miguel Guerreiro Patolea Pintassilgo

Prof. Adão de Jesus Gonçalves Flores

2017

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## Work Authorship Declaration

I declare to be the author of this work, which is unique and unprecedented. Authors and works consulted are properly cited in the text and are in the listing of references included.

Bin Su



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## **ABSTRACT**

Tourism is becoming more and more important for economic development worldwide. The same applies to Hong Kong, a popular Asian tourism destination. The special history and political system of Hong Kong influences the development of tourism. This research aims to show how the development of tourism in Hong Kong was impacted by local policies, especially after the year 1997. A questionnaire was applied to investigate the impacts of tourism policies on the people who work in the tourism industry. The results show that the tourism policies made large impacts in Hong Kong tourism industry and led to the rapid development of Hong Kong. However, most people working in the tourism industry do not know the relevant policies affecting tourism. Moreover, the benefits from the development of tourism are not balanced among people with different backgrounds.

Keywords: tourism, tourism policy, tourism impact, tourism development.

## **RESUMO**

O turismo tem-se tornando cada vez mais importante para o desenvolvimento económico em todo o mundo. O mesmo se aplica a Hong Kong, um popular destino turístico asiático. A história e o sistema político de Hong Kong influenciam o desenvolvimento do turismo no território. Esta pesquisa visa mostrar como o desenvolvimento do turismo em Hong Kong foi impactado pelas políticas locais, especialmente após o ano de 1997. Através de um questionário procurou-se investigar os impactos das políticas de turismo sobre as pessoas que trabalham na indústria do turismo. Os resultados mostram que as políticas de turismo tiveram grandes impactos na indústria do turismo de Hong Kong e levaram ao rápido desenvolvimento do território. No entanto, a maioria das pessoas que trabalham na indústria do turismo não conhecem as políticas relevantes que afetam o turismo. Além disso, os benefícios do desenvolvimento do turismo são muitos distintos entre os diferentes grupos socioeconómicos.

Palavras-chave: turismo, política turística, impacto turístico, desenvolvimento turístico.

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## 1. INTRODUCTION

In recent years, tourism has become one of the most frequent words used in news and economic reports all over the world. Nowadays, tourism has become one of the largest industries in the world. Tourism is the new engine and force of economic development in many countries and regions. This also applies to Hong Kong, where tourism plays a significant economic and social role.

Hong Kong is a special city both in its history and political development. It was a British colony integrated in a capitalist system before 1997. After that, Hong Kong was returned to China and the “one country, two systems” policy became the guideline. It was the first such case in the world. A similar situation occurred with Macau, when it returned to China from Portugal in 1999. Nevertheless, both places have different economic and political backgrounds. Hong Kong is the first special administrative region of China. Under the principle of “one country, two systems” Hong Kong maintains, except for military defense and foreign affairs, independent powers in domains such as the executive, legislative and judiciary. After the handover, Hong Kong continued to experience prosperous and stable development. New tourism policies were issued and took effect after 1997. They promoted the development of Hong Kong tourism. Meanwhile, they also brought new problems.

Hong Kong is a financial center of Asia and a well-known tourism destination. Many scholars have researched the impacts of tourism policies in Hong Kong. For example, the Shanghai-Hong Kong Development Institute analyzed the contributions to value-added of each tourism policy, including the Multiple Entry Individual Visit (M-Permit), the Individual Visit Scheme (IVS), Non-IVS Mainland Visitor, and Non-Mainland Visitor policies (Sung et al., 2013).

Most of the current research on the economic impacts of tourism policies has focused on specific industries. There is, however, a lack of studies focusing on the people who work in the tourism industry. This group of people is a very important part of a healthy development of tourism in Hong Kong. The impact of tourism policies on them directly

influences the quality of services provided by Hong Kong tourism. Their feelings and opinions are important for future tourism policy-making. This dissertation is an exploratory study that aims to follow the evolution of tourism policies in Hong Kong to analyze their impact on tourism development, and on the people who work in the tourism industry.

There are six chapters in this dissertation. The first one is the introduction. The second chapter presents the literature review focusing on tourism, tourism impacts and tourism policy. The third chapter presents the case study of Hong Kong, focusing on the evolution of tourism policies, their impacts on the development of tourism and the supply and demand of Hong Kong tourism. The fourth chapter describes the methodology and the chosen sample. The results of the questionnaire are presented in the fifth chapter. The last chapter presents a discussion on the results and the main conclusions.

## **2. LITERATURE REVIEW**

In this chapter, a literature review is undertaken on the essential topics to address the evolution and impacts of tourism in Hong Kong. First the concept of tourism is addressed, followed by the impacts of tourism and tourism policy.

### **2.1 Tourism**

Tourism is a large subject, as it contains many human behaviors. It is very difficult to define a clear boundary of tourism nowadays. According to OECD (1991), tourism is a concept that can be interpreted differently based on the context. "Tourism" may cover the tourists, or what the tourists do, or the agents who cater them, and so on. In the modern world, the range of tourism becomes more and more wide and its relationship with other industries are closer than before. From the academic perspective, sciences such as sociology, geography, anthropology, and economics have different definitions of tourism. Kerr (2003) mentions that tourism is a complex phenomenon and can be an important source of economic development.

The understanding of tourism depends on the role you play in the society. If you are a tourist, tourism is the decision or idea about where to go for your journey or what to do and the whole practices or experience on the trip. However, if you work on a tourism firm the understanding of tourism is very different from the one of a tourist. At this point of view, activities such as accommodation, restaurants, retail, entertainment which tourists enjoy during the travel are tourism (Weaver and Lawton, 2000).

In order to ensure the accuracy of our research, it is essential to choose a specific definition of tourism. We adopt the definition of tourism from the World Tourism Organization: "Tourism comprises the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes" (OECD, 2001). This definition emphasizes three criteria: the place, the purpose and the duration of the travel. First, the travel must happen outside the place where the individual lives or works. Second, the purpose of the travel includes

business, leisure and recreation, visiting family members or friends, seeking for medical care and any other purpose. Third, regarding the duration of the travel, the minimum is one day and the maximum is one consecutive year.

Tourism is not a single or simple industry. It is basically a demand phenomenon. It is not defined by the supply of a specific list of products or economic activities as in conventionally defined industries like manufacturing. Tourism covers everything that relates to tourists in the trip, including food, accommodation, transportation, shopping and so on. Moreover, infrastructures and public services are deeply connected to tourism.

## **2.2 The Impacts of Tourism**

### **2.2.1 Economic Impacts**

Over the last decades, tourism made a significant contribution to the world's economic development. In the perspective of creating wealth, the tourism sector has surpassed other activities such as agriculture, mining and manufacturing in many travel destinations. Usually, the economic impacts of tourism are shown in three domains: employment, tax revenue, and exports.

Employment is one of the major direct economic effects of tourism (Inskeep, 1991). Tourism provides both direct and indirect employment (Goeldner et al., 2000). According to Turner and Sears (2013) travel and tourism is one of the leading job creators in the world. The World Travel & Tourism Council (2016) estimates that in 2015 there were around 107.8 million people employed directly in tourism. Tourism accounted for 3.6% of employment in all industries. Tourism provides direct employment in activities such as hotels, restaurants, airlines and public transportation. If indirect employment is included the impacts are much larger. One in every eleven jobs was provided by tourism in 2013 worldwide (Blanke and Chiesa, 2013). Indirect employment comes from the fact that tourism activities require goods or services from other activities. For example, airline transportation requires aircraft manufacture, new hotels require construction companies and restaurants demand food and material suppliers. Tourism is usually highly labor

intensive (Zaei and Zaei, 2013). They require a great number of grass-roots staff and talented people with professional skills. Tourism is worth the name of job creator and source of employment, particularly for people without a high-educational background.

According to Osmani and Kraja (2012) tourism taxes exist in different forms and are imposed by national and local governments to fund the public services that are used by foreign tourists and residents. The taxes are usually received when the tourists make some form of consumption. The more visitors arrive at the travel destinations, the more tax revenue the government will collect.

The direct consumption of inbound tourists is an export. This situation is different from common commodity exports, as the goods and services are consumed by tourists in the destination. There is a close relationship between tourism exports and foreign exchange. McKinnon (1964) argued that tourism exports make positive contribution to the output growth by relieving the foreign exchange constraint. Further, they can enhance efficiency through increased competition (Krueger, 1980).

### **2.2.2 Environmental impacts**

Sunlu (2003) concludes that the quality of the environment, both natural and man-made, is an essential factor to tourism. There are positive and negative tourism impacts on the environment. Wall and Mathieson (2006) illustrate that tourism growth inevitably leads to modifications on the environment. Mowforth and Munt (2003) argue that the development and fast growth of mass tourism has led to a wide range of environmental problems, which have become more serious over the recent years. Many habitats and species are threatened by tourism. Moreover, a deteriorated environment also impairs tourism development, as tourist experience is affected.

Nowadays, the common environmental problems caused by tourism are related to water and air quality, noise pollution, solid waste, littering and habitat alteration (Rabbany et al., 2013). For example, a report of the UNWTO refers regarding the environmental problem of climate change that the tourism contribution to CO<sub>2</sub> emissions is due to

transports (75%), accommodation (21%) and other travel activities (UNWT, UNEP and WMO, 2008)

Therefore, how to balance the relationship between tourism and environment became a central goal for many destinations. Sustainable tourism came into people's mind at the end of 1990s. UNWTO defined sustainable tourism as: "Tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities" (UNWTO, 2017). Today, environmental problems have become a global issue and many governments, international organizations, NGOs and operators from private and public sectors are working together to develop environmental friendly tourism.

### **2.2.3 Socio-cultural impacts**

The United Nations Environment Programme (UNEP, 2014) defined socio-cultural impacts of tourism as the effects on travel destinations of direct and indirect relations with tourists, and of interaction with the tourism industry. Socio-cultural is an essential part of the development of a tourism destination. The socio-cultural identity of a destination is a major element in its attractiveness. However, this identity has been endangered by the development of mass tourism worldwide (Terkenli et al., 2007). What is worse, as Tsartas (1996) pointed out the rapid development of tourism sometimes disrupts or even dismantles the local social norms, structures and traditions. Sandeep and Vinod (2014) report that tourists make alteration in the living standards, value systems, labor division, life attitudes, and behavioral patterns or of the host communities during the process of interaction with them. They agreed that the social impacts of tourism, just like a coin, has two different sides: advantages and disadvantages.

The following advantages are usually mentioned:

- Tourism contribute to a better understanding of different cultures;
- Tourism reduces conflicts and promotes peace worldwide.

Some disadvantages also occur:

- Loss of cultural identity in tourism destinations;
- Cultural misunderstanding, economic inequality and different ethical conceptions can lead to cultural clashes;
- The development of tourism can cause social stress on the local people and communities, such as increasing infrastructure costs, transport congestion, decline in quality of life, and rise of crime rate.

## **2.3 Tourism Policy**

### **2.3.1 The Concept of Policy**

The nature and content of policy depends on the development of human society. According to Dredge and Jenkins (2006) the earliest application of the policy concept can be traced back to the ancient Greece. At that time, policy was used to maintain the power of the ruling class. The modern policy gained substantial momentum since the 1940s (Hogwood and Gunn, 1984). As stressed by Bridgman and Davis (2004), maintaining power is still a part of the functions of modern policy, however its nature has changed a lot when compared with the ancient policy.

