

## **Legislative Council Panel on Economic Development**

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

#### **Consultation Findings and Proposed Way Forward**

#### **Purpose**

This paper outlines the findings of the public consultation on the review of the operation and regulatory framework of the tourism sector in Hong Kong, and the Administration's proposed way forward.

#### **Background**

2. The Chief Executive announced in his Policy Address in October 2010 that the Government would review the operation and regulatory framework of the tourism sector in Hong Kong, including the role, powers, responsibilities and operation of the Travel Industry Council of Hong Kong (TIC), as well as its working relationship with the Travel Agents Registry (TAR). The aim is to promote the healthy and sustainable development of the tourism industry.

3. We launched a ten-week public consultation exercise on the review of the operation and regulatory framework of the tourism sector from 29 April to 15 July 2011. We published a consultation document to invite views from the public and the trade on four options for reforming the regulatory framework of the tourism sector, the licensing system for travel agents as well as the regulation of tourist guides. During the consultation period, we met with and listened to the views of Association Members of the TIC, tourist guide and tour escort organisations, Chairmen and Vice-chairmen of District Councils, and academics, etc. We also gathered views from travel agents at the annual Exchange Forum of the TAR; met with the Independent Directors of the TIC, the Hong Kong Tourism Board, and the Chairman and Chief Executive of the Consumer Council as well as its Trade Practices Committee. We attended a meeting of the Panel on Economic Development of the Legislative Council (the ED Panel) in which deputations on the review were received.

## Findings of the Consultation

4. A total of 1 249 written submissions were received from individuals and organisations/companies, including 13 submissions forwarded to us by the ED Panel and three late submissions. Of these 1 249 submissions, 1 148 were submissions from the travel trade that were basically drawn from six template versions. Counting each version as a single submission, there were 107 submissions. The major views and comments received are summarised at **Annex**.

5. We have proposed four reform options in the consultation document:

- (1) retain the current two-tier regulatory regime, reform the TIC and specify its role as a public association;
- (2) in addition to implementing Option (1), further transfer certain regulatory functions from the TIC to a Government department;
- (3) establish an independent statutory body to regulate the tourism sector; and
- (4) a Government department to take over the regulation duties from the TIC.

While different sectors of the travel trade and the public have offered a variety of views during the consultation, there is broad consensus that the current regulatory regime of the tourism sector should be reformed to instil a higher degree of independence, credibility and transparency.

6. During the consultation period, the TIC put forward a modified option which was built on Option (2). The TIC's modified option accepted revamping the composition and functions of the TIC Board. It proposed an equal number of trade and non-trade directors on the Board so that, with a government official as ex-officio member, non-trade practitioners would form a slight majority of the Board of directors as envisaged under the original Option (2). In addition, building on the proposal to set up a separate independent committee to handle appeal cases, the TIC's modified option further proposed to transfer all compliance cases involving travel agents, tourist guides and tour escorts to another new independent committee. The TIC would continue to draw up codes of conduct and directives for the travel trade and handle refund requests directed at travel agents. The TIC considered that this modified option would address the criticism of "insiders regulating insiders" without having to set up a new statutory body. The

majority of submissions from travel agents, including the standard letters, supported the TIC's proposal. Some of them further held the view that an effective regulatory framework should be one presided by a majority of trade representatives who possessed sufficient understanding of the operation of the trade and the necessary expertise.

7. Other than the travel trade, those organisations and members of the public that had submitted views mainly favoured either Options (3) or (4), and considered a comprehensive reform of the current regime was the only way to instil a higher degree of credibility to the regulatory framework. The majority of public bodies, academics, political parties, etc. that had expressed their views considered an independent statutory body, with non-trade members constituting the majority on its Board and with well-defined statutory functions, would be the most effective in addressing the public's concern over "insiders regulating insiders". More resolute actions would be expected of an independent statutory body in dealing with unscrupulous trade practices. Such a view was also expressed consistently by the mainstream local media and commentators during the consultation period. There was, nevertheless, general agreement that Option (3) would incur higher costs and would require more time to roll out.

