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Abstract
The purpose of this paper was to provide clues to the industry and the academia on how best to approach the challenge of managing ethics in the tourism supply chain. To achieve this objective, the paper provided a case study of how the Australian government has responded to concerns about unethical practices in the tourism supply chain from China to Australia. A series of best practice recommendations are provided following a review of both the demand side and the supply side processes.

Keywords
China outbound, unethical practices, tourism

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Managing Ethics in the Tourism Supply Chain: The Case of Chinese Travel to Australia

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ABSTRACT

The purpose of this paper was to provide clues to the industry and the academia on how best to approach the challenge of managing ethics in the tourism supply chain. To achieve this objective, the paper provided a case study of how the Australian government has responded to concerns about unethical practices in the tourism supply chain from China to Australia. A series of best practice recommendations were provided following a review of both the demand side and the supply side processes. Copyright © 2008 John Wiley & Sons, Ltd.

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Keywords: China outbound; unethical practices; ADS; group travel; Australia inbound.

INTRODUCTION

The Chinese outbound tourism market is extremely important to Australia. In 2007, more than 350 000 tourists visited Australia from China, contributing an estimated $2 billion dollars to the Australian economy. Over the last decade, this market has had an annual average increase of almost 20% over the last decade (ABS, 2008). This is particularly significant given that during this same period, Australian inbound tourism's share of total global movements has declined (DRET, 2008c). Australia's Tourism Forecasting Committee predicts that China is destined to become Australia's single most important tourism market over the next decade, growing at more than 27% (TRA, 2008). However, the continuance of unethical business practices, particularly in Australia's inbound group travel operations, is putting this market in jeopardy.

The issue of unethical business practices within the tourism supply chain from China to Australia has emerged as one of the biggest concerns for tourism practitioners and authorities in Australia (DITR, 2005; DFAT, 2005). In a recent meeting between Chinese and Australian tourism officials, the China National Tourism Authority (CNTA) indicated that an analysis of complaints from Chinese nationals visiting Australia revealed a trend of overcharging certain groups and requiring travellers to pay more upfront because they did not spend enough at gift shops (DRET, 2008a). These concerns were reiterated in a survey conducted by one of China's most influential online travel portals — ctrip.com. The survey of their members revealed significant concerns about shopping-subsidised tours, revealing that this practice has impacted negatively on Australia's destination image (DRET, 2008a).

Although the impact of unethical business practices on group travel from China to Australia has been discussed in detail from a theoretical perspective (King *et al.*, 2006; Dwyer *et al.*, 2007), prior research has failed to consider in any detail the Australian government's

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response to this challenge. Accordingly, this prior research provides only minimal practical guidance for countries desiring to address similar problems in their own supply chains. The author seeks to address these gaps by providing an overview of how the Australian tourism authorities have responded to the challenge of reducing unethical behaviour in the group travel market from China. According to the CNTA, the governance practices implemented by the Australian government to control for unethical business practice represent a best practice model for the treatment of such issues (DRET, 2008c).

To address these issues, this paper will be arranged as follows. First, the author provides a brief overview of Chinese group travel to Australia. This overview focuses on China's Approved Destination Status (ADS) scheme. Next, the author considers the governance processes that Australia use to monitor ADS compliance and to manage the ethical behaviour of travel intermediaries. Particular attention is afforded to the *ADS Code of Business Standards and Ethics* and the selection and monitoring processes for Australian inbound travel operators. Finally, the author concludes by providing some recommendations for countries interested in reducing unethical behaviour in their own tourism supply chains.

Before starting, however, it is worthwhile to clarify what is meant by 'unethical business practices'. For instance, the author acknowledges that what may be considered unethical in a mature Western context such as Australia may be considered culturally appropriate in a developing Eastern context such as China. In this paper, the author considers unethical business practices to be those specific actions by a travel intermediary that impact negatively on the tourists' satisfaction with the travel experience and their perception of a destination. Such activities can include use of inadequately skilled guides, limiting choice in shopping, changing the travel itinerary without consultation or approval, receiving commissions from suppliers and requesting tips from tourists. It is noteworthy that this definition is consistent with the position of both the Australian and the Chinese governments and other definitions of 'unethical business practices' used in prior academic studies in this area.

GROUP TRAVEL TO AUSTRALIA

Group travel to Australia by Chinese residents is controlled by the ADS scheme. This scheme was introduced by the Chinese government in 1997 to regulate outbound travel in the packaged travel market. Australia and New Zealand were the first Western countries to be given approval under the ADS scheme. Since taking effect in 1999, more than 21 000 Chinese tour groups have visited Australia under the ADS scheme (DRET, 2008c). The scheme is based on bilateral agreements between China and select overseas destinations that restrict the selection of overseas countries to which Chinese nationals can travel and the travel intermediaries that are allowed to service the Chinese market. By mid-2008, over 130 countries had been granted ADS approval by CNTA, with the USA being the most recent country to join the ADS scheme (PRC, 2008). Figure 1 provides an overview of the tourism supply chain between China and Australia under the ADS scheme.