Policy is whatever governments choose to do or not to do (Dye, 1978). At the beginning of modern policy history, the government had strong and dominant control over policy development. After that, the nature of the government and its relationship with other parties changed with the development of modern society. Thus, the functions of the government and policy shifted accordingly. The opinions from other parties' other than

the government, such as the business sector, impact on the policy-making of the government. Even so, we must note that the decisions and actions from non-governmental parties are not policy (Howlett and Ramesh, 1995).

Because more and more people with different roles participate and impact on policy-making, a correct understanding of the definition of policy is particularly important. Some scholars argue that policy itself is a complex dialectical process between a wide range of decision makers and advisers inside and outside government (Fischer and Forester, 1993). Bridgman and Davis (2004) defined policy as a position, strategy, action or product adopted by the government and arising from contests between different ideas, values and interests.

Policy is the guideline for a specific issue or action. The prerequisite of the policy is the best outcome for future circumstance after discussion and research (Bridgman and Davis, 2004). Generally speaking, policy is set up by the government in order to achieve specific goals and benefits or to avoid negative situations.

### **2.3.2 Concept of Tourism Policy**

Academic research on tourism policy has developed especially since the late 1980s. One of the definitions of tourism policy was stated by Goeldner and Ritchie (2009: 326): “Tourism policy can be defined as a set of regulations, rules, guidelines, directives, and development/promotion objectives and strategies that provide a framework within which the collective and individual decisions directly affecting long-term tourism development and the daily activities within a destination are taken.” Another definition of tourism policy is due to Biederman et al. (2007: 525): “The tourism policy is the direction or course of action to a particular country, region, locality or an individual destination plans to take when developing or promoting tourism.” Both definitions emphasize the guidance nature of tourism policy. It provides an appropriate direction to the organizations, companies or residents in the tourism sector. The ultimate objective of the tourism policy is to make the maximum contribution to the economic and social development of a place and to improve the life of the citizens (Biederman et al., 2007). Moreover, these

definitions recognized that tourism policy is dynamic and flexible according to the development of the society. A good tourism policy should allow for adjustments and refinements during the development process. Thus, tourism policy must not be a static rule but a flexible framework.

Edgell (1990) asserted that the highest purpose of tourism policy is to integrate the economic, political, cultural, intellectual and economic benefits of tourism cohesively with people, destinations, and countries in order to improve the global quality of life and provide a foundation for peace and prosperity. These are the new requirements and functions of tourism policy for the progress of the society.

Tourism policy is one of the main measures of government to manage and stimulate the development of tourism (Edgell et al., 2008). Nowadays, people usually agree that tourism policy should serve the interest of both the government and the public.

Tourism policy should not aim only the balance between demand and supply, but also to connect all the tourism stakeholders. This requires that planners and decision-makers of tourism policy have a deep knowledge about the actual situation of the travel destination and neighboring regions and the overall pattern of the world tourism.

### **2.3.3 The Dimensions of Tourism Policy**

There is a Chinese proverb “Nothing can be accomplished without norms or standards”. This also applies to tourism. In this context, this section discusses the international, national, regional and local dimensions of tourism policy.

## **Tourism Policy at International Level**

The end of the Second World War marks the beginning of a sustained expansion on tourism. A fundamental measure that promoted it was the adoption of the Universal Declaration of Human Rights by United Nations in 1945. It was the spring of international tourism. At first, the governments of many countries only recognized tourism as a tool to earn foreign currency, improve the employment rate, and receive tax revenues. However, the impact of international tourism on economic development, people's life standard and inter-cultural communication became more and more strong. In order to pursue the long-term development of international tourism, international organizations and policies on tourism were required.

The World Tourism Organization (UNWTO) is a central international organization on tourism. Its predecessor was the International Union of Official Travel Organization (IUOTO) which was found in 1946. The UNWTO is presently responsible for the promotion of responsible, sustainable and universally accessible tourism. For that purpose, it supervises and negotiates with the member countries to create a peaceful and secure environment to international tourists on transportation, accommodation or any other field related to tourism.

There are many other international organizations that play a role in tourism policies. For instance, the World Travel and Tourism Council (WTTC), the Organization for Economic Co-operation and Development (OECD), and the European Union (EU). The organizations themselves, their member countries, the multinational corporations, non-profit organizations and all the related interest groups of international tourism influence international tourism policies.

## **Tourism Policy at National Level**

When a country is member of international tourism organizations, then it is obliged to transpose international norms to the national level. At the operational level, a national tourism policy is very complex as it involves multiple sectors.

When a national government establishes a tourism policy, it must consider the overall development of the country, set a budget and actions. The final goal of such a policy is often to create a competitive framework on a local-regional-national scale and bring economic, social, environmental and cultural benefits. That is, to contribute to the development of the country, improve the quality of life of local people and provide a better experience to tourists.

During the process, a difficulty comes from the fact that tourism depends on many other industries. Therefore, tourism policy at national level is complex as it is not a single industry policy. A good coordination between different industries is necessary when developing and implementing a tourism policy.

Wahab and Cooper (2001) describe in detail that tourism policy at national level should involve at least the following items: the development of infrastructure facilities; a structure plan of the key tourist attractions; the entry rules for international or domestic tourism business and services; the connections and tour routes among the cities and tourism regions in the country; national tourism marketing strategies and promotion; national level implementation of a tourism plan including short-term and long-term schedule and targets; the specific laws and regulations for the tourism sector.

### **Tourism Policy at Regional and Local Level**

As societies become more complex, governments at national level find it more difficult to issue and implement public policies for the whole country. Hence, many national governments start to share their powers to the regional governments. The relationship between national government and regional governments gradually shifted from political and administrative to more collaborative (Thompson and Pforr, 2005).

Tourism policy at regional and local level focuses on tourism management within the region. The tourism policy at regional and local level remains under the framework of the higher administrations. However, it is closer to the citizens and enterprises and has access to first-hand data. Through daily operation and feedback from tourists and

residents, the tourism policies can be adjusted to improve the current situation, as long as it stays within the framework and direction of higher administrations. The players at this level are the real participants in the tourism sector. They directly connect the tourism policy to the actual management and operation of the tourism sector. In this dimension, the planners and decision-makers of tourism policy should focus on collecting information to capture the tourism reality and on promoting a sustainable tourism development.

### **3. CASE STUDY – TOURISM IN HONG KONG**

Hong Kong is located in Southern China, adjacent to the Guangdong Province, and is one of the most prosperous cities in Asia. Due to its location and historical background, Hong Kong became an important tourism destination. For quite a long period of time, Hong Kong was the gate of China to the world. Due to its colonial background, Hong Kong became a place that combines western and eastern culture. Presently, it is a freeport with advanced services and leading technology in many industries. The city attracts businessmen and tourists from all over the world.

This section starts with a brief history on the political status of Hong Kong. Then it addresses the tourism development in this city. This is followed by a description of the tourism system. The next subsection addresses the evolution of Hong Kong tourism policy to tourists from mainland China. Finally, the supply and demand of Hong Kong tourism is analyzed.

#### **3.1 A Brief History of Hong Kong**

Before 1840 Hong Kong used to be a small fishing village and was attached to Guangdong Province. It had a long coastline very suitable for a harbor. During the Tang Dynasty, the Guangdong province started to develop trade with other nations. Because of the geographical factors and the commercial development, Hong Kong became one of the most important harbors for foreigners' merchant vessels at that time.

After the First Opium War in 1840, the government of Qing Dynasty was forced to sign the *Treaty of Nanking* with the British, which requested to cede the Hong Kong island and the nearby Ap Lei Chau island to Britain. New Treaties between Britain and China on Hong Kong occurred during the Qing Dynasty. The British rule over Hong Kong would last for almost one and a half centuries, and its territorial scope is the exact boundary of today's Hong Kong. Under the British rule, Hong Kong became a free port for international trade. This aspect was crucial to the economic development of Hong Kong.

July 1<sup>st</sup>, 1997 was a special day for both China and Hong Kong. On that day, there was the handover of Hong Kong and its name officially changed to Hong Kong Special Administrative Region (HKSAR). HKSAR has a high degree of autonomy, it has its administrative right, legislative right, independent judicial and final adjudication right, and even monetary distribution right.

In view of the special situation and historical background of Hong Kong, and to ensure the prosperity and stability of the territory, a specific political system was designed for HKSAR. China agreed with Britain and set up the policy of “one country, two systems” for the future development of Hong Kong. It means that after the handover of Hong Kong, it kept the original capitalist system and life style. The transition period will last for 50 years.

The “one country, two systems” policy and the current political system of HKSAR are unique in history. It is a subject worth of further study. Although these policies have been implemented for almost 20 years after the handover of Hong Kong, it is too early to evaluate them.

HKSAR is presently a modern international city with a complex society. It is one of the most densely populated areas in the world and it has a top position on many economic sectors such as financial, international trade, logistics and information technology.

### **3.2 Tourism Development in Hong Kong**

The beginning of tourism in Hong Kong can be traced back to the period when it became a British colony and a free port. However, the expansion of tourism would only occur after the end of the Second World War, when the world experienced a “golden era” on economic development.

In the beginning of the 1960s, businessmen and commercial trips were the mainstream of tourism in Hong Kong. The Hong Kong government also paid attention to

improving the tourism infrastructure, such as airport and terminal expansions, road planning, and strengthening education and training. From then on, tourism in Hong Kong started to enter a period of continuous development. Until the end of the 1980s, the annual growth of the number of tourists arriving to Hong Kong reached a two-digit percentage. At that time, Hong Kong became a tourism hub in Asia.

During the early 1990s, after nearly 30 years of construction and development, Hong Kong enjoyed a leading position in the infrastructure and service industries. It had become one of the most important financial centers in the world. The recession of the world's tourism made little impact on Hong Kong at that time. Tourism in Hong Kong kept developing and showed an exponential increase on both the number of tourists' arrival and tourist expenditure. The tourism industry became one of the pillars of Hong Kong's economy. Ever since, tourism in Hong Kong has played an increasingly significant role on economic and cultural development.

After the handover of Hong Kong in 1997, came what we might call the "post tourism development era". It was a stage with defined differences from the previous one. To be more precise, 1997 was the obvious cut-off point of tourism in Hong Kong because the development of tourism before 1997 was inclined to economic orientation. After 1997 it was more policy oriented.

The financial crisis in Asia by the end of the 20th century and a convoluted climate in the world economy in the 21st century presented both challenges and opportunities for tourism in HKSAR. Looking back into the development of tourism and policies related to it, tourism in HKSAR couldn't have achieved such levels without the contribution of Mainland China. At the beginning of the 21st century, Mainland China had become the largest source of tourists to HKSAR. Tourism in HKSAR has continued to show a rapid development in recent years. New problems have also arisen during the process.

How tourism policy impacts tourism in HKSAR and suggestions for its future development are the key points of this dissertation and will be discussed in the following pages.

