
4th Strategy Workshop for the Future of Jeju Tourism
Counter Measures of the Jeju Tourism Industry
to the Government's Policy to Improve
Chinese Group Tour Practices

April 27, 2016

■ Presentation: Improvement measures for the Chinese group tour market and the future

- Presenter: Wang Gi-Yong (Officer of Strategic Market Department, Ministry of Culture, Sports and Tourism)
 - With the recent five year surge of outbound tour demand in the tier 2 and 3 inland cities, China has emerged as the largest outbound tourism market. Since 2014 when the number of Chinese tourists visiting other regions exceeded 100,000,000, the number of travelers has grown at average yearly rate of 18%.
 - Such outbound tours of Chinese are expected to continuously increase with the constantly growing Chinese economy, and the increasing use of LLC, online tour agencies, and individual free tours.
 - As to the Chinese government's policies on outbound travels, from the quantitative perspective the government has expanded holidays and leisure demand through its policies to encourage travel consumption. From the qualitative perspective, the China National Tourism Administration has intensified its measures to control the quality of overseas markets.
 - When we look into the current record of Chinese inbound tourists by region, 50.5% of Chinese travelers are from the Huadong(華東) region while 34.6% are from Huabei (華東) and Dongbei (東北), 6.1% from Huanan(華南), 5.4% from Western China, and 3.3% from Hoatong (華中) regions. Generally inbound group tour products to Korea (53.3% of the all tour products) are low-priced options and may be operated depending on the commission fees. Some of the group tour agencies were found to attract tourists and run its tour program with unreasonable conditions and unfair practices. So from 2014 to 2016, the police cracked down on 9,311 inappropriate cases and 68 businesses (40% of the total number of tour agencies) could not renew their tour license.
 - As for a way to intensify the supervision of inbound group tour products, I would like to suggest the following. First, we need to build a monitoring system on the entire process from immigration by using an electronic management system on the record of

tour agencies. Second, there should be a Go-Out system which may be applicable to the tour agencies using unreasonable pricing and distribution structures. Third, more intensive restrictions on unqualified tour guides and a license renewal system needs to be introduced. Fourth, introduction of a rewards system for reports on unfair practices and an easy-reporting app should be developed and distributed.

- Also, we need to build a composite system for regular crackdowns and complaint reporting. By having ministerial meetings on tourism between Korea and China, collaborative efforts need to be made by sharing black-list information and conducting joint investigations and restrictions on tour agencies that negatively impact the market. At the same time, systems to support good group tour agencies and improve the quality control of tour products are required. A quality certification system for good group tour products would also be a good option for quality control.

■ DISCUSSION

○ Master: Lee Jae-Hong (Director General of Jeju Tourism Organization)

- The Keywords of “China” and “Youke (遊客), Chinese tourists traveling in large groups, became the game-changer of the global tourism markets and our attention focused on the Korean government’s policies on these important issues.
- Today, we would like to ask for your opinions and have in-depth discussions on the government’s policies, our tasks and plans for tourism development in Jeju, and forecasts of the future direction of tourism in Jeju.

○ Kim Nam-Jin (Vice Director General of Jeju Tourism Association)

- Last April, the Ministry of Culture, Sports and Tourism declared that it would improve the momentum of the industry and build a better market order by fortifying supervision on tourism businesses. To that end, what seems to be done first is intensifying the qualifications for tour business licenses while developing a clearer system from the registration process to guidelines businesses.
- When we introduce reinforced qualifications on tourism business registration and suggest clear guidelines through laws and regulations, such actions will help struggling local tour agencies and contribute to fairer market order.

○ Hong Yoo-Sik (CEO of Hana Tour Jeju)

- The recent government announcement of “Measures to improve the Chinese group tour practices” and its actions to build related management and a supervision system is quite an encouraging signal to tour businesses that are on the frontlines with tourist customers.
- To be more pragmatic, currently in Jeju, 5 Chinese inbound group tour agencies

remained out of a total of 11 companies. However, some of these tour agencies still abuse the unregulated areas and continue their unfair practices.

