



CHINA EASES ESTABLISHMENT OF TRAVEL AGENCY BRANCHES

On April 27, 2010, the China National Tourism Administration (the “CNTA”) issued the “Notice on the Relevant Matters concerning the Establishment of Branches of Travel Agencies” (the “Notice”) to clarify the requirements and procedures concerning the establishment of travel agency branches.¹

The Notice applies to both domestic and foreign-invested travel agencies and further liberalizes the ability of travel agencies to establish branch networks throughout China. Foreign-invested travel agencies should consider utilizing this opportunity to expand their business networks in China.

GEOGRAPHIC SCOPE OF BRANCHES

The Notice confirms that there is no geographical restriction on the ability of a travel agency to establish branches. Accordingly, travel agencies, including foreign-invested travel agencies, may set up new branches within the same administrative region where the travel agency is located, as well as anywhere else in China.

NUMBERS OF BRANCHES

The Notice also does not restrict the number of branches that a travel agency may establish in China. Each travel agency can determine the number of branches it needs in accordance with its own business plan. This includes setting up additional branches within the same region or city as the travel agency itself, subject to compliance with local regulations, if any.

¹ Jones Day’s Beijing Office released a *Commentary* on the new Travel Agency Regulations and their impact on foreign-invested travel agencies in May 2009. See “China Adopts New Travel Agency Regulations and Lifts Restrictions on Foreign-Invested Travel Agencies,” available at http://www.jonesday.com/china_adopts_new_travel_agency_regulations/.

BUSINESS SCOPE OF BRANCHES

The Notice reiterates that the business scope of a branch shall not exceed that of the travel agency establishing it. Accordingly, since a foreign-invested travel agency is prohibited from engaging in outbound tourism services for Chinese citizens to travel overseas or to Hong Kong, Macau, and Taiwan, any branch that it establishes is also subject to similar restrictions.

The Notice further clarifies that a travel agency that is permitted to engage in outbound tourism services has the option of establishing branches limited to domestic and inbound tourism, branches that engage only in outbound tourism, or branches engaging in all forms of tourism services. Therefore, for a foreign-invested travel agency engaging in outbound tourism for foreigners and Hong Kong, Macau, and Taiwan residents, the business scope of its branches may be a combination of any of the following: (i) domestic tourism; (ii) inbound tourism; and/or (iii) outbound tourism for foreigners and Hong Kong, Macau, and Taiwan residents.

However, if a foreign-invested travel agency engages in tourism to Taiwan, the branches it establishes in a different province in China are not allowed to engage in travel business to Taiwan, and the branches it establishes in the same province as itself can solicit only tourists to travel to Taiwan.

PERFORMANCE BOND FOR BRANCHES

The Notice provides that a travel agency must increase the amount of its performance bond deposited at designated banks when establishing a new branch. The additional amount of performance bond varies depending on the type of tourism services performed by such branch:

- Travel agency branches engaging in domestic and inbound tourism need to deposit an additional RMB50,000 performance bond;
- Travel agency branches engaging in outbound tourism need to deposit an additional RMB300,000 performance bond; and
- Travel agency branches engaging in all three travel businesses mentioned above need to deposit an additional RMB350,000 performance bond.

The amount of performance bond for a travel agency branch set forth above can be reduced if the conditions for a reduction of the performance bond by the travel agency itself have been satisfied in accordance with the Travel Agency Regulations. Therefore, if a foreign-invested travel agency has not been found to have infringed upon the legitimate rights and interests of tourists for a period of three years, the amount of performance bond for its branches will be reduced by 50 percent.

Method of Depositing Performance Bond. According to the Notice, when establishing a new branch, a foreign-invested travel agency shall deposit the increased amount of performance bond into the designated bank in which its own performance bond is held rather than open a new bank account in the place where the branches are established.

CONCLUSION

The Notice continues to liberalize the travel agency industry and fulfill China's commitment to the World Trade Organization. By permitting foreign-invested travel agencies to establish branches in China without geographic or quantitative restriction, the Notice will encourage more foreign investors to enter and participate in the travel agency business in China.

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