### **3.3 Tourism System in Hong Kong**

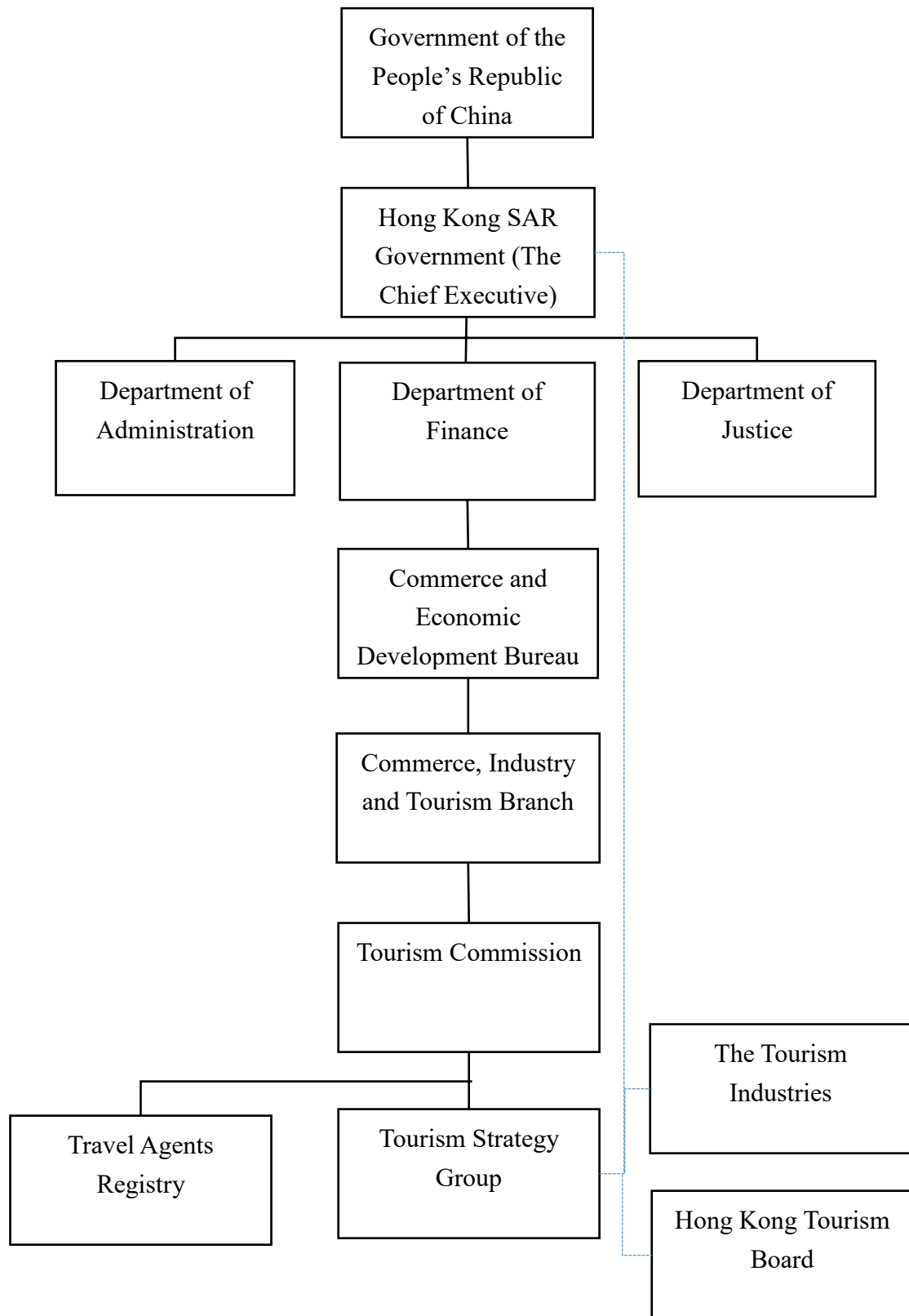
HKSAR has a high degree of political and economic autonomy, except for the areas of defense and diplomacy. Hong Kong has its own special administrative, legislative and judicial systems. The same principles apply to the tourism system in Hong Kong, whose structure is shown in Figure 3.1.

The chief executive of Hong Kong's government is the supreme representative of the island. He leads the government in Hong Kong while reporting to the Chinese government. He is in charge of signing and executing laws and policies, including those governing the tourism sector, hence his importance for the industry.

In the Hong Kong's system, tourism belongs to the branch of commerce, industry and tourism of the Department of Finance. The Tourism Commission was established in May 1999 as an answer to the importance of tourism in Hong Kong's economy. From a governing perspective, the Commission is the department in charge of developing tourism policies, plans and strategies, and negotiate with the tourism stakeholders.

The Tourism Commission also oversees the travel agent's registry, founded earlier in 1985, which is responsible for the licensing and managing of travel agents. According to the *Travel Agents Ordinance* in Hong Kong, its efficient management and supervision has had a significant impact on tourists' satisfaction and benefits.

**Figure 3.1 The Structure of the Hong Kong Tourism System**



Source: Structure and Management (2016).

Another necessary branch of the Tourism Commission is the Tourism Strategy Group, which is also part of the Hong Kong Tourism Board, with members or representatives from Hong Kong's government and the tourism industry. This group studies strategies for developing tourism while providing useful suggestions to government.

Although the Hong Kong Tourism Board is not a governmental organization, it plays a significant role on promoting tourism in the area. It was established in April of 2001 and its predecessor was the Hong Kong Tourism Association which was created in the 1957. Aiming for a better and comprehensive promotion of tourism in Hong Kong, it stands as an independent organization and has no affiliations to any tourism business or branch of government. It maintains cooperation with all tourism parties and does research to develop suitable marketing strategies to promote Hong Kong tourism all over the world. It can be seen as a platform for the tourism industries in Hong Kong.

The Hong Kong tourism system is made up by the above-mentioned organizations and branches. They work together and try to improve the environment and conditions for the tourists who travel to Hong Kong.

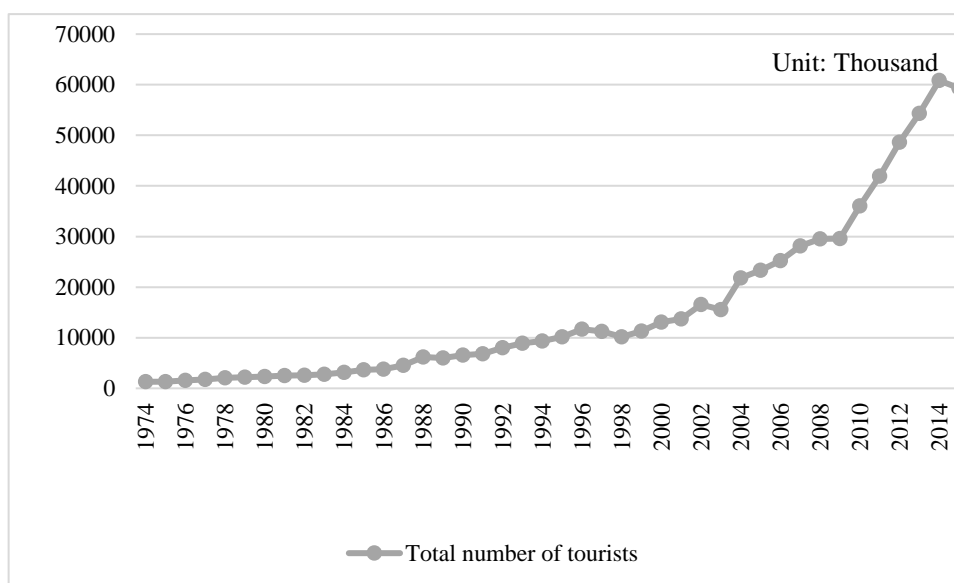
### **3.4 The Evolution of Hong Kong Tourism Policy to Tourists from Mainland China**

Throughout the world, Hong Kong is known as a popular tourism destination. Whether from a geographical or political perspective, its development of tourism and related policies is unique. Even compared to Macau and Taiwan, there are many differences in its development in spite of their proximity.

#### **3.4.1 Until 1997**

Figure 3.2 shows a steady growth trend of the total number of visitors until 1997 and a small decrease in 1998. A similar trend applies to the number of Chinese visitors. By 1997 Hong Kong had a total of 11.2 million visitors, in which Chinese visitors represented around 21% (2.4 million).

**Figure 3.2 The Total Number of Visitors to Hong Kong**



Source: Census and Statistics Department (2015).

In 1984, a new policy established that people from Mainland China could join tours organized by the China Travel Service to travel to Hong Kong and visit their families and relatives. It was the first time the gate was opened to all Chinese people, but strict conditions and requirements were in place with specific daily quotas.

In 1987, residents of Taiwan were permitted to enter Mainland China for family reunions if traveling via a third destination. Indirectly, this policy promoted Hong Kong tourism to the people of Taiwan. The number of Taiwanese tourists soon exceeded the Japanese and Taiwan became the largest provider of tourists to Hong Kong in 1990.

During this period, Hong Kong was still a British colony and it was difficult for Chinese people to travel to Hong Kong, except for business or visiting relatives. Nonetheless, tourists from Mainland China became the largest number visiting Hong Kong in 1994.

At the same time, with the advent of globalization and the rapid economic development of some Asian countries, visitors from America, Europe, Japan, southeastern Asian countries and Taiwan became important contributors to tourism in Hong Kong.

Particularly, the Chinese economy had been growing rapidly since the early 1990s, and China became a huge potential market for most countries, with Hong Kong being a business bridge between them.

### **3.4.2 From 1998 to 2003**

With the handover of Hong Kong in 1997 and the increased cooperation between companies in Hong Kong and Mainland China, more and more Chinese people visited Hong Kong for business. As shown in Table 3.1, the number of Chinese visitors increased every year in the period 1998-2003. Even when the total number of visitors from all over the world decreased, the Chinese numbers kept a growth trend. During this period, the prosperity and development of tourism in Hong Kong started to have a close relationship with policies issued in Mainland China.

In 1998, a policy from the Chinese government allowed for the daily quota of Hong Kong-bound tour group visitors from Mainland China to be increased to 1,500. In addition to that, there were four agents designated to operate Hong Kong tours in Mainland China, including the newly added China International Travel Service in that same year.

In the late 20<sup>th</sup> century and early 21<sup>st</sup>, the international economic and political arenas became more complicated. The Asian financial crisis (1997-1998) and the 9-11 attacks in the US (2001) had negative impacts in the Hong Kong's tourism industry. The number of tourists from Thailand, other Asian countries and America fell sharply during this period. As seen in Table 3.1, the number of total visitors dropped by 4% in 1997 and 10% in 1998.

In 2002, the Chinese government cancelled the Hong Kong Group Tour quota system and continued to increase the number of travel agents authorized to organize tour for Mainlanders. Because of this policy alone, the annual growth rate in the number of Chinese visitors reached 53% in 2002, the largest growth rate recorded after 1989.

**Table 3.1 Number of Visitors to Hong Kong and its Growth Rate**

Year	Total number of visitors (in thousands)	Growth rate of the total visitors	Number of visitors from Mainland China (in thousands)	Growth rate of visitors from Mainland China
1994	9331	-	1944	-
1995	10200	9%	2243	15%
1996	11702	15%	2311	3%
1997	11273	-4%	2364	2%
1998	10160	-10%	2672	13%
1999	11328	12%	3206	20%
2000	13059	15%	3786	18%
2001	13725	5%	4449	18%
2002	16566	21%	6825	53%
2003	15537	-6%	8467	24%
2004	21811	40%	12246	45%
2005	23359	7%	12541	2%
2006	25251	8%	13591	8%
2007	28169	12%	15485	14%
2008	29507	5%	16862	9%
2009	29591	0%	17957	6%
2010	36030	22%	22684	26%
2011	41921	16%	28100	24%
2012	48615	16%	34911	24%
2013	54299	12%	40745	17%
2014	60839	12%	47248	16%
2015	59308	-3%	45843	-3%

Source: Hong Kong Tourism Commission (2015).

