

## Outbound Travel: China (PRC) Takes the Lead

In November 1983, Guangdong Province, China (PRC) became the first PRC province to undertake an outbound "tour" to Hong Kong, primarily to allow people to visit friends and relatives (VFR). By 1984, PRC citizens were able to take regular 'tours' to both Hong Kong and Macau, both of which are now Special Administrative Regions.

Twenty years later, the trickle of VFR visitors from PRC is now a flood of leisure and business travellers who are changing the way the travel and tourism industry does business. In 2002, PRC's outbound totalled 16.6 million trips, up 36.8 percent over 2001. That volume, according to PATA's Strategic Intelligence Centre (SIC), exceeded that of Japan, which recorded 16.523 million outbound trips in 2002.

Even crises seem to be having little impact. In January-August 2003, despite SARS, PRC outbound trips totalled 11.84 million, up 15 percent over the same period in 2002. China National Tourism Administration (CNTA) Policy and Regulation Department Director, Mr. Zhang Jian Zhong, says China has the fastest growth rate and strongest potential as an outbound market.

### Phenomenal Growth

What has contributed to this phenomenal growth and what will drive it in the future?

- PRC has the world's largest population. It is estimated that eight out of 13 PRC citizens travelled within the country at least once in 2002. Today's domestic travellers are, potentially, tomorrow's outbound travellers.
- PRC's policy of slowly and steadily opening up to the world is boosting trade and personal contacts.
- PRC citizens have leisure time. Saturdays and Sundays are non-working days. Workers also enjoy the seven-day

holidays, which begin on May 1 (International Workers' Day) and October 1 (National Day). The gross total of legal holidays in PRC is 114 days yearly.

- Disposable income is growing in PRC. The National Bureau of Statistics says that in October 2003, household savings in urban and rural PRC had exceeded RMB10.1 trillion (US\$1.2 trillion). The consumption pattern of PRC citizens is shifting "from dressing warmly and eating one's fill, to living a well-off life." Travel is expected to become popular as a 'lifestyle essential' when GDP per capita reaches US\$800-US\$1,000.
- Foreign exchange controls are being relaxed. PRC citizens can take between US\$3,000-US\$5,000 on their trips abroad, up from US\$2,000 before October 2003. Outbound travellers can also buy foreign currency themselves, rather than going through a travel agency.
- More travel agencies are being allowed to operate outbound tours. At the end of 2002, 529 agencies had been given licenses.
- According to Boeing, in 20 years PRC will become the world's second largest civil aviation market after the US. By 2019, PRC is projected to have 22,000 passenger airplanes, four times the present number and more than 10 percent of the world's total. PRC's domestic market alone (including Hong Kong and Macau) will have more than 52,000 flights per week. And 25 percent of all air traffic within Asia Pacific will involve flights to and from PRC.
- More destinations are being given Approved Destination Status (ADS). Before 1998, PRC citizens were only permitted to travel to the Philippines, Thailand, Malaysia, Singapore, Hong Kong and Macau. As of December 1, 2003 PRC citizens could travel to 28 destinations, nine of which were approved in 2003 alone.

(See table.) More European countries and North America are expected to be added soon and are likely to be highly sought-after destinations.

**Nations with Approved Destination Status (ADS)**

1	Hong Kong	1983	Fully open
2	Macau	1983	Fully open
3	Thailand	1988	Fully open
4	Singapore	1990	Fully open
5	Malaysia	1990	Fully open
6	Philippines	1992	Fully open
7	Australia	1999	Beijing, Shanghai, Guangzhou
8	New Zealand	1999	Beijing, Shanghai, Guangzhou
9	Korea (ROK)	1999	Fully open
10	Japan	2000	Beijing, Shanghai, Guangzhou
11	Vietnam	2000	Fully open
12	Cambodia	2000	Fully open
13	Myanmar	2000	Fully open
14	Brunei	2000	Fully open
15	Nepal	2002	Fully open
16	Indonesia	2002	Fully open
17	Malta	2002	Fully open
18	Turkey	2002	Fully open
19	Egypt	2002	Fully open
20	Germany	2003	Fully open
21	India	2003	Fully open
22	Maldives	2003	Fully open
23	Sri Lanka	2003	Fully open
24	South Africa	2003	Fully open
25	Croatia	2003	Fully open
26	Hungary	2003	Fully open
27	Pakistan	2003	Fully open
28	Cuba	2003	Fully open

Source: CNTA

**Steady as She Grows**

The adoption of an evolutionary opening-up policy has minimised problems that would have been far worse if the changes were revolutionary. PRC is being careful to ensure a good balance between domestic, inbound and outbound tourism flows, with an obvious view to ensuring that the overall outflow of foreign exchange does not exceed inflow.

