

Consumer Council
Submission to Panel on Economic Services
On Tackling Market Malpractices Associated with
Zero-fare Tours from the Mainland

27th November 2006

Introduction

1. The Consumer Council (CC) welcomes the opportunity to provide comments on this important issue. CC considers that whilst consumer education will definitely help consumers to better protect themselves, it is crucial that the relevant authorities take appropriate measures to curb trade malpractices. This is to be complemented by industry self-regulation to improve trade practices in order to protect the interests of consumers/visitors.

Visitors' Complaints

2. The number of Mainland consumers visiting Hong Kong has greatly increased in recent years and likewise complaints lodged by Mainland tourists against trade malpractices have also risen (but far below the growth in the number of visitors). Complaint statistics from Mainland tourists for the past three years are listed in Note (1). Complaints from Mainland tourists who had joined packaged tours mainly stemmed from the problem of "zero" or "negative" reception fee. The latter refers to the industry practice that receiving travel agencies at outbound destinations have to "buy" tour groups from Mainland agencies. To cover local reception expenses i.e., accommodation etc., tour guides take tourists to designated shopping places where prices of goods are much higher. Some tourists also complained that they were forced to make purchases.

Root of the Problem: Market Structure and Trade Malpractices

3. The root of the problem to "zero" or "negative" reception fee is market structure and improper trade practices, as follows:
 - (a) Tour groups are passed on from one travel agency to another and yet another. In the end, travelers are "sold" to overseas travel agencies or agencies located in Shenzhen with overseas connections.

(b) Under the current system, consumers are unable to make a right choice since the tour fare paid by consumers may have no direct relation to the quality of reception. Tour agents at recruiting and receiving ends sell and buy travelers without regard to consumer welfare. Under the zero fare arrangement, there is no guarantee of service quality even if tourists had paid high tour fares.

Collaboration with Mainland and Asian Consumer Associations

4. To help tackle the problem, CC has proactively approached China Consumers' Association (the umbrella body of over 3,000 consumer associations in the Mainland) and consumer associations in Mainland provinces and major cities. It has been agreed that a joint statement will be issued in all Mainland provinces and cities on a particular day to drive home the message of consumer protection. Purpose of the statement is to urge authorities in charge of tourism to take necessary actions to protect the interest of outbound tourists and to call upon the travel industry to desist from trade malpractices. CC has also contacted consumer organizations from Australia, New Zealand, Singapore, Malaysia, Thailand and Macau (all popular Mainland tourists' destinations), to solicit their support to call upon their government and industry to help curb the practice of "zero" reception fee which has seriously affected the quality of tours.
5. A publicity campaign will be mounted at the same time to convey the following advice to Mainland consumers, calling on them to exercise their power by not patronizing travel agencies which engage in unfair practices. Specifically consumers will be advised to:
 - (a) join only tours organized by travel agencies which have registered with China National Tourism Administration (CNTA) and request the disclosure of the names of the organizing and destination reception agencies. Choose agencies which are well-established and with good reputation. For example, the "Honest and Quality Hong Kong Tour" organized by Hong Kong Tourism Board and designated travel agencies in Beijing. Beware of low-price traps, do not go for low price tours blindly. Similarly, high prices do not necessarily guarantee good quality. It all depends on the credibility of travel agencies. Hence, always look for the CNTA registration number of the tour agent as well

as other satisfaction guarantee programmes which may lend credit to the tour package. They must also obtain the name of the travel agent at the receiving end.

- (b) Find out if the travel agency has signed a model contract with overseas reception agency according to the requirement of Mainland tourism authorities.
- (c) Ask for explanation on differences between “shopping tours” and other tours when signing up. Pay attention to the itinerary provided by travel agent including sightseeing spots, number of designated shopping stops, name of hotels and star-rating of same.
- (d) When problems arise, consumers should pursue the issue with the Mainland travel agents, including the one with which the consumer signed up for the tour. These agents should bear the responsibility and give redress to the consumers first. Such an arrangement will ensure the recruiting agencies to be more vigilant and not making misleading claims to attract customers.
- (e) Pay attention to the consumer protection laws and measures of destination countries. For example, in Hong Kong, the “Quality Tourism Services Scheme”'s accredited shops will show a “Q” sign guaranteeing quality of products sold with clearly displayed prices. There are also signs in shops which have joined the “No Fakes Pledge Scheme”. These shops have committed not to sell counterfeit or pirated goods and to sell only genuine goods. In addition, group visitors who are not satisfied with their purchases bought at shops arranged by their travel agent will be fully refunded if they make their request within 14 days.

Enhance Mainlanders' Knowledge of Hong Kong Market

6. From time to time, CC provides information to Mainland consumer organizations and members of the media on the consumer protection measures in Hong Kong such as the "gold marking order" in the purchase of gold items. To enhance understanding of the market practice in Hong Kong, the issue of “cultural” differences will also be explained, for example:

- (a) In the Mainland, consumers enjoy the “three guarantees” for purchase of audio-visual and electrical products while in Hong Kong consumers are protected by the “Sales of Goods Ordinance”. The terms and conditions of maintenance and guarantee for different products vary.
- (b) Being a free market, Hong Kong does not impose price control on most goods. If consumers are satisfied with the price of goods at the time of purchase, even if they find afterwards that other shops offer a lower price, this cannot be an acceptable reason to ask for exchange of goods or refund.
- (c) Parallel imported goods are legal and can enhance competition. Probably due to the different understanding of the term used to describe parallel imported goods, Mainland tourists view such goods as pirated or counterfeit, which is not the case. Further, some parallel imported goods may be sold at a lower price and with more choices, as certain models are only available through parallel import when the sole agent does not import them at all. Nevertheless, consumers must be aware of the terms and conditions of the maintenance of parallel imported goods.
7. CC will maintain close contact with the Tourism Commission, Hong Kong Tourism Board and Travel Industry Council in order to protect the well being of visiting consumers.

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Note (1): Consumer Complaint Statistics

	2004	2005	1-10/2005	1-10/2006
Total no. of complaints	26,756	36,614	31,160 *	31,160 *
Total tourists' complaints	1,505 (5.62%)	1,910 (5.22%)	1,604 (5.15%)	1,776 (5.70%)
Total complaints from Mainland tourists (Individual Visit Scheme)	980 (192)	1,316 (730)	1,101 (813)	1,248 (784)

* The total number of complaints for the corresponding periods are coincidentally the same, although the monthly figures differ.