#### Licensing system for travel agents and regulation of tourist guides

8. Views collected during the consultation period favoured one single licence to regulate all travel agents operating outbound and inbound travel businesses. As for the operation of the current licensing arrangements for travel agents, there were views that the existing minimum capital requirement<sup>1</sup> for setting up travel business was too low. There was general support for a statutory licensing system to regulate tourist guides. The introduction of separate licensing requirements for tourist guides receiving Mainland tour groups was not supported as the general view was that tourist guides, regardless of which market segment they served, should be subject to the same requirements. Some of the submissions also expressed views on the regulation of tour escorts and the general view was that a statutory licensing system should also be introduced for them.

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1. Any persons in Hong Kong applying for a Travel Agents Licence must be a member of the TIC as specified in Schedule 1 of the Travel Agents Ordinance. The TIC requires its members who conduct any travel and tourism business to have a minimum paid-up capital of HK\$500,000, plus an additional HK\$250,000 for each branch office. For members whose business is restricted to booking hotel rooms and air tickets, retailing package tours, and other travel related dealings, the TIC requires them to provide a bank guarantee of HK\$150,000 in favour of the TIC.

## Financial arrangement

9. As for the financial arrangement for the future regulatory regime, there were concerns regarding the adoption of the “user-pay and cost-recovery” principle, lest it might lead to an increase in licence fees for travel agents, tourist guides and escorts, or might even result in the extension of the current levy to inbound tours. Some submissions expressed concern that it would be difficult to define the users under the “user-pay” principle since, apart from the travel trade, other sectors such as retail, hotel and catering would also benefit from a well-regulated tourism industry. There was however broad consensus that the Government should provide a one-off capital grant to support the operation of an independent regulatory body at its initial stage, if one were to be set up.

## **Detailed Proposals**

10. Having carefully considered the comments received, and the relevant considerations, such as independence and credibility of the regulatory body, the participation by trade members, regulatory effectiveness, etc., we propose setting up the following new regulatory framework for the tourism sector –

- (a) an independent statutory body be established as the overall regulatory body of the tourism sector as envisaged under Option (3);
- (b) the minimum capital requirement for Travel Agents Licences be raised;
- (c) a statutory licensing system for tourist guides and tour escorts be introduced;
- (d) an independent appeal mechanism be set up to handle appeals against the decisions of the regulatory body in (a) above; and
- (e) the independent statutory body, which will be mainly funded by the levy on outbound tours, licence fees from travel agents and Mainland inbound tour registration fees, should run on a self-financing basis in the long run. A one-off capital grant will be provided by the Government to support the operation of the independent body at its initial stage.

## Establishment of an independent statutory body

### *A. Functions and regulatory role*

11. We propose that an independent statutory body, tentatively named the Travel Industry Authority (TIA), should be set up to regulate the operation of the tourism sector. The TIA would have the following functions and powers –

- (a) licensing of travel agents, tourist guides and tour escorts;
- (b) drawing up codes of conduct, guidelines, and directives to govern the work of travel agents, tourist guides and tour escorts, and regular monitoring of their work;
- (c) handling complaints against travel agents, tourist guides and tour escorts;
- (d) investigating suspected breaches of the provisions of the relevant legislation, codes of conduct, guidelines and directives by travel agents, tourist guides or tour escorts and taking disciplinary action where appropriate;
- (e) advising the Government on matters relating to the regulation of the tourism sector; and
- (f) managing the Travel Industry Compensation Fund.

In other words, the TIA would be the sole regulatory body of the tourism sector. It would take over the current regulatory functions of the TIC and the TAR, the advisory functions of the Advisory Committee on Travel Agents and the functions of the Travel Industry Compensation Fund Management Board.

