

Emerging Governance Approaches for Tourism in the Protected Areas of China

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Abstract This paper examines the recent evolution in the governance of protected area tourism in China. China now sees cooperation in the form of public-private partnerships occurring between authorized private tourism enterprises in various organizational forms and the public managers from specific portfolio departments of governments at different levels. Three types of governance models are visible: the Leasing Model, the Non-listed Share-holding Model, and the Public-listed Share-holding Model. Theories of corporate governance were applied to these models to analyze the internal and external mechanisms of supervision and incentives for both the government agencies and the authorized tourism enterprises for nature-based tourism operations. The Principal-Agent problem and the supervision mechanism are the focus of the analysis. The emerging governance approaches for tourism in protected areas of China are all theoretically viable, as explained by the theory of property rights and

corporate governance, and practically viable as elaborated in the cases of the three types of governance models summarized in this paper.

Keywords Governance · Principal-Agent · Protected area · Nature-based tourism · China

Introduction

“Many private, public and community landholders are turning to nature tourism as a profitable adjunct or replacement for farming, forestry or fisheries” (Buckley 2003, p. 1). This reflects a global trend in tourism that developed primarily on the base of natural resources and is often called “nature-based tourism.” This type of tourism gives people the opportunity to enjoy some “relatively undisturbed phenomenon of nature” (Valentine 1992, p. 108) and it is based upon the “desire of people to experience nature in their leisure time” (Eagles 1999, p. 144). Unique examples of nature-based tourism development are occurring in China, and this paper analyzes them in China’s social context. Chinese people have realized and experienced the beauty of nature in their own ways for a long time. Along with the development of modern tourism in protected areas of China, the most common activities under the concept of “nature-based” tourism can be described as soft ecotourism, which is walking and sight-seeing in a relatively natural setting.

A number of management issues were identified by the China Council for International Cooperation on Environment and Development (PATF 2004a) when it undertook a thorough review of the status of various types of protected areas in China. These included

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(1) the lack of national legislation; (2) the lack of regularity and sustainability of funding; (3) the lack of an effective system to supervise and safeguard natural scenic areas from unnecessary damage and unwise development; (4) the need to establish schemes for poverty alleviation and provision of alternative livelihoods for people living in and around protected areas; (5) the low capacities of individual staff members; and (6) the lack of an effective public awareness and education strategy (PATF 2004b). As a result, the government agencies started making efforts to find innovative governance models involving cooperation with the private sector and public investors so as to attract both their financial resources and business expertise. This study will review, summarize, and analyze the governance models adopted by these Chinese government agencies and will apply the theories of property rights and corporate governance to understand more about this important and controversial issue. The main research questions are the following.

1. What are the nontraditional (meaning the involvement of private investment and the transfer of managerial rights to private operators) governance models for nature-based tourism in protected areas of China?
2. Who are the stakeholders in each governance model and how are they interacting with each other in regard to their own interests?

Literature Review

Most studies on the topic of nature-based tourism development in protected areas (including national parks, nature reserves, forests, marine regions, etc.) address issues that are both critical and supportive of the performance of tourism and its impacts on the community and the environment. Hvenegaard (1994) described a litany of adverse environmental impacts potentially caused by tourism in protected areas and argues that governments need to control the pace of nature-based tourism development. However, the potential positive benefits of tourism in contributing to the protection of the natural environment are also well documented (Phillips 1985, Leslie 1986, Murphy 1986). Traditionally, governments at national, provincial, and municipal levels have been responsible for the governance of protected areas, among which nature-based tourism is one of the most complicated aspects. McNeely (1999) discussed eight general categories of institutional options for tourism management and

provided global examples, from which the system “owned by and at least partially managed by a national protected area agency” is said to be the dominant institutional arrangement. Besides these traditional ways of governance for nature-based tourism, McNeely (1999) also discussed the one “owned or controlled by private individuals or corporations” prevailing in some areas of Latin America and Africa. Buckley (2002) suggested that “private tourism on public land” is probably the most common category of partnership for nature-based tourism development.

