

## AMENDMENTS TO TRAVEL AGENTS ACT AND REGULATIONS TO TAKE EFFECT FROM JAN 2018

The Travel Agents Act and Regulations (TAAR) have been amended to enhance consumer protection measures and better position the travel agent industry to grow and thrive in a rapidly evolving tourism landscape. The changes will take effect in phases from January 2018.

### Enhancing consumer protection measures

2. A key objective of the amendments is to better protect consumers against malpractice by a small minority of travel agents. With the amended TAAR, the Singapore Tourism Board (STB) will be able to investigate and take action more promptly and effectively against travel agents suspected of errant behaviour. For instance, STB will be able to:

- a) Require relevant third parties to produce documentary evidence; and take photographs, audio and video recordings that may serve as evidence for offences and other contraventions.
- b) Publish information relating to the suspension or revocation of licensees, and require licensees facing suspension or revocation to disclose this fact to customers, to help consumers make more informed decisions.
- c) Impose administrative financial penalties for minor contraventions, to allow for swifter and proportionate enforcement action against travel agents, instead of going through a lengthy prosecution process.

3. The penalty ceiling for unlicensed travel agent activities offences will be raised from \$10,000 to \$25,000 and the maximum fine for other offences doubled, to better deter travel agents from contravening the regulations.

### Facilitating a pro-business environment for the travel agent industry

4. The amended TAAR also aims to facilitate a conducive business environment and foster a more vibrant tourism scene. This will be done by reducing regulatory costs and providing for the creation of different classes of licence for travel agents. Niche licensees<sup>1</sup> will require a lower minimum requirement of \$50,000 in paid-up capital and net-worth, compared to \$100,000 for general licensees.

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<sup>1</sup> "Niche licence" tier is targeted at travel agents who sell or arrange local tours *with* passenger-carrying conveyance, but without accommodation. This refers to tours that bring travellers around Singapore with dedicated transport provided to ferry the tour group around, including coach tours or bum boat tours.

5. In addition, certain entities will be exempted from requiring a licence, such as operators of walking or bicycle tours. These entities pose a low risk to consumers as prepayment is typically low or not required. Collectively, the intent is to allow a select group of entities that pose lower consumer risk to enter the market more easily, so as to encourage the emergence of more differentiated and innovative offerings to tourists and locals.

6. President of the Consumers Association of Singapore (CASE), Mr Lim Biow Chuan said, "CASE is supportive of the amendments to the Travel Agents (Amendment) Bill that will help strengthen consumer protection measures against errant travel agents. Publishing information relating to the suspension or revocation of licensees, as well as the new requirement for these licensees to disclose this fact to customers will allow consumers to make more informed purchasing decisions. CASE will continue to work with the relevant agencies on consumer education efforts to raise awareness on the importance of purchasing travel insurance."

7. Acting President of the National Association of Travel Agents Singapore (NATAS), Mr Steven Ler said, "NATAS welcomes the amendments to the travel agents legislation. The changes will encourage travel agents to be more innovative amid the growing competition. The amended legislation will also hold travel agents to higher standards and weed out fly-by-night operators. This is important as it will help to raise the standing of the travel agent industry among consumers."

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For media queries, please contact:

Ms Delia Wu  
Senior Assistant Director, Corporate Communications Division  
Ministry of Trade and Industry  
Tel: +65 6332 7523  
Email: [Delia\\_WU@mti.gov.sg](mailto:Delia_WU@mti.gov.sg)

Ms Melissa Lin  
Manager, Communications  
Singapore Tourism Board  
DID: +65 6831 3984  
Email: [Melissa\\_LIN@stb.gov.sg](mailto:Melissa_LIN@stb.gov.sg)

STB Media Hotline: +65 9011 2071

## Annex A

### **Speech by Ms Sim Ann, Senior Minister of State, Ministry of Trade and Industry & Ministry of Culture, Community and Youth at the Second Reading of the Travel Agents (Amendment) Bill**

Mr Speaker, on behalf of the Minister for Trade and Industry (Industry), I beg to move, "That the Bill be now read a Second time."

#### **Background on the Travel Agents Industry and Regulatory Regime**

2. The number of licensed travel agents in Singapore has grown from approximately 800 in 2007, to 1,200 in 2017. Our travel agents play an important role in the tourism ecosystem as they deliver memorable experiences to both visitors and locals. At the same time, the travel agent industry provides good jobs for Singaporeans.

#### **Need for Change as the Travel Industry Evolves**

3. Since the Travel Agents Act came into force in 1976, MTI and STB had reviewed and amended the Travel Agents Act in 1993 and the Travel Agents Regulations in 2007 to ensure that the regulatory regime remains relevant. Compared to ten years ago, the travel industry has evolved significantly, in particular with the intensifying growth of e-commerce. Consumers can now browse and compare a wider range of travel products online on various platforms. There is also greater demand for experiential travel that is immersive and authentic, while personalised for consumers' needs and preferences.

