

External Shocks Call for Proactive Measures

In the face of the enormous devastation caused by the December 26, 2004 tsunami, the industry response revealed the best side of human nature. It was all-hands-on-deck as national tourism organisations, airlines, hotels, tour operators, guides and just about everyone who survived the disaster did whatever they could to help those affected by it.

But the disaster has also prompted some serious reflection about how the industry should chart its future course.

The industry today stands at a crossroads: does it mount another crisis management and recovery programme that will allow travel and tourism to go back to business as usual? Or does it seriously reflect on the past in order to learn from its mistakes and play a more responsible role in being better prepared for future disasters?

For an industry very fond of buzzwords, here are three that may serve us well in future: Prevent, Prepare, Pre-empt.

In other words, do we keep fighting fires or shift towards fire prevention?

THE CHANGING NATURE OF INDUSTRY CRISES

If you remember, it all began with a fire.

In April 1997, a haze blanketed Southeast Asia, the result of forest fires blamed on another natural phenomenon called El Niño. Since then, the Asia Pacific region has suffered literally a fire a year – otherwise known as "external shocks."

Such external shocks include the Asian currency crisis (1997), local political fallouts in some of the Southeast Asian countries (1998), September 11 (2001), the Bali bombing (2002), conflict in Afghanistan (2002), and Iraq (2003), SARS (2003), bird flu (2004) and terrorism (continuous and ongoing). In addition, last year also saw the dollar's slump and unstable oil prices (2004).

Each time we extinguish or learn to cope with one fire, another erupts. In October 2002, an entire edition of *Issues & Trends* was devoted to "The Future of Forecasting" in which leaders of national tourism organisations, hotel groups, airlines and tourist attractions commented on the problems decision-makers have when facing constantly-shifting goalposts.

Amidst all the talk about remaining vigilant, flexible, and ready to adapt, there was an underlying agreement that the forecasting business was in for a rough ride. If forecasting (output) is supposed to be part science, with conclusions dependent on clear-cut variables (input), the growing number of complicating input factors makes it increasingly difficult to accurately pin down an output.

It is not a sustainable long-term option for the travel and tourism industry to be burdened with the image of being dangerously flammable. As crises occur with increasing frequency, the industry risks losing the confidence of investors, insurers and workers. Put the entire package together, and the potential for chaos is high.

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"For the industry to change, it must accept crises that it will inevitably encounter."

LESSONS LEARNED

Every crisis yields valuable lessons from which the industry should learn in order to devise preventative measures. Indeed, the tsunami crisis presents the same call for change and is set to have a far-reaching impact on the future of travel and tourism.

Some of the lessons we should take to heart as the industry rebuilds and reinvents are:

Make use of existing warning systems or preventative measures.

Tsunamis, earthquakes, typhoons and hurricanes:

Although nothing can be done to prevent tsunamis, there are systems in place that can detect oceanic seismic activity which were not applied to predict the likelihood of the ensuing tsunami. Early warning of potential tsunami conditions could feasibly provide locals and tourists alike with enough time to evacuate coastal areas. Coastal populations should also be aware of other less-sophisticated tsunami warning signs, such as rapidly receding water.

Other destructive weather phenomena such as typhoons and hurricanes can be tracked well in advance, and effective systems for evacuation should be in place to follow-up. The prediction of earthquakes is more difficult, but methods of construction and infrastructure installation in areas that may be prone to them could help mitigate the damage. Preparation for natural disasters must also include educating people in the best safety practices to follow during such events, including what to do, where to go and how to alert others.

SARS / avian flu

Authorities have responded to these medical crises by instating border medical checks and quarantines of infected people. The culling of infected birds has been of critical importance in controlling the spread of avian flu. For SARS and other contagious viruses, heightened public sanitation standards and increased awareness have been significant improvements towards preventing future epidemics.

Terrorism

The political and diplomatic community could well argue that travel advisories are, in fact, early warning systems. If the travel and tourism industry concedes this point, it will have limited power to question any aspect of these advisories' wording or timing.

Travel stakeholders argue strongly that advisories must be accurate, balanced, and prepared only after careful consultation with the industry.

