

The New Tourism Law and Saudi Arabia's Renewed Commitment to Tourism

March 2016

The tourism industry is likely to develop and grow as the government is keen to attract both domestic and foreign tourists. Encouraging tourism from outside the Kingdom of Saudi Arabia is a relatively new concept as tourist visas have only been available since 2013. However a number of initiatives are now in place to boost tourism, the main initiative being a new tourism law.

There has, for some time, been a need for regulation within the industry and change has been eagerly anticipated. The new Tourism Regulation promulgated by Royal Decree No. 2 dated 09/01/1436H corresponding to 25 October 2014 ("Regulation"), together with its Implementing Regulations (collectively known as the "Tourism Law") comes into force in May this year. It replaces the Hotel Regulation issued by Royal Decree M/27 dated 11/04/1395H corresponding to 23 April 1975.

The Tourism Law seeks to regulate the entire industry within KSA and is applicable to dealings with both domestic and foreign tourists. Furthermore, it serves as an anchor and interaction between the different sectors within the industry. It also seeks to regulate the relationship between service providers and consumers. This will enable a conducive atmosphere for development in order for tourism to thrive within the Kingdom providing investment opportunities for Saudis and foreigners alike.

The implementation of the Tourism Law confirms the support of the government to the industry, and development of tourism generally within the Kingdom is intended to become a key contributor to the economy, according to His Royal Highness Prince Sultan bin Salman bin Abdul Aziz, President ("President") of the Saudi Commission for Tourism and National Heritage ("Commission"). The President further considers that the Tourism Law will create jobs and will address an increased demand for domestic tourism. It is understood that in formulating the new Tourism Law, the Kingdom has drawn on the experience of many other countries with an already well-established tourism infrastructure.

The Regulation deals with specific sectors and is implemented by seven Implementing Regulations, as follows:

- Tourist Accommodation Reservations and Marketing
- Tour Agents (including the provision of services incidental to providing tours)
- Travel and Tourism Agents (all services incidental to tourism)
- Tourist Accommodation
- Tourist Guides
- Committee for Overseeing Tourism Regulation Infringement
- Tourist Destinations

All activities that fall within the tourism industry are now regulated. Anyone wishing to carry out business activities within the industry must be appropriately licensed by the Commission and hold all relevant approvals. With the exception of tourist guides (which are limited to Saudi Nationals), any GCC or foreign entity or person can carry out a tourism activity. This is a significant change, as previously, tourism business activities were mostly limited to Saudi nationals or Saudi-owned entities. As long as an applicant meets the criteria set out in the Implementing Regulations and has not had a previous licence revoked

within the last five years, a licence is available. Licences are valid for three years, are personal to the applicant and cannot be assigned or transferred.

The role of the Commission is affirmed in the Tourism Law, as a monitoring authority that oversees prices, practices, licences and many other aspects of the industry. The Commission will be responsible for grading, supervising and conducting inspections to ensure that licensees are compliant with the Tourism Law. By enabling the Commission to set relevant grading levels, it will ensure that quality is preserved and that licensees meet internationally-set standards, thereby allowing favourable comparisons against service providers outside KSA. The Commission also functions as an enforcement authority that has the power to penalise offenders in accordance with the Tourism Law. Anyone in violation of the Tourism Law may be subject to a fine ranging from SAR 1,000 – 50,000, and or cancellation of their licence. The Commission has the power to multiply fines in the case of repeat offenders. The Tourism Law authorises the Commission to determine the criteria for the publication of any printed or electronic material including articles, books, maps, guide books, pictures or posters to promote tourism. This will ensure that a positive impression is given with regard to the Kingdom, and will encourage Saudi nationals to explore more of their own country, whilst also attracting international tourists.

Even though the Tourism Law has been approved and published, the classifications referred to in the initial five Implementing Regulations are not stated or defined within them and have not yet been made publically available. It is understood that the Implementing Regulations are a framework from which the Commission's authorities and powers stem. The Commission will have the ability and discretion to issue and amend the classifications as and when they deem it appropriate. Hotel accommodation was previously classified in accordance with the classifications stated in the Hotel Regulation, however the replacement classifications are currently unknown.

The Commission will now have a tourism data centre that will compile all information related to the Kingdom's tourism industry, which must be collected from licensees. This information will be shared with other relevant ministries within the Kingdom, such as the Ministry of Interior. As well as having to share relevant information with the Commission, the Tourism Law places additional obligations on licensees, including an obligation to meet Saudization requirements in respect of employees, and having to register information with regard to all employees with the Commission. In addition, every licensee must display its services and prices in a visible location at its premises, or online at the Commission's discretion, to ensure transparency and encourage healthy competition. There is now an emphasis on consumer protection and all consumers will have access to a complaints procedure.

In accordance with Article 5(1) of the Regulation, non GCC tourists are required to obtain a tourist visa where applicable to enter KSA. Tourist visas are a relatively new concept in Saudi Arabia as visas were usually only granted for work, business or religious purposes. Previously, few tourist visas were issued, however it is envisaged that the number will now increase.

The Tourism Law specifically deals with development of tourist destinations, both within cities and other destinations such as beaches, islands and deserts. It emphasises the need for and the ability of the Commission to coordinate with different authorities where tourist destinations are concerned. Many tourist locations are protected sites owned by the State, and the Kingdom is particularly keen to develop and promote these sites further. This will be done through direct investment from the government and through commercial arrangements with the private sector. Saudi Arabia now has four World Heritage Sites, in addition to the holy sites of Makkah and Medina. It also has the Red Sea, which is home to an abundance of varied marine life, as well as beautiful mountains and oases.

Saudi Arabia is now officially open to foreign investment in the tourism market after years of restriction. This move is in line with the Kingdom's strategy to increase competition in the market and to support sustainable development. The tourism sector is believed to be the second biggest potential creator of jobs within the Kingdom and there is a large emphasis within the Tourism Law on creating employment opportunities for Saudi nationals. The President has stated that the Commission will not support any

tourism or heritage project that fails to consider this. Therefore, any foreign investor hoping to take advantage of the opportunities within the Kingdom must demonstrate a viable Saudization Plan, both to the Foreign Investment Authority and the Commission. Notwithstanding this, Saudi Arabia is aiming to consolidate the tourism sector and attract foreign investment across the entire industry.