

**For discussion  
on 27 November 2006**

**Legislative Council Panel on Economic Services**

**Tackling Market Malpractices related to  
Mainland “Zero Fare” Tours to Hong Kong**

**Purpose**

This paper informs Members of how the Government and the tourism and related sectors will tackle market malpractices related to Mainland “zero fare” tours to Hong Kong, and provides an update on the initiatives.

**Background**

2. Recently, Mainland inbound tour groups have lodged complaints against local tourist guides and travel agents about their services, in particular, market malpractices arising from “zero fare” tours. For instance, there were complaints from visitors that they were forced by their tourist guides to make purchases at designated shops and subsequently deserted on the street. Such incidents have aroused widespread public concern regarding the adverse impact on the image of Hong Kong’s tourism industry, the integrity of travel agents and tourist guides, as well as the existing regulatory mechanism.

Current Market Situation

3. According to market information, Mainland inbound tours have to be organized by the Mainland designated agents (DAs) registered with the China National Tourism Administration (CNTA). The tours will be received by local licensed travel agents (reception agents (RAs)) which will provide such reception services including meals, accommodation and sightseeing in Hong Kong. Under normal circumstances, Mainland visitors pay tour fares to DAs and then the latter will pay a lump sum to

RAs for their reception services in Hong Kong according to the contract between the DA and RA.

4. The “zero fare” tours, as commonly quoted in the market, refer to the provision of reception services for inbound tours by RAs in Hong Kong without receiving any payment from DAs. “Zero fare” tours in general are used as a marketing strategy by DAs to attract more clients by offering an extremely low tour fare.

5. While the RAs in Hong Kong receive no payment of reception fees in “zero-fare” tours, they normally choose to offset their reception costs and make profits through commission. Under such circumstances, the itineraries of “zero fare” tours emphasise shopping rather than sightseeing. To earn more commission, RAs normally take “zero fare” tour groups to designated shops for shopping, and tourist guides are often required to persuade visitors to make purchases. Apart from designated shopping activity, RAs will charge visitors various kinds of fees or earn commissions through other channels, e.g. arranging extra self-paid programmes.

6. According to market information, some RAs running “zero fare” tours ask their tourist guides to pay for the cost arising from reception services. Those tourist guides who choose to accept such an arrangement will normally have to press visitors to make more purchases so that they can earn more commission as compensation. Under such circumstances, visitors will easily get annoyed and lodge complaints against the tourist guides, designated shops and travel agents.

### **Improvement Measures**

7. The market malpractices arising from “zero fare” tours have undermined Hong Kong’s image as a premier tourist destination among Mainland visitors. This must be rectified as soon as possible. To improve the situation, the Government and the trade must work together. The Travel Industry Council of Hong Kong (TIC), travel agents and tourist guides have the responsibility to enhance their professional integrity. The Government, the Hong Kong Tourism Board (HKTB) and

the Hong Kong Consumer Council (HKCC) also need to provide full support. As the problem involves DAs in the Mainland, joint efforts of the Mainland and Hong Kong are essential. The Government has maintained close liaison with various sectors of the tourism industry, including the TIC, the HKTB and the HKCC as well as tourist guide associations, inbound travel agents and the retail sector, to listen to their views and identify improvement measures. With the co-operation among all the parties concerned, we have taken actions to tackle the problems in various ways. The initiatives are detailed in paragraphs 8 to 22 below.

(I) Improving the Regulatory Mechanism

(a) Penalties

8. The TIC has sufficient power and established mechanism to impose sanctions against the non-compliant travel agents, tourist guides and registered shops of designated shopping:

(A) Travel agents which contravene the TIC's guidelines and code of conduct are liable to disciplinary actions, including warning letter, fine, suspension or termination of membership which may eventually lead to the revocation of licence by the Travel Agents Registry;

(B) Tourist guides who contravene the Code of Conduct for Tourist Guides are also liable to the TIC's disciplinary actions, including warning letter, and suspension or revocation of Tourist Guide Pass; and

(C) Demerits are given to any registered shop which has violated the pledge of "14 Days 100 Percent Refund Guarantee". When the demerits given to a shop have reached a specified threshold, the shop's registration will be suspended or revoked by the TIC. According to the TIC's guidelines, travel agents are not allowed to arrange designated shopping activity at any shop whose registration has been suspended or revoked.