Measures such as tighter identification control and security checks at all levels, from airports to hotels to sports venues are also aimed at preventing terrorism.

Zoning regulations must be followed.

In some countries affected by the tsunami, it has emerged that many of the most severely damaged structures and projects were built in violation of local zoning laws and other regulations. These laws require that properties be built at least a few hundred metres away from beaches. Many of the structures destroyed were right on the beaches.

Clearly, serious questions will arise about the licensing and regulatory procedures governing future projects. In the past, many Asia Pacific developers, driven by the desire for economic growth, job creation and income generation, have turned a blind eye to the violation of environmental rules. This must change in the future, as the industry becomes more vulnerable to potential legal repercussions.

Destinations around the world now have to be managed more carefully. Tour operators must factor this into their decision-making processes regarding property selection. The media and public may also start asking harder questions as the tolerance level for future violations has fallen drastically.

Preparation comes at a cost.

The travel and tourism industry has to spend huge amounts of money protecting itself from the various crises mentioned above. This requires both insurance coverage as well as structural upgrades. As architects and engineers start paying greater attention to the design of their buildings to withstand such natural disasters, especially at beach resorts, costs are certain to rise.

Competition will increase.

One man's crisis is often another's opportunity. Within hours of the tsunami, unaffected destinations were scrambling to pick up diversionary business from affected destinations. 'Come-hither' press releases were sent from beach destinations throughout the Asia Pacific region. Business is business – and it is often ruthlessly opportunistic.

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Contracts and business issues will become even more complicated.

As the humanitarian crisis eased, business conflicts began to emerge with tour operators and hotels seeking to enforce the letter of contracts by levying cancellation charges. In Thailand, the Association of Thai Travel Agents and the Thai Hotels Association jointly appealed to their members "to play their part in repairing the damage caused to Thailand's image by not claiming for cancellations in respect to paid deposits and related cancellation charges."

The joint appeal said: "Although this highly distressing event was the result of natural causes, the Government is doing all it can to preserve the integrity and image of Thailand as a holiday location. This is being implemented through widespread emergency measures and the absorbing of transportation and medical costs for all the 'displaced' tourists."

The Internet is a powerful industry tool.

The tsunami crisis elevated the power of the Internet to a higher level. Although there was criticism of the media for not giving enough coverage to the unaffected parts of Asia, effective use of the Internet greatly enhanced recovery efforts and is also playing a vital role in helping the industry get back on its feet.

As names of the dead, injured and missing became known, they were posted on special Web sites, allowing friends and family far away to know of their fates. Hotels and tour companies unaffected by the disaster used the Internet to broadcast messages that they were still up and running. Web logs or "blogs" provided graphic first-person accounts of tragedies and triumphs. Pictures of unaffected beaches were taken by photographers and posted online to boost public perception of the region's tourism infrastructure. Without the Internet, this prompt dissemination of vital information would not have been possible.

Bounceback campaigns must be swift but sensitive.

The repeated crises have made the industry extremely efficient at mounting recovery campaigns. Countries with relatively intact tourism assets had campaigns ready immediately after the humanitarian crisis began to abate. National income, investor returns and securing livelihoods were the main driving factors.

The faster the response, the shorter the effects of the crisis. However, following the tsunami, another complicating issue

emerged. When juxtaposed against the massive human suffering, the industry's rush to mount recovery campaigns led to some criticism that it was much too concerned about its bottom-line. To counter this negative perception, bounceback campaigns may need to be more sensitively managed in the future.

Industry participation in relief efforts must be coordinated.

Virtually every industry association felt compelled to offer assistance following the disaster. Though valiant, this created considerable confusion, logistical difficulties and duplication of efforts, with some areas receiving multiple aid packages while others received none. Enhanced coordination of these efforts is necessary for them to be effective. It would be more worthwhile for travel organisations to act as conduits to channel money directly to experienced relief and reconstruction agencies rather than attempting to administer aid themselves.

WHERE DO WE GO FROM HERE?

With each disaster, the industry becomes better at managing future crises.