### *B. Composition*

12. We propose that all members of the TIA Board should be appointed by the Government. To ensure credibility and independence of the TIA, the Chairman should be a non-trade member, and that non-trade members drawn from different professions should form the majority. The professional knowledge and expertise of these members would be beneficial to the TIA in the process of drawing up codes of conduct, guidelines and directives for its regulatory work. We propose that there should be adequate trade members

serving the TIA Board and its Committees to ensure that the TIA possesses the necessary knowledge and expertise in the operation of the trade. This would also facilitate communication between the Government, the TIA, and trade practitioners, such that the directives and codes of conduct drawn up by the TIA could address the crux of problems, be operationally practical for the trade, and most importantly, would not strangle businesses nor hinder the development of the sector. Representatives of tourist guides and tour escorts would also be appointed to reflect the interests and concerns of these practitioners in the TIA. Moreover, to underline the importance the Government attaches to the co-operation with the TIA and the industry, the Government would enhance its participation in the new regulatory regime, including appointing the Commissioner for Tourism as the vice-chairman of the TIA, and requiring that the appointment of the executive head of the TIA would be subject to the approval of the Government etc., to ensure that the TIA would take protecting the interest of the public as its prime mission. We believe that the proposed composition above would strike a balance between the needs for achieving independence of the TIA from undue influence of the trade, and ensuring adequate trade knowledge and expertise for effective regulation of the tourism sector.

#### Licensing of travel agents

13. Given that the comments we received in general do not support introducing separate licences for travel agents operating outbound and inbound travel businesses, we do not propose any major changes to the current licensing system of travel agents.

##### *A. Minimum capital requirement for setting up business*

14. To address the concerns about the relatively low threshold for setting up travel business, we propose raising the minimum capital requirement for applicants of Travel Agents Licences. A higher entry threshold could enhance the quality of the travel trade. In revising the minimum capital requirement, we would make reference to those imposed in other places and discuss with the trade the appropriate level of the minimum capital requirement. To reduce the impact on the travel trade, we would adopt a phased approach in raising the capital requirement for existing travel agents under the new licensing system.

##### *B. Regulation of conduct of travel agents*

15. To address the public concern about the operation of some Mainland inbound tours, we propose that the TIA should put in place an effective

disciplinary system and measures with legal backing to temporarily suspend or revoke the licences of travel agents found guilty of malpractices. The TIA should also introduce appropriate financial penalties, and step up inspection on travel agents.

### Licensing of tourist guides and tour escorts

16. In addition to regulating travel agents, we propose that the TIA should also be responsible for regulating tourist guides and tour escorts. We would introduce a statutory licensing system for tourist guides and tour escorts to replace the accreditation system currently undertaken<sup>2</sup> by the TIC. As the accreditation system for tourist guides and tour escorts under the TIC has generally been operating smoothly, we propose that the new licensing system under the TIA could model on the existing arrangements, with refinements made to individual aspects in line with trade realities and the objectives of enhancing the service quality and standard of trade practitioners in the long run. The TIA would also be responsible for drawing up codes of conduct and setting up a disciplinary system to ensure effective regulation of tourist guides and tour escorts. To reduce the impact on practitioners, we propose putting in place transitional arrangements whereby holders of Tour Escort and Tourist Guide Passes would continue to be recognised until their existing Passes expire.

### Appeal mechanism

17. We propose that there should be an independent appeal mechanism to handle appeals against the decisions of the TIA. Persons aggrieved by the decisions of the TIA with regard to application for the issue or renewal of a licence, or penalty imposed in respect of any breaches of licensing conditions, codes, directives, etc. could lodge an appeal direct with the Appeal Board.

### Funding arrangements

18. To avoid substantially increasing the operating costs of the trade upon the establishment of the TIA, and causing an unreasonable burden to the travelling public, we propose that the Government should provide a one-off capital grant to the TIA as seed money for meeting the set-up cost and part of

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2. The TIC currently undertakes an accreditation system of tourist guides and tour escorts. Applicants for the Tour Escort Pass must attend the "Certificate Course for Outbound Tour Escort" organised by the TIC, pass the examination and hold the relevant certificate. Applicants for the Tourist Guide Pass must hold certificates recognised by the TIC and pass the relevant qualifying examinations before they could obtain the Pass.

the operating expenses, and as contingency reserve in events of extremely poor market conditions which would reduce its annual income.