In 2003, Mainland China and Hong Kong signed the Closer Economic Partnership Arrangement (CEPA), and the Individual Visit Scheme (IVS) of Hong Kong and Macau. Up until now it has been the most important policy contributing to the development of tourism in Hong Kong.

However, Hong Kong faced economic recession in this period due to the Asian financial crisis. The breakout of SARS (Severe Acute Respiratory Syndrome) in 2003 worsened both the economy and tourism. The effects of its spread translated into slow economic growth, high unemployment and negative growth for tourism.

The IVS first applied to ten cities of Mainland China in 2003 (See Table 3.2), bringing good news to tourism and having a positive effect in the recovery of Hong Kong's economy.

**Table 3.2 Cities in which the Individual Visit Scheme was Applied**

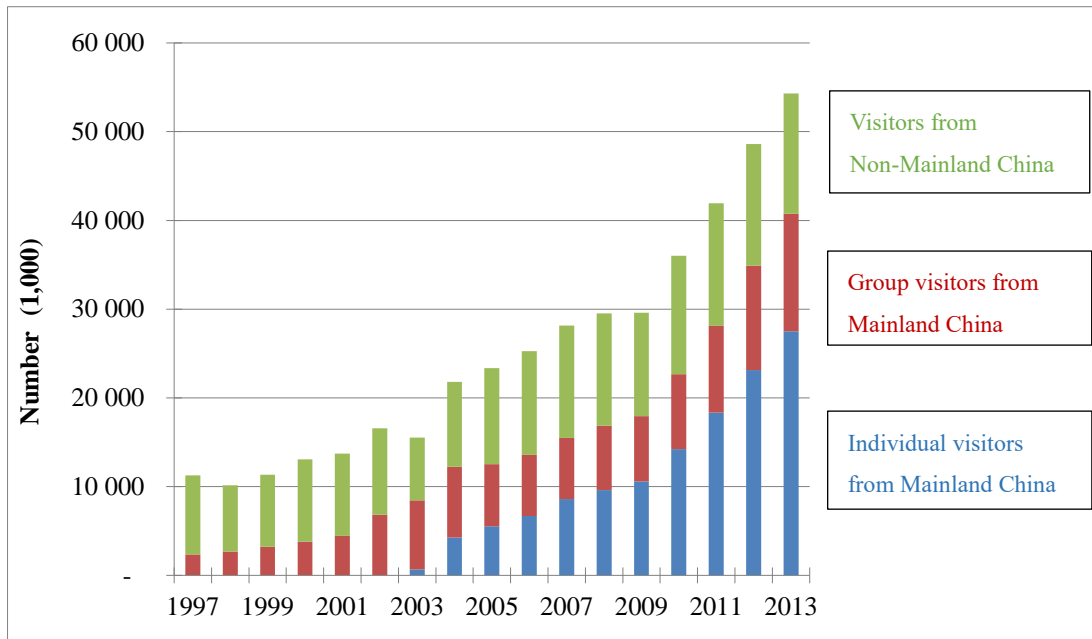
<b>Open Date</b>	<b>Cities</b>
28/07/2003	Gugnddong Province: Dongguan, Zhongshan, Jiangmen, Foshan cities
20/08/2003	Gugnddong Province: Guangzhou, Shenzhen, Zhuhai, Huizhou cities
01/09/2003	Shanghai and Beijing cities
01/01/2004	Guangdong Province: Shantou, Chaozhou, Meizhou, Zhaoqing, Qingyuan, Yunfu cities
01/05/2004	Guangdong Province: Zhanjiang, Shaoguan, Heyuan, Maoming, Yangjiang, Jieyang, Shanwei cities
01/07/2004	Fujian Province: Fuzhou, Xiamen, Quanzhou cities Jiangsu Province: Nanjing, Suzhou, Wuxi cities Zhejiang Province: Hangzhou, Ningbo, Taizhou cities
01/03/2005	Tianjing and Chongqing cities
01/11/2005	Shenyang, Dalian, Ji'nan, Chengdu cities
01/05/2006	Changsha, Nanchang, Nanning, Kunming, Guiyang, Haikou cities
01/01/2007	Shijiazhuang, Changchun, Hefei, Zhengzhou, Wuhan cities

Source: Hong Kong Tourism Commission (2015).

### 3.4.3 After 2003

From 2004 to 2007, the newly added cities to the IVS reached 39 and nowadays that number has grown to 49, including 21 cities in the Guangdong Province and some prosperous cities in other Provinces. Figure 3.3 shows that with the IVS the number of individual visitors showed a substantial growth from 2004 onwards. Since 2006 it exceeded the number of group visitors. In recent years, the individual visitors segment has been the main source of tourism for Hong Kong, accounting for more than 50% of the total number of visitors.

**Figure 3.3 Visitors to Hong Kong**



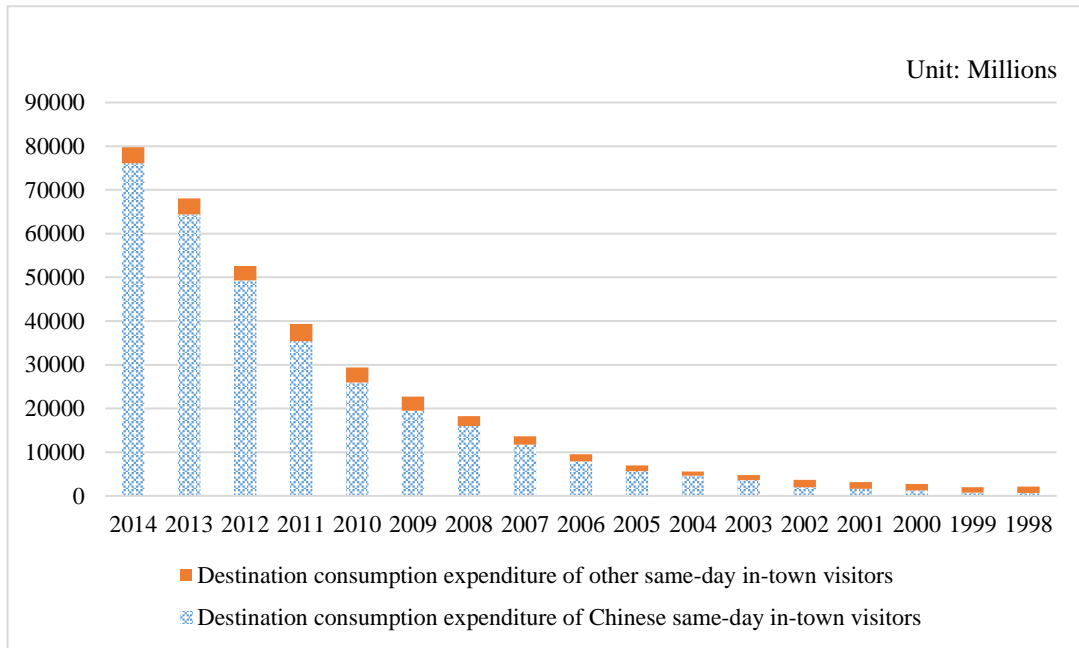
Source: Hong Kong Statistical Yearbook (2014)

In 2009, the new policy of multiple entry visa for Shenzhen citizens going to Hong Kong took effect. In addition, an agreement establishing closer economic and trade relationships between Mainland China and Hong Kong was released. It encouraged and optimized tourism measures including the 144 hours transit visa from Hong Kong to some cities in the Pearl River Delta district. Additionally, the 72-hour transit visa for foreigners visiting 16 specific Chinese cities, established in 2013, has had a great impact in Hong Kong's tourism.

The 2007 financial crisis in America influenced the Asian markets in the following years. Visitors from the United States and other western countries were less than before. International tourism experienced a downturn between 2008 and 2009. Albeit low growth in tourism coming from these countries, the influx of Chinese tourists maintained a sustained growth of tourism in Hong Kong. After the recovery of the global economy in 2010, the total number of people visiting Hong Kong went back to a rising trend. The growth rate was more than 15% year after year, and the percentage of Chinese tourists in Hong Kong reached 77% in 2014.

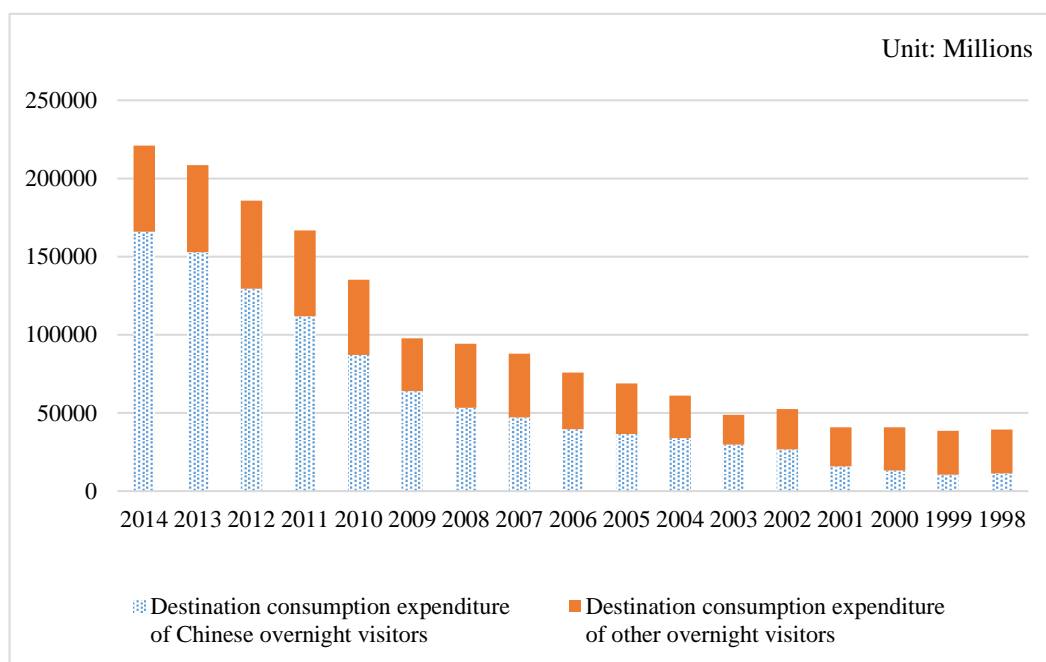
The numbers indicate that Chinese tourists play a leading role in the development of tourism in Hong Kong. Besides the increasing number of Chinese visitors, the spending capacity by tourists from Mainland China is also high due to the rapid development of the Chinese economy (See Figures 3.4 and 3.5).

**Figure 3.4 Destination Consumption Expenditure of Same-day in-town Visitors**



Source: Hong Kong Statistical Yearbook (2014).

**Figure 3.5 Destination Consumption Expenditure of Overnight Visitors**



Source: Hong Kong Statistical Yearbook (2014).