4. To keep up with these changes, many travel agents are seeking additional channels to reach out to customers. Some of them have evolved from the traditional brick-and-mortar model to new operating models, or developed new and niche areas of business. It is thus timely for us to amend the travel agent legislation to take into account these emerging business models, and ensure that consumers continue to be adequately protected.

5. The majority of Singapore's travel agents provide quality travel experiences and contribute to a positive image of the industry. Unfortunately, there is a small minority that conducts their businesses irresponsibly. In this regard, the Singapore Tourism Board, or STB regulates the travel agent industry through a licensing framework implemented via the Travel Agents Act and Regulations. The framework allows STB to take action against fly-by-night travel agents and provides safeguards against malpractices that pose risks to travellers. At the same time, the Government works with the Consumer Association of Singapore, or CASE and industry associations to safeguard consumer interests.

6. In the course of our review, MTI and STB have sought feedback from more than 180 industry stakeholders, including a diverse group of travel agents, industry associations, tourist guides, and CASE. With their valuable input, we had put forth a draft Bill for public consultation earlier this year. The respondents were generally supportive, and provided constructive input on how to facilitate more effective implementation on the ground. MTI and STB have carefully considered all feedback received and incorporated them where relevant.

### **Key Amendments**

7. Mr Speaker, the Bill before us is the outcome of our review and consultation. We have sought to balance consumer and business interests while finalising these amendments, which I will now outline.

### **Enhancing consumer protection measures**

8. One key objective of this legislative review is to better protect consumers against potential malpractice by travel agents. Sudden closures that affect a larger number of consumers also remain a concern, even though these cases are infrequent. To address these issues, we have proposed the following amendments.

9. First, we have tightened the criteria that travel agents must fulfil in order to be granted a licence. Clause 6 highlights that in making licensing decisions, STB will consider additional factors including whether the individuals involved with the travel agency, such as company directors, are suitable to hold the licence. For instance, individuals who had previously contravened the travel agent legislation might be denied licenses.

10. Second, the amendments seek to equip STB with sufficient investigation and enforcement powers, so as to enable them to take action against errant operators more promptly and effectively. Clause 10 enhances STB's investigation and enforcement powers, for example by empowering STB to take photographs, audio and video recordings that may facilitate investigations and that can serve as evidence for any contraventions of the travel agent legislation.

11. Third, we have reduced the "show cause period" for a travel agent facing potential suspension and revocation, from 21 to 14 days. The show cause period is the period after STB issues the initial notice of suspension or revocation, during which the travel agent will have the opportunity to explain why they should be allowed to keep their licenses. If the travel agent is unsuccessful in making a case for retaining its licence, STB will issue the order of suspension or revocation after the show cause period. As travel agents are still able to conduct business and collect payments from customers during the show cause period, we have shortened the time required for STB to complete the licence suspension or revocation process, thus reducing the risk consumers are exposed to. The new 14-day period has been pegged to provisions in other

similar legislation, to ensure that licensees have a reasonable amount of time to present their case.

12. Fourth, we have adjusted the penalty amounts for contraventions of travel agent legislation, following their last update in 1993. The amounts need to be sufficiently high to deter potential malpractice. Clause 5 raises the penalty ceiling for the offence of unlicensed travel agent activities from \$10,000 to \$25,000. The maximum fine for other offences has also been doubled. For compoundable offences, clause 18 provides for a maximum composition amount of half the maximum fine prescribed or \$5,000, whichever is lower. This is an increase from the current maximum composition sum of \$1,000.

13. Even as we raise the penalty ceilings in some cases, we are also conscious that penalties imposed should be proportionate to the severity of the contravention. Clause 7 introduces administrative financial penalties set at a maximum of \$2,000 for minor contraventions. Certain minor and technical contraventions will consequently be decriminalised. STB will thus be able to take swifter and proportionate enforcement action against travel agents in such cases, instead of going through a lengthy prosecution process.

14. Another key plank of our efforts to enhance consumer protection measures is based on the principle of “caveat emptor”, or “let the buyer beware”. While we have made the relevant changes to empower STB to do more to ensure that travel agents are professional and responsible, it is ultimately the consumers who make the final purchasing decisions. In this light, we have also taken steps to ensure that travel agents will provide the information necessary for consumers to make informed purchasing decisions, with a greater awareness of the potential risks.

15. Clause 7 allows STB to require travel agents to disclose to all customers that they have been issued a notice of suspension or revocation. If required by STB, travel agents have to make this disclosure during the show cause or appeal periods. This is important as travel agents are still able to collect payments from customers during these periods, when there is a chance that they may not be able to fulfil these obligations. With this disclosure by travel agents, customers can take this information into account when deciding whether to continue transacting with the travel agent facing suspension or revocation. STB may also publish the notice or order of suspension or revocation on its website, to further raise awareness of travel agents that are facing suspension or revocation.

