Chapter 2

Tourism 2020: Policies to Promote Competitive and Sustainable Tourism

Addressing the major and multi-faceted challenges faced by the tourism industry demands an integrated approach to policy development across many government departments. Coherence and consistency are essential in the design and application of policies between all levels of government to ensure that tourism policies are effective. This understanding has led to an increased emphasis on a “whole of government” commitment as outlined in the Riva del Garda Action Statement for Enhancing Competitiveness and Sustainability in Tourism. It has been shown that the development of a tourism strategy can play a key role in engaging government, industry, destination communities and other stakeholders to identify a vision and direction for tourism development and in setting priorities for implementing a long-term and sustainable vision for the tourism sector. Tourism strategies are increasingly emphasising public-private sector co-operation. This chapter offers a range of pointers to those areas in which public policy interventions can be most effective.
Introduction

During the High Level Meeting of the OECD Tourism Committee held at Riva del Garda, Italy in October 2008, extensive discussion took place on the role of governments in addressing the challenges faced by the tourism sector in the face of globalisation. The increasing openness of international markets brings both opportunities and dangers to the tourism sector, which most countries acknowledge has an important role to play in social and economic development.

The most important messages emerging from this discussion, in addition to the need to develop the long-term tourism strategies mentioned above, were that:

- tourism is of great significance in the economies of OECD member countries, as it is in those of many non-member economies;
- OECD countries are seeing a slow-down in the rate of growth in tourism to the potential detriment of national economic growth and especially of the growth in employment opportunities;
- remedial action is required to reinforce the tourism sector’s strength;
- in order to achieve this, governments must take the lead in setting a suitable policy environment; and
- for policy initiatives to be effective, countries must ensure that initiatives are designed and implemented on the basis of a “whole of government” approach, given that tourism is a cross-cutting sector with implications for many different areas of government policy.

At the conclusion of the Riva del Garda meeting an Action Statement was approved for release by delegates (Annex 2.A1).

Key challenges facing tourism

At the time this report was written, there were several atypical influences (e.g. global economic crisis, influenza H1N1), affecting global tourism (see Chapter 1). The global economic crisis has resulted in a fall in international travel during the early months of 2009. The underlying short-term trends in international tourism are therefore atypically weak. On the other hand, there is a consensus that longer-term demand prospects for international travel remain positive, with the long-term average annual rate of growth expected to be of the order of 4%. It should also be acknowledged that historical experience suggests that international travel demand is relatively resilient to external negative influences. Despite short-term crises, international travel has shown itself capable of relatively rapid recovery.

The tourism industry under current conditions is confronted with a number of key challenges that will influence its longer-term development and success, and that also set the agenda for public policy action. These include:

- globalisation and changing markets;
Globalisation and changing markets

The concept of globalisation relates both to the process by which economic markets, technologies and communications become progressively more international over time, and also to a wide variety of social and other issues. For example, the deeper liberalisation of international trade regimes and the reduction in the barriers to all forms of international exchange permitted the very rapid spread of the current global crisis among the world’s financial institutions, triggering the worst global recession for 60 years. These same freedoms also facilitate the rapid spread of threats to global health, such as SARS and H1N1 flu, promote the empowerment of the consumer via access to global knowledge through the Internet, and ensure that changes in international commodity prices through rapidly rising demand from emerging markets now take place almost instantly. Tourism has to operate in this new global economy. It has to confront the challenges to competitive advantage that this rapid spread of information and the economic impact of globalisation bring.

Tourism is, of course, both a significant player in the globalisation process (through the rapid expansion of new destinations, new demand, and new markets) and is strongly influenced by globalisation. For tourists, it has brought easier access across borders with reduced barriers to trade and travel from the liberalisation of transport. The impact of strong economic growth in many developing countries, liberal economic policies, dramatic changes in the efficiency and cost of transport, and a growing global middle class (now estimated at more than 2 billion people) with rising living standards, have created a new dynamic in international tourism flows.

Underpinning the growth of tourism has been the growth of international trade and investment that has exceeded world GDP growth throughout most of the past decade. Economic growth in the OECD area in recent years has benefited considerably from the dynamism of large non-member economies, especially in Asia. If the pace of globalisation continues, non-member economies are projected to account for 60% of world real output (in Purchasing Power Parities terms), one-half of nominal world trade (at current market rates) and one-third of nominal cross-border asset and liability holdings by 2025.

Globalisation is the new economic and social reality within which tourism has to operate. The tourism industry by its very nature is both vulnerable to the changing market realities that globalisation brings, but can also be a major beneficiary of globalisation given the right adaptation strategies.

In parallel to these global trends, tourism markets have also been changing and will continue to change. The explosive growth in outbound tourism from new markets, especially China, the Russian Federation and India, is bringing changing patterns of travel flows and demand. These require new marketing and servicing skills and appropriate product development. Simultaneously, in developed countries, changing social values,
lifestyles and demographics are leading to profound social changes which are increasingly reflected in changes in tourism demand.