In 2015, Hong Kong experienced a slight negative growth in tourism, due to a reduction in the number of Chinese tourists. According to the records this was the only year in which the number of Chinese tourists decreased since 1988. In 2016 the situation was similar to 2015. The turning point was the end of 2014, as a result of some public manifestations such as “Occupy Central”. To make matters worse, because of the large number of tourists in the city’s downtown and around tourist attractions, overloading the public transit systems and deteriorating the environment, the government of Hong Kong has received an increasing number of complaints from residents in recent years.

This background stimulated a change in the IVS policy from a multiple entries visa to a once a week entry visa to Shenzhen citizens in April of 2015. The decision brought many problems to families living in Shenzhen with children born or studying in Hong Kong. Therefore, the Hong Kong government had to consider carefully current cases and postpone the addition of new cities to the IVS. The number of Chinese tourists reduced since the new IVS policy for Shenzhen took effect. The government of Hong Kong and tourism industry stakeholders have realized the problems tourism is facing in the territory

and have taken measures to improve the quality of services and customer satisfaction.

In the last decade, China has become an important source of tourists for many destinations worldwide. Hence, many countries have issued preferential and more convenient visa policies to attract Chinese tourists (e.g. The USA in 2014; Canada in 2015; Japan, Korea and UK in 2016). Such measures taken by other countries have a ripple effect in the tourism industry in Hong Kong. Some Chinese tourists would rather go to destinations other than Hong Kong based on convenient visa policies and transportation. Additionally, the exchange rate is less advantageous between the Hong Kong Dollar and Chinese Yuan in comparison to, for instance, the South Korean Won and Japanese Yen. To some extent, the shopping paradise attractiveness of Hong Kong is partly being replaced by Korea, Japan and some European countries.

### **3.5 The Supply and Demand of Hong Kong Tourism**

Compared to other destinations, Hong Kong is a relative small city. To some extent, Hong Kong relies on foreign capital and investment in commerce or international trade. With tourism, the situation is similar. The population of Hong Kong is around 7.32 million. However, the total number of visitors who traveled to Hong Kong in 2015 was 8 times that number. Every day, a large number of visitors share Hong Kong with the locals and therefore the balance between supply and demand for tourism in Hong Kong is interrelated with people's lives and the steady development of the city.

#### **3.5.1 The Demand of Hong Kong Tourism**

Hong Kong is one of the most important financial centers in Asia. It is a mandatory stop for many businessmen during their trips. It is also a free port open to international trade. Countless commodities are concentrated in the area. In fact, Hong Kong is a large market where commodities from all over the world are sold at a relatively low price. Additionally, a unique blend of Eastern and Western cultures takes place. All these factors attract a great number of visitors every year.

From Table 3.1 it can be observed that the total number of visitors has reached 59.3 million in 2015, out of which 45.8 million are Chinese. The government of Hong Kong has confidence on further increases on tourism demand. It predicts a total number of visitors around 70 million in the near future (Hong Kong Government, 2013). Considering the current situation of the global economy and the behavior of Hong Kong's tourism in recent years, the total number of visitors in 2017 may be less than 70 million. However, the government might issue new policies to strengthen tourism such as adding more cities from Mainland China to the IVS or other preferential policies.

Table 3.3 discriminates the types of visitors who have arrived in Hong Kong between 2011 and 2015. As observed in the table, both overnight and same-day in-town visitors have shown increasing numbers. The percentage of visitors who go to Hong Kong for vacations is around 60% for overnight visitors and a little bit less for same day visitors. Regarding visitors who have travelled for business or meetings purposes, their percentage lies between 13.8 and 16.0 for overnight visitors and 9.8 to 14.2 for same day visitors. Travelers visiting friends or relatives account for 17.0-18.0% of overnight visitors and 5.5-6.9% of same day visitors. It should be noted that en route visitors are a significant share of same day visitors in Hong Kong (22.8-27.9%).

From a development perspective, there is still a strong demand for tourism in Hong Kong in spite of the high competitiveness of tourism in Asia. Even though the number of business travelers is increasing, the percentage is reducing so special attention should be given to make Hong Kong more attractive for this group.

**Table 3.3 Visitors' Purpose**

Unit: thousand people										
Year Items	2011		2012		2013		2014		2015	
	Overnight visitors	Same-day in-town visitors	Overnight visitors	Same-day in-town visitors	Overnight visitors	Same-day in-town visitors	Overnight visitors	Same-day in-town visitors	Overnight visitors	Same-day in-town visitors
Total visitors	22316	19565	23770	24806	25661	28615	27771	33034	26686	32585
Vacation	13398	10119	14350	13832	15798	16982	17280	20291	16033	18634
% of total	60.0%	51.7%	60.4%	55.8%	61.6%	59.3%	62.2%	61.4%	60.1%	57.2%
Business/ Meeting	3563	2776	3585	2953	3567	2982	3830	3236	3996	3384
% of total	16.0%	14.2%	15.1%	11.9%	13.9%	10.4%	13.8%	9.8%	15.0%	10.4%
Visiting friends/ relatives	3885	1220	4281	1720	4582	1732	4734	1982	4595	1792
% of total	17.40%	6.20%	18.00%	6.90%	17.90%	6.10%	17.00%	6.00%	17.20%	5.50%
En route and others	1470	5451	1555	6300	1714	6919	1926	7527	2062	8776
% of total	6.6%	27.9%	6.6%	25.4%	6.7%	24.2%	6.9%	22.8%	7.7%	26.9%

Source: The official website of Hong Kong Tourism Board (2015).

### 3.5.2 The Supply of Hong Kong Tourism

Tourism supply encompasses all products and services provided to visitors. Tourism supply in Hong Kong includes all the industries that, directly or indirectly, offer a product or service to the tourism industry. This involves a wide range of activities such as hotels, transportation, retail stores, finance, insurance, medical, police, and education. Transportation, hotels and attractions are among the biggest contributors to the tourism economy in Hong Kong. In this section, the tourism supply in Hong Kong is analyzed for these sectors.

## **Supply of the Hotel Industry**

The hotel industry in Hong Kong has maintained a high occupancy rate. Data in Table 3.4 shows that between 2002 and 2014 this rate ranged from 70 to 90%. The average hotel occupancy rate in Hong Kong was around 85%.

The guesthouses also have a high occupancy rate: an average of 79% between 2002 and 2014. Contrary to hotels, guesthouses are simple facilities with a cruder environment. Their degree of comfort and price would commonly be lower than that offered by hotels. In recent years more guesthouses have upgraded from that model, tend to showcase the locals' lifestyle and try to develop creative conditions for visitors. Guesthouses are more popular among younger generations and visitors looking for new experiences during their travels. Another factor contributing to the increase in occupancy rates for guesthouses in recent years might have been the increase in hotel prices (the average hotel price increased from 700 HKD in 2002 to 1473 HKD in 2014). These reasons might explain why the occupancy rates for guesthouses increased significantly from values near 80% before 2009 to 87% in 2014.

**Table 3.4 The Occupancy Rate of Hotels and Guesthouses in Hong Kong**

Unit: Thousand people

Year	Occupancy rate of hotels	Number of hotel rooms	Growth rate of hotel rooms	Occupancy rate of guesthouse	Number of guesthouse rooms	Growth rate of guesthouse rooms
2002	84%	38949	/	78%	4675	/
2003	70%	38133	-2.10%	65%	4803	2.74%
2004	88%	39128	2.61%	83%	5234	8.97%
2005	86%	43866	12.11%	79%	5025	-3.99%
2006	87%	47128	7.44%	79%	5384	7.14%
2007	86%	51581	9.45%	73%	5068	-5.87%
2008	85%	54804	6.25%	78%	5469	7.91%
2009	78%	59627	8.80%	70%	5759	5.30%
2010	87%	60428	1.34%	82%	5926	2.90%
2011	89%	62830	3.97%	86%	6211	4.81%
2012	89%	67394	7.26%	85%	6818	9.77%
2013	89%	70017	3.89%	86%	7630	11.91%
2014	90%	72721	3.86%	87%	8807	15.43%

Source: The official website of Hong Kong Tourism Board (2015).

The government of Hong Kong has recognized the need to take measures to increase the hotel supply. One of such initiatives is the “plan of only for hotel use”, which outlines the main use of certain lands for hotels only with some ancillary provisions for other uses such as stores. By the end of June of 2013, 99 plans were approved by the government for new hotels. If carried as scheduled, the total number of rooms available by the end of 2017 is expected to increase by 84,000 (Commerce and Economic Development Bureau, 2013).

### **The Supply of Transportation**

Hong Kong is a city with a well-developed transportation system. However, the supply of public transportation has failed to catch up with the rate of growth of tourism in the last decade. Given the complexity of public transportation, its improvement cannot

be expected to happen in the short term. There needs to be careful planning and evaluation involved. Moreover, the construction of new infrastructure to accommodate for its expansion will have an effect on the lives of local residents and visitors. Based on these premises, both government and industry have tried to incorporate creative measures to meet the demand for transportation during peak seasons and holidays.

Bus shifts and schedules in the busiest routes and districts have been adjusted to reduce waiting times and increase carrying capacity. This measure has been implemented during the morning (Commerce and Economic Development Bureau, 2013). In regard to taxis, some researches have shown the average waiting time during rush hours in popular streets averages 15 to 20 minutes. Other taxi stops usually have a few minutes waiting time.

Mass Transit Railway (MTR) contains all the railways connecting the different districts of Hong Kong including the Airport Express Line and Ngong Ping 360 streetcar system. This railway network is 220.9 kilometers (Business Overview, 2014). The entire railway system includes feeder buses and intercity passenger systems. An addition to this system is expected to open on the 3<sup>rd</sup> quarter of 2018 in the form of the Guangzhou-Shenzhen-Hong Kong Express Rail Link. Two new railways from Shatin to Central Link will be finished in 2019 and 2021 respectively. These projects will have a significant impact in the carrying capacity of passengers and will contribute to the improvement of Hong Kong's transportation system. The railway will also need to adjust or add the frequency of some lines during specific periods to meet the demand created by tourism. The transport system of Hong Kong includes also other means of transportation including tram, ferry and mini bus, which are less used by tourists.

## **The Supply of Travel Attractions**

Hong Kong provides various attractions, some relate to traditional culture and the unique features of Hong Kong, while others represent modern technology. The combination of both adds a unique charm to the city's appearance. Only 5 of the most iconic travel attractions were selected to analyze the supply of travel attractions in Hong Kong. These are: Hong Kong Disneyland, Hong Kong Ocean Park, Hong Kong Ngong Ping 360, Hong Kong Victoria Peak Tram and The Sky Terrace 428.

**i) Honk Kong Disneyland** was opened the 12<sup>th</sup> of September 2005. The Hong Kong version of Disney's flagship theme park covers an area of 27.5 hectares and is one of the most popular tourist destinations in Hong Kong. At full capacity, the park can house 42,000 people at the same time. Since there is a constant flow of people entering and exiting the park, the daily maximum capacity is above this number. A theoretical hourly ride capacity has been established at 30,772 people. If the number of visitors during peak seasons and holidays exceed 30,772, longer waiting times are to be expected for each ride and/or attraction.