9. In October 2006, the TIC issued a notice to reiterate that travel agents and tourist guides are liable to suspension/ termination of their TIC memberships and suspension/ revocation of their Tourist Guide

Passes respectively in case of serious non-compliance. On 4 October 2006, the TIC issued another notice to remind travel agents of their liabilities in cases where the tourist guides they employ contravene the rules and guidelines under the Code of Conduct for Tourist Guides. For a substantiated case, the travel agent concerned is liable to penalties as well.

10. The TIC has decided to impose heavier penalties to enhance their deterrent effect. On 14 November, the TIC Board of Directors endorsed a heavier sanction in respect of fines for non-compliance committed by a travel agent, by raising the level of \$10,000-\$100,000 to \$50,000-\$200,000. The TIC currently publishes a list of the travel agents which have violated the rules in its quarterly newsletter, setting out the non-compliant cases and the resultant penalties. The TIC has decided to upload such information to its website to inform the public of the latest situation.

11. As to the registered shops, the TIC is now reviewing the Demerit Point System for Registered Shops with a view to increasing demerits for non-compliant cases. In collaboration with the HKCC, the TIC is exploring further penalties for registered shops which have become the subject of serious complaints. The TIC is considering whether even though the demerits of the registered shops might not have reached the prescribed threshold, travel agents should be forbidden to arrange designated shopping activity at these shops. The TIC has also reached a consensus with the registered shops to allow TIC staff to enter the premises for inspection.

#### (b) Deliberation Committees on Non-compliance

12. The TIC has set up the Compliance Committee, the Tourist Guide Deliberation Committee and the Committee on Shopping-related Practices to deliberate on the non-compliance among travel agents and tourist guides, and implement the Demerit Point System for Registered Shops respectively. The Compliance Committee is also responsible for dealing with the non-compliance of outbound and inbound travel agents. In order to speed up the deliberation on Mainland “zero fare” cases, the TIC Board of Directors decided on 14 November to set up a new

committee dedicated to oversee non-compliance of Mainland inbound tours. As many cases involve travel agents and tourist guides at the same time, the new committee's ambit will cover both parties. This will accelerate the process of deliberation and help the committee to better understand the details of the cases. The committee will be chaired by a non-trade independent director with non-trade independent members forming the majority of the committee. The TIC is also considering inviting experienced tourist guides to join the new committee. In addition, the TIC Board of Directors has also decided to set up another new committee responsible for the formulation of rules and guidelines for Mainland inbound tours.

## (II) Co-operation with the CNTA

13. We have maintained close liaison and co-operation with the CNTA in promoting tourism development on both sides. We actively support the policy of "honest and quality tourism" vigorously pursued by the CNTA, so as to rectify the market malpractices stemming from "zero fare" tours. To support the initiative of the CNTA to introduce "model contract", we strongly proposed that DAs be required to incorporate into the "model contract" such tour details as the fare, transport arrangement, accommodation, designated shopping sessions and sites, and self-paid activities for reference by visitors. This serves to give visitors a clear picture of what services they will get before setting off. We also proposed that the "model contract" should include the name and licence number of the DA so that visitors can identify the responsible DA if any problem arises. This also helps the relevant parties in Hong Kong to follow up with the Mainland. The TIC will follow up on the requirement for travel agents to distribute the itineraries to the visitors upon their arrival in Hong Kong (please see paragraph 17 for details).

14. To enhance the exchange of regulatory information, we have regularly informed the CNTA of the trends of Mainland visitors' complaints in Hong Kong and cases of serious non-compliance, so that the two sides can take aligned regulatory actions to enhance the effectiveness of regulatory controls. We will also notify the CNTA in case the membership of travel agent is suspended or terminated. The TIC is considering reporting to CNTA the registered shops which have

serious irregularities. Apart from communicating with CNTA, the TIC plans to visit individual second-tier Mainland cities to establish communication with the local tourism administrations and travel industry, in order to find out how best the industry can tackle the problems associated with “zero fare” tours from their operational perspective. The TIC will study with HKCC on how to further enhance consumer education.

