

**For information
on 28 June 2010**

**Legislative Council Panel on Economic Development
Regulation of Inbound Travel Trades**

Purpose

The Government and the Travel Industry Council of Hong Kong (TIC) are deeply concerned about the unfortunate death of a member of a tour group from Hunan to Hong Kong, when the group was shopping at a registered shop on 22 May this year. This paper briefs Members on the current regulatory regime on receiving inbound Mainland tour groups and the measures adopted after the incident to further strengthen regulation.

Regulation of inbound Mainland tours groups

2. The Tourism Commission (TC) and the TIC have been monitoring closely the arrangements for receiving inbound Mainland tour groups and reviewed the regulatory regime. Numerous improvement measures have been implemented. We adopt a multi-pronged approach to protect the interests of visitors, which includes introducing a demerit system for registered shops, full refund guarantee for purchases, and requiring travel agents to register Mainland tour confirmations with the TIC and distribute itineraries to tour group members.

3. The TIC implemented the “Refund Protection Scheme (Registered Shops) for Inbound Tour Shoppers” in 2002. Under the Scheme, the TIC travel agents that arrange shopping at designated shops for tour groups are required to register those shops with the TIC in advance. The registered shops are required to meet certain conditions, including a 100% refund to visitors who are dissatisfied with their purchases and return them within 14 days. To ensure that the registered shops meet the conditions, the TIC implemented the Demerit System for Registered Shops in 2005 which stipulates that registered shop carrying 30 demerit points will be liable for de-registration and prohibited from receiving tour groups.

4. In 2007, the TIC further launched a series of measures, including extension of the time limit for refund to six months for Mainland tour group members under the 100% refund scheme, tightening the Demerit System for Registered Shops, disclosing information about shops carrying demerit points, and requiring travel agents to register Mainland tour

confirmations with the TIC and distribute itineraries to tour group members. Furthermore, the Consumer Council launched promotions on consumers' right, and the enforcement departments also stepped up their inspection efforts.

5. Apart from strengthening controls, we also promote "Quality and Honest Hong Kong Tours" to offer different choices to Mainland visitors. These tours may cost more than other tour products but they do not include designated shopping, self-paid activities or surcharges. To enhance the service quality of inbound tourist guides, we launched the Tourist Guides Continuous Professional Development Programme.

6. In addition to regulatory and related efforts in Hong Kong, it is also important to co-operate with the tourism authorities at the source markets in regulating the travel trade. The TC maintains regular dialogue with its Mainland counterparts on honest and quality tourism and the two sides support each other in monitoring the trade. In May last year, the Mainland implemented the Regulation on Travel Agents, which imposes new requirements on Mainland travel agents and strengthens regulation of the travel market. The Regulation introduces various measures to combat "zero/negative-fare tours" and provide better consumer protection, such as requiring travel agents to sign contracts with tour participants to set out the itineraries as well as the number and duration of shopping stops. The Regulation also stipulates that if a travel agent outsources its travel business to another travel agent, it must pay the other agent a fee not less than the cost of the reception service.

Immediate follow-up actions after the incident

7. On 22 May, a Hunan visitor on a four-day tour to Hong Kong fainted in a registered shop and was declared dead after arriving at the hospital. The incident revealed problems with the travel agent's service quality, the tourist guide's attitude and designated shopping arrangements for tour groups. Following the incident, the TIC immediately investigated the case. When the TIC conducted investigation in accordance with information provided by the travel agent, the tourist guide claimed that she was not responsible for the tour group and suspected that her identity had been stolen. The Police is investigating the case to see if it involved the criminal offence of identity theft.

8. The Government is gravely concerned about the incident. The Registrar of Travel Agents (RTA) met with travel agents operating inbound Mainland tour groups on 1 and 7 June to caution them that they must ensure service quality and honesty in receiving tour groups.

9. After investigation, the TIC considers that the travel agent concerned has violated the TIC's code and directives in three aspects: assigning a tourist guide who did not hold a valid tourist guide pass (TGP) to receive the inbound tour group, failure to perform its duty of protecting customers' interests by omitting to verify whether the tourist guide holds a valid TGP, and engaging in activities that gave rise to doubts about its integrity, which has tarnished the reputation and image of the tourism industry. In view of the above violations, the TIC decided to terminate the membership of the travel agent concerned, which is the heaviest sanction imposed on travel agent's malpractice. The travel agent concerned may appeal before 5 July. If the TIC's Appeal Board affirms the decision and the travel agent is aggrieved, the travel agent may further appeal to the RTA. The RTA may consider revocation of the travel agent's licence having regard to the status of the travel agent's TIC membership, after completion of the TIC appeal procedures.

10. Separately, due to the gravity of the matter, the RTA has launched an investigation to determine whether the travel agent concerned has carried on the business as a travel agent contrary to the public interest under section 21 of the Travel Agents Ordinance (Cap 218).

Strengthening trade regulation

11. On trade regulation, the TIC has adopted a series of short-term measures to further tighten its regulation of travel agents, tourist guides and registered shops.