19. We propose that the TIA should operate on a self-financing basis in the long run, and its sources of funding would include the licence fees from travel agents, levy on outbound tours, and registration fees for Mainland inbound tours. With a view to achieving self-financing in the long run, the TIA would inevitably have to adjust its fees by adopting an incremental approach. To reduce the impact on the industry, particularly having regard to the affordability of small and medium sized travel agents, we do not propose any increase to the existing licensing fees and levy immediately upon the establishment of the TIA. As regards the registration fee for Mainland inbound tours, notwithstanding that the TIC has deployed substantial resources in regulating Mainland inbound tours in recent years, the income in this respect has remained extremely low<sup>3</sup>, which leaves much room for a substantial upward adjustment. We anticipate that the adjustment in the Mainland inbound registration fee would not have a widespread impact on the trade given that of the 1 600 travel agents in Hong Kong, only around 110 (around 7%) are receiving agents for Mainland inbound tours.

#### Trade participation

20. The current regulatory regime, with the TIC as the trade's self-regulatory body, has been in operation for over 20 years. It has witnessed the evolution and development of the Hong Kong tourism industry. Indeed, this regime has made significant contribution in the past, and its achievements, particularly in regulating outbound tours and coordinating the trade in handling tourism-related emergency incidents, deserves ample recognition. To facilitate smooth transition of the regulatory work under the new regime, we will draw reference from the current regime and make further improvements. The experience accumulated in the past two decades will provide the blueprint for developing an improved and enhanced regulatory regime.

21. As regards the TIC, it is familiar with the operation of the trade and has accumulated years of regulatory experience. Through the years, it has been playing an important role in regulating and developing the tourism sector. With a view to tapping the TIC's expertise and strength, the Government would enter into discussions with the TIC to explore its involvement in the future regulatory regime, and to examine the possibilities

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3. Only inbound tours from the Mainland are required to pay a registration fee which is currently set at \$20 per tour. The registration fee is \$20 for tour groups comprising not more than 40 members; and \$20 for every 40 members or part thereof for tour groups comprising more than 40 members.



of entrusting to it certain non-regulatory public functions, e.g. coordinating the trade in dealing with emergency incidents involving inbound or outbound tours. If it is concluded that such arrangement is appropriate, we would consider providing financial support to the TIC for carrying out such non-regulatory public functions.

### **Next Steps**

22. As the next step, we will proceed with drafting a new legislation to replace the current Travel Agents Ordinance (Chapter 218). If things are progressing well, we expect that the draft new legislation could be introduced into the Legislative Council in about two and a half years. When drafting the legislation, we will continue to listen to the views of the public and the trade in ironing out the detailed arrangements under the new regulatory regime, and explore with the TIC on its future public functions.

23. We expect that there may be a transition period of at least three years, from now to the enactment of the new legislation. During the transition period, we will continue to adopt the current two-tier regulatory regime, the TAR under the Tourism Commission will step up its surveillance work. We will also engage the TIC and encourage it to continue with its current regulatory efforts.

**Tourism Commission  
Commerce and Economic Development Bureau  
December 2011**

## Major Findings of the Public Consultation

### Regulatory Arrangement of Travel Agents

Major Consultation Questions <sup>1</sup>	Comments Received
<p>(1) Does the existing regulatory arrangement for travel agents require any changes?</p> <p>(2) If changes are required, apart from examining the merits, drawbacks, implications and cost-effectiveness of the reform options, are there factors other than those in paragraph 4.2 (in the consultation paper) that should be considered?</p>	<ul style="list-style-type: none"> <li>• There was broad consensus that the existing regulatory regime of the tourism sector should be reformed to instil a higher degree of independence, impartiality and transparency in view of the changing circumstances of the industry and the heightened concern on consumer rights protection in recent years.</li> <li>• Some were of the view that the incidents involving malpractices in Mainland inbound tour operation in mid-2010 had revealed the inadequacy of the existing self-regulation by the Trade Industry Council (TIC).</li> <li>• There were views that the reform options should also address the problem of “zero/negative reception fee”.</li> </ul>
<p>(3) Which of the four options set out in the consultation paper would best cater for Hong Kong’s situation and needs?</p> <p>(4) Do you have any comments regarding the substantive arrangements (such as functions, power, composition, governance and checks-and-balances) of the preferred option?</p>	<ul style="list-style-type: none"> <li>• The TIC put forward a modified option during the consultation period, which was built on Option (2). The TIC modified option accepted revamping the composition and functions of the TIC Board so that the majority of Board directors would be non-trade practitioners as recommended under the original Option (2). In addition, building on the proposal to set up a separate independent committee to handle appeal cases, the TIC modified option further proposed to transfer all compliance cases involving travel agents, tourist guides and tour escorts to another new independent committee. The TIC would continue to draw up codes of conduct and directives for the travel trade and handle refund requests directed at travel agents. The TIC considered that this modified option would address the criticism of “insider</li> </ul>

1. These are the major consultation questions set out in the consultation document on “Review of the Operation and Regulatory Framework of the Tourism Sector in Hong Kong”.