The effects of these changes can be seen in the growing fragmentation of tourism markets, and in the emergence of new niche markets (e.g. retired travellers in developed countries; health tourism in developing countries). In OECD economies, for example, holidays for singles, retired people and money-rich/time-poor short-break travellers are developing into major market segments in addition to the traditional annual family holiday. Other emerging niches include trends for adventure, active and higher involvement experiences, indulgent and luxury travel, a search for unique experiences and demand for authenticity. Customers are increasingly experimental, willing to try new products, foods and attractions, and are unwilling to give a second chance to destinations providing poor products or services.

Globalisation is likely to continue to encourage the growth of business travel with the increasing mobility of business and growth of global enterprises with growing expatriate workforces. Meetings, incentives, convention and exhibition travel will continue to be a high growth segment. Time-poor business travellers will seek to combine business and leisure trips. Tourism policy development needs to be aware of such changes.

Economy-wide impact of tourism

Tourism contributes to activity in virtually every industry across the economy. The process by which the consumer (visitor) comes to the product (the destination), consumes identifiable tourism products and also incurs normal day-to-day living expenses in that destination is unique among traded goods and service markets. The wide ranging nature of the products and services consumed by tourists presents particular issues which are not common to other product markets. In addition, tourism has social effects in areas as diverse as crime, health, congestion, land and other prices, and urban amenities.

Research has shown that tourism creates vital forward and backward linkages with other sectors of the economy (see Tourism in OECD Countries 2008, Section 2B). This illustrates the extent to which tourism has a multiplicity of stakeholders and shows that governments have to address both horizontal issues (across agencies responsible for transport, infrastructure, regional development, immigration and customs, education and training and so on) and vertical issues (from the national level through, to the provincial, regional and local levels of government) in the design and execution of tourism-related policies and programmes.

Tourism Satellite Accounts identify many industries as “Tourism Characteristic” or “Tourism Connected”. Spending by visitors goes directly to a wide range of enterprises located in the tourism destination which often do not identify themselves with the tourism industry at all, and may have little understanding of the extent to which their sales are generated from tourism demand. Furthermore, the structure of the industry is heavily weighted towards SMEs operating in highly competitive markets. Such firms typically have little capacity for longer-term planning, research or strategic development. They generally produce and sell only one component of the tourism product. The complex web of stakeholders in the tourism industry creates a fragmented structure that governments can find hard to serve through general policy measures.

As a consequence, governments are increasingly recognising that tourism requires a complex set of mutually supporting infrastructure, policy and planning decisions if the
broad-ranging nature of tourism’s benefits are to be realised and potential costs managed. While tourism remains an essentially private sector activity, some governments accept that they have a substantial role in addressing market failures which emerge from tourism’s fragmented SME-based structure. It also becomes clear that tourism can bring wider economic and social benefits to destinations, and, especially, can help to sustain local and regional communities.

A “whole of government” framework for tourism policy making is therefore to be encouraged in order to extract maximum economic and social benefit from the tourism sector. This has been highlighted by the impact that globalisation has had on tourism demand, transport, information, and vulnerability to external shocks. In turn this has introduced a new imperative for the promotion of dialogue, co-operation and partnerships among the multiplicity of stakeholders, within government, the private sector and local communities.

**Climate change and sustainability**

Climate change and global warming present a seminal challenge to the world economy and society with huge potential implications for travel and tourism, with or without effective mitigation or adaptation measures by governments. Tourism is estimated to contribute up to 5.3% of global anthropogenic greenhouse gas emissions with transport accounting for about 75% of this. On the positive side, however, the growing awareness of the importance and potential of green jobs – the promotion through government policies of lower-carbon activities and the more efficient use of energy – offers tourism an opportunity to adapt its operating practices and to participate in the expansion of “green collar” jobs which are seen as a major growth opportunity for global employment in the years to come.

Tourism is particularly exposed to the predicted direct effects of climate change such as sea-level rise, changes to ocean currents, accelerated rates of glacial melt and loss of snow cover and permafrost, higher temperatures, changes in precipitation patterns, and the frequency or intensity of extreme weather events. Such effects can lead to a loss of biodiversity, to impacts on the natural and built environment, and on tourism-related infrastructure. Other effects may relate to the health and safety implications of heat stress, the spread of tropical diseases, and the potential loss of key brand icons and images. Particularly vulnerable are coral reefs, ski resorts, and island beach and dive resorts.

The direct impacts of some aspects of climate change can be expected to bring tourism winners and losers. Global warming may make some destinations more attractive to visitors by making what were previously less hospitable climates more attractive. However, the widespread nature of the projected impacts suggests that many destinations could also suffer serious and costly impacts.