12. To facilitate tourists' understanding of their rights, the TIC has already issued a directive that requires travel agents to state clearly on the itineraries distributed to tour group members that tourist guides must not coerce tour group members to make purchases or stay inside registered shops. Moreover, the TIC requires that travel agents must provide in the Mainland tour confirmations and the itineraries distributed to tour group members, detailed information of tourist guides (e.g. the name and TGP number of each tourist guide) and the name of and duration for visit to each registered shop, so as to give tour group members clearer information on the arrangements.

13. On the regulation of travel agents, the TIC, when investigating complaints about forced shopping, will require the travel agents concerned to furnish information on the fees for the tours and the total tour fares paid by tour group members to facilitate the Mainland and Hong Kong tourism authorities to jointly combat malpractices. The TIC will also conduct

random checks on the names and TGP numbers of tourist guides in the Mainland tour confirmations filed by the travel agents to ensure that the information provided is true and correct. On hiring tourist guides, the TIC has also issued a notice to travel agents to remind them that hiring illegal workers and forging TGPs are criminal offences.

14. On registered shops, the TIC will ask them to sign a new undertaking with a number of new requirements, including maintaining records of the arrival and departure time of each tour group; verifying and recording information of every tourist guide that bring tour groups to the shops; and displaying posters on the refund protection scheme provided by the TIC at prominent places inside the shops to publicise the TIC's Inbound Tourist Service Hotline so that visitors can seek help from the TIC when necessary. The TIC has stepped up inspections at these shops and will tighten the Demerit System so that maximum demerit points may be given to any shop for forced shopping, and the shop's registration with the TIC may be revoked even on first offence.

15. On tourist guides' conduct, the relevant TIC Committee has approved a revised Code of Conduct for Tourist Guides, which stipulates in clearer terms that tourist guides are forbidden to force or mislead visitors to make purchases or force them to stay in registered shops. The TIC has also stepped up checks on tourist guides to ensure that they hold valid TGPs issued by the TIC.

16. On improving transparency, the relevant TIC Committee has decided to post information about non-compliance records of travel agents, and revocation and suspension of TGPs on its website for two years to enable visitors and the trade to make reference.

17. The TIC Board will discuss the above measures and approve relevant amendments to the TIC directives and the relevant Codes of Conduct at its special meeting on 29 June. The measures will be implemented after the Board's approval.

18. The TIC has also established a task force, convened by the Chairman of the TIC and comprising convenors of relevant committees and a number of independent directors. The task force will review comprehensively the operation of inbound Mainland tour groups, such as the business model of receiving Mainland groups, service and pay arrangements between tourist guides and travel agents, and whether Hong Kong travel agents should be prohibited from receiving tour groups at a fee lower than the costs of the service rendered in order to protect the reputation of our tourism industry. The task force will take into account

the comments and suggestions from different parties, and draw up proposals for improvements within three months.

Co-operation with the Mainland Authorities

19. After the incident, the TC immediately met with the China National Tourism Administration, the Guangdong Provincial Tourism Administration and the Shenzhen Municipal Bureau of Culture, Sports and Tourism (SZMB), requesting them to thoroughly investigate the Mainland tour operator and intermediary travel agents concerned, strengthen trade regulation, co-operate in combating adverse market behaviour and promote honest and quality tourism in the source market, in order to protect the consumer rights of Mainland visitors. The Mainland side supports our efforts. In particular, the SZMB has already convened meetings with Shenzhen's travel agents and intermediary travel agents to reiterate the requirements of honest and quality tourism and regulation of market practices. The Bureau has conducted special inspections on travel agents and strengthened enforcement against malpractices. The Bureau will exchange more information on Hong Kong-bound tours group to facilitate monitoring and step up undercover inspections, including co-operating with Hong Kong to increase the frequency and broaden the coverage of undercover operations.

20. The TIC will continue to strengthen information exchange with the Mainland tourism authorities, including sharing with them the particulars of Hong Kong travel agents that have frequent non-compliance records on receiving Mainland tour groups. This will provide more information for visitors to choose tours, and enable the authorities on both sides to combat malpractices more effectively.

21. The Hong Kong Tourism Board (HKTb) will also strengthen their promotion on "Honest and Quality Hong Kong Tours" in the Mainland, which will not include any designated shopping and surcharge. The HKTb has launched such products in the Mainland since 2006 and the penetration is now in 18 cities through 59 large-scale Mainland travel agents. To encourage tourists to choose quality Hong Kong tour products, the HKTb has also set up webpages on popular Mainland websites, so that all Mainland travellers regardless of their location could obtain relevant information. The new round of promotion in the Mainland will start in mid-July. The HKTb will co-operate with more Mainland travel agents and strengthen promotions on the internet.

Conclusion

22. Hong Kong has always been a shopping and dining paradise for tourists. The tourism sector has just bounced back from the financial turmoil and epidemic outbreak last year. These achievements are attributable to the honest business practices and professional services provided by the travel and related industries. The Government and the TIC will not allow the unscrupulous practices of a few to tarnish our reputation established over the years. We will take strict enforcement actions to combat malpractices to protect the consumer rights of visitors to Hong Kong and continue to explore proactively long-term measures to tackle the problem.

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Commerce and Economic Development Bureau
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