<b>Major Consultation Questions<sup>1</sup></b>	<b>Comments Received</b>
	<p>regulating insider” without having to set up a new statutory body.</p> <ul style="list-style-type: none"> <li>• The majority of submissions from travel agents, including the standard letters, supported the TIC’s proposal. Some of them further held the view that an effective regulatory framework should be one presided by a majority of trade representatives who possessed a sufficient understanding of the operation of the trade and the necessary expertise.</li> <li>• A few travel agents were against the current licensing prerequisite of being a TIC member and favoured Option (4).</li> <li>• Most of other submissions favoured either Options (3) or (4) and believed a complete overhaul of the current regime the only way to restore credibility to the regulatory framework. The majority of public bodies, academics, political parties, business organisations and some District Councils (DC) members had a clear preference for Option (3) as they considered an independent statutory body with non-trade members constituting the majority of its Board and with well-defined statutory functions, would be more effective in addressing the public concern over “insiders regulating insiders”.</li> <li>• Some comments, in particular those from tourist guides organisations, favoured (4). They considered that the existing self-regulation by the TIC was ineffective and lacked credibility.</li> </ul>

## Regulation of Tourist Guides

Major Consultation Questions <sup>1</sup>	Comments Received
<p>(5) Do you consider the current Tourist Guides Accreditation System set up by the TIC effective in regulating tourist guides?</p> <p>Assuming the retention of the two-tier regulatory regime (i.e. Option (1) or (2)), what are the areas for improvement in order to enhance the effectiveness of the regulation of tourist guides?</p>	<ul style="list-style-type: none"> <li>• Most of the respondents who have provided comments to this question, in particular tourist guides organisations and members of the public, considered that the current Tourist Guides Accreditation System was ineffective.</li> <li>• Some of the views on the current Tourist Guides Accreditation System are set out below -             <ul style="list-style-type: none"> <li>(a) the TIC, being a trade organisation, would favour the interest of travel agents. The TIC, comprising mainly proprietors or managers of travel agents, should not be responsible for the regulation of tourist guides;</li> <li>(b) the current Tourist Guides Accreditation System set up by the TIC was not effective as the system did not have the backing of statutory power. In recent years, there were challenge from tourist guides against the authority of the TIC, so the disciplinary framework had been compromised to some extent;</li> <li>(c) it was unusual that a trade organisation would be responsible for formulating regulation, conducting examination, and issuing passes in the regulation of tourist guides;</li> <li>(d) the existing regulation of tourist guides by the TIC was not satisfactory as inspection checks were not adequate to tackle the problem of illegal tourist guides; and</li> <li>(e) tourist guides were not members of TIC, so they did not enjoy members' rights.</li> </ul> </li> </ul>
<p>(6) If the tourism sector is to be regulated by an independent statutory body or the Government</p>	<ul style="list-style-type: none"> <li>• There was general support from tourist guides organisations, travel agents, general public, individual DC members and political parties for a statutory licensing system to regulate tourist</li> </ul>