Changes in consumer behaviour in response to climate change, the impact of the wider adoption of voluntary or compulsory carbon offset schemes, possible modal shifts in transport use, and demand for environmentally responsible behaviour, also have the potential to present threats or challenges to established tourism destinations and enterprises, with the likelihood of particular implications for longer haul travel. Changes in relative travel and tourism competitiveness as a result of the introduction of new mitigation or adaptation measures in any one destination or economy could lead to rapid shifts in the direction and magnitude of international tourism flows.
Climate change and its implications for tourism imply that the tourism industry has to become even more closely concerned with the broad environmental sustainability of its own actions. The environment that tourists wish to visit plays a key role in determining the viability and attractiveness of tourism destinations. Climate change presents the possibility of a dramatic widening and escalation of environmental threats. This comes at a time of heightened public awareness and demands for stronger measures to protect environments. In the face of these growing pressures tourism remains critical to the economic well-being and often the survival of many local and regional communities, since tourism takes place at the level of the destination which is often synonymous with a local community. Tourism’s importance for the economic health of local residents is obvious in such destinations.

The sustainability of a destination depends on the ability of the diverse range of stakeholders, across levels of government, business and local communities, to work together to implement suitable measurement and regulatory instruments for ensuring community- and environment-friendly outcomes.

Increasingly, governments are looking to integrate social, environmental and economic objectives into the planning and development of appropriate tourism and environmental management strategies which address longer-term perspectives. This highlights again the critical importance of a “whole of government” approach to tourism policy, recognising not just wealth and economic growth objectives but also environmental, social and cultural considerations.

**The knowledge economy**

Globalisation, especially through its effects on information flows and the spread of computer and Internet-led technologies, has helped to usher in the so called “knowledge economy” under which real competitive advantage resides in information, knowledge and human skills. Tourism destinations need to recognise and adapt to these changes. In a knowledge economy, tourism intelligence needs to better organised, co-ordinated, analysed and shared among tourism actors in order to strengthen the efficiency of public actions at all levels. The dissemination of information resources to the tourism industry through the better use of research-based intelligence (on issues such as market trends, for example) is one area where public policy interventions can make a useful contribution.

Internet technologies have empowered consumers providing them with unparalleled access to information about travel and tourism products and the ability to bypass traditional intermediaries, comparison shop and to construct their own product packages. Tourism has been a leading sector adopting information and communications technology to assist visitors; Internet booking and marketing capabilities are advancing well beyond online booking to artificial intelligence.

The Internet has fundamentally changed the international tourism industry and its interactions with consumers. All categories of firms, large and small, from anywhere in the value chain, can now communicate directly with their customers. Also, whereas the consumer used to be outside the value chain, he/she is now at the heart of it. The consumer now has a direct access to the supply-side. Consequently, it is now the consumer who “governs” the tourism value chain. Consumers have a wide range of ways to identify their product choice. They can move from direct to indirect travel distribution channels,
benefit from relative online cost transparency, make informed comparisons and sometimes even name their price for the tourism product they want.

A key challenge now facing public and private actors in tourism is therefore to ensure that the quality of the information provided to the consumer is fully competitive with the consumer’s next best option. Actors who position themselves most effectively in the value chain will be those best able to benefit from the flow of information to and from the consumer, thereby enhancing their market position.

**Human resources**

Labour market issues are of fundamental importance for tourism development. In developed countries, competition for labour from those sectors of the economy showing higher productivity growth, an ability to pay more and offer better career development opportunities is leading to growing labour or skills shortages in tourism. This has increased pressure for access to immigrant labour. Perceptions of poor conditions, career paths and pay rates relative to other industries are likely to continue. An ageing population may present opportunities for re-skilling for industries such as tourism.

The provision of appropriate education and training schemes is a key area for the promotion of innovation and for the achievement of productivity improvements in the tourism industry. In labour markets the tourism industry faces a number of challenges:

- The industry has difficulty in attracting the best employees and in retaining and developing them over the longer term.
- The industry constantly needs new skills to meet changing tourism trends.
- A failure to deal effectively with labour or skills shortages may impede tourism’s growth, because low quality can diminish productivity and damage the industry’s competitiveness.

Despite the effects of the current economic crisis, the long-term prospects for tourism growth are good and the need to attract, train and retain high quality labour is central to the industry’s longer-term growth. Within the education and training system there is a need to upgrade the skills of tourism-sector workers for several reasons; to raise the industry’s productivity, to equip tourism-sector workers to respond to the realities of the knowledge economy and to ensure that skills exist in areas such as sustainable tourism practice and in the increasingly important area of green practices within the industry. The introduction of a culture of life-long learning is one area to which attention needs to be paid in order to raise both skill levels within tourism and enhance career development opportunities, thereby making it easier to retain key staff.

