

The Myth of Endless Tourism Growth

WHEN THE Organisation of Economic Co-operation and Development (OECD), a group of 30 mainly industrialised countries, convened its annual Tourism Committee meeting at the ITB Berlin in March 2001, one of the main objectives was the search for a "realistic assessment of tourism growth potential."

Tourism Committee Chairman, Professor Peter Keller of the University of Lausanne, Switzerland, spoke about this issue in words that are seldom heard in the hallowed corridors of tourism investment, marketing and e-commerce.

He began by noting that in most countries, tourism policy is essential for making the most of a country's growth potential, and can make a sizeable contribution to its overall economic welfare.

Indeed, he stressed that tourism is today considered a good economic policy option for dealing with the specific problems of certain areas, such as neglected city centres, structurally obsolete industrial areas and depressed agricultural areas.

But, he added, there was another side to the coin.

"Belief in the magical effects of tourism is encouraged by international and national statistics that read like a catalogue of successes. The political world is dazzled with what it sees as the exponential growth rate of tourism.

"In many cases, however, these growth rates are based on questionable quantitative indicators. And if they have any meaning at all, it is as a measure of the tremendous growth that has occurred in the field of international tourism, with the arrival on the market of many new mega destinations.

"Managers in tourism-related sectors know only too well that the elixir of steady growth everyone is seeking does not really exist, at least not in this field. Tourism is very much subject

to fluctuations of a structural nature or related to the business cycle. Exogenous risk factors such as the weather and foreign exchange rate sensitivity play a major role.

"Endless tourism growth on an exponential scale is no more than a myth. In conditions of global competition it is increasingly difficult to fill seats on flights and beds in hotels. So there are plenty of good reasons for governments to give serious thought to such questions as what are the determinants of lasting tourism growth, and what are the most favourable framework conditions. These issues are of crucial importance for the international competitiveness of tourism."

Mr. Keller cited four factors determining the future of tourism:

Constant Innovation: This is necessary to rejuvenate tourism products and services on offer and ensure sustainable endogenous growth in countries with well-developed tourism resources. Important in such cases is not so much the extent of development of existing installations, facilities and services, as the development of appropriate "innovation creation mechanisms." These mechanisms range from education in the real needs of the tourism market to investments in trend research, "knowledge management" for small- and medium-size enterprises, and information technology applications.

The Search for New Markets: This requires the help of new high-quality products which have been specifically developed to meet clients' expectations. Particularly important are new information and reservation systems for the destination, which provide clients with on-line audio-visual information of a kind that corresponds to their vision of the "dream holiday." They also improve price transparency, creating the conditions for "willingness to pay, and value-based marketing." Access to such

WORLD BANK BACKS TOURISM, CAUTIOUSLY

The World Bank, and its subsidiary organisations, the International Finance Corporation and the Multilateral Investment Guarantee Agency (MIGA), are looking more positively at tourism as a major industry to aid their cause of global poverty alleviation.

But, according to a presentation by MIGA Tourism Advisor, Mr. Ian Christie, the group needs to be convinced that measures are in place to both deliver the goods as well as ensure sustainability.

Though the Bank long has been involved in tourism, the industry is now rising in priority because many developing countries themselves are requesting assistance in this area. Bank executives "are no longer saying no" when tourism assistance comes up in talks on funding, according to Mr. Christie.

There is growing acceptance that tourism can meet the bank's primary goal: A marked reduction in the number of people worldwide who live on less than US\$1 a day. Tourism is now considered by the bank as an "entry point" that can benefit numerous other sectors like agriculture, education and health, construction and handicrafts.

Mr. Christie cited two important policies the Bank is pursuing:

- If they can afford it, developing countries should implement a Tourism Satellite Account study. Mr. Christie said that instead of doing it all at once, poor countries could do it on a modular basis and build it up over time. This would be an important way to show how tourism is actually

benefiting the various sectors and would help in making a convincing case for bank funding.

- Most significantly, the Bank wants to see evidence that governments are doing enough to ensure sustainability. He cited the example of national parks, which many governments are trying to develop for tourism but not spending enough money on caring for them. "The bank feels that if there is not enough money to maintain the parks, then they are eating into those resources which means that there is no sustainability. There has to be a change in the way tourism is financed for it to be successful."

Mr. Christie said the World Bank would also like to see more studies done of how related sectors like agriculture benefit from tourism. This is important because both tourism and agriculture are major employers in rural areas and if there is growing linkage between them, the bank would like to see some evidence of it.

Specifically on the investment promotion front, Mr. Christie said investors did not like countries with sharp boom-and-bust scenarios. The bank could help developing countries put together various kinds of financing for tourism projects while MIGA could come in with the required investment promotion guarantees. But here too, he said, countries could help by simplifying procedures and cutting red tape. He lauded some countries for setting up a "one-stop shop," whilst in others he complained it was a case of "one more stop."

systems, however, requires greater cooperation among small to medium-sized tourism enterprises.

The Future of Small Businesses: A tourism structure based on small businesses, which is typical of many industrial nations, can be a cause for concern. The companies involved and their scale of operations tend to be too small so that their management tools are often inadequate. The potential for rationalisation and cooperation is, in most cases, under-exploited.

The Availability of Financing: This is a growing problem, especially for the renewal of tourism facilities. Bank loans are expensive, due to the relatively high risks and small returns associated with this sector and its small to medium enterprises. This severely limits the financial possibilities for the companies in question, which are often over indebted. New forms of finance are therefore a matter of some urgency. Above all, the future will be a question of helping such companies to build up their equity.

