



ETOA/European Commission seminar on the China ADS agreement

This meeting, which was jointly chaired the Commission and ETOA, was held on Monday, 20th June 2005 in Brussels. It was attended by National Tourism Administrators, Commission Officials, European Travel Commission and representatives from NET. The ETOA members present were China Holidays, GTA, JTB, Kuoni, Miki and Travco.

Commission Presentation

- **A new "Approved Destination Status" committee:** This is being set up by the EU and the China National Tourism Administration (CNTA). Provided the member states agree, it will be a small committee of 5/6 people and will draw its members from the European Commission and the CNTA. The purpose of the committee is to oversee the implementation of the ADS agreement. A preparatory meeting is planned for 7th July. The first meeting of the committee proper will probably not happen until the autumn.
- **Yearly reports:** the Commission is to produce annual reports on how the ADS is working. These will be co-ordinated by DG External Relations (DG Relex) and will involve other DGs and the member states. The first one will cover the year up to the end of August and is expected to be ready by October. No decision has been taken yet on whether or not to publish this report (which will be prepared for DG Relex by external consultants).
- **Consolidated list of approved operators:** DG Trade would like to put together a European list of all the approved operators in Europe and has written to all member states asking for a copy of their national lists. This list would have no official status: it would be used only for information.

Member States Presentations

- **Forged documents:** both Germany and Hungary reported that there have been a few cases of forged documents being used by Chinese agents in making visa applications. But neither country has experienced great problems in running the ADS. Both claimed good co-operation among EU countries, citing, by way of example, the application of sanctions to any Chinese travel agencies which infringe the agreement.
- **Updating lists:** German travel agents have complained about the length of time it takes for China to update its lists. This has been an issue for ETOA members too. DG Trade replied that the Chinese only update their lists every six months - in May and November.

ETOA Presentations and Discussion

All the ETOA members stressed that this meeting was extremely fitting, as the Chinese perceive the destination as *Europe*, rather than individual countries. 80% of Chinese visit more than one European country.

- **Price:** the Chinese market is ruthlessly price driven. Members questioned the German ministry's statement that Chinese groups spent an average of €196 per night on transport, accommodation and shopping. Wholesalers were struggling to obtain €40 per night inclusive of transport and accommodation. This price was only possible because the Chinese book at the last minute. The very short lead time enables operators to access otherwise unsold



inventory. This price competition has become more pronounced over the last twelve months.

- **The cash economy:** the operators now find that they are not competing against one another so much as against “informal” companies that can operate outside the normal regulatory controls. Even when groups book with established wholesalers, ETOA members find that only the hotel and coach services are pre-purchased; all other services are obtained informally for cash. Thus the average quote for a Chinese ADS group has dropped from €70 per person per day to below €40.

- **Current overcapacity:** the French government representative shared ETOA concerns. French travel agencies got very little profit from Chinese groups in France. Indeed only 10% of those who have registered with the French Authorities to do business with China had conducted business in the first year. This comparative lack of activity was reflected in China, where there were nearly 700 agencies permitted to provide the approved tour operators with clients. Only about 80 had actually done so.

ETOA members were concerned at the hype about the Chinese market. In 2004, for example it was under a third of the size of the Russian market: 1.8 million departures from China compared with 6 million from Russia. At current comparative growth rates it would take China 20 years to catch up. The potential of the Chinese market lies in the long term.

- **Visas:** there are problems co-ordinating two, or even three, types of visa (Schengen, UK, Ireland). The recently increased cost of a UK visa to £65 was an unfortunate blow to the whole of Europe. The UK was a big draw, and it was now pricing itself out of the reach of those who might visit it for two or three days: the visa amounts to a 100% surcharge on the cost of a visit. Everyone had been looking for an increase in demand when the UK was to be sold alongside the rest of Europe. It is now expected that growth will be 50% less than previously thought.

There are differences between Schengen countries in visa-issuing policies. Protocols, regulations and restrictions vary between the issuing states (and even between their embassy and consulates). In some cases, visa issuing has become more restrictive. In others, visas are approved or rejected very late and this could lead to tours being cancelled. The Dutch government has even suspended the issuing of ADS visas following suspicions that the rules were being misused to promote people-smuggling. The Dutch representative said that this ban is temporary.

- **Regulated tourism:** there were fears about anticipated difficulties in those EU countries that regulate group tourism. In Italy all group escorts have to have permits to lead groups. How does this and EU employment law square with the ADS provision for Chinese groups to be led by up to two 'couriers' appointed by the Chinese travel agency?

- **Scope of ADS lists:** there was considerable confusion as to the status of approved operators that appear on the member states lists. According to the European Commission (and the CNTA) any operator endorsed by an EEA country can operate freely throughout the EEA. This opinion was not shared by many of the National Tourist Administrators.

For the latest information on China and the ADS agreements, please visit the Members section of our website at www.etoa.org