As volume grows, the characteristics of PRC's outbound travellers are also changing. Here are some findings of a survey by China Tourism College President, Prof. Du Jiang:

- Despite its high cost, an outbound tour is no longer a once-in-a-lifetime event for many. Repeat outbound travellers are now common. A holiday abroad is no longer seen as involving a 'significant decision'.

- The market is expanding gradually. Middle-class families are becoming a main force. Middle-aged travellers and educated young adults with high incomes comprise a big proportion of outbound tourists.
- Word-of-mouth communication from friends and relatives is an important information source. Price is a major consideration. "Brand" rates highly as the most important attribute when selecting a travel service provider.
- Outbound tourists are primarily motivated by the search for "relaxation" and "knowledge". However, shopping accounts for most of their expenditure. Many respondents would be willing to pay extra to go shopping or to take part in activities not included in the package, but most would not like the extra cost to be too high.
- In the immediate future, most PRC tourists will continue to use the services of travel companies and "sightseeing" will remain the most preferred tourist activity. Developed countries and regions such as the US, Australia and Europe are the most sought-after destinations.

PRC tourists have a positive attitude toward all the approved destinations. They consider "uniqueness" to be the most important attribute in a tourist attraction. Hong Kong, Malaysia, Singapore, Korea (ROK) and Australia are the most popular destinations for the following reasons, ranked in order of importance: "rich resources", "good service", "reasonable prices" and "friendly residents". Most respondents said that package costs were moderate and acceptable.

**Official Business**

Of PRC's 16.6 million outbound trips in 2002, about 61 percent were for leisure and 39 percent were for business/official trips. These business/official tours are taken by government ministries, institutions and state enterprises. According to Shanghai Business International Travel Service General Manager, Ms. Ling Jin and China Comfort Travel Assistant President, Dr. Wang Xin Jun, growing Chinese contacts with foreign countries is certain to boost business/official travel.

While growth in business/official travel is not expected to be as high as holiday travel, it is still projected to be more than 10 percent. However, business/official travellers go abroad more frequently than leisure travellers.

Shanghai is a primary source of outbound business/official travel. Emerging as PRC's commercial hub, Shanghai has established 'friendship-city' relationships with eight countries and 24 cities. It is home to many consulates, about 300 foreign financial institutions, 17 foreign bank branches and the offices of more than 5,000 multinational and foreign corporations.

In 2002, more than 15,000 official outbound tour groups were authorised by the Foreign Affairs Ministry of the Shanghai

**CASE STUDY: SHENZHEN**

Located on the south-east coast of PRC, bordering Hong Kong, the city of Shenzhen is positioning itself as the country's largest port city with sea, land and air transportation linkages. While Beijing and Shanghai may be the political and commercial hubs, Shenzhen authorities note that there are only airports in Beijing and no land-port in Shanghai. They say Shenzhen is perfectly placed to build on its geographical advantage to become a regional and international city and PRC's biggest "outbound tourism distribution centre."

The average disposable income for Shenzhen residents was about US\$2,891 in 2002. Outbound trips from all Shenzhen ports totalled 4,605,615 in 2002, a four-fold increase over 1997. Shenzhen is also part of one of the largest economic zones in PRC, the Pearl River Delta Region. Huge streams of people pass through Shenzhen on their way to and from Hong Kong. Many consume local goods and services, generating huge wealth for Shenzhen businesses.

To tap the potential for outbound tourism as a way to develop domestic tourism, the city is working to optimise competitiveness. One recent measure is to develop closer strategic

links with Hong Kong under the "One Cosmopolis of Two Cities" concept. In recent years, the central government has signed a Closer Economic Partnership Arrangement (CEPA) with the Hong Kong Government and allowed residents of Beijing, Shanghai and Guangdong Province to travel to Hong Kong using only their personal identity cards. As one of PRC's pioneer cities in outbound tourism services, Shenzhen tourism administrators claim to have "rich experience" in macro-economic regulation and policy-making.

City tourism administrators are working to address a number of competitive disadvantages compared to other PRC cities. Shenzhen faces competition from existing and emerging port cities. Most foreign embassies and consulates are located in Beijing, Shanghai and Guangzhou, making it more convenient in those cities for tourists to obtain exit visas. As the number of port cities increase, some have opened direct air services to Hong Kong. Meanwhile, the 20 year old port facilities at Luohu and Huanggang in Shenzhen need upgrading. Their handling capacity has far surpassed that for which they were designed.

municipal government. Another 150 commercial exhibition tours were organised by the Municipal Trade Promotion Organisation. Other authorised companies sent many more. Even during the SARS crisis, in July 2003, the Shanghai government organised more than 20 business travel groups for sales promotion and communication.