THE GAPS IN E-COMMERCE

The International Hotel and Restaurant Association (IHRA) has spent recent years analysing the impact of automation and information technology on the hospitality industry. While it is accepted that automation offers great opportunities and that convergence between the various technologies will be the name of the game, the IHRA has identified the following "gaps" the hospitality industry will have to close if it is to succeed in the e-commerce environment.

- The gulf between the promise of what technology can do and what is actually being delivered
- The digital divide isolating senior management with no IT background from their IT-savvy juniors
- The technology skills vacuum in the industry
- The time lag between the spiralling expectations of the younger generation and the slow speed of adoption of them in hospitality
- The void in the existing body of knowledge available on technology applications and their impacts
- The absence of methodology to evaluate both tangible and intangible returns on technology investments
- The polarisation between state-of-the-art high-tech infrastructure and the high-touch (personalised) experience many guests want.

Within the OECD, a search is underway for an international tourism policy agenda to highlight new ways for dealing with the problems of emerging and developing countries through inter-governmental tourism policy. Some of the questions being raised include:

- Is there a need for special rules to govern worldwide competition between tourism countries?
- What are the most promising tourism policy strategies and incentive systems?
- How can environmental damage caused by international tourism be brought under control?
- How can tourism policy be further integrated into general economic and state policy at both the national and international levels?

Increasingly, OECD member states are embarking upon a search for "the most appropriate form of tourism policy." Some examples were forthcoming from the presentations:

TURKEY: Issues on the Turkish tourism agenda include competitiveness, productivity, sustainable development, decentralisation and privatisation. The strategic development plan for the year 2020 is aimed at different targets for different sectors.

- For the state – maximisation of tourist receipts
- For the private sector – full-scale development with a contemporary management attitude enabled by the help of new legal arrangements
- For the public – an increase in per capita income and an upgrading of social standards.

Studies for the institutional restructuring of Turkish tourism have started at various levels. The aim is to make sustainable development a reality on the basis of shared responsibilities and collective action at all levels and for all parties involved.

The Ministry of Tourism has submitted a series of proposals to the government, including proposals for the reorganisation of public and private authorities dealing with tourism. They call for a dynamic and strategic relationship with the private sector. This is necessary in order to have the private sector's contribution to the development of infrastructure facilities, training and education, environmental conservation programmes and the marketing and promotion of tourism products.

By 2020, Turkey expects visitor arrivals of 25.9 million, tourism revenues of US\$40 billion, average expenditure/capita US\$1002, licensed bed capacity of 744,000 and total bed capacity of 1,083,000.

THE NETHERLANDS: The Dutch policy is: those who benefit, have to pay. While the state is responsible for the creation of a good framework for the industry to operate in, the user-pays policy means that the tourism industry has to support the costs of financing the Tourism Board which is today 45 percent funded by the industry.

However, the main change in policy is related to who should finance what, and the state's interest and responsibility primarily in the new delegated tasks (tasks the industry cannot be made responsible for). This has resulted in a sub-dividing of the Board's budget.

Each sub-budget is financed by a pre-agreed percentage of government support. So basic consumer and business-to-business marketing and information technology have a lower percentage than the percentage for innovating product supply or strategic research.

In addition, the Ministry of Economic Affairs, under which the Board of Tourism operates, demands that the Board prove the relevance of its work by setting targets per sub-item. Marketing is now measured against effectiveness. This has been the practise for some years, but the assessment has now been made more direct and will include a scientific agreement on the methodology for measuring effectiveness.

All national organisations involved in tourism marketing have also been integrated into one unit, as of January 2001. This includes the Board of Tourism, responsible for inbound travel, the domestic tourist board and the organisation of tourist offices. The Netherlands Congress Board will follow in due time.

THE NORDIC COUNTRIES: While there is general agreement that destinations have to be sustainable, the much-touted Agenda 21 of the United Nations' Environmental Summit was set aside as being "too vague and theoretical." Rather than making local communities better places to visit, the industry began with a simpler option – making them better places to live.

This leads to major changes in the way the issue is approached and funded, including making local communities responsible for setting up, managing and providing feedback on projects after they have finished. Specifically in tourism, Nordic companies are working on monitoring the success of environmental impact reduction programmes.

GERMANY: The tourism industry is working with other related industries such as transport and finance to identify issues that affect and/or benefit both, so that joint positions can be adopted in taking them up with the government, thus giving them added clout.

One such effort is with the car/bus industry, a major employer in Germany. There has long been talk of imposing a "green tax". However, the auto industry, reeling from a 40 percent increase in fuel prices over the last year, feels this should be shelved. A joint campaign is under way with the automotive association on this issue.

Another point of contention is that of the Green Card which the German government has begun giving to skilled labour from countries such as India in order to support Germany's high-tech companies. With the German tourism industry losing market share due to high costs, it is now trying to get this applied to tourism, too, so that lower-cost labour can be imported.

ARGENTINA: For the first time, an agreement has been reached with indigenous communities regarding their participation in tourism projects. Many of these communities live within national parks which are also being incorporated into national tourism policy so that they may be both used for tourism and be protected at the same time. Local advisory commissions have been established with representatives of the local communities for reaching a consensus on the implementation of the park policies.

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