Based on these numbers, the maximum capacity of the venue per year is 15,330,000 people. In 2015, the total number of visitors to Hong Kong's Disneyland was 6,800,000. The highest number of visitors recorded in previous years was 7,500,000. This represents 49% of the venue's maximum capacity. A new theme hotel and programs will be opened during 2017 to increase its competitiveness and venue size. The forecasted number of visitors for 2020 is 8 million and 9 to 9.3 million are expected to visit the park in 2025

**ii) Hong Kong Ocean Park** is located in the Wong Chuk Hang district of Hong Kong. Sits on an area of 91.5 hectares and was opened on the 10<sup>th</sup> of January 1977. The park is a world-class ocean entertainment theme park and is the theme park with the highest admission numbers in the world. The venue has a theoretical yearly maximum of 13,250,000 visitors. The highest number of visitors to Hong Kong's Ocean Park in a year reached around 7 million which equals to 53% of its maximum capacity. A new project for the Ocean Park will be completed by the end of 2017 and is expected to attract more

visitors in the near future.

**iii) Hong Kong Ngong Ping 360** is the longest double cable car system (Aerial Tramway) in Asia. Currently it runs at a speed of 5 meters per second, reflecting on a maximum daily capacity of 19,500 people. The theoretical maximum per year is 7,120,000. By 2015 the number of visitors was 1,830,000. The average waiting time for visitors was 10 minutes during regular days. During busy seasons the management at Ngong Ping 360 would expand shifts, add windows for selling tickets and improve online reservation systems in order to make the experience smoother for visitors.

**iv) Hong Kong Victoria Peak Tram and The Sky Terrace 428** are important platforms that allow visitors to enjoy the beautiful scenery Hong Kong has to offer. The city's nightscape is particularly renowned worldwide. Victoria Peak Tram was the first cable car ropeway system in Asia. The maximum capacity per year is 11,130,000. The highest number of visitors recorded per year was 5,920,000. The Sky Terrace 428, is a platform for visitors to go outside and enjoy the view of Hong Kong at 428 meters above sea level. It can only house 500 people at once. The attraction is open 13 hours a day during regular days, thus offering a maximum daily capacity of 19,500 people. However, shifts can be extended to 15 hours during peak seasons elevating the capacity to 22,500 people. A ticket is needed to access the platform, but is not the only place available to enjoy the night view of Victoria. The increasing number of visitors remains within a manageable range.

Most travelers visiting Hong Kong leave satisfied with their trip and report a positive experience. Except for the tight supply in the hotel industry during specific periods, the capacities of other tourism industries and travel facilities in Hong Kong are enough to accommodate the demand created by visitors. Furthermore, ongoing programs and measures are being added to improve the industry and it is believed that tourism in Hong Kong will do well and serve more visitors in the future.

## **4. METHODOLOGY**

This exploratory study tries to analyze how tourism policies affect the development of tourism in Hong Kong. In this chapter, the questionnaire to collect the data from Hong Kong citizens is presented. The questionnaire was applied to people with different occupations in the tourism industry in order to get information about how tourism influences the life and work of staff in the tourism industry. It also aims to summarize the main features of Hong Kong tourism. Furthermore, official data on tourism in Hong Kong was collected to assess the impacts of tourism policies.

### **4.1 The Questionnaire**

The most important aspects in this research are: first, to make clear how the tourism policies impact on tourism in Hong Kong; and second, how tourism affects the life of people who work in the tourism industry. In order to address these issues, a questionnaire was designed containing five parts. The first part is about people's understanding on tourism policies and tourism development in Hong Kong. The second part is about the current situation of Hong Kong tourism. The third part is about the advantages and disadvantages of tourism to the local residents' life and work. The fourth part is the feedback from people about the future development of tourism policies. The last part is about the basic information of the participants. In total, the questionnaire comprises 26 questions.

There is a little difference on the writing language between Hong Kong and Mainland China. In Mainland China, people use simplified Chinese, whereas in Hong Kong people use traditional Chinese. In traditional Chinese, many words are written differently, although they have the same meaning and pronunciation as in simplified Chinese. For example, the word "writing" in simplified Chinese is "写", while in traditional Chinese is "寫". Therefore, considering that all the participants are local people and the questionnaire was applied in Hong Kong, the questionnaire was designed in traditional Chinese.

## **4.2 The Sample**

The total sample is composed of 50 individuals who live and work in Hong Kong. These individuals were selected in central tourism sites in Hong Kong. Table 4.1 shows demographic aspects of the selected individuals. All of them work in tourism industries, such as hotels, catering, retail, museums, entertainment. Hotel, catering and retail industries account for 60% of the total respondents.

Regarding education, 76% of the respondents have bachelor degree or higher, and only 4% have an education level below high school. In this questionnaire, the occupations were divided into common employee, manager or administrator, self-employment and other. In terms of work experience, the most frequent range is 1-5 years (30%), followed by 6-10 and 11-15 years (26% each).

**Table 4.1 Sample Description**

Items		Number of Individuals	Percentage
Education Background	Master Degree or Above	9	18%
	Bachelor Degree	29	58%
	High School or College	10	20%
	Below High School	2	4%
Industries	Hotel Industry	10	20%
	Catering Industry	8	16%
	Retail Industry	12	24%
	Other tourism industries	20	40%
Occupation	Common employee	22	44%
	Manager or Administrator	8	16%
	Self-employment	6	12%
	Other	14	28%
Work Experience	1-5 Years	15	30%
	6-10 Years	13	26%
	11-15 Years	13	26%
	More than 15 Years	9	18%

The questionnaires were applied in two places which most tourist visit in Hong Kong: Central and Tsim Sha Tsui. Many shopping malls, restaurants, hotels and entertainment facilities are located in these places. These two clusters were selected as being representative of the Hong Kong tourism industry.

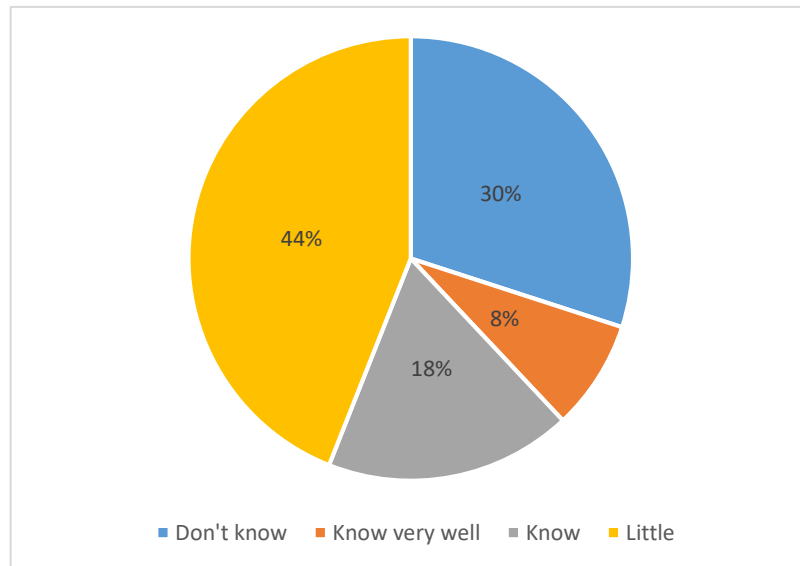
The questionnaire was applied in retail stores, hotels, restaurants and entertainment centers. Some people refused to fill the questionnaire because they were busy or they thought the questionnaire contained sensitive questions. In order to respect the participants, we used anonymous questionnaires and do not show the name of their organizations in the research.

## **5. RESULTS**

In part 1 of the questionnaire there are five questions to test how the respondents understand the tourism policies and their expectations for the future. Regarding their knowledge of the tourism policies in Hong Kong, the results shown in Figure 5.1 indicate that the most frequent answer was “I know just a little” (44%) and the second most frequent answer was “I don’t know” (30%). Only 8% of the respondents answered they know very well the tourism policies in Hong Kong. These results are far from satisfactory. It reflects that people don’t care much about tourism policies even though they work in tourism industries in the most popular places in Hong Kong.

**Figure 5.1**

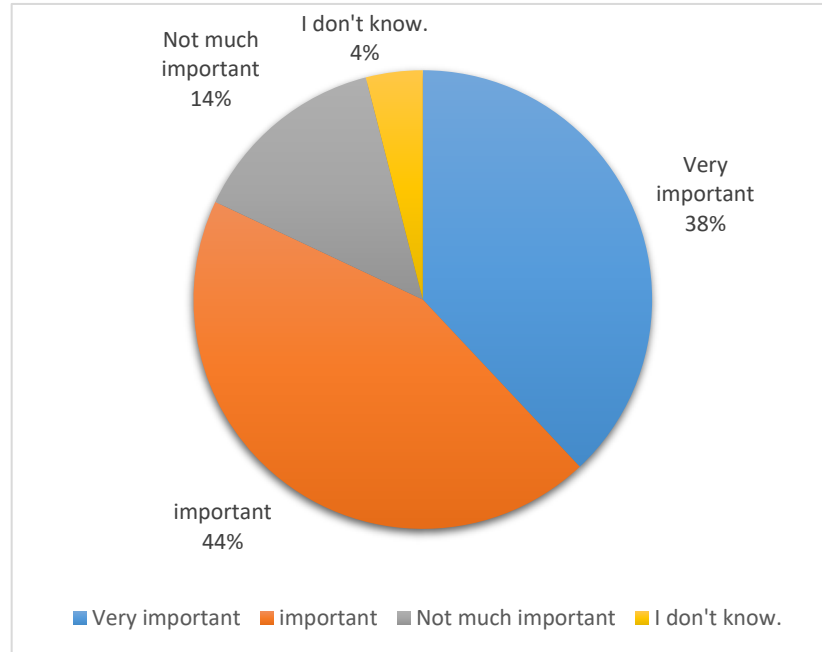
**Do you Know the Tourism Policies in Hong Kong Nowadays?**



Although the level of knowledge about tourism policies is low among respondents, the large majority (82%) agree that tourism policies are important or very important for Hong Kong Tourism (Figure 5.2).

**Figure 5.2**

**Are Tourism Policies Important for Hong Kong Tourism?**



In addition, Figure 5.3 shows that 78% of the respondents recognize the tourism sector as being important or very important to the development of Hong Kong economy. It should be noticed that 16% consider tourism as “Not much important”.

**Figure 5.3**

**Is Hong Kong Tourism Important to the Development of Hong Kong Economy?**

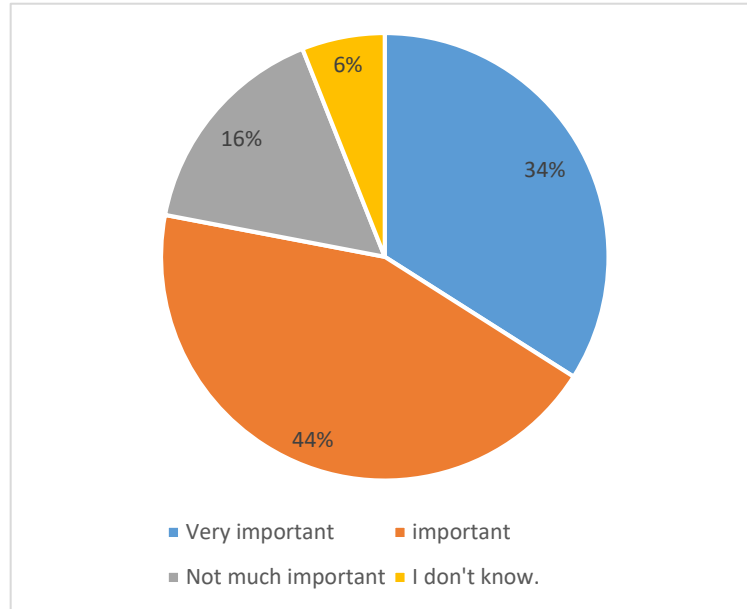


Table 5.1 shows more than three fifths of the sample answered that the development of Hong Kong tourism would bring benefits to them. Moreover, a total of 13 respondents (26%) agree that the development of Hong Kong tourism would bring many benefits to them. Among these, the large majority (12) have a high education background: Bachelor or Master degree. Moreover, most of them are managers or entrepreneurs. It should be noticed that among the respondents who answered that “tourism never brings benefits to me” (30%) most are common staff. This result indicates a correlation between the benefits from tourism and people’s education level.