Chinese tourism academics and professionals debate whether or not the governments should retain all the property rights of natural scenic resources in protected areas of China. The transfer of managerial rights occurs when a private enterprise pays money to the government (in most cases government takes the form of a management committee (MC) in a protected area) in return for the managerial rights (Ye 2004). From the supporters’ perspective, the transfer of managerial authority does not influence the nature of ownership and does not conflict with the country’s laws and regulations (Wang 1999). From the objectors’ perspective, it is the government’s obligation to manage such resources and to distribute the right of access equitably among the public according to the principles of social welfare (Xu 2003). Few analyses of the different models of governance have been carried out in protected areas in China, except for one written by Peng (2003). Peng’s (2003) work provides analytical guidance for the study undertaken in this paper and is the most up-to-date summary concerning the practical experiences of protected area governance in China.

Methods

The methods used for this research include the use of (1) qualitative data from secondary materials; (2) inductive inquiry; and (3) case analysis based on written documents. Most of these written documents contain voluminous data including papers from the Chinese academic journals on tourism, articles from the Chinese tourism newspapers, data from the Web sites of provincial government department (Bureaus of Tourism) portals, survey reports from provincial governments, and books from Chinese tourism academics and professionals covering issues related to the topic of this paper. The authors took the established theories of basic research on property rights, corporate governance, and Principal-Agent relationships and applied them to the research topic in search of more understanding and insight about the research problem. In

searching for information-rich cases for study in depth, the authors selected representative cases purposefully. This strategy ensured that different categories of the phenomenon were reflected in the study and allowed comparison to be made among them.

Case Summaries

Three management models occur. These are classified by their arrangements of property rights to tourism resources in natural areas or are based on the degree to which the local government authority transfers the managerial right to tourism resources for nature-based tourism operation to private/public investors. Table 1 illustrates the main differences among three Chinese Governance Models. In the Leasing Model, a private tourism enterprise signs a concession contract with the local government authority to obtain the managerial right to tourism resources and to offer tourism services and then shares the profits it earns with that authority in return for the managerial rights in tourism for a particular period of time. Although the authorized tourism enterprise could be a share-holding corporation with state-owned shares controlled by some state institutional investor or state-owned enterprise, there is no ownership involvement from the local government authority in such an authorized tourism enterprise. Because the local government authority does not have shares in the authorized tourism enterprise, it supervises the tourism operation by contracts and regulations. In the two share-holding models, the local

government authority supervises tourism operations in the region as both a regulator and also as a shareholder with part of the managerial right still remaining in its hands. In the Non-listed Share-holding Model, a prospective investment party and the local government authority jointly form a share-holding tourism corporation. The shareholders in this tourism corporation could be government agencies, park/tourism employees, and/or private investors. In the Public-listed Share-holding Model, the tourism facilities in protected areas are packaged and offered to the public through the stock market with permission from government authorities. Also, the public-listed corporations need to pay a concession fee to the government before they can arrange their dividend payments.

The Leasing Model

On January 8, 1998 the Wanguan Investment Co., Ltd. of Chengdu City signed a contract for *Exploring and Constructing Bifengxia Valley* with the Municipality of Ya’an City where the valley is located (Peng 2003, p. 67). This contract was the origin of a new type of governance model in natural scenic areas, which subsequently evolved into the current Leasing Models. The development of Ya’an City had relied for a long time on the local industries of timber, stone, and water resource exploitation. However, when the Chinese government enhanced the protection of the environment along the bank of the Changjiang River, the city’s traditional industries faced more restrictive policies

Table 1 Key dimension of three Chinese governance models

	Leasing Model	Non-listed Share-holding Model	Public-listed Share-holding Model
Owner of natural scenic resource	State	State	State
Operator of nature-based tourism	Authorized tourism enterprise with no director(s) in board from local government authority	Non-listed share-holding company (state-owned enterprise, private investor, and/or employee) with director(s) in board from local government authority	Public-listed share-holding company (state-owned enterprise, private and public investor, and/or employee) with director(s) in board from local government authority
Supervisor of nature-based tourism	Management Committee and local government (department)	Local government (department), the Discipline Committee and the State-owned Asset Supervision and Administration Commission	Local government (department), the Discipline Committee, the State-owned Asset Supervision and Administration Commission, and the Chinese Security Supervision Commission
Control method (from government’s perspective)	Contract control	Equity Control: shareholder (director) from government agency	Equity Control: shareholder (director) from government agency and public shareholders
Income distribution	See Table 2	Concession fee and dividend payment	Concession fee and dividend payment