- Jeju has quite unique conditions which are different from other regions such as the “Visa Waiver” programs for incoming Chinese travelers. If the central government’s policies are implemented without any adjustment to Jeju without considering such conditions, such policy enforcement can deter the industrial development and deteriorate Jeju’s tourism market orders. So, more consideration should be made on policy enforcement.

○ Jang Moon-Bong (Tourism Policy Officers, Tourism Policy Department of Jeju Special Self-Governing Province)

- Among the presentations, I question the effectiveness of the ministry’s policy to manage Chinese group tour agencies with legal and systemic tools. To implement such policies to Jeju, there should be clear criteria on the evaluation of tour agencies.

○ Wang Gi-Yong (Officer of Strategic Market Department, Ministry of Culture, Sports and Tourism)

- First, I’d like to talk about the minimum guarantee of tour fees. Currently, the practice of minus tour fees can be witnessed not only in Korea but also in many tourism markets across the world. We analyzed that type of structure, tour agencies made various deals or contracts with tourist destinations to generate income. The thing is that only in Korea, is there a poll tax concept that was incorporated with the zero tour fee tour structure and that changed the way benefits were generated. Due to these circumstances, there are limitations for central governments or the ministry because they cannot be directly engaged in the structure. As it is a business model organized by certain types of contracts in the free market structure. So the first step should be encouraging stakeholders to agree on a solution to the issue.
- To tackle the issue pragmatically, activities of Chinese inbound group tour agencies are related with the Visa Waiver programs for the Chinese and inland tour programs. And with such programs and structures, there are legally blind areas. To prevent these side effects or cases of abuse, there have been opinions that tour agencies should be designated to tailor their businesses to the Jeju market. We are also working along with the Ministry of Justice to improve the existing systems.
- As to the legalization and regulation on the “designated tour agency” system under the Tourism Promotion Acts, we have suggested the idea to the Ministry of Culture, Sports and Tourism, but at the same time, we still think that we should be very careful in how the situation is handled. In the age of having to pursue communication, cooperation, and creative economy with deregulation, such additional regulation

specified in law can be interpreted as a retrogression of the age. Also tourism promotion driven by moderate regulation cannot be achieved.

○ KIM Ji-Hoon (Reporter, JIBS)

- When I look back at my experiences, the price of tour products to Japan which is very near to Korea is almost twice as high as that of Jeju tour products. In the end, we may think that the fundamental reason behind the image that group travel to Jeju is quite cheap can be explained by the commission fees. So our focus needs to be there. Basically, we all know that the government's crackdown cannot handle the deals between the interested parties. But in the current situation where voluntary efforts are made to improve the practices have their limit, enforcement of legal regulation would be effective.

○ Moon Seong-Jong (Tourism Business Professor, Halla University)

- Before having specific discussions on the future of tourism in Jeju, I think we need to consider whether our tourist products and contents need to be more diversified. The patterns of Chinese travel consumers are changing. Rather than positioning China, a huge country, as a single target, we need to consider different positions for each generation and region of the nation.
- For future planning on the tourism industry in Jeju, we also need to build our acceptance towards the increasing F.I.T. travelers. For instance, in Hong Kong, a QTS certification system serves as the minimum guarantee to the quality of tourist products earning the trust of tourism demand. Jeju should also create a certification on quality as a starting point to achieve high quality tourism in Jeju.

○ Yang Phil-Soo (Head of Tourism Industry Department, Jeju Tourism Organization)

- Last year, around 2.62 million inbound tourists visited Jeju. But with the question mark on the role of group tour specialized agencies, we also need to grasp the current standing of the tour businesses of the region. In reality, there have been damages incurred due to the group tour specialized agencies which will lead to a loss of ecommerce for Jeju's tourism industry.
- For instance, unfair practices to attract more passengers are prevalent in the cruise industry. To attract flight tourists, agencies request a so called "poll tax" in arranging their tour programs. When we think of such practices, the risk due to these types of situations is quite high.
- As to the quality of tour guides and agencies, the central and local governments are all making efforts. Along with actions to prevent unfair tour practices, decentralization

of group tour specialized agencies could be considered an option to strengthen the industry.