**Table 5.1**

**The Answers to Part 1 - Benefits of Hong Kong Tourism**

Question	Answers	Number	Percentage
4.Does the development of Hong Kong tourism brings benefit to you?	Yes, it brings many benefits to me.	13	26%
	Yes, it brings benefits to me but not many.	19	38%
	No, it never brings benefit to me.	15	30%
	I don't know.	3	6%
5.In your opinion, how will the share of tourism in the economy of Hong Kong evolve in the future?	Will become larger.	13	26%
	will stay similar to nowadays.	25	50%
	will decline.	4	8%
	I don't know.	8	16%

Regarding question 5 (Table 5.1), 26% of the respondents expect that the share of tourism in the economy of Hong Kong will become larger in the future. Half of them think the share will stay similar to nowadays. Only a small minority (8%) think the share will decline.

The second part of the questionnaire is about people's understanding of the current situation of Hong Kong tourism. In the Table 5.2, we can see that people's answers reveal consensus on some aspects. For example, 82% of respondents know that main tourists to Hong Kong tourism came from China; 78% answer that Chinese tourists have the highest average spending during their journey in Hong Kong. People know Chinese tourists make the greatest contribution to Hong Kong tourism, but 80% of respondents consider Chinese tourists as the "most unpopular". This is a complex problem and contains many different factors. It should be noticed that regarding the question "What contributes mainly for your understanding about the tourists in Hong Kong?" only 36% of the sample told "personal experience". The second most frequent answer was "internet" (32%).

**Table 5.2****Answers to Part 2 - The Current Situation of Hong Kong Tourism**

Item	Answer	Number	Percentage
6. Where do you think Hong Kong's main tourists come from?	Western countries	4	8%
	Japan, Korea or Southeast countries	3	6%
	Taiwan and Macau districts	2	4%
	China	41	82%
7. The tourists who have the highest average expenditure in Hong Kong, where do they come from? (Average spending)	Western countries	5	10%
	Japan, Korea or Southeast countries	5	10%
	Taiwan and Macau districts	1	2%
	China	39	78%
8. Where do your favourite tourists come from?	Western countries	22	44%
	Japan, Korea or Southeast countries	15	30%
	Taiwan and Macau districts	6	12%
	China	7	14%
9. Where do your most unpopular tourists come from?	Western countries	5	10%
	Japan, Korea or Southeast countries	3	6%
	Taiwan and Macau districts	2	4%
	Mainland China	40	80%
10. What contributes mainly for your understanding about the tourists in Hong Kong?	Personal experience	18	36%
	Friends and family members	7	14%
	Internet	16	32%
	I don't care about them	9	18%

The results shown in Table 5.3 show that the majority of respondents (68%) consider “shopping and food” as the most attractive aspect of Hong Kong to tourists. Regarding the aspect that is doing best in Hong Kong tourism, the most frequent answer was “high quality services and products” (46%). Nevertheless, 48% answered that the advantage of Hong Kong tourism is reducing, when compared to other Asian countries. Moreover, 22% referred that Hong Kong tourism don't have advantage any more.

**Table 5.3****Answers to Part 2 - The Current Situation of Hong Kong Tourism (Cont.)**

Questions	Answers	Number	Percentage
11. Which aspect do you think is the most attractive to tourists in Hong Kong?	The unique and special culture.	10	20%
	The shopping and food.	34	68%
	Business opportunities.	1	2%
	Entertainments and travel facilities.	5	10%
12. Which aspect do you think is doing best in Hong Kong tourism?	Cultural and entertainment activities.	13	26%
	High quality services and products	23	46%
	Convenient transportation.	8	16%
	I don't know.	6	12%
13. Compared to other Asian countries, how is advantage of Hong Kong tourism?	The advantage of Hong Kong tourism is still outstanding.	10	20%
	The advantage of Hong Kong tourism is reducing	24	48%
	The Hong Kong tourism don't have advantage any more.	11	22%
	I don't know.	5	10%

In the third part of the questionnaire, the questions focus on investigating the impacts of Hong Kong tourism to the life and work of the people in the tourism industry. Regarding the pros and cons of Hong Kong tourism, although 30% of the respondents answered that the pros and cons are similar, the proportion of people who feel the pros outweigh the cons (40%) is more than 6 times the proportion of people with the opposite opinion (6%), as can be seen in Table 5.4. Regarding the industry that gets the most benefit from the development of Hong Kong tourism the most frequent answer was hotel and catering (42%) followed by retail (36%).

Since the IVS policy came into effect, due to the very large number of Chinese tourists and the high development of Hong Kong tourism, new problems emerged. In our survey, traffic congestion and living environment was the most frequent answer to “The worst problem brought by the development of Hong Kong tourism” with 32%. This was followed by “increase of living cost” (30%) and “over occupation of public resources” (24%). Hong Kong is a city with a large population in a small area and thus has a limited

capacity to deal with the increasing number of Chinese tourists. Regarding the main benefit of Hong Kong tourism, the most frequent answers were “Make the local market more competitive” (38%) and “growth of incomes” (34%).

**Table 5.4****Answers to Part 3 - Impacts of Hong Kong Tourism**

Questions	Answers	Number	Percentage
14.How do you evaluate the pros and cons that Hong Kong tourism brings to you?	The pros outweigh the cons.	20	40%
	The pros and cons are similar.	15	30%
	The cons outweigh the pros.	3	6%
	I don't know.	12	24%
15.Which industries do you think gets the most benefit from the development of Hong Kong tourism?	Hotel and catering.	21	42%
	Retail.	18	36%
	Exhibition, financial and international trade industries.	9	18%
	Education and medical.	2	4%
16.In your opinion, which is the worst problem brought by the development of Hong Kong tourism?	The damage to the local culture.	7	14%
	The increase of living cost.	15	30%
	Traffic congestion and living environment.	16	32%
	The over occupation of public resources.	12	24%
17.In your opinion, which is the main benefit brought by the development of Hong Kong tourism?	The growth of incomes	17	34%
	Bringing together multiple cultures.	4	8%
	Make the local market more competitive.	19	38%
	Upgraded infrastructure.	10	20%
18, How Hong Kong tourism has impacted on your working industry?	Positive impact.	13	26%
	Negative impact.	11	22%
	Not much impact.	15	30%
	I don't know.	11	22%

Part 4 of the questionnaire is about people's feedback on tourism policies in Hong Kong. We can see in Table 5.4, 60% of the sample rate the current tourism policy making and supervision of Hong Kong government as "neither good nor bad". The reason behind this result may be that people are not satisfied but they understand that the case of Hong Kong is special. It is the first special administrative region of China. It is also the place

which combines a capitalist system with a socialist system. Hong Kong has a unique development model which is different from Macau and Taiwan. However, it should be noticed that 24% of the respondents consider the current tourism policy making and supervision as bad.

Regarding the IVS policy, 38% of the respondents support to allow the IVS to more cities of continental China, and 36% of them prefer to maintain the current situation. This reflects that most people in Hong Kong are tolerant and respect freedom. When asked about “which aspect Hong Kong tourism policies should focus on?” most of the respondents (56%) answered “Develop tourism activities”. Moreover, 20% suggest focusing on creating tourism attractions. Only 4 in 50 think the focus should be on further opening the IVS policy.

**Table 5.5****Answers to Part 4 -Tourism Policies**

Item	Answer	Number	Percentage
19.What do you think about the current tourism policy making and supervision?	It is good	1	2%
	It is neither good nor bad	30	60%
	It is bad	12	24%
	I don't know	7	14%
20.In your opinion, what would be the best solution for the IVS (Individual Visit Scheme) policy in Hong Kong in the future?	Allow the IVS to more cities.	19	38%
	Maintain the current situation.	18	36%
	Reduce the cities with IVS.	9	18%
	I don't know	4	8%
21.In your opinion, which aspect Hong Kong tourism policies should focus on?	Expand the IVS.	4	8%
	Develop tourism activities.	28	56%
	Create tourism attractions.	10	20%
	I don't know.	8	16%

## **6. DISCUSSION AND CONDLUSION**

In the past 20 years, tourism in Hong Kong increased significantly and played an important role in Hong Kong's economic development. The aim of this dissertation was to explain how policies affect the Hong Kong's tourism industry and to gain a better understanding of the perceptions of the people who work in the Hong Kong tourism industry.

A questionnaire composed of five parts was completed by 50 people who work in the tourism industry to achieve the aim of the research. The results of the first part show that 78% of the respondents consider tourism as very important to Hong Kong's economic development. Moreover, 82% of them agreed that tourism policies are important for Hong Kong. Nonetheless, the majority has a low knowledge about the tourism policies in the territory. Thus, government and the tourism department should make efforts to disseminate tourism policies among the people who work in the tourism industry.

Most of, the respondents (64%) indicated that the development of tourism brought them benefits, particularly those with high educational backgrounds. However, 30% of them indicated that the development of tourism did not bring any benefit to their lives. Among these individuals, the vast majority is composed of ordinary staff. This shows that there is an unbalanced distribution of benefits between management level and general staff. The government should pay close attention to the common staff when making labor and tourism policies. Companies should pay attention to their salary policies so that common staff also perceive the gains from tourism development.

In the second part, 82% of the respondent indicated that they knew that the main tourists in Hong Kong are from Mainland China. A total of 78% of them recognized that Chinese tourists have the highest average expenditure in Hong Kong. However, 80% of the respondents chose Chinese tourists as the most unpopular ones. This is a problem that should not be ignored.

In addition, nearly 70% of the respondents believe that Hong Kong is losing advantages over other Asian countries. However, Hong Kong tourists still consider

attractive the shopping environment, the food, and the high-quality services and products. This indirectly reveals that Hong Kong should explore other entertainment channels or offer unique travel experiences to attract tourists.

The results of the third part show that the more serious problems brought by tourism are traffic congestion, deterioration of the living environment and the increasing living cost. The increasing living cost offsets the benefits brought from the tourism. That might be one of the reasons for which low-income people feel they do not benefit from the development of Hong Kong's tourism.

In the fourth part, 60% of the respondents indicated that the current tourism policy making and supervision of Hong Kong government is "neither good nor bad". However, most of the respondents (74%) support the Individual Visit Scheme (IVS) policy for the development of Hong Kong' tourism industry.

The fifth part of the survey was about the socio-economic characteristics of the respondents. All of them worked in tourism industries, with hotel, catering and retail industries accounting for 60%. The educational level is high: 76% of the respondents have bachelor degree or higher. In terms of work experience, 1-5 years was the most frequent answer (30%) denoting a high labor mobility in the tourism sector.