and more severe competition. Meanwhile, the Wanguan Investment Co., Ltd. suggested the transfer of managerial rights from the management committee of the protected area to the company for a rather long period of time. The Municipality of Ya'an City was the only government body that agreed with the suggestion of the Wanguan Company at that time. In 2000, the Bifengxia Valley generated an income of US\$10.4 million from the tourism industry, which created US\$0.6 million in taxes for the government and US\$19.3 million total income for the whole city. The company retained all the former employees at the forest farms and kept them working on environmental maintenance and fire prevention. The local residents saw their annual income increase from US\$950.7 to US\$1,082 per capita (Peng 2003, p. 69).

China currently has five different Leasing Models (Table 2). These models can be categorized as (1) the *Franchising Model*; (2) the *Cooperation Model*; (3) the *Responsibility Model*; (4) the *Buyout Model*; and (5) the *Promissory Model*. The differences between them are reflected in the methods used for the fee payment from the lessee to the owner. In the Franchising Model, the enterprise pays a franchising fee to the MC when their contract is signed and subsequently shares with the MC some portion of the revenues from all tourism income every year during the contract period. In the Cooperation Model, the enterprise only needs to share the income from admission tickets with the MC as specified in the contract. In the Responsibility Model, the MC will receive a fixed amount of money or an amount at a fixed growth rate from the enterprise every year no matter whether the enterprise is gaining profits or not. In the Buyout Model, the MC has no right to a share in the profits or to bear the costs with the enterprise in the following years after the enterprise pays a substantial amount of money to buy out the managerial rights from the MC. In other words, the Buyout Model is based on the contractors' expectations of future income and its present value. The Promissory Model requires no actual fee payment from the enterprise. However, the enterprise promises to make certain investments in the scenic area in the contract. The government indirectly benefits from the

increase of taxes on revenue rather than directly from a franchise fee or revenue sharing.

The Non-listed Share-holding Model

The Share-holding Model originated in December 1993 when the Fuchun River Tourism Co., Ltd. in Zhejiang Province was set up as a formal share-holding enterprise with its major investment in nature-tourism resources. After receiving permissions from the County's Corporate System Restructure Committee and the Provincial Share-holding Restructure Working Group, the Tourism Corporation of Tonglu County (where the scenic area is located) set up the Fuchun River Tourism Co., Ltd. with total shares of US\$7.25 million. This was the first share-holding company with natural scenic tourism resources as its major investment target. State-owned shares (shareholdings of governments, state institutions, or departments [including state-owned enterprises (SOEs)] designated by the State Council or by local governments), promoter shares (shareholdings of the corporation promoters that are not allowed to be transferred for 3 years after the corporation registration), socially appointed legal person shares (shares owned by non-state and non-individual legal entities or institutions), and public shares (shares offered to and freely traded by individual public investors and employees of companies who have not acted as the promoters) together constituted the corporate value of US\$7.25 million, with US\$4.83 million of them invested in the exploitation of tourism resources and other tourism operational issues (Peng 2003, p. 86).

The three types of Non-listed Share-holding Models developed in various areas of China have one thing in common: the involvement of state-owned shares. Their differences depend on whether shares owned by private investors or employees exist in the company. Under this model, the tourism corporations have shareholders from the following:

1. State-owned enterprises. Langyatai Scenic Area in Qingdao City, Shandong Province was one of the first national scenic and historical areas to be cer-

Table 2 Differences between each submodel of the Leasing Model

	Franchising Model	Cooperation Model	Responsibility Model	Buyout Model	Promissory Model
Income distribution	Down payment plus portion of tourism income every year	Portion of tourism income every year	Fixed payment every year at a fixed growth rate	One-time buyout payment	No cash payment; but promised future investment

tified by the State Council in 1982. The Langyatai Scenic Area Development Co., Ltd. was formed in August 1995 and replaced the former Langyatai Management Office of the Jiaonan Bureau of Tourism. The company has 11 state-owned enterprise shareholders with no employee or individual shareholders. The State-asset Management Company of Jiaonan is the biggest shareholder, holding 50% of the shares of the company, representing the interests of Jiaonan Municipality. Since 1995, the Jiaonan Municipality has appropriated US\$120,800 every year to increase the proportion of its shareholding (currently 51%) (Peng 2003, p. 87).