15. We have from time to time launched smart consumption campaigns in the Mainland in collaboration with the CNTA. For instance, copies of a leaflet entitled “Hong Kong Shopping Tips” were distributed in the Mainland during the National Day Golden Week, with points to note for Mainland visitors in respect of shopping in Hong Kong and advice on the channels to seek help or lodge complaints (for example, it carries the telephone number of the HKCC) in case they encounter any problems. The HKTB will also continue to cooperate with the Mainland Public Security Bureau to distribute publicity materials introducing Hong Kong at the locations where the Individual Visit Scheme endorsements are issued. The publicity materials cover topics such as smart consumption. We will continue our publicity and education efforts on these areas.

### (III) Consumer Education and Promotion

16. To safeguard consumer interests, we must let the consumers know their rights and the information regarding consumer protection and complaint channels. To this end, we are working on enhanced education and promotion of consumer rights among Mainland visitors through various channels.

17. The TIC will follow up on the requirements of RAs and tourist guides in Hong Kong to provide visitors with a detailed itinerary before the tour begins. The itinerary must specify travel and accommodation arrangements, as well as contain information on designated shopping, such as the frequency and duration of such activity. The itinerary must also carry the statement that neither the travel agent nor the tourist guide is allowed to force the visitors to make purchases. In addition, the RAs have to include in the itinerary the “14-day 100% Refund Guarantee Scheme” introduced at those TIC-registered shops, as well as the

complaint hotlines of the TIC and the HKCC.

18. The HKCC is going to join hands with the China Consumer's Association (CCA) to enhance education on protection of consumer rights, encourage smart consumption and promote consumer protection among Mainland residents through the CCA's existing network in the Mainland. For instance, the consumers will be advised to get a clear idea about the background of their travel agents and the itineraries of their tours.

19. To further remind Mainland visitors of the information on smart shopping, we have stepped up promotion at Lo Wu and Lok Ma Chau control points through posting publicity banners and posters, and distributing leaflets, tissue paper packets and other promotional materials. We have also handed out promotional stickers to be attached on the bodies of cross-boundary coaches.

#### (IV) Promoting "Quality Travel"

20. To rebuild visitors' confidence, we need to establish Hong Kong as a quality brand. We are aware that local travel agents have rolled out in the Mainland a variety of high quality group tours to Hong Kong, promoting high standard of services and itineraries and the pledge of truly quality experience in Hong Kong. We agree that these tours can provide more choices to visitors and are conducive to the sustainable development of Hong Kong's tourism. Being the major organization responsible for promoting Hong Kong's tourism, the HKTB has been conducting an "Honest and Quality Hong Kong Tour" promotion campaign in key Mainland cities. With the promotional activities in Beijing already in progress, and Shanghai and Guangzhou to follow, the HKTB aims to offer Mainland visitors a choice of high quality travel services. "Honest and Quality Hong Kong Tour" emphasizes honest and high quality tour to Hong Kong and freedom of shopping with absolutely no pressure on visitors to do designated shopping nor to join self-paid activities. This tour is promoted through special counters set up in Mainland travel agents. There are dedicated staff and hotlines to answer queries from visitors and to educate consumers how to choose Hong Kong tours. The HKTB will provide training and support to the staff serving these special counters.

(V) Improving the Professional Standard of Tourist Guides

21. Tourist guides are frontline staff in receiving visitors and are key to quality service. We and various tourist guide associations agree that we need to improve the professional standard of tourist guides and provide them with more training opportunities, so that they can upgrade their service skills, deepen their understanding of tourist attractions and enhance their recognition of professional ethics. To ensure that tourists from around the world are provided with high quality “customer-oriented” services, the TIC is working on a continuing education scheme for tourist guides to keep them abreast of new knowledge, skills and other aspects. It intends to require tourist guides to complete related training courses before they have their Tourist Guide Passes renewed. We will continue to discuss with the TIC and tourist guide associations on implementing the details of providing further training to tourist guides and providing financial assistance to tourist guides through the Skill Upgrading Scheme.

22. The TIC is considering inviting more experienced tourist guides to join its Training Committee in order to better understand the training and development needs of the trade. The Tourism Commission will continue to meet with the TIC and various tourist guide associations to strengthen the exchange of views.

**Consultation**

23. Members are invited to note the above information and advise on our work.

**Tourism Commission  
Economic Development and Labour Bureau  
20 November 2006**