The ADS scheme permits Australia to market directly to prospective Chinese tourists via their tourism marketing arm, Tourism Australia. Although only residents of Beijing, Shanghai and Guangdong were allowed to travel to Australia initially under the ADS scheme, approval was extended to residents of Chongqing, Hebei, Jiangsu, Shandong, Tianjin and Zhejiang in 2004, and to all of China in 2006. Australia has been able to capitalise on this growing market reach and their first mover advantage to become one of China's most desirable destinations. For instance, Kim *et al.* (2005) reported that of all the ADS-approved destinations, Australia is considered to be the most attractive by Chinese outbound tourists.

While Australia has little say in the appointment of outbound travel agents from China, it monitors quality on the demand side of the tourism supply chain via the Aussie Specialist Programme (ASP), and more recently, via the Premier Aussie Specialist Programme (PASP). The ASP has seen 2871 agents from 325 travel agencies in China registered as Aussie Specialists, with 1183 agents from 249 travel agencies achieving level 3 status (the highest level). In 2007, Tourism Australia launched PASP to reward the top 50 level 3 agents. The PASP aims at further grooming the most capable and

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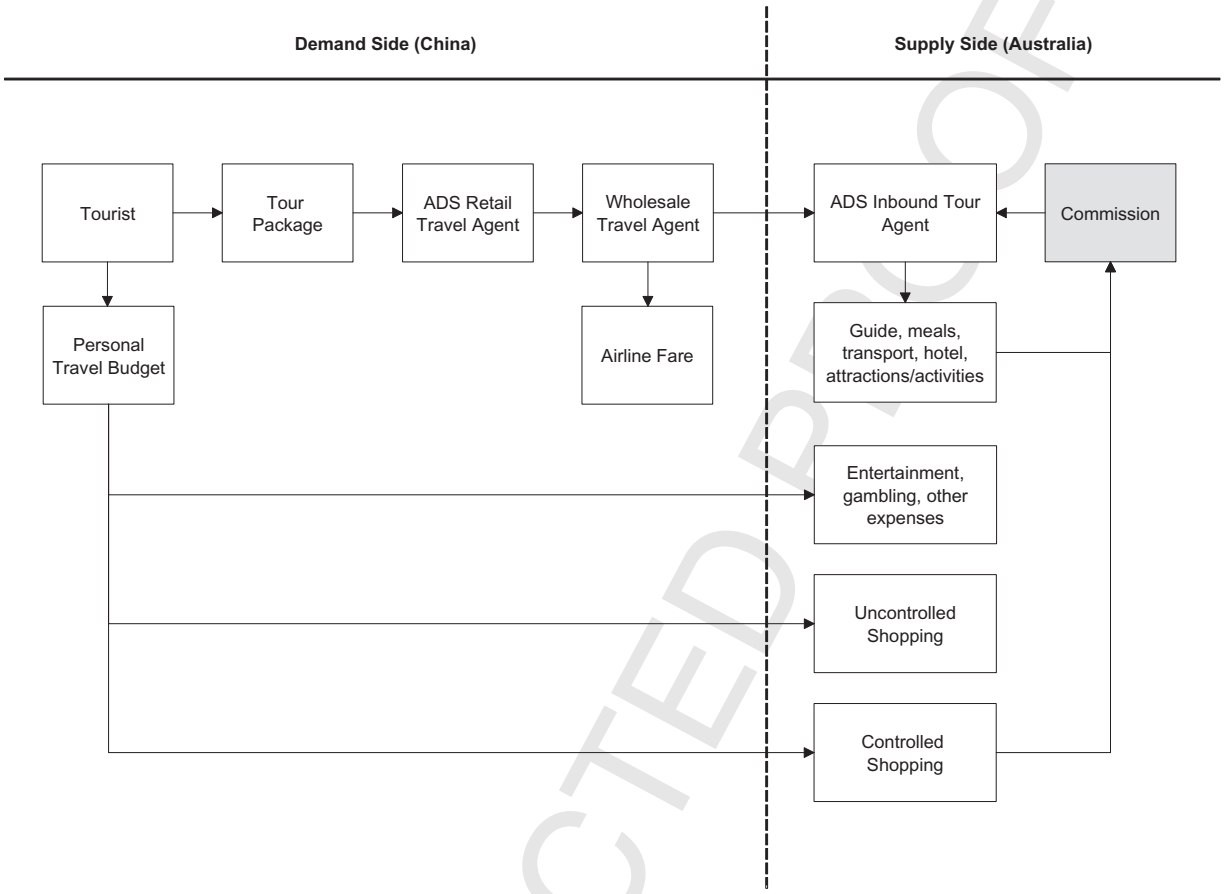

Figure 1. Tourism supply chain (adapted from King *et al.*, 2006).

passionate Aussie Specialists for the delivery of high-quality Australian travel experiences for Chinese tourists, and at leading the market away from shopping-subsidised tour operations. The premier agents are eligible to attend exclusive events and training on products and services for the Australian market (Tourism Australia, 2008).

