

CASE-STUDY VIGNETTE – TOURISM AND INTERNATIONAL BUSINESS IN ACTION

Chinese ADS

The characters for tourism in Chinese ('Lu-You') translate as travel ('Lu') and sightseeing ('You'). Although travel for sightseeing was long frowned upon in communist China, post-1978 and the 'open-door' policy, international leisure tourism has become recognised as being a significant part of the economy and an important symbol of Chinese modern economic development. In 1981 Chinese citizens were only allowed to undertake group leisure trips to countries in southeast Asia (Hong Kong, Macau, Thailand and Singapore). In 1983 private travel with the purpose of visiting friends and relations (VFR) overseas was allowed. Since the early 1990s the Chinese government has enacted a number of policy changes in order to encourage outbound tourism (Zhang and Han 2004):

- The State Council enacted *Measures on Management of Outbound Tourism by Chinese Citizens*, which have improved the management system of outbound tourism, seek to protect the rights of outbound tourists and enterprises running outbound business. The measures stipulate the approved destination countries and regions; the qualifications, approval procedures and business process of travel agencies running outbound business; the responsibilities of tour leaders; the rights and obligations of tourists; and penalties for not meeting legal obligations.
- The application process for passports has been simplified.
- Foreign currency exchange management and control have been adjusted.

ADS is a bilateral programme developed by the People's Republic of China (PRC) to manage the international group leisure travel of its citizens to recipient destinations. Each destination country negotiates separately with the China National Tourism Administration and the Chinese government with respect to their specific ADS agreement. Introduced in 1995 the programme enables citizens of the PRC to use personal passports and apply for tourism visas to countries approved for visitation. For national destinations approved under ADS, mainland Chinese no longer have to contact embassies or consulates in order to obtain a visa. Instead visas for leisure group travel are provided by outbound travel agencies that have been authorised by the China National Tourism Administration. However, the visas are restricted by the itinerary, which must be fixed at the beginning of the trip. Travellers are also obliged to travel in a tour group (minimum of five people including a tour leader) and are not allowed to extend their stay or apply for other types of visas. The destination

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tourist authority must provide a list of approved tour operators that can handle land arrangements for tour groups. Travel solely for pleasure is not allowed to non-ADS countries. If mainland Chinese wish to travel to non-ADS countries their trip must be for business, education or family (VFR) purposes in order to gain a departure visa.

As of January 2007 86 countries had ADS status. Australia and New Zealand were the first Western countries to receive ADS in 1999. The European Community (EC) signed an ADS accord in February 2004 with it coming into force in September 2004. Achievement of ADS is now recognised as crucial to the development of tourism and aviation relations with China and has become a significant economic tool in China's diplomatic arsenal, particularly with smaller economies (Windybank 2005; Shie 2007). The ADS is significant because as well as providing for tourist entry into the destination country, it also allows the destination country to open a tourist office in China and conduct marketing activities (King et al. 2006).

The significance of ADS can be illustrated by the Australian case. Between 1999 and the end of 2006 Australia hosted 264,000 Chinese tourists undertaking group leisure travel. As of 2007 China was Australia's fastest-growing inbound tourism market, and was forecast to grow at more than 12 per cent over the coming decade, resulting in over 900,000 Chinese visitors per year by 2015. As a result of a review of the ADS the Australian government reformed the programme

... to ensure Chinese tourists receive a quality Australian tourism experience. At this time, all existing ADS operators were required to re-apply for approval, with applications also invited from appropriately qualified Australian businesses wishing to enter the scheme. Applications were rigorously assessed, and approved operators are required to comply with a new ADS *Code of Business Standards and Ethics*.

In August 2006, the Minister for Small Business and Tourism, the Hon Fran Bailey MP, signed a Memorandum of Understanding with Chairman Shao Qiwei of the China National Tourism Administration on the ADS scheme. This signals Australia and China's commitment to fostering the growth of sustainable and quality tourism.

(DITR 2007)

The objectives of the ADS arrangements are to

- restore integrity, competition and fair trading to the operation of ADS inbound market, especially in relations between operators and shops, and operators and tourists; and
- empower Chinese inbound tourists with knowledge and choice to exercise effective consumer power in the inbound market (DITR 2006).

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Key features of the ADS arrangements are (DITR 2006):

- applicants are assessed as to whether they are a 'fit and proper' person to be an ADS approved inbound tour operator;
- applicants must consent to being vetted for their 'good standing';
- applicants must also meet 'industry fitness' and immigration compliance tests;
- applicants are listed in the national press and comment from the public will be invited;
- under the strengthened ADS Code of Business Standards and Ethics:
 - operators have an express duty of care to tourists;
 - commission shopping is allowed, but it must be matched with free shopping in competitive retail areas, prior to commission shopping;
 - commissions must be declared and are subject to an audit trail;
 - there can be no improper influence on tour quality or value through commissions; and
 - tourists are to be alerted to commission shopping venues in their itineraries.

The ADS Code of Business Standards and Ethics is also backed by a compliance and monitoring regime that includes financial and random checks. Penalties for breaches of the Code may include suspension or revocation of an operator's ADS licence. The legal basis for specifying travel agents for the purposes of the ADS is found under the Commonwealth of Australia *Migration Regulations 1994*. As of February 2007 there were 57 travel agents in Australia and 79 travel agents in China recognised under the ADS.