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Winners and losers as China hits the brakes on rip-off tours

LISA ALLEN **THE AUSTRALIAN** JANUARY 18, 2014 12:00AM

A BIG drop in Chinese holidaymaker arrivals sent shivers through the \$98 billion tourism industry this week, as they ploughed more than \$4.6bn into the Australian economy in the year to September -- the second-largest figure after that from New Zealand tourists.

Australian Bureau of Statistics data for November revealed Chinese arrivals plummeted 9.4 per cent compared with November 2012. This came after years of spectacular growth.

Chinese airline executives warned Australia's hotels, restaurants and airlines could be hurt by plunging arrivals from China following Beijing's crackdown on commission-based shopping tours -- where Chinese tourists are charged exorbitant prices for products ranging from sheepskins to fish oil tablets.

After years of complaints, the Chinese government banned shopping tours to all countries including Australia in October following examples of Chinese tourists paying \$2500 for a sheepskin that retails for \$200, or \$200 for a jar of fish oil tablets that retail for \$20.

But China Eastern's top Australian official, Kathy Zhang, warned airlines and hotels could face big losses as arrivals plunge. Group tour prices to Australia have more than doubled since the government intervention, which has stopped all commission-based shopping tours.

Ten-day tours of Australia once cost \$1400 per person for Chinese travellers and she estimates they now cost \$3214 following the banning of shopping tours.

"We are, of course, seeing a drop in passengers. The October figures in our company are very ugly," said Ms Zhang, China Eastern's Sydney-based general manager, Oceania. "We have the expectation that passengers and revenue both have dropped."

However, she said the airline's high-yield corporate market continued to perform strongly and she was hopeful the Chinese central government would review the new tourism laws. Ms Zhang said China's independent travellers had not been affected but they accounted for only a small proportion of the overall figure.

Qantas had a slight dip in Chinese group bookings in October.

But it is not just the airlines feeling the pinch.

Cairns tourism operator Fred Ariel of Raging Thunders Adventures says optional tours, such as a \$200 four-hour hot-air ballooning expedition, were down about 22 per cent since the Beijing crackdown. Hotel consultant Dean Dransfield said some specialty operators would be affected by China's crackdown in the short term. However, Mr Dransfield said the Chinese independent traveller market into north Queensland

was up 46 per cent on the previous calendar year.

"In terms of visitor nights, there will be a short-term impact on the speciality operators but the long-term trend has been fabulous and is likely to continue to be so," he said.

Julia (Ting Ting) Gong, of China Ready and Accredited, a global quality assurance program, said the China market was expected to experience a transition period to adjust to Chinese consumers' mindsets as prices for long-haul travel routes have doubled. "Chinese consumers will become more selective and careful when they choose destinations and their products," she said. "They will choose quality products, more will tend to travel independently as prices from group travel is no longer competitive, and independent travel provides more freedom and tailored choice."

Accor's honorary chairman, David Baffsky, said if the trend in arrival numbers continued it would obviously have an impact.

Accommodation Association of Australia president Garry Crockett added: "In the short term the introduction of the laws . . . will have short-term pain for some tourism operators who have focused on the low-yielding group tour market segment, but in fact those few who have successfully responded to the needs of the higher-yielding tourist are finding their market share is continuing to grow."

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