Education and skills development is important for all tourism destination countries but in developing countries, education and skills training will present a very large challenge, particularly in those countries experiencing the most rapid tourism growth. Developed countries, facing increased competition from lower wage competitor countries and increasing pressure on service quality standards will also be forced to pursue training and skills development as a means of increasing productivity if they are to maintain competitiveness. In tourism, the predominance of SMEs in tourism service providers presents particular challenges in the context of ensuring that training and skills improvement programmes are available to smaller businesses.
The emergence of new high growth markets involving changes in the cultural characteristics of existing visitor patterns will present particular demands for the development of appropriate language and cultural skills as countries such as China and India take up a growing share of international tourism flows. Attention will also need to be paid to the issue of migrant labour, currently an important source of tourism-sector employees in many destination countries but an issue that also places special demands on the education and training providers.

**Productivity and competitiveness**

The tourism industries of OECD economies face strong price competition from developing country competitors, especially in the face of the labour-intensive nature of tourism and the typically higher wage costs of OECD member countries. Tourism is also exposed to competition with high growth products and services which take more and more importance in households’ discretionary spending: e.g. electronic devices, ICT services. In recent years, in OECD economies, many sectors have grown more rapidly than tourism. Tackling productivity is thus becoming increasingly urgent within the tourism industry, notably to moderate price increases in the sector, to allow better labour conditions and to design new attractive products, attract fresh investment and innovate.

Poor labour conditions exacerbate high labour turnover within the industry and weaken its ability to compete in labour markets. In mature tourism destinations, a lack of investment is also leading to an ageing tourism infrastructure. To deal with these issues, both supply- and demand-side policies are required, such as value-based pricing, encouraging entrepreneurship, developing efficient mechanisms for innovation, making better use of IT-based networks and ensuring that service quality remains high by making appropriate use of human resources management practices.

On the other hand, OECD countries may have a number of advantages. For example, OECD members possess a potential knowledge advantage over their developing country competitors from an educated workforce, access to technology, managerial and business skills, stable and experienced political and bureaucratic leadership, well-established banking and financial institutions, marketing skills and experience, and generally effective infrastructure. Also, the growth of large global travel and tourism networks in OECD countries can be influential. These typically benefit from vertical, horizontal and diagonal integration and economies of scale and scope, and are capable of funding very large investments in modern electronic databases and marketing. Such large travel and tourism operators are likely to cater for a growing share of mainstream and mass tourism movements, accommodation and related services.

At the same time, the growth of large operators presents particular threats to SMEs which provide the bulk of tourism industry enterprises and which play an important role in smaller regional destinations. That scope will remain for smaller and niche operators is suggested by the increasing fragmentation of demand referred to above, and the growth in demand for unique and specialised products and services. Solutions for SMEs might include improved networks with other enterprises, government agencies and industry associations and along value chains to increase business efficiency and improve communication.
Essential factors for effective tourism policy development

The economic importance of tourism in many OECD member countries and non-member economies is considerable (see Chapters 1 and 4). Yet many countries find it difficult to focus on the tourism sector. There is a wide variety of ministerial responsibilities for the tourism sector: e.g. Economy, Trade, Industry, Regional Development, Culture, Sport, and Transport. Only a few countries have a dedicated Ministry of Tourism. Why should this be?

The primary reasons appear to be historical, in that tourism was relatively late in becoming recognised for its economic and developmental potential and importance, while others sectors such as agriculture and industry have long had dedicated ministerial portfolios to nurture and encourage them. It is also the case that, as pointed out earlier in this chapter, that tourism cuts across many ministerial portfolios, making it difficult to identify one ministerial area of responsibility.

Nonetheless, tourism had made substantial progress in gaining recognition by governments as an economic activity which justifies serious consideration at the level of national policy. Its economic contribution is increasingly recognised as exceeding that of many other important sectors, such as agriculture, which have traditionally commanded much greater political attention from governments at the national, regional and local levels.

Planning tourism for the long-term

As tourism progressively raises its profile in national economic planning, there is a clear need to ensure that attention is paid to its long-term development potential. Such an approach demands comprehensive strategic planning for the industry’s future – partly for the reasons given earlier in this chapter, notably the need to maintain market share and competitive advantage by ensuring that the industry achieves productivity growth at least as successfully as other growth sectors. National governments need to take the lead in the industry’s strategic planning. This process of developing a long-term strategy requires the adoption of a clear vision for tourism. It should be built on an open discussion with all stakeholders and should bear in mind the need to involve all relevant ministries to achieve a comprehensive cross-government response.

The process of developing a tourism strategy generally involves several steps. These are illustrated in Figure 2.1.

A “whole of government” approach

In a highly fragmented industry like tourism where issues overlap different ministerial responsibilities and levels of government, industry interests are diverse and often uncoordinated. The process of setting out and gaining a degree of consensus on the current situation faced by tourism and tourism destinations, the development of a longer-term vision, and the setting of goals, objectives and measurable outcomes can be highly valuable in bringing key stakeholders together, sharing knowledge, ideas and concerns, and helping to raise awareness generally within and across government and in the wider community.