2. State-owned enterprises and private enterprises. In 2001, the Wolong Panda Nature Reserve in Sichuan Province signed a contract with the Luneng Xinyi Company from Shandong Province to set up a new shareholding corporation aimed at developing the ecotourism of this famous Giant Panda Nature Reserve. The MC received 45% of the total shares, whereas the Luneng Company received 55% of the total shares. According to the contract, the newly established Wolong Panda Tourism Co., Ltd. owns the monopolistic rights of exploitation for no less than 50 years (Retrieved February 16, 2006, from <http://www.sc.gov.cn/htmlnew/travel/szsj-szsj.asp?id=423>). In May 2001, the government of Aba Prefecture of Sichuan Province agreed to invest in the Siguniang Mountain National Scenic and Historical Area with the Hanlong Group, a private investment group in Sichuan, by setting up the Siguniang Mountain Tourism Development Co., Ltd. Thirty percent of the total shares belong to the Prefecture Government and the remaining 70% belong to the Hanlong Group. It is estimated that US\$24.15 million will be invested in the construction of infrastructure in the first year, whereas a total of US\$241.5 million will be invested in the scenic area within 5 years (Retrieved February 18, 2006, from <http://www.envir.gov.cn/info/2001/4/412866.htm>). In both cases, private corporate interests have the controlling power.
3. State-owned enterprises, employees, and private enterprises. The Wuyi Mountain Scenic Area in Fujian Province was also one of the first groups of national scenic and historical areas certified by the State Council in 1982 and it became a Four-A Class Tourism Destination in 2001. In 1999, the Wuyi Mountain Tourism Group and the Wuyi Mountain Bamboo Rafting Company, both of which belong to the MC, bought 41% and 10%, respectively, of the total shares of the newly reg-

istered Wuyi Mountain Tourism Development Co., Ltd. What makes this share-holding corporation different from others described earlier is that the private investor, New Huadu Investment Group, and the employees of the Corporation also bought 35% and 14% of the total shares. The Corporation is authorized by the Municipality of Wuyi City to operate almost all the tourism projects in the scenic area, including site management, travel agencies, hotels, media, transportation service, bamboo rafting, gardening, etc. (Ye 2005). The Corporation pays 50% of its gross profit to the municipality as fees for 39 years of permitted operation and retains the other 50% in the company for dividend distribution (Investigation Report from Fujian Government 2003).

For most of the protected areas, transformation to a share-holding company is a quick way of collecting funds without bearing high interest rates. After the state-owned enterprises and the former employees of that scenic area obtain some portion of the shares of the corporation, they retain some degree of the decision-making rights and the right to earnings in that corporation. Under such circumstances, parts of the managerial rights still remain in the control of the MCs, so there is no separation between government and enterprise in a real sense. A governance problem could arise when the economic interest of the corporation is in conflict with the political interest of the government.

The Public-listed Share-holding Model

There are 16 tourism companies listed on China's stock market. Seven of them base their core business on the tourism operation in protected areas, whereas the nine others focus on the business of hotels and travel agencies. Only the Huangshan Tourism Development Co., Ltd. and the Emei Shan Tourism Co., Ltd. have the managerial rights over admission tickets. Table 3 shows the amounts of total assets and shares issued by these seven listed companies that have nature-based tourism operations as their core business.

As a World Heritage Site designated by UNESCO for both cultural and natural heritage (Eagles and others 2001, p. 80), the Huangshan Mountain Scenic Area is administered by a MC that is organized by the Municipality of Huangshan City. In February 1989, the Office of Tourism in the Municipality was replaced by the Huangshan Tourism Development Company, which was transformed into the Huangshan Tourism

Table 3 Public listed companies in nature-based tourism industry (Unit: US\$)

Company code	Name of company	Total assets	Total shares
000430(SH)	Zhang Jia Jie Tourism Development	65,615,606.40	22,173,913.04
000888(SZ)	Emei Shan Tourism	90,697,988.29	15,780,193.24
000978(SZ)	Guilin Tourism	96,016,846.98	21,376,811.59
600054(SH)(A-share)	Huangshan Tourism Development	115,417,032.37	36,582,125.60
900942(SH)(B-share)			
000610(SZ)	Xi'an Tourism (Group)	65,471,173.43	20,241,292.27
600749(SH)	Tibet Shengdi Co., Ltd.	39,518,691.18	9,661,835.75
002033(SZ)	Lijiang Yulong Tourism	40,460,790.70	11,995,537.20