However, the pathway to success has not been without challenges. In response to continued concerns about unethical business practices in group travel from China, Australia has recently embarked upon a number of reforms to the administrative arrangements for the supply side of the tourism supply chain under the ADS scheme. These reforms and the governance processes supporting them are the subject of further discussion in the next section of this paper.

ADMINISTERING THE ADS ARRANGEMENTS

The ADS scheme is administered in Australia by the Department of Resources, Energy and Tourism (DRET) in conjunction with the Department of Immigration and Citizenship (DIAC). The current round of reforms is the second iteration in Australia's improvement of the administration arrangements for the ADS scheme. The first round commenced in 2005, resulting in the development of the *ADS Code of Business Standards and Ethics*. The primary objectives of these reforms and the subsequent code were to (i) restore integrity, competition and fair trading to the operation of the ADS inbound market, especially in relations between operators and shops and between operators and tourists; and (ii) empower Chinese inbound

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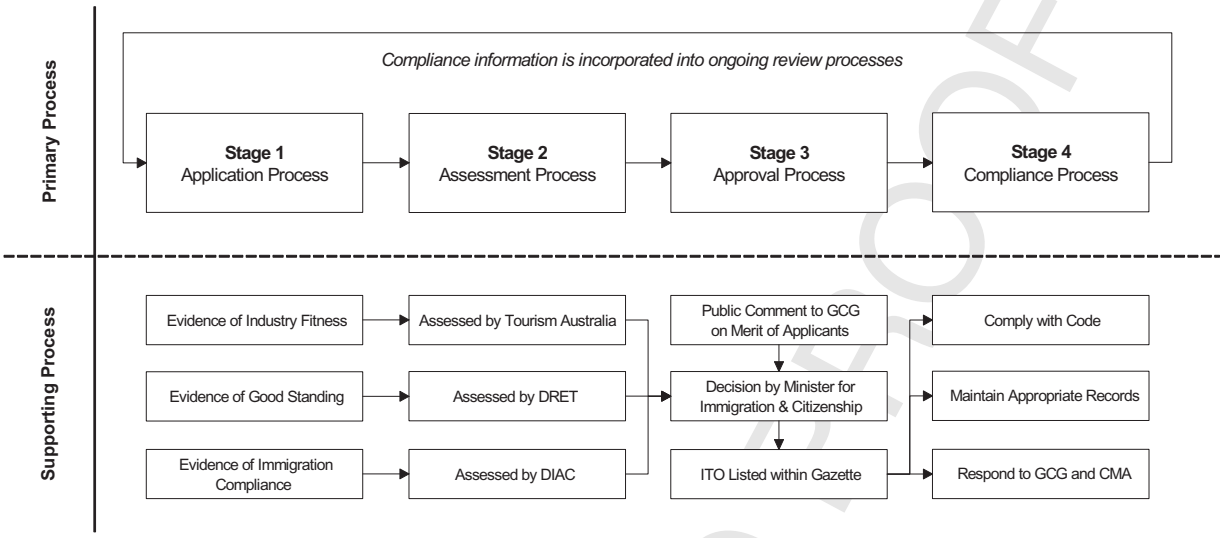

Figure 2. Australian approved destination status administration process.

tourists with knowledge and choice to exercise effective consumer power in the inbound market.

However, the original reforms were largely focused on education and intentionally not strict. In 2007, the Australian government undertook a review of the ADS administration processes and foreshadowed a series of changes commencing in 2008. These changes provided for stronger monitoring and clearer penalties for non-complying inbound operators. The key changes emerging from this review included strengthening the *ADS Code of Business Standards and Ethics* to ensure that operators have an express duty to care for tourists. The reforms also provided for commission shopping, but required that operators account for commission income and provide access to free shopping in designated retail areas prior to visiting commission shopping outlets. This change reflects the Australian government's acknowledgement that subsidised shopping tours are not all bad and that it may be more beneficial to provide choices rather than try to eliminate commission shopping.