<b>Major Consultation Questions<sup>1</sup></b>	<b>Comments Received</b>
<p>(i.e. Option (3) or (4)), should a statutory tourist guide licensing system be introduced? If yes, should there be a transition period and how long should the period last?</p>	<p>guides. Most of the respondents considered that such system could affirm tourist guides' professionalism and improve the service quality of the travel industry.</p> <ul style="list-style-type: none"> <li>● A few of the respondents provided comments to the transitional period. Most of them considered that a transitional period would be necessary and the duration they suggested roughly ranged from six months to three years. There was also comment that the transitional period should depend on whether there would be new requirements under the statutory licensing system.</li> <li>● There were views that the new licensing system should be implemented immediately without any transitional period as there were usually more problems during the transition, e.g. some illegal activities of those who would not be eligible for licensing as tourist guides under the new system.</li> <li>● Some of the submissions also expressed views on the regulation of tour escorts and the general view was that a statutory licensing system should also be introduced for them.</li> </ul>
<p>(7) Given the problems associated with Mainland inbound tours, should a separate Tourist Guide Pass or Licence be introduced to further regulate the qualification requirements for tourist guides receiving Mainland inbound tours? (Paragraph 6.3 in consultation paper)</p> <p>(8) If a separate Tourist Guide Pass or Licence for tourist guides receiving Mainland inbound tours is introduced, what additional requirements</p>	<ul style="list-style-type: none"> <li>● Most of the respondents, mainly tourist guides organisations and individual members of the public, did not support the introduction of separate licensing requirements for tourist guides receiving Mainland inbound tours. The general view was that tourist guides, regardless of the market segment they served, should be subject to the same requirement.</li> <li>● A few respondents, mostly individual members of the public, supported the introduction of separate licensing requirements for tourist guides receiving Mainland inbound tours as they considered that Mainland visitors were a major source of tourists visiting Hong Kong but the number of related complaints had been increasing. A set of more stringent requirement could improve the service quality of Mainland</li> </ul>

<b>Major Consultation Questions<sup>1</sup></b>	<b>Comments Received</b>
<p>should be prescribed for the Pass/Licence?</p> <p>Would it be unfair to tourist guides receiving Mainland inbound tours if the requirements are more stringent than those for the existing passes?</p>	<p>inbound tours.</p> <ul style="list-style-type: none"> <li>● Suggestions on additional licensing requirements for tourist guides receiving Mainland inbound tours included - <ul style="list-style-type: none"> <li>(a) imposing a minimum period of residency requirement in Hong Kong for tourist guides receiving Mainland inbound tours; and</li> <li>(b) requiring tourist guides receiving Mainland inbound tours to pass examinations on general knowledge about Mainland China, e.g. tourism structure, people and culture, basic legal aspects, education and political systems etc.</li> </ul> </li> </ul>

## Licensing System for Travel Agents

Major Consultation Questions <sup>1</sup>	Comments Received
<p>(9) Do you think different licences (with different requirements) should be introduced to regulate outbound and inbound travel agents?</p>	<ul style="list-style-type: none"> <li>• There were more respondents in favour of one single licence to regulate all travel agents carrying on outbound and inbound travel business. Among these respondents, most of them were travel agents or associations formed by travel agents. They supported the modified option proposed by the TIC. They considered that the existing practices of most travel agents were in compliance with relevant rules and regulations, with only a small number of travel agents being problematic. Requiring travel agents to acquire different licences for operating different types of travel business would “penalise” good as well as bad travel agents.</li> <li>• There were also views that the existing problem in the tourism sector was about the ineffective self-regulation of the trade instead of about licensing.</li> <li>• Those who supported the introduction of different licences included individual members of the public, tourism practitioner, academics and individual DC members. Their views were that it would be appropriate to introduce different licences due to the different nature and operating environment of different types of travel business. Different types of licences could ensure more effective regulation.</li> </ul>
<p>(10) Do you think a separate licence for travel agents receiving Mainland inbound tours should be introduced in view of the problems associated with those tours?</p>	<ul style="list-style-type: none"> <li>• The general views collected did not support a separate licence for travel agents receiving Mainland inbound tours. The reasons included that the requirement of service standard for different tourists from all destinations should be the same and it would be unfair to just impose a specific requirement to a specific market.</li> </ul>