16. Taken together, the measures I have outlined above are a comprehensive suite of consumer protection measures that facilitates STB’s role as the regulator, while also empowering consumers to make more informed purchasing decisions. At the same time, we have also taken care to ensure that the regulatory regime remains fair to licensees, who will continue to have the right to show cause, and not be subjected to overly punitive measures.

## Facilitating a pro-business environment

17. Mr Speaker, I will now elaborate on the second category of amendments which seeks to reduce regulatory cost where possible, so as to ensure that the business environment remains conducive for travel agents to innovate and thrive. We want our travel agents to remain relevant and enhance their capabilities in meeting the rising demand for experiential and customised travel.

18. To cater to travel agents with different areas of business, Clause 6 provides for the creation of different classes of licences with different minimum financial requirements. For instance, we intend to introduce a “niche licence” tier in the Travel Agents Regulations targeted at travel agents who sell or arrange local tours *with* passenger-carrying conveyance, but without accommodation. This refers to tours that bring travellers around Singapore with dedicated transport provided to ferry the tour group around, including coach tours or bum boat tours. Niche licensees will be subjected to lower minimum financial requirements compared to general licensees. At the moment, we intend to require niche licensees to meet a minimum requirement of \$50,000 in paid-up capital and net worth, compared to \$100,000 for general licensees. While we have reduced the regulatory costs, we will still need to retain regulatory oversight over such niche licensees so as to protect consumers from possible errant operators who may carry out malpractices such as forced shopping expeditions, or commonly known in the industry as “zero-fare tours”.

19. We are also making a related amendment to the Travel Agent Regulations, to calibrate the licensing regime according to different levels of risk posed to consumers. We will exempt some entities from needing travel agent licences, such as entities who sell or arrange tours within Singapore *without* providing passenger-carrying conveyance. These tours tend to be more experiential as the participants operate the conveyance themselves, including bicycle tours, segway tours and kayaking tours. Walking tours will also fall under this category. Such entities pose much lower risk to consumers as prepayment is typically low or not required. We hope that this exemption will encourage more entities to offer consumers innovative and experiential tours, and in turn add to the vibrancy of our tourism landscape. As tour models constantly evolve, we will review the exemption from time to time to ensure that it remains relevant and balances innovation and consumer protection.

20. Collectively, these measures benefit entities who pose lower consumer risk, enabling them to obtain travel agent licences more easily, and in some cases even exempting the need for a licence. By doing so, we hope to encourage more players to provide differentiated offerings to both tourists and locals, which will also help them to innovate, grow and maintain relevance in response to changing consumer preferences. With greater innovation in our tourism options, there could also be more appealing and flexible jobs available to Singaporeans who wish to join the tourism sector.

## Conclusion

21. Mr Speaker, we have taken a calibrated approach in finalising the Bill, enhancing consumer safeguards while also remaining pro-business and pro-innovation. With these legislative amendments, we hope that the travel agent industry will be better positioned to grow and thrive in the fast-changing tourism landscape. MTI and STB will work towards implementing these changes in phases from 2018.

22. Effective legislation is just one component of the Government's continual efforts to strengthen the regulatory framework. The other key strategy is to step up our consumer education efforts. We will continue to work with all stakeholders, including the travel agent associations and CASE, to raise awareness of common malpractices and the benefits of purchasing travel insurance. We hope that these efforts will help consumers make more informed purchasing decisions.

23. Mr Speaker, please allow me to say a few words in Mandarin.

24. 议长先生、各位国会同僚，新加坡目前拥有将近 1200 家旅行社。绝大多数的新加坡旅行社都是奉公守法、有商业道德的企业，但是对于行业中偶尔出现的害群之马，政府也须依法制裁，以保障消费者的利益和新加坡旅游业的声誉。

25. 为了更好地保障消费者，旅行社（修正）法案中包含几个重点：一、提高对旅行社营业执照申请者的要求；二、增强旅游局对旅行社违法违规行为的调查权；三、把获通知即将被暂停或吊销营业执照的旅行社向旅游局提出正式答辩的时间由二十一天缩短至十四天，并赋予旅游局权力，可强制个别旅行社必须在这段时间向顾客披露这个信息，降低顾客在不知情的情况下吃亏上当的可能；第四，调整罚款与若干制裁方案，在遏制较严重违法行为的同时，简化对于较轻微违规行为的处理。

26. 此外，旅行社（修正）法案也根据旅游业近年的发展，减少对于较低风险旅游业者的监管要求，促进行业继续推陈出新，为消费者打造更吸引人的旅游产品，也为向往从事旅游业的国人创造更理想、更灵活的工作岗位。

27. 除了更新旅行社法令及条例，新加坡旅游局也会继续连同各业者加强消费者教育，鼓励消费者购买旅游保险，并加强消费者对于新条规的认知与了解。我希望大家都能够支持这些措施。

28. Mr Speaker, I beg to move.