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By fax (2801 4458) and by mail

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Mr Philip Yung
Commissioner for Tourism
Tourism Commission
Commerce and Economic Development Bureau
2/F East Wing, Central Government Offices
Lower Albert Road
Central
Hong Kong

Dear Mr Yung,

**Review of the Operation and Regulatory Framework of the Tourism Sector
in Hong Kong**

Thank you for your letter of 29 April 2011 seeking our views and comments on the consultation paper "Review of the Operation and Regulatory Framework of the Tourism Sector in Hong Kong". This letter serves to outline the School's comments and I hope the submission will help the Government in formulating the reform proposals.

There has been concern expressed by the public with the regulatory and licensing framework in the tourism industry. The concern and discussion are mostly aroused by incidences of unhappy tourists originating from mainland China. The incidences include cases of tourists being abandoned by their travel agents or tour guides in the street, accusing their travel agents or tour guides forcing them to shop, and complaining about the quality of products bought during the shopping tour. Most of these cases are related to "zero fare" package tours originating from mainland China. The crux of the matter is that some travel agents, tour companies/operators and tour guides use the tactics of organised shopping to pay for such below-cost tours and such organised shopping causes many problems.

First, there is the element of coerced shopping or over-shopping in "zero fare" package tours because the travel agents and tour guides generate most of their income from shopping commissions and the more tourists spend the more commission the travel agents and tour guides collect. Coerced shopping or over-shopping usually causes bad tourist experience.

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Second, such organised shopping deprives tourists of the opportunity and experience of shopping in the many regular and open shopping centres and arcades, which Hong Kong is well known for.

Third, tourists are not well informed of the financial relationship between their tour fees, tour expenses, shopping, and commissions, which in itself is a business ethics issue.

The four options outlined in the Consultation Paper would, to varying extent, strengthen the operation and regulatory framework of the tourism sector, however they do not address the crux of the matter: organised shopping in "zero fare" tour. "Zero fare" tour is a complex phenomenon involving many parties in the source market and destination. It is often difficult to trace the operator, and even if the operator can be traced, there is no legislation to sanction such practices.

We strongly suggest the government to consider using legislative means to stamp out "zero fare" practices in tour operation. The purpose of the legislation is to sanction and to outlaw "zero fare" practices in tour operation. Such legislative undertaking would be complex and may take many years to complete and implement. In the mean time, the government should investigate "zero fare" practices and consider using existing laws to restrict such practices.

The view expressed above is not supported by extensive review of existing laws and legal structure, which is outside the scope of this submission. Nonetheless, it would seem possible to contemplate action leading to legislation in a similar fashion the following legislation addresses a particular issue of major public concern: Pyramid Selling Prohibition Ordinance, Competition Bill, Minimum Wage Bill, Estate Agents Practice Regulation, and Insurance Companies Ordinance.

Without clear legislative measure, "zero fare" practices would continue to plague the tourism industry and we could expect incidences of unhappy tourists making a scene every now and then, and the public would continue to voice their concern with the regulatory framework of the tourism sector.

Of the four options put forward by the Government, we believe that Option 4 of having a government department as the regulatory authority the most effective one, and Tourism Commission could well be the government department taking up this role given its experience and familiarity with the industry. With a government department taking over the regulatory role, TIC could continue to play the role of an industry association representing the interests of travel agents. Such industry representation role may involve three major areas: (1) consolidating the views of the member travel agents and reflecting those views to the government, (2) enhancing the standard of the industry by establishing best practices and setting guidelines, and (3) providing training to those in the industry and those who would like to enter the industry.

In summary we would like to highlight that while large amounts of tax payers money is spent on marketing Hong Kong through the efforts of the Hong Kong Tourism Board the exploitation of our tourists by unscrupulous and greedy members of the tourism industry cannot be tolerated. Please note that guides are employed by tour companies to show tourists around Hong Kong but that they themselves are exploited by the industry because they do not receive a decent salary for their efforts from their employers. If we want to put a stop to the bad practices of coerced shopping we need to treat guides as professionals and employ them on fixed term contracts with appropriate salaries. This will mean that the cost of tour packages to Hong Kong will increase but so be it.

Thank you for seeking our views and we would be most willing to discuss with you our views in more detail and answer any question you may have.

Yours sincerely,

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