○ Hong Jong-Hoon (Director General, Jeju Dinosaur Land)

- In general, large tour agencies and agencies which are difficult to regulate by law are abusing the blind legal areas. Irregular business operations such as incorporating with other companies and shutting down existing businesses, or use of multiple licenses of branches are prevalent.
- The fact that most tourist destinations favored by low-priced tour programs due to cheap entrance fees are public tourist attractions is quite meaningful. When we compare the entrance fee of public and private attractions, the public attractions charge an average of 947 won while the private ones require an average of 9,000 won which is almost 10 times higher than that of the public sites. And such private attractions feel burdens in price increases due to competition with the public attractions. According to a news article as of July 14, 2015, 60% of private tourist attractions recorded a loss. In other words, raising the entrance fee at public tourist attractions may reduce the damage due to low-priced tour products.

○ Song Yoon-Sim (Officer of Tourism Industry Department, Jeju Special Self-Governing Province)

- I'm worried that the legally blind areas of the Visa Waiver program will be the biggest issue if the government designates group tour specialized agencies. I think we need to urgently develop a system to handle group tour specialized agencies. Currently we are dispatching crackdown officers along with Tourist Policies, but there are limits on such efforts. Even when they find illegal activities, clarification for punishment is difficult and we need to rely on the central government's policy. We need measures to address these situations.

○ Kim Eun-Yong (Deputy Chief of Jeju Branch, Korean Tour Interpreters' Association)

- I think rather than legalizing a travel business operated by a single person, improvement of our acceptance towards F.I.T. travelers is more important. But currently there is no regulation on the growing practices such as "driving guides (a private guide providing transportation and guide service to F.I.T. travelers who cannot use a rental car)". Legal and systemic tools to regulate such practices are required. Also, for the registration as a group tour specialized agency, the agency needs to secure qualified tour guides. The management system for such aspects are still insufficient.

- Seo Dae-Hoon (Director of Members Business Department, Korean Travel Business Association)
 - I agree with the suggestion of increasing the entrance fees at public tourists attractions. Personally, I think free entrance into public attractions such as museums which may show our unique cultural assets are illogical and can be an action against fair trade practices.

- Kim Tae-Yeop (Director of Tourism Policy Department of Jeju Special Self-Governing Province)
 - We are working on moving towards fair tourism business while reducing low-priced tour programs. But due to the weaknesses in the system, our efforts seem to be difficult to achieve our expected results. Jeju is a region requiring no visa for entrance. So the designation of tour agencies would not be effective. In particular, for Chinese tourists who account for more than 80% of all travelers, the effects of such a designation system would be even more questionable. System improvements are required, with the combined efforts of both public and private organizations.

- Wang Gi-Yong (Officer of Strategic Market Department, Ministry of Culture, Sports and Tourism)
 - Tour agencies conducting unfair or irregular practices and unqualified tour guides tend to approach tour products only for revenue generation and there are already networks of such market players in place. With growing market dominance of such businesses, their market share has also increased. Due to such a vicious cycle, the market has become distorted and unfair trade practices have become prevalent. To realize a healthy and sturdy market structure, such mechanisms should be corrected.

- Lee Jae-Hong (Director General of Jeju Tourism Organization)
 - Today, we had a meaningful discussion where experts from various fields spared their precious time and shared their opinions. Practically, there are several tasks requiring our consideration such as the legally uncontrollable commission fee issue, an alternative solution for low-priced group tour products, an appropriate entrance fee at the public tourist attractions, and the one person guide practice issue. All these need to be resolved in the future. Looking forward to today's discussion and considerations may contribute to further growth of tourism in Jeju, I would like to close today's programs. Thank you.

- Jeju Tourism Organization is proactively suggesting various policy solutions to provide measures to solve pending issues in this regional society.
- We would like to come up with more reasonable and forward-looking alternative solutions that can be made based on the results of this workshop in order to contribute to the increased quality of life for Jeju residents and to the region's development.



Issuance Date: August, 2017

Publisher: Choi Gap-Yeol

Publishing Organization: Jeju Tourism Organization (Jeju Welcome Center, 23, Seondeok-ro, Jeju-si)

Managing Team: Research and Study Center (TEL. 064-740-6044 Fax. 064-740-6038)

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