SH ShangHai Stock Transaction Agency, SZ ShenZhen Stock Transaction Agency

Development Co., Ltd. in 1995. The Corporation was listed on the stock market of the Shanghai Transaction Agency in May 1997. As the controlling shareholder of the Huangshan Tourism Development Co., Ltd., the Huangshan Tourism Development Company (renamed as the Huangshan Tourism Group in 1999) holds 48.5% of the total shares. However, these shares are not in the circulation market and cannot be mortgaged, frozen, or entrusted (The 2004 Annual Report of Huangshan Tourism Development Co., Ltd. 2005). The Corporation shares 50% of the profits of admission tickets with the MC. Then it divides the other 50% of profits among the shareholders and, again, 48.5% of the profits go to the MC. Thus, the public shareholders obtain no more than one fourth of the profits from admission tickets.

The Huangshan Tourism Group has the same management team as that of the Huangshan MC. The current president of the board of Huangshan Tourism Group and Huangshan Tourism Development Co., Ltd. is the Vice-secretary of the Municipal Committee of the Chinese Communist Party. The Vice-president of the board of Huangshan Tourism Development Co., Ltd. is the Chairman of the Huangshan Bureau of Tourism. As required by the Company Law, which regulates the organization and behavior of companies, guarantees the legal rights and responsibilities of companies, shareholders and managers, and legally facilitates the reform of state-owned enterprises by introducing market-based economic rules in China, the Corporation has three independent directors who have positions in other academic or professional organizations. The members of its Supervision Committee either used to be or currently still are high-level managers in the Corporation (The 2004 Annual Report of Huangshan Tourism Development Co., Ltd., 2005).

The previous part of this study summarizes and categorizes three types of governance models adopted by the Chinese government to manage and operate nature-based tourism in natural scenic areas around China. Beneath the surface of this descriptive summary

are complicated interrelationships between different parties, which are the focus of further discussion following the introduction of some theories of economics and management.

Theories of Property Rights, Corporate Governance, and the Principal-Agent Problem

Property rights are defined by Becker (1977) as the rights of ownership existing in a variety of forms that can justify the ownership of some person(s) to the world (in general law) or to some specific person(s) (in contract law). A “full” ownership concept developed by Honore (1961) contains the following characteristics: (1) the right to possess; (2) the right to use; (3) the right to manage; (4) the right to the income; (5) the right to the capital; (6) the right to security; (7) the power of transmissibility; (8) the absence of term; (9) the prohibition of harmful use; (10) liability to execution; and (11) residuary character. Not every kind of ownership contains all the characteristics described above. The concept of “state property” is explained by Bromley (1991) as one type of resource regime in which “the state may either directly manage and control the use of state-owned natural resources through government agencies, or lease the natural resource to groups or individuals who are thus given usufruct rights for a specified period of time” (p. 23). The nature-based tourism resources of the protected and scenic areas of China belong to the Chinese people according to the Chinese constitution. Hence they can be regarded as “state property.” In the operation of nature-based tourism in China, there are various options of property rights arrangements, and these should not be limited by the fact of state ownership. Different arrangements of property rights for nature-based tourism resources result in different modes of corporation governance to resolve the Principal-Agent problem generated from the separation of ownership and managerial rights, the theoretical backgrounds of which will be given in the next sections.

According to Turnbull, “Corporate governance describes all the influences affecting the institutional processes, including those of appointing the controllers and/or regulators involved in organizing the production and sale of goods and services” (Turnbull 1997, p. 181). This definition implies that the theory of corporate governance applies to various forms of organization, no matter whether it is a commercial company, a partnership, a mutual fund, or a nonprofit association. Jensen (2000) concludes that four control forces operate on the corporation to resolve the problems caused by a divergence between managers’ decisions and those that are optimal from society’s standpoint: (1) capital markets; (2) the legal–political regulatory system; (3) product and factor markets; and (4) the internal control system headed by the board of directors (p. 34).