<b>Major Consultation Questions<sup>1</sup></b>	<b>Comments Received</b>
	<ul style="list-style-type: none"> <li>● Those against a separate licence for travel agents receiving Mainland inbound tours included individual DC members, tourist guides organisations, academic, and individual members of the public. Apart from them, a large number of travel agents or associations formed by travel agents, which supported the modified option of the TIC, were also in favour of one single licence for operating all types of travel business.</li> <li>● There were a few comments from individual members of the public supporting a separate licence for travel agents receiving Mainland inbound tours. Some of them considered that the market of Mainland inbound tours was developing and immature, and Mainland visitors were a major source of tourists visiting Hong Kong but the number of related complaints had been increasing, a separate licence would therefore be necessary for better regulation.</li> </ul>
<p>(11) If you think a separate licence should be introduced for travel agents receiving Mainland inbound tours, what additional requirements should be prescribed for this licence?</p> <p>Would it be unfair to the travel agents receiving Mainland inbound tours if the requirements are more stringent than those for the existing licence?</p>	<ul style="list-style-type: none"> <li>● Suggestions on additional licensing requirements for travel agents receiving Mainland inbound tours included - <ul style="list-style-type: none"> <li>(a) additional capital requirement or deposit depending on the size of different tour operators;</li> <li>(b) imposing guarantee money requirement on travel agents receiving Mainland inbound tours and</li> <li>(c) increasing the penalties for travel agents receiving Mainland inbound tours found to have breached the relevant rules and regulations.</li> </ul> </li> <li>● Apart from specific requirements on travel agents receiving Mainland inbound tours, there were also views that the general threshold for setting up business should be raised and travel agents should be required to</li> </ul>



<b>Major Consultation Questions<sup>1</sup></b>	<b>Comments Received</b>
	<p>deposit guarantee money, so as to reduce the risk of malpractices by them.</p> <ul style="list-style-type: none"> <li>• A few travel agents, associations formed by travel agents and a tourist guides organisation commented that the existing requirement of TIC membership as a pre-requisite for applying for a travel agent licence should be removed.</li> </ul>

## Financial Arrangement

Major Consultation Questions <sup>1</sup>	Comments Received
<p>(12) Regardless of your chosen option, do you agree that the financial arrangement should be based on a “user-pay and cost-recovery” principle? If yes, do you agree that reasonable means to generate additional income should be considered?</p> <p>What means would you consider appropriate? (Paragraph 4.33 in consultation paper)</p>	<ul style="list-style-type: none"> <li>• There were concerns regarding the adoption of the “user-pay and cost-recovery” principle as that might lead to an increase in licence fees for travel agents, tourist guides and tour escorts and/or extension of the current levy to inbound tours. Some submissions expressed concern that it would be difficult to define users under the “user-pay” principle since, apart from the travel trade, other sectors as such retail, hotel and catering, would also benefit from a well-regulated tourism industry.</li> <li>• Even for some of those who supported the “user-pay and cost-recovery” principle, they considered that attention should be paid to the effect of the principle on the business operation of travel agents, especially the affordability of small-and-medium-sized enterprises. There were views that the new system should not impose substantial additional cost to the parties concerned, including travel agents, tourist guides and tour escorts, in particular during the transition period, in order to secure the support of the industry for the new regulatory system.</li> <li>• Some respondents, who supported the principle, including individual DC members, considered that this could provide a means to recover the costs of supervision and regulation by the regulatory body from the trade. Some suggestions on the appropriate means included -             <ul style="list-style-type: none"> <li>(a) charging levies on three different types of businesses as appropriate: outbound tours; ticketing; and inbound tours. The charges should make reference to the work and services required from each of the three types of businesses; and</li> <li>(b) introducing other fees for demand-driven services, e.g. charging regulated entities for complaints handling.</li> </ul> </li> </ul>

<b>Major Consultation Questions<sup>1</sup></b>	<b>Comments Received</b>
<p>(13) If an independent statutory body is to be established, do you consider it reasonable for the Government to provide the body with one-off grant or loan to support the expenditure at its initial stage of operation? If you consider it unreasonable, what other approach would you suggest? (Paragraph 4.33 in the consultation paper)</p>	<ul style="list-style-type: none"> <li>• There was broad consensus that the Government should provide a one-off capital grant to support the operation of an independent statutory body at its initial stage, if one were to be set up.</li> <li>• Other suggestions to finance the independent statutory body included - <ul style="list-style-type: none"> <li>(a) identifying sponsors for the body; and</li> <li>(b) the Government to finance part of the operation of the body.</li> </ul> </li> </ul>