Traditional tourism industry strategies have tended to focus on the demand side of tourism and the need to market to the visitor in order to draw them to particular destinations. While this remains a valid component in strategic industry planning, an increasing number of strategies have been widened in order to include issues such as
destination management and questions of industry “leadership” and direction. As a result there have emerged new frameworks for policy action leading to policy objectives that include integration and collaboration across different agencies (i.e. “whole of government”) and different levels of government, as well as partnerships with industry.

Planning strategies for tourism increasingly have to take into account the environmental issues discussed earlier in this chapter, and also demand consultation with industry interests. Thus the planning process involves both many layers of government at national ministerial levels, as well as partnerships with industry and the private sector whose representatives are often best placed to identify those areas where government policy interventions can be of most assistance. Tourism strategies are therefore increasingly reflecting the need for an integrated approach to tourism development across a wide spread of government ministries.

In order for such an approach to succeed, a number of criteria need to be met and some important questions asked. For example, does the strategy have a commitment from all of the relevant agencies and levels of government to its goals and objectives and to the specific programmes and measures proposed? Who is responsible for ensuring the implementation of measures which fall under the purview of non-tourism areas of government? How will the implementation of these measures be ensured and evaluated?

Clearly the most desirable outcome is that the strategies have authority across all relevant government ministries and are co-ordinated across levels of government. In many cases, national, state or provincial tourism strategies have the status of cabinet approved documents. For example, the Slovak government approved the Tourism Development Strategy of the Slovak Republic until 2013 through a government resolution in 2005. Likewise, the New Zealand Tourism Strategy 2015 was launched by the Prime Minister thus emphasising its whole of government status. The New Zealand Tourism Strategy includes both targets and annual performance indicators with a process for review by the cabinet.

Figure 2.1. Developing a government strategy for tourism

Source: Goeldner and Ritchie (2003).
Collaboration and coherence between levels of government

It is also apparent that in many member countries the process for maintaining consistent and mutually supportive policy frameworks vertically between different levels of government presents particular problems. This is highlighted where central government authority over state or provincial governments is limited or opposing political parties are in power in each. The situation is further complicated by significant differences in the nature of responsibilities and policy focus. A national government may have very little responsibility for land use planning issues which may be critically important at the level of local government. Regional and local tourism bodies may see little relevance for them in high level cross-government policy issues. The importance of this issue is well illustrated in Canada’s Building a National Tourism Strategy document which is sub-titled “A Framework for Federal/Provincial/Territorial Collaboration”.

This issue of co-operation and consistency between the levels of government in tourism strategic policy making and implementation of specific programmes and measures would appear to be one of the next significant challenges for governments at all levels in improving the effectiveness of tourism strategies and planning (Box 2.1).

Box 2.1. Collaboration across levels of government

“It is evident that the current way of doing business is no longer feasible to meet the challenges facing the tourism sector or to seize emerging opportunities. A new era of collaboration, involving all tourism stakeholders, is necessary to enable Canada to increase its market share and raise its domestic and international profile.” Building a National Tourism Strategy: A Framework for Federal/Provincial/Territorial Collaboration, Industry Canada.

“This goal is about working closely together to manage destinations such as Milford Sound, the Catlins and Stewart Island in a sustainable way, co-ordinating local government involvement in tourism and helping to grow the capacity and sustainability of the industry. It reflects moves by most other regions to establish a multi-stakeholder group to drive and govern tourism development and manage its effects.” Southland Tourism Strategy 2005-15, Southland Tourism Strategy Advisory Group, New Zealand.

In December 2008, the national tourism organisation of Denmark (VisitDenmark) adopted a joint strategy for the development of Danish tourism towards 2015. The strategy was developed in close co-operation with and on behalf of all stakeholders in Danish tourism including public-sector tourism actors on a national, regional and local level as well as the tourism sector, and is supported by the Danish government. Following the strategy, a more clear distribution of roles on a national, regional and local level should take place, as well as a better co-ordination across levels of government.

Industry engagement

The importance of engaging the tourism industry in the strategic planning process is clear. There is a growing commitment in many countries to the concept of the strategy as a partnership between the industry and government. For example, the New Zealand Tourism Strategy 2010 was framed as a tourism industry/government partnership and overseen and released by a Strategy Group comprising prominent private sector and tourism industry representatives. In May 2008, the Australian government announced the development of a National Long-Term Tourism Strategy. This strategy will provide a long-term vision for the
Australian tourism industry and will focus on supply side issues. A Steering Committee with membership drawn from inside and outside the industry has been established to provide input to the development of the Strategy.