The concept of the Principal-Agent problem was formalized by Ross (1973, p. 134): “Essentially all contractual arrangements as between employer and employee or the state and the governed, for example, contain elements of agency.” The owner bears the residual risk and receives the residual reward, but the managers control the decision-making process and therefore make all the decisions that influence those risks and rewards. It is important to stress that “this problem arises from two factors: because of the fact that managers and owners have different objectives and because the owner does not have complete information about the behavior and decisions of the manager” (p. 12). Laws and well-designed contracts are used to provide exogenous incentives and restrictions for individual agents to act in the principal’s interest at an optimal level agreed upon by both parties and guaranteed by the third party (legislative institutions). The designing of laws and authorization of contracts brings forward the discussion about institutional arrangements in the theory of corporate governance.

Application of Theories in Chinese Protected Area Tourism

The theory of property rights is the foundation of Chinese scholars’ justification for the separation of management and control of state-owned natural tourism resources. The focus of this paper will now turn to the Principal-Agent problem as it exists in the three governance models and the supervisory mechanisms in each model that are aimed at resolving the Principal-Agent problem. The ultimate owners of natural resources in China authorize their government agencies to manage and operate tourism businesses in scenic

areas and the government agencies give the managerial right of nature-based tourism in scenic areas to the tourism enterprises under various governance arrangements. The first authorization emphasizes the impacts of political and institutional mechanisms in China on the supervision method employed by the ultimate owners and on the execution efficiency of government agencies. The second authorization gives emphasis to the impact of different governance models in scenic areas on the supervision method of government agencies as a special type of “Principal” and on the performance of authorized tourism enterprises.

Principal-Agent Relationship Between the Public and the Government Agents

The practical implementation of public ownership cannot be readily realized because of the huge number of owners involved, resulting in their practical absence in the decision-making process of natural resource exploitation. Although a direct voting system has been established at the county and township levels, the issues of nature-based tourism operation are still handled at the municipality or the provincial government level where the owners’ expectations and suggestions can only be conveyed through the speaking and voting of the People’s Representatives at the same level. These representatives are not elected directly by the public. Direct election system applies to the election of representatives of the People’s Congress at county and township levels. Direct elections are presided over by election committees of the same level for deputies to the people’s congresses of the counties, districts, townships, and towns. Indirect elections are presided over by the standing committees of people’s congresses of the same level, which elect deputies to the people’s congresses at the next higher level by deputies to the people’s congresses at the next lower level. The movement of information through many levels of voting could obscure the interests of the public as perceived by the government agencies.

The national resources are managed through authorizations on many levels from the central government down to the county governments in specific regions. The longer this Principal-Agent chain is, the higher the cost of supervising it will be. If the owners do not have as much information as the agents do, it will be much more likely that the agents will act in their own interests. This problem could be less severe in the publicly listed tourism enterprises because the release of information is required by the Company Law of

China (promulgated by Presidential Order of the People's Republic of China (No. 16) on December 29, 1993 and Amended on December 25, 1999) and should meet the requirements of certain accounting and auditing procedures. Although the stock market in China is not yet highly developed, it still provides information directly to the owners of the listed enterprises without the intervention from government agencies. However, in other organizational forms, the details of the negotiating process and the contracts made between government agencies and authorized tourism enterprises are not required to be revealed to the public under the current legal environment. Although the Chinese government is improving the transparency of its governance performance, channels of communication between government and the public are limited, mostly because of the political restrictions on the media.

Because of the absence of national legislation on the issue of nature-based tourism development in parks, protected areas, and scenic areas, Chinese government agencies are able to experiment with a large number of new administrative arrangements. The Principal-Agent chain in the exploitation and protection of scenic resources has been dispersed among different portfolio departments and different levels of government. The dispersed state of this Principal-Agent chain results in conflicts between the different government agencies. According to the multiple characteristics of scenic resources, different government departments may have equal rights of administration to the same scenic areas. Each of the departments might have its own political disciplines and economic interests. In consequence, when the Bureau of Tourism proposes nature-based tourism projects in scenic areas, it might experience pressure from the State Council, which is also pushed by the claims of objection from other departments. In the future, conflict may develop around the negative impacts of nature-based tourism development on the scenic areas, the diffuse distribution of administrative power, and failure to distribute the benefits from nature-based tourism development equitably.

Principal-Agent Relationships Between Government Agents and Authorized Tourism Enterprises

With respect to the Principal-Agent relationship between government agencies and the authorized tourism enterprises, this paper will next examine the external supervision of these enterprises from the perspectives of the product market, the capital market, the labor market, and the manager market. Then ways of facili-

tating cooperation under different governance models between the government agents and the authorized tourism enterprises will be considered.

In the Leasing Model, the authorized tourism enterprises face competition from other destinations. The seriousness of such threats depends on the degree of monopoly of the tourism product within that scenic area. When the authorized enterprise goes into the stock market and becomes a publicly listed company, it will face the threat of merger and acquisition and the outcome will be supervised by the public shareholders. If the enterprises are mainly supported by loans from banks, they need to report their financial performance to the banks on a regular basis. Furthermore, other private or institutional investors might also want to bring their capital to the enterprises, considering the existence of a market in property rights and the investment potential of the nature-based tourism industry. This movement of society floating capital is slower and more complex than transactions in the stock market because of the negotiation process that is required with local governments or MCs. At present, the employees of authorized tourism enterprises do not have sufficient power to negotiate with their employers. When the tourism industry replaces the original local industries that were based on resource exploitation, the formal employees in the old industries have to face the choice of whether to leave their community or to become employed in the new tourism enterprises. So, when the supply outweighs the demand in the local labor market, the labor market cannot provide external supervision. Whether or not there is a threat from the manager market depends on the maturity of this market. Before a mature manager market is established, there must be a platform for the movement of managers within that market and this does not currently exist in China.

In the Leasing Model, the government agents base their supervision of enterprise behavior on contracts. The design of the contract affects the effectiveness and efficiency of supervision from the government agencies. Government agents cannot participate in the daily decision process of tourism operators. Measures can only be taken against the results and not against the enterprise behavior that is planned. If the behavior and performance of tourism enterprises measure up to certain standards listed in the contract, government agents cannot replace the licensees. The authorized tourism enterprises do not have the right to transfer the authorization to a third party in any form of speculation. If managerial rights need to be transferred under certain circumstances, the government agents have to re-evaluate the situation and the qualifications of a potential second concessionaire.

In the Non-listed and Public-listed Share-holding Models, tourism enterprises are also confronted with same stresses exerted from the product market as occurs in the Leasing Model. However, the scenic areas in the Non-listed Shareholding Model and Public-listed Share-holding Models are usually state-level protected areas, the 4A class tourism areas, or the world-class natural (cultural) heritage. The nature-based tourism products in these scenic areas have their own particularity and are likely to be able to withstand competition. If the shareholders of authorized tourism corporations are all state-owned enterprises or government departments, the corporations suffer fewer fluctuations from the capital market as a result of the immobilization of shares in the open market. Adjustments in the shareholding structure need to be permitted by the related government authorities, namely, the State-owned Assets Supervision and Administration Commission (SASAC). In wholly state-owned tourism enterprises, the management of employees either follows a traditional way of public servant administration or adopts a modernized method of human resource development. If the employees work under employment contracts, they provide the same supervision to their employers as the workers do in the Leasing Model. For those employees and managers who work as public servants in the state-owned enterprises, they actually stay out of the labor market or manager market. In the Non-listed Shareholding Model with mixed ownership, the transfer of shares of authorized tourism enterprises is feasible and is protected by the Company Law if the transfer is conducted in authorized property-exchange centers. As shareholders in the tourism enterprises with diversified ownership, employees and managers have strong incentives to supervise the performance of enterprises and vote with their shares at hand.

In the Public-listed Share-holding Model, the enterprises are supervised by the stock market, although the state-owned shares cannot be circulated in a secondary market by law. As regulated by the Company Law, the enterprises must set up a directorate and supervisory council as a formal corporate governance mechanism and release financial reports and other operational information to the public periodically. The public stock market, the directorate (independent directors required), and the supervisory council together function as the most advanced supervision mechanism provided by the capital market. Hence, in the Public-listed Model, the government's supervision of the tourism enterprises is realized by the Company Law and the Securities Law (promulgated at the 18th Meeting of the Standing Committee of the 10th National People's

Congress on October 27, 2005). However, these two laws have no specific regulation toward the listed nature-based tourism enterprises. Given the complicated nature of business in the nature-based tourism industry, legislative supervision from the capital market cannot replace the important supervisory role of government, especially on the issues of environmental protection and community welfare. Compared to the supervisory function of the labor market in the Leasing Model and the Non-listed Shareholding Model, the employees of listed tourism enterprises cannot only supervise the enterprises by the stress from the labor market but also trade their shares in the stock market more directly and conveniently to protect their own interests.

In cases such as Huangshan Mountain and Emei Mountain, the president of the directorate could be the same person as the chairman of the MC in the local scenic area, the vice-mayor, or another senior officer of a local government department. Such an arrangement is actually against Article 58 of Company Law, which states that "public servants of Chinese government departments cannot take a position as director, supervisor or manager in a commercial enterprise" (Retrieved March 2, 2006 from http://www.gov.cn/ziliao/flfg/2005-06/27/content_9736.htm). Although the position of government agents in the directorate has been controversial because of its illegal nature, it is still very common for government agents to act as a "property agent." They do not personally own shares of these tourism enterprises. They are trying to provide interior supervision in addition to exterior supervision from the MC in the absence of related laws. However, the participation of government agents in the decision-making process of tourism enterprises may cause the following problems. First, these government agents are managed within the government's personnel system. The changes in their positions are not determined by the willingness of the directorate or votes of the shareholders. Second, because the government agents do not have any shares of the enterprises, they have no incentive to maximize the profits from business decisions. On the one hand, this helps to prevent corruption or neglect of duty in pursuit of self-interest. On the other hand, the agents have different judgment criteria from those of other decision-makers in the enterprises. Third, the government agents usually do not have sufficient management knowledge and business experience to operate nature-based tourism professionally.

The Principal-Agent relationship between the government agents and the shareholding tourism enterprises (including those in the Public-listed Model) is based on equity control instead of contract control. Equity control is based on the investment of tangible

and intangible assets from the government departments or the state-owned “parent companies.” Contract control is guaranteed by the Contract Law (promulgated by the Second Session of the Ninth National People’s Congress on March 15, 1999) but only for the items listed in the contract. The limitation of contract design and changing conditions will result in deficiencies in contract control. When such deficiencies emerge, the government agents can only use administrative measures to offset these deficiencies, which will increase the operating costs of both parties. Compared with contract control, the placement of government agents in the directorates of shareholding (listed) tourism enterprises provides a more direct way of supervision and real-time interaction between the government agents and the decision makers of authorized tourism enterprises.

Conclusions

The major conclusion in the paper is that it is viable in China to involve private investment in protected-area tourism management. It is also viable to transfer the managerial right of nature-based tourism operation to qualified tourism enterprises. It is theoretically viable as explained by the theory of property rights and corporate governance. It is practically viable as elaborated in the cases of the three types of governance models summarized in the paper. The issues discussed in this paper could be referred to as examples of partnerships between the public and private sector in the management of protected areas for potential application in developing countries around the world.

The three typical governance models that have been examined in this paper are the Leasing Model, the Non-listed Shareholding Model, and the Public-listed Share-holding Model. These three are distinguished by the arrangement of property rights. In the Leasing Model, the management authorities or local government (department) lease the managerial rights of nature-based tourism operation to authorized tourism enterprises. In the Non-listed Shareholding Model, the government authorities have their agents in the directorates of the tourism corporations to represent state ownership. In the Public-listed Share-holding Model, the public stockholders also have rights to speak in the directorates. Theories of corporate governance were applied to analyze Principal-Agent problems and supervision mechanisms for both the government agencies and the authorized tourism enterprises. The public ownership of natural scenic resources in China and the extraordinary governance power of both cen-

tral and local governments given by the Chinese Community Party determine that the operation of nature-based tourism is totally controlled by the Chinese government. However, the authors could not compare the advantages and disadvantages of such government control in this paper. Effectiveness, efficiency, equity, and transparency of government control can only be judged by comparison with controlling forces from other organizations, which could be a topic for future research. Contract control and equity control determine the essential difference in these supervision mechanisms. An initial analysis of the functioning of these different supervision mechanisms was provided. However, the functioning of these different supervision mechanisms is hard to evaluate with quantitative indicators. In future research, an appropriate way of undertaking performance evaluation needs to be found so as to establish the relationship between the performance of authorized enterprises in the nature-based tourism industry and their different supervision mechanisms.

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