

### Types of Travel Agencies

By law, travel agencies in Japan are classified into three basic categories: General Travel Agency, which is permitted to handle both domestic and international travel business; Domestic Travel Agency, which is permitted to handle domestic travel only; and Sub-agency (both General Travel Agency Sub-agency and Domestic Travel Agency Sub-Agency), permitted to act on behalf of its parent agency (see Table 1 below).

General Travel Agencies and their Sub-agencies must be registered with the Ministry of Transport. A company wishing to obtain a General Travel Agency license permitting it to sell tickets and organize tours on a request basis must possess pure assets of no less than ¥30 million and post a business guarantee bond (*Eigyō Hoshokin*) of ¥6 million for its main office and ¥300,000 for each additional retail sales outlet. To qualify for a General Travel Agency license permitting operation of agency-organized tours (*Shusai Ryoko*), that is, tours planned by the agency itself and marketed to the general public, a business guarantee bond of ¥37.5 million must be posted for the main office and ¥300,000 for each additional office. In addition, if a General Travel Agency enters into contractual agreements with other travel agencies to sell its organized tours, an additional ¥5 million must be deposited per 1,000 sales outlets.

Domestic Travel Agencies and their Sub-agencies are registered with the government of the prefecture in which they are located. To qualify as a Domestic Travel Agency a firm must have at least ¥3 million in pure assets.

In many cases, Domestic Travel Agencies register as sub-agencies of General Travel Agencies in order to be able to sell international travel programs while avoiding the higher minimum capital and the high business bond required of the General Travel Agency. In its role as a sub-agency, however, the Domestic Travel Agency is not legally permitted to produce and market its own overseas tours but must carry out activities only on behalf of the parent agency or agencies with which it has contractual arrangements.

Until the new travel agency law was passed in 1984, a licensed sub-agency was freely permitted to sell not only the overseas tours of its parent agency but of other agencies as well. Under the new law, individual contracts must be signed between General Travel Agencies and the sub-agencies which handle their products. Since the new law went into effect, two distinct trends in parent/sub-agency dealings have developed. Some agencies have signed contracts with as many sub-agencies as possible in order to maximize their sales networks. Other agencies have sought to limit their sales networks to specific sub-agencies in order to strengthen control and, in some cases, to reduce in-store competition from the products of other agencies.

Every branch of a General Travel Agency and every General Travel Sub-agency must be staffed by at least two employees with *Toriatsukai Shuninsha* qualifications. This qualification, which is roughly equivalent to a travel agent's license in the West, can only be obtained by passing a rigorous examination, and there is a chronic shortage in the industry of qualified people; even General Travel Agencies are sometimes prevented from opening new branch offices because they lack staff with the necessary official qualifications.

Table 1 Registered Travel Agencies in Japan, 1985-1990

| Year | General Travel Agencies | Domestic Travel Agencies | Sub-agencies | Total  |
|------|-------------------------|--------------------------|--------------|--------|
| 1985 | 501                     | 5,208                    | 2,022        | 7,731  |
| 1986 | 516                     | 5,333                    | 2,209        | 8,058  |
| 1987 | 552                     | 5,542                    | 2,492        | 8,586  |
| 1988 | 600                     | 5,765                    | 2,845        | 9,210  |
| 1989 | 672                     | 6,054                    | 3,208        | 9,934  |
| 1990 | 733                     | 6,287                    | 3,572        | 10,569 |

Source: Tourism Dept., International Transport and Tourism Bureau, Ministry of Transport, 1990