The 2008 Beijing Olympic Games and 2010 Shanghai World Expo will create new opportunities for business/official overseas travel. One Shanghai consultancy company has designed more than 20 professional training programmes to Australia for the Beijing Olympic Games Committee. The German Meisha Conference Corporation of Shanghai has prepared several overseas training programmes for the Shanghai World Fair Committee.

While business/official tours mainly comprise small groups of six or seven people, conference, training and commercial exhibition groups can be comprised of hundreds. The expenses involved are far higher than common overseas tours, largely because they are paid for by organisations and require higher levels of customisation. For the travel agency, organising a business/official tour is more profitable per person than a private holiday.

Government policy has an unusually strong impact on business/official travel. In 1994, for example, the number of official outbound travellers declined when the PRC government

placed tighter controls on spending to clamp down on corruption.

Services for business/official overseas tours are provided by five entities: 1) the state-owned service centre or representative office; 2) the commercial consultative corporation dealing with business/official outbound tour affairs; 3) companies handling personal overseas tours; 4) travel agencies, and; 5) offices of foreign travel agencies in PRC.

Travel agencies have only a small proportion of the business/official travel market. The main reasons are as follows:

- The travel agency is more or less limited to countries that have ADS for PRC travellers. The administrative department in charge of travel agencies has punished agencies that have organised self-sponsored group travel to non-ADS countries.
- Many government units do not accept the invoices of travel agencies because they do not fully understand what agencies do. Government units also believe that if agencies handle official tours, the units also will be suspected of organising them at public expense.
- While a travel agency has excellent contacts with airlines, hotels and places of interest in the destinations, it may not have adequate resources to manage trips that require high levels of technical expertise. Tours also need to have

an invitation letter from the institutions to be visited. If agencies do not have proper contacts they have to decline the business.

A number of problems in the business/official travel market sector need addressing:

- Though the overall quality of business/official tours has improved, administrative rules are not perfect. Many government bodies have the right to promulgate regulations and approve them.
- Because government departments do not adopt a public bidding system, representative offices with ample government resources usually monopolise the market for organising official tours. As they do not have the proper service delivery systems, they have to transfer most groups to travel agencies, leading to higher costs.
- Some tour groups do not have a clear purpose. Under the law, each official visit must be authorised. One important requirement for the authorisation is an invitation letter from the foreign institutions to be visited. Many official and business tour groups go sightseeing under the pretext of "official study trips", which leads to dissatisfaction among foreign institutions.

Ms. Ling and Dr. Wang say it would be ideal if business/official trips could have a clear purpose, include only travellers who have a strong sense of duty, have fixed business destinations and do not add others along the way and clearly distinguish between public and personal expenses. They say that it is their "strong belief" that in the near future, a state bidding system for business/official outbound tours will be enacted, policy restrictions will be removed for travel agencies that manage them and travel agencies will become the most important professional service body in this market.

### Conclusion

In order to further grow the market and boost standards and professionalism, PRC outbound travel executives are suggesting that:

- PRC tour businesses should adopt a strategy of brand development and expand their trans-national operations.
- Tourist businesses in destination countries and regions should develop new products that better cater to PRC tourists, actively cooperate with their own governments in promoting PRC destinations and strengthen co-operation

with their PRC counterparts.

- Simple actions such as improving signage at tourist spots and boosting the number of qualified Chinese-speaking guides would help PRC visitors feel welcome and boost the popularity of that destination.
- National tourism organisations of destination countries should stress their cultural difference and uniqueness when promoting to PRC travellers, more carefully position their tourist products and more clearly demonstrate diversity.
- The PRC government should approve more destinations, gradually relax policy restrictions on outbound tourism, promote diversification in the patterns of outbound tours, foster a healthy market environment, promote the spread of information technology and strengthen international co-operation.

There are problems to overcome for destinations seeking to grow their piece of the PRC market. For some destinations close to PRC, for example, there is a danger of over-dependence on the PRC market and the homogenisation of travel products. There is also the problem of shopping commission or "zero-cost" tours, resulting from over-competition in the PRC market, that adversely affect a destination's image. Over-staying PRC travellers and illegal immigration also needs tackling. Despite the pressing problematic issues, the trend is exciting – that at heart of Asia Pacific is potentially the single largest source market in the world by a significant margin.

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