Hong Kong's tourism industry has advantages and disadvantages. Among its advantages are a great geographical location, preferential tax policies, and an advanced social system. This makes Hong Kong a popular tourism destination. The disadvantages are Hong Kong's limited local natural attraction resources. Therefore, Hong Kong relies heavily on building modern entertainment theme parks as tourist attractions.

This dissertation shows that there is a tension between the development of tourism and residents' livelihood in Hong Kong. The government and the relevant departments should make efforts to deal with this issue when designing tourism policies for the territory.

This research helps us to understand the impacts of tourism policies on Hong Kong.

However, limitations exist in this study. First, the sample size of the questionnaire was relatively small. Second, the sample only included residents working in the tourism industry. Hence, a natural avenue for further research is to extend the analysis on the perceptions of tourism policies in Hong Kong to residents not working in the tourism industry and to tourists.

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## 8. APPENDIX

### Appendix 1: Questionnaire in English

# Questionnaire on the Influence of Tourism Policies on Hong Kong

Dear Ladies and Gentlemen,

This questionnaire is only used for research and is anonymous. Please answer objectively to the following questions.

### Part 1 Benefits of Hong Kong tourism

1. Do you know the tourism policies in Hong Kong nowadays?  
A. I Know very much.      B. I Know.      C. I know just a little.      D. I don't know.
2. Are tourism policies important for Hong Kong tourism?  
A. Very important.      B. Important.      C. Not important.      D. I don't know.
3. Is Hong Kong tourism important to the development of Hong Kong economy?  
A. Very important.      B. Important.      C. Not important.      D. I don't know.
4. Does the development of Hong Kong tourism brings benefit to you?  
A. Yes, it brings very much benefits to me.      B. Yes, it benefits to me but not very much.  
C. No, it never brings benefit to me.      D. I don't know.
5. In your opinion, how will the share of tourism in the economy of Hong Kong evolve in the future?  
A. The share of tourism in the Hong Kong economy will become larger  
B. The share of tourism in the Hong Kong economy will stay similar to nowadays.  
C. The share of tourism in the Hong Kong economy will decline.  
D. I don't know.

## **Part 2 The Current Situation of Hong Kong Tourism**

6. Where do you think Hong Kong's main tourists come from?

- A. Western countries
- B. Japan, Korea and South-east Asian countries
- C. Taiwan and Macau districts
- D. Mainland China

7. The tourists who have the highest average expenditure in Hong Kong, where do they come from?

- A. Western countries
- B. Japan, Korea and South-east Asian countries
- C. Taiwan and Macau districts
- D. Mainland China

8. Where do your favourite tourists come from?

- A. Western countries
- B. Japan, Korea and South-east Asian countries
- C. Taiwan and Macau districts
- D. Mainland China

9. Where do your most unpopular tourists come from?

- A. Western countries
- B. Japan, Korea and South-east Asian countries
- C. Taiwan and Macau districts
- D. Mainland China

10. What contributes mainly for your understanding about the tourists in Hong Kong?

- A. Personal experience
- B. Friends and family members
- C. Internet
- D. I don't care about them.

11. Which aspect do you think is the most attractive to tourists in Hong Kong?

- A. The unique and special culture.
- B. The shopping and food.
- C. Business opportunities.
- D. Entertainments and travel facilities.

12. Which aspect do you think is doing best in Hong Kong tourism?

- A. Cultural and entertainment activities
- B. High quality services and products.
- C. Convenient transportation.
- D. I don't know.

13. Compared to other Asian countries, how is advantage of Hong Kong tourism?

- A. The advantage of Hong Kong tourism is still outstanding.
- B. The advantage of Hong Kong tourism is reducing.
- C. The Hong Kong tourism don't have advantage any more.
- D. I don't know.

### **Part 3 Impacts of Hong Kong Tourism**

**14.** How do you evaluate the pros and cons that Hong Kong tourism brings to you?

- A.** The pros outweigh the cons.      **B.** The pros and cons are similar.
- C.** The cons outweigh the pros.      **D.** I don't know.

**15.** Which industries do you think gets the most benefit from the development of Hong Kong tourism?

- A.** Hotel and catering.      **B.** Retail.
- C.** Exhibition, financial and international trade industries.
- D.** Education and medical.

**16.** In your opinion, which is the worst problem brought by the development of Hong Kong tourism?

- A.** The damage to the local culture.
- B.** The increase of living cost.
- C.** Traffic congestion and living environment.
- D.** The over occupation of public resources.

**17.** In your opinion, which is the main benefit brought by the development of Hong Kong tourism?

- A.** The growth of incomes
- B.** Bringing together multiple cultures.
- C.** Make the local market more competitive.
- D.** Upgraded infrastructure.

**18.** How Hong Kong tourism has impacted on your working industry?

- A.** Positive impact.      **B.** Negative impact.
- C.** Not much impact.      **D.** I don't know.

#### **Part 4 Tourism Policies**

19. What do you think about the current tourism policy making and supervision?

A. It is good.    B. It is neither good nor bad    C. It is bad.    D. I don't know.

20. In your opinion, what would be the best solution for the IVS (Individual Visit Scheme) policy in Hong Kong in the future?

A. Allow the IVS to more cities.            B. Maintain the current situation.  
C. Reduce the cities with IVS.            D. I don't know.

21. In your opinion, which aspect Hong Kong tourism policies should focus on?

A. Expand the IVS.  
B. Develop tourism activities.  
C. Create tourism attractions.  
D. I don't know.

22. Please give some suggestions for the development of Hong Kong tourism?

#### **Part 5 Socio-economic characteristics**

23. What is your education background?

A. Master or above.            B. Bachelor.  
C. High school or college.    D. Below high school.

24. In which industry are you working in?

A. Hotel    B. Catering    C. Retail    D. Other tourism industry.

25. What is your occupation?

A. Common staff.            B. Manager or Administrator.  
C. Self-employment.        D. Other.

26. How many years of work experience do you have?

A. 1-5 years.    B. 6-10 years.    C. 11-15 years.    D. More than 15 years.

**Thank you very much for your collaboration!**

## Appendix 2: Questionnaire in Traditional Chinese

### 關於旅遊政策對香港旅遊業及相關影響的問卷調查

尊敬的各位女士/先生：

此調查僅供學術專題研究使用，以不記名形式，資料和意見只用於統計分析，無對錯之分，只需真實反映客觀情況。

#### 第一部分 香港旅游业的利弊

1. 您認為自己對香港目前的相關旅遊政策瞭解嗎？

A, 非常瞭解      B, 瞭解      C, 一般      D, 不瞭解

2. 您認為旅遊政策對香港旅遊業的影響重要嗎？

A, 非常重要      B, 重要      C, 一般      D, 不瞭解

3. 您認為香港旅遊業對香港經濟整體發展的影響重要嗎？

A, 非常重要      B, 重要      C, 一般      D, 不瞭解

4. 您認為香港旅遊業的發展是否有帶動您的自身收益呢？

A, 非常有關聯      B, 有關聯，但影響不大      C, 沒有關聯      D, 不瞭解是否  
相關

5. 那麼，您認為香港旅遊業發展在未來幾年占香港經濟發展的比重會是什麼樣的趨勢？

A, 比重越來越大      B, 比重基本保持一致      C, 比重會有所下降      D, 不瞭

解

## 第二部分 香港旅游业目前的情况

6. 您覺得現在香港的旅客主要來自哪裡？

A. 歐美國家      B. 日韓及東南亞      C. 臺灣及澳門地區      D. 中國大陸

7. 您覺得現在來自哪裡的香港旅客平均消費金額最多？

A. 歐美國家      B. 日韓及東南亞      C. 臺灣及澳門地區      D. 中國大陸

8. 相對來說，您最喜歡來自哪裡的香港遊客？

A. 歐美國家      B. 日韓及東南亞      C. 臺灣及澳門地區      D. 中國大陸

9. 相對來說，您最不喜歡來自哪裡的香港遊客？

A. 歐美國家      B. 日韓及東南亞      C. 臺灣及澳門地區      D. 中國大陸

10. 以上對於香港遊客的整體認知是來源於？

A. 親身接觸和體驗      B. 從親朋好友處獲得      C. 從網路資訊中獲得      D. 不太關注

11. 您覺得香港旅遊業最吸引外地遊客的是哪個方面？

A. 獨特的文化內涵      B. 購物與美食天堂

C. 商務環境與優勢      D. 各種遊樂設施和旅遊資源

12. 您認為香港旅遊業做得做好的是哪個方面？

- A. 開拓多元的文化娛樂設施      B. 提供高質量的服務和產品      C. 方便的公共交通  
D. 不瞭解

13. 作為全球旅遊目的地，您認為香港與其他亞洲國家或地區相比，優勢的變化？

- A. 優勢仍然非常明顯      B. 優勢逐漸減弱，競爭力仍在  
C. 已不具備明顯優勢      D. 不瞭解

### 第三部分 香港旅游业的影响

14. 香港旅遊業的發展給您所帶來的利弊關係？

- A. 利大於弊      B. 沒多大影響      C. 弊大於利      D. 不瞭解

15. 您認為香港旅遊業的發展最有利於哪個行業？

- A. 酒店餐飲業      B. 零售業      C. 會展金融與貿易      D. 教育與醫療

16. 香港旅遊業的發展給您造成最大的困擾體現在哪個方面？

- A. 本土文化的破壞與衝擊      B. 生活或經營成本的增加  
C. 擁擠的交通與生活環境的惡化      D. 公共資源被過度佔用

17. 香港旅遊業的發展給您帶來最大的好處體現在哪個方面？

- A. 工資以及投資收入的增加      B. 帶來更多元的文化  
C. 讓市場更有活力和競爭力      D. 基礎設施升級帶來的便利

18. 香港旅遊業的發展給您所在的行業帶來的最重要影響？

- A. 正面而積極的影響      B. 相對消極的影響  
C. 影響不大      D. 不瞭解

#### 第四部分 旅游政策

19. 您認為目前香港旅遊政策的制定與監測到位嗎？

- A. 非常到位，也充分尊重民意  
B. 還可以，理解無法滿足所有民眾的意願  
C. 不到位，政策出臺或變更前沒有充分的評估  
D. 不關注

20. 您認為香港旅遊政策如自由行範圍在未來應如何發展才最為有利？

- A. 逐漸放寬      B. 保持現狀      C. 逐漸收窄      D. 不關注

21. 您認為香港旅遊政策在未來的發展最應該關注哪個方面？

- A. 進一步開放自由行
- B. 鼓勵相關行業的創新與發展
- C. 重點扶植旅遊景點的擴建和
- D. 不關注

22. 請提出一點您對香港旅遊政策以及旅遊業的建議？

#### 第五部分 樣本的基本信息

23. 您的學歷是？

- A. 碩士或以上
- B. 本科
- C. 高中
- D. 高中以下

24. 您從事的行業是？

- A. 酒店業
- B. 餐飲業
- C. 零售業
- D. 其他旅游业相关行业

25. 您的職務是？

- A. 普通職員
- B. 經理及管理人員
- C. 私營業者
- D. 其他

26. 您的工作年限為？

- A. 1-5 年
- B. 6-10 年
- C. 11-15 年
- D. 15 年以上

萬分感謝！