This acknowledgement, however, must be tempered with a warning: becoming overconfident about the industry's growing crisis management expertise and championing its resilience and recovery capabilities is a serious risk. It means that we continue to focus on short-term solutions rather than long-term ones.

For the industry to change, it must act with an eye towards PREPARING for the crises that it will inevitably encounter in order to minimise the ensuing fallout.

The travel and tourism industry has to shift into a more preparatory mode. This is a logical extension of some of the industry's already existing buzzwords and trends:

- 'e' – e-mail, e-commerce, e-bookings: buzzwords designed to drive short-term growth and meet market-share and profitability targets.
- 're' – reduce, reuse, recycle: buzzwords designed to ensure medium-term environmental sustainability through various green schemes.
- 'pre' – prevent, prepare, pre-empt: new buzzwords designed to take a long-term view by strengthening our early-warning systems and minimising negative impacts.

Aviation, emerging cities, ASEAN integration and China business

A new section called *IndustryInsight* will be launched in the March-April edition of *PATA Compass* magazine. The first edition of this in-depth editorial will look at how aviation, emerging cities, ASEAN integration and meetings in China, impact travel and tourism in Asia Pacific.

Aviation: Dramatic shifts occurring in aviation policy throughout the PATA region are set to continue in 2005 and will have immense implications for the regional travel and tourism industry, according to a study by the Centre for Asia Pacific Aviation (CAPA). The aviation think tank says 2004 was the most profitable year in history for the Asia Pacific airline industry (in dramatic contrast to Europe, Africa and the Americas), driven by double digit traffic growth, the entry of several significant new low-cost carriers and the expansion of existing ones.

Emerging cities: Different geographic locations and levels of development require different strategies. Three cities set to feature prominently in the future of Asia Pacific tourism are

Nagasaki (Japan), Urumqi (China PRC) and Vladivostok (Russia). At the City Summit (date, place?), senior officials of these three cities presented their plans and strategies for the future.

ASEAN integration: Intra-regional tourism, already the dominant form of travel in terms of visitor arrivals, is set to make further progress as a result of several high-level agreements and roadmaps designed to promote economic integration within the ASEAN and PATA regions.

Business in China: As cities in China (PRC) and other cities in the Asia Pacific region compete vigorously for exposure and market share in the MICE industry, international exhibition groups are rushing in to take advantage. China's booming economy has boosted the popularity of trade exhibitions, leading to strong growth in attendance and available space. The result will be huge increases in high-yield business travellers and exhibition delegates throughout the PATA region.

Moving from crisis management to crisis prevention is indeed a whole new ball game. Nevertheless, it needs serious consideration for the simple reason that we clearly do not have the ability to prevent most external shocks.

This publication has long sought to raise early warnings of man-made problems in view of their potential impact on tourism. In October 1999, we forecasted: "The ethnic, cultural, political and social diversity of the Asia Pacific region has long been marketed as its greatest strength. It could turn out to be its greatest liability." In November 1999, we reported: "Two years into the economic crisis, the lessons of (economic) 'liberalisation' are being more carefully scrutinised, and a growing school of thought is emerging that haste will make waste, that the world needs to have not just free trade but free and fair trade, and that blindly opening the door to liberalisation and globalisation can have significant long-term impacts."

In December 2000, we cited the negative impact of the 'Age of Imbalance' in relation to the over-emphasis on economic development rather than ecological preservation.

Throughout 2001, the year of the 9/11 attacks, we raised further issues such as the impact of global warming, the myth of endless tourism growth and the role of tourism in the fight against poverty.

In December 2004, the final edition of *Issues & Trends* was headlined: "2004: No 'External Shocks' Yield a Bounce-Back." We concluded:

"Like other businesses, travel and tourism needs a stable operating environment in which to execute strategies. The industry's biggest nemesis is 'external shocks.' We can't predict what 'external shocks,' if any, 2005 will throw at us; we can only imagine."

Little could we imagine the scale of what happened on December 26, 2004. As it turns out, imagination proves to be a fairly ineffective tool.

As we face an uncertain future, the only question we can ask is this: Are we prepared?



Pacific Asia Travel Association

Issues & Trends is published monthly for the members of the Pacific Asia Travel Association.

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