Nevertheless, China's support for stronger governance processes in host countries is likely to influence the way that the ADS scheme is administered in the future, and certainly their expectations for the way that unethical behaviour is dealt with when it arises in other destination countries. Accordingly, the remainder of this paper will elaborate on Australia's supply side ADS administration processes. Figure 2 provides an overview of these processes.

Application process

Each year in February, DRET invites applications from licensed travel agents interested in providing services under the ADS programme. Existing ADS operators are also required at this time to submit an abridged application for reapproval, with a full application required every three years. Applicants complete an ADS application form and provide supporting documentation by early April. The application process is intended to ensure that applicants are good corporate citizens, and that they are suitable to be approved as ADS inbound tour operators. Applicants must consent to being vetted for their (i) industry fitness, (ii) standing in the community and (iii) prior immigration experience. Applicants also agree to have their details released via the Australian national press for comment from the general public.

Assessment process

The applications are assessed against the three criteria listed previously. The assessment of industry fitness is made by the Tourism Australia and includes a qualitative assessment of

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the applicant's capacity to service the Chinese market. This assessment takes into account the applicant's current and former business operations relevant to the ADS scheme. In particular, consideration is given to the applicant's track record and commitment to the China tourism market, evidence of industry involvement and membership in relevant industry associations.

The assessment of an applicant's community standing is conducted by DRET. This assessment considers the personal, commercial, financial and professional standing of the applicant and its associates. Specific issues of concern include past breeches of the *ADS Code of Business Standards and Ethics*, legal proceedings brought against the applicant, and matters related to financial solvency. DIAC also conducts a review of the applicant's immigration record and report on whether the applicant has been warned or sanctioned under the ADS scheme, or whether the applicant is considered to represent an immigration risk.

Approval process

The Minister for Immigration and Citizenship is responsible for making the final decision regarding which operators are granted the ADS approval. In making such a decision, the minister takes into consideration the outcomes of the assessment process, as well as the feedback from the Government Coordination Group on the public consultation process. Following the approval, the minister advises applicants of the outcome and releases an updated *Gazette* of ADS-approved operators. The *Gazette* is published on the Australian government website in early July of the year of application. The approval process also makes provision for unsuccessful applicants to appeal the minister's decision, and in the event of an unsuccessful appeal, for the applicants to transfer any existing tour groups to alternative ADS-approved operators.

Compliance process

Following the approval, ADS operators are required to submit to ongoing compliance checks by a compliance monitoring agency (CMA) engaged by DRET. The goal of the compliance process is to ensure that the ADS operators continue to conduct their business in an ethical manner and in accordance with the *ADS Code of Business Standards and Ethics*. As part of this process, ADS operators must maintain records of all quotations and tour itineraries. Operators may also be required to submit a tour completion report on request to the CMA outlining any deviations from the original itinerary and providing justification for changes.

Another key aspect of the compliance monitoring process is a requirement for ADS operators to maintain detailed financial records (especially with regard to commissions received) and to contact DIAC within 48 hours if a tourist leaves the tour group at any time during his or her visit, or if a traveller acts in any way contrary to the provisions of his or her visa. ADS operators are ultimately responsible for the tourists in their groups, with penalties for non-complying operators ranging from suspension to revocation of the operator's approval status under the ADS scheme. Breaches by an ADS operator are also incorporated into the annual application process and can adversely affect an operator's chances of obtaining reapproval.

CONCLUSION

Unethical business practices have the potential to seriously undermine the tourism development work of destination countries. Accordingly, governments are becoming increasingly aware of the need to develop strategies to manage ethics within their tourism supply chains. In this regard, the present paper provides some clues for how best to pursue this objective through a case study of the Australian government's administration of group travel from China. Emanating from this discussion, this paper has provided some guidance for countries wishing to adopt a similar strategy. These guidelines have been summarised in the best practice model presented in Table 1.

Although caution needs to be exercised when generalising from case-based research, it is hoped that this paper has provided some interesting insights regarding sustainable supply chain management. In particular, the

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Table 1. Best practice model for managing ethics in the tourism supply chain

Step	Description
1	Create a strong business case for managing ethics in the tourism supply chain and use this to generate stakeholder support.
2	Establish appropriate ethical standards for supply and demand side travel intermediaries in consultation with industry.
3	Develop governance processes and tools to assess the performance of travel intermediaries against these standards.
4	Provide quality feedback to intermediaries on their ethical performance and appropriate penalties for non-conformance.
5	Develop programmes to reward and educate exemplar travel intermediaries.
6	Undertake regular reviews of the processes, making adjustments where necessary to any of the above.

author believes that this paper represents a timely contribution to an under-researched topic. Future research can build on this study by exploring whether these principles can be applied effectively by other countries and can be used to manage ethics in different tourism supply chains.

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