**Outcomes, evaluation and performance measurement**

Best practice tourism strategies have become more sophisticated in setting measurable goals and objectives and in identifying indicators of performance (Box 2.2). Critical to achieving this is an intensive process of involving stakeholders in the development of the indicators and gaining their commitment to agreed performance measures. This involves identifying performance indicators which reflect the capacity of the stakeholders to influence outcomes and which can be adequately measured, as well as setting agreed and achievable time frames for implementation.

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**Box 2.2. Setting measurable targets**

“A monitoring framework should be established for systematic monitoring and reporting of progress. This will require the key stakeholder group responsible for implementation of the strategy (the proposed Tourism Advisory Group) to decide or be advised on the key indicators to monitor. It should be noted that growth in tourism over the next decade should not be attributed solely to this strategy, as a range of other factors, such as entrepreneurial activity, will have an effect. It is important to monitor results at the Goal level to answer the questions, ‘are we achieving the outcomes we want?’... and ‘are we doing the things we said we would?’” *Southland Tourism Strategy 2005-15*, Southland Tourism Strategy Advisory Group, New Zealand, p. 42.

“In addition Tourism Ireland has adopted a Balanced Scorecard approach to organisational performance measurement. A range of Key Performance Indicators (KPIs) have been identified by senior management and adopted by the company’s Board as a means of assessing performance. The KPIs were chosen to reflect the activity most likely to contribute to achieving our volume and revenue targets and include measures of human resources capability, financial activity, consumer and trade objectives, and stakeholder satisfaction. The Board of Tourism Ireland will receive regular reports on the organisation’s Balanced Scorecard over the lifetime of this Corporate Plan.” *Tourism Ireland Corporate Plan 2005-07*, Tourism Ireland, p. 16.

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**Policy options in support of competitive and sustainable tourism development**

The Riva del Garda Action Statement set out in Annex 2.A1 indicates those areas in which governments can take action in order to bolster the resilience of tourism sectors and ensure that tourism continues to realise its full economic and employment-creating potential. This section seeks to highlight those areas in which governments can make the most effective contribution, and to consider also the longer-term strategies for tourism that will be appropriate as the sector continues to expand.

The main areas in which action is required in order to address these challenges include human resources, innovation, SMEs, accessibility of the destination, environment and climate-related issues, marketing and branding, economic development, culture and local development, safety and security, and measurement and evaluation. All such issues help to preserve and increase the industry’s competitive position.
Defining competitiveness in tourism

A key policy issue for OECD countries and non-member economies is to understand how they can strengthen the position of their tourism economies: the challenge is to remain competitive within a sustainable development context. In OECD member countries, the relative maturity of tourism industries means that it is necessary to refresh and develop the tourism product in order to maintain a competitive position.

Thus a central objective of government policy interventions in the tourism sector is to maintain and enhance the competitiveness of the tourism industry. But what is meant by competitiveness in this context?

Competitiveness in tourism relates to several different issues, such as the position of the country concerned as a tourism destination vis-à-vis its competitors, price and value-for-money issues for the visitor, productivity and profitability within the industry, and the extent to which a given tourism sector is able to innovate and refresh its products and services in order to present high quality to the visitor – quality at least as high as its closest competitors.

Sustainability goes hand in hand with competitiveness because tourism growth needs to balance economic development with social, cultural and environmental goals to ensure a long-term future for the sector. Sustainability is therefore to be considered as an important driver for competitiveness, especially in the context of concerns about climate change and environmental conservation.

The rising importance of green practices also has implications for the sustainability, and therefore for the competitiveness of the tourism sector. The OECD has addressed this issue on a broad front (in Green Growth: Overcoming the Crisis and Beyond), an approach that was formally adopted in the Declaration on Green Growth issued in June 2009 by a meeting of the OECD Council at Ministerial level. These sources propose a broad strategy for the promotion of low-carbon growth across both OECD member countries and non-member economies, and declare an intention to promote this policy at the December 2009 Copenhagen Conference of the UN Framework Convention on Climate Change.

The various policy approaches mentioned – removing subsidies on energy, removing trade barriers to environmental goods and services, addressing market failures, reforming policies with environmental objectives and actively promoting green collar jobs – have important implications for tourism, but also offer great potential. Tourism planners need to be aware of these priorities and ensure that the tourism industry both plays its full part in their realisation and also positions itself to derive maximum benefit from policy changes and green initiatives.

Since tourism affects and is influenced by many other sectors across an economy, competitiveness is an all-embracing notion for policy makers at national, regional and local levels. Perhaps most important, improving competitiveness through policy interventions, including those related to the green agenda, requires programmes and resources to be better integrated across tourism and non-tourism policies. Tourism policies on their own may not address the wider obstacles and constraints facing the sector, since improving the sector’s competitiveness does not sit within one ministry or policy directorate: it requires cross-cutting policies and co-ordination across the public and private sectors to generate successful policy outcomes for the tourism sector.
**Human resources development**

Tourism is a labour-intensive activity in which much of the tourist’s experience of a given destination depends on interactions with local residents and with those working in the tourism industry. Education and training must focus on developing customer-service skills for front-line staff to deliver high quality tourism services to the visitor. Most OECD members’ economies identify increasing difficulties in meeting demand for particular industry skills. Tourism strategies should include long-term planning for the tourism labour market and the provision of education and training programmes to meet skills shortages and to raise the quality and productivity of the industry’s workforce.

OECD’s regular publication, *Education at a Glance*, has pointed out that the main emphasis in many OECD countries is on maximising tertiary education opportunities for young people. However, such major commitments to funding the expansion of tertiary education are not necessarily improving craft- and skills-based training which dominates the needs of the tourism sector.

Basic craft skills in many countries also need investment and development alongside the focus on higher education. In some countries, such as Switzerland, private hotel school programmes assist in meeting training and management needs, but in many countries the craft level has been overlooked to the detriment of the needs of the tourism labour force.

This highlights a significant weakness in many educational policies which can be diametrically opposed to the tourism industry’s need for entry level staff who can be recruited, trained and retained by employers. Internationally, the tourism sector continues to find it hard to recruit and retain staff because of its relatively poor rewards and remuneration levels.

Also, pressure on public budgets for education and training is leading many governments to look at alternative delivery models for the tourism sector to meet skill needs. The shift towards partial or full private sector delivery of training and manpower development is one option now gaining policy acceptance, to align the industry’s needs with private sector training. Examples of programmes supporting human resources in tourism are outlined in Box 2.3.

**Boosting innovation and the knowledge economy**

With increased global competition and the relative decline in tourism growth rates in several OECD countries, innovation is now considered a major driving force for structural change and growth in the tourism industry. As highlighted in the OECD’s publication on *Innovation and Growth in Tourism*, to remain competitive with new tourism destinations, traditional (OECD) tourism countries should be at the cutting edge of the development of new products and ideas in tourism.

The key policy message of *Innovation and Growth in Tourism* is that, without a pro-active tourism policy, even the best tourism destinations will lose momentum in terms of competitiveness and growth. Well-targeted tourism policies can promote innovation creation mechanisms (e.g. human resources, knowledge, R&D, information technology), the development of new business models, and a dynamic culture of enterprise. Public interventions need to recognise where innovation may occur in tourism services and help to avoid the fragmentation of the industry. This is especially relevant for SMEs.

The OECD report illustrates the need for governments to push the diffusion of best practice in tourism innovation (e.g. in the areas of environment, education, ICT), notably in
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Box 2.3. **Programmes to support workforce education, training and development in tourism**

*Human resources development*

Key initiatives which are helping to enhance the status and position of the tourism sector as a career option include the United Kingdom’s People 1st Programme and Canada’s Tourism Human Resources Council which emphasise stakeholder engagement as well as industry needs.

There is also recognition that long-term continuity in state policies and investment in tourism training and development are needed to build the capacity of the workforce as a policy intervention. Ireland has made a sustained intervention through the funding of its national training body CERT which was merged to create Fáilte Ireland. It remains one of the most comprehensive approaches to education and training, co-ordinating all education and training needs for the industry as well as labour-market planning. For example, Fáilte Ireland expected to train 10 000 staff in the sector in 2007 to improve skills and industry capability to complement the higher level skills at the Institutes of Technology and Universities. Fáilte Ireland has also funded a Human Resource Development Strategy, Management Development Programme and a regionally focused (i.e. county-based) capability-building programme for SMEs illustrating the cross-cutting nature of its approach.

*Labour and skills shortages in tourism*

Several OECD countries are using migration policies to address skills shortages in tourism since, in many OECD countries, the financial rewards in the hotel and catering sectors are uncompetitive and jobs cannot be filled with nationals whose wage expectations are high. This leads to reliance on foreign labour.

For example, the Scottish government’s Fresh Talent Policy – a managed migration policy to attract returning Scots and overseas skilled labour – has been very beneficial in addressing skills shortages in tourism and hospitality, notably in larger cities with high labour turnover rates. Here, eastern European labour has been used to fill significant skill gaps.

In Canada, the Temporary Foreign Worker Programme saw changes to help streamline the time required to employ a foreign worker while also extending the length of time lower-skilled workers could stay in the country. A new scheme has also been launched to help employers facing labour shortages, with high demand occupations such as tourism selected for the faster processing of applications.

micro and small tourism enterprises and the important role to be played by public authorities. The report finds that competition is the main driver of innovation in the tourism sector, and that technological innovation in particular has transformed tourism business models. Examples of programmes supporting innovation in tourism are shown in Box 2.4.

In addition to information and communication technologies, there are many other forms of innovation which are transforming tourism. For example, the trend towards the so-called “experience economy” addresses changing market demands in tourism and opens up the possibility of innovation in product development and service delivery. Co-operative efforts between tourism SMEs are helping to introduce innovative practices by imitation, while in large companies innovation is becoming a routine route towards staying ahead of the competition. The public sector can assist in these processes by means of diffusing best practice (in areas such as good environmental practice, education and ICT for example).
Allied to innovation is the promotion of better knowledge within the tourism industry. Knowledge sharing is the key to achieving more resource-efficient and collaborative approaches to research and development in tourism. Many policies and programmes are fostering improved knowledge sharing and networking.

Several countries (e.g. in Scandinavia) recognise the benefits which accrue from knowledge sharing and expertise. Where key partners (public sector, education and private sector) coalesce, there should be multiple benefits for all parties. This is evident in the Turismo 2020 Spanish Tourism Plan, which brings together the public sector-private sector and education to share knowledge and research.

However, it is not necessarily an absence of knowledge that is the problem. In some cases there is also information overload. The ability to access the information, know what is relevant, how to process and apply it to the business setting is essential. Even where major investments have been made in knowledge sharing the outputs are often not in a format which industry or the public sector can easily assimilate. There is a need for a screening of market intelligence which is relevant for the tourism sector to identify, collect, review, analyse and then create it in a format which can be absorbed by the tourism sector.

Most models of knowledge sharing which exist are repositories of surveys, material or reviews. The key is to make such resources accessible to the industry. This is one reason why Sweden intends to develop a network for tourism research as one component of improving competitiveness. One notable policy example here is the Tourism Intelligence Network in Quebec (Box 2.5).
Helping SMEs to access global markets

SMEs fulfil a critical role in the visitor experience in most countries, yet they face major challenges in accessing global markets. Tourism SMEs now have greater opportunities to reach international markets, especially through wider use of Information and Communications Technologies (ICT) and lower transport costs. Global Value Chains (GVCs) and networks encourage SMEs to make permanent improvements in know-how, innovation and product quality. Since the consumer is now at the centre of the chain, SMEs can fulfil consumers’ expectations directly.

The challenges are also numerous, however. SMEs need to do more in training and skills development. They need to cope with new products and process standards. Policy measures are needed to facilitate this process and to help ensure that SMEs do not miss out in their ability to compete with larger suppliers. Box 2.6 outlines examples of policy initiatives that have sought to assist SMEs with reaching global markets.

Box 2.5. The Quebec Tourism Intelligence Network

The Tourism Intelligence Network was developed in May 2004 as a partnership between the Quebec tourism industry and Tourism Quebec to support intelligence gathering in collaboration with the Université du Québec à Montréal. The organisation’s purpose is to: “provide the Quebec tourism industry with a holistic knowledge base to improve industry operations and competitiveness, and to help reduce internal competitiveness between organisations by providing a public knowledge base and disseminating it to the complete industry.” The Tourism Intelligence Network is a structured industry tool for gathering and analysing information. It regularly monitors changes in tourism around the world and produces brief analyses with value-added information of interest to Quebec decision makers working in small- to medium-sized businesses.

Box 2.6. Programmes to support SME access to global markets

Greece, with a large tourism economy, has a SME policy with specific measures to strengthen the tourism sector (i.e. a product and innovation focus as well as a competitiveness agenda emphasising the benefits of clustering). Greece has notably produced a guide – Financial Support for Tourism and Commerce in Greece: Making Best Use of European Money – to assist SMEs which outlines the EU Policies in this area and the structural funds available to SMEs.

Canada has several innovative programmes designed to support SME growth in tourism. In 2008, the Canadian Tourism Commission produced a Marketing Toolkit for SMEs which helps tourism businesses to understand what is needed to turn a product into a world-class experience.

In Sweden, NUTEK (Swedish Agency for Economic and Regional Growth) has a distinct tourism dimension to its policies to promote internationalisation as well as seeking to improve the conditions associated with new business start-ups.

Accessibility of the destination

Accessibility for tourists to and from destinations and origins is a key requirement for the continued growth of the sector. For example, the development of airports in China,
with public and private sector investment and partnerships to increase airport capacity, illustrates the inter-linkages between transport and the tourism industry. Examples of policies that support improved accessibility are shown in Box 2.7.

**Box 2.7. Programmes to support improved accessibility of the destination**

In **Scotland**, the former GBP 6 million Air Route Development Fund to support low-cost airline route development was one key factor in assisting with the diversification of inbound markets away from dependence on a declining US market towards growing outbound EU markets. This illustrates how accessibility can be improved through point to point low-cost route development as opposed to a former dependence upon hub and spoke route development which adds to travel time and cost of travel.

**Turkey**’s tourism strategy Tourism 2023 views improved accessibility as critical to achieving its mobility plans for tourists with a defined series of development zones to achieve its growth to 63 million arrivals by 2023.

The exception to the apparent neglect of transport and tourism policy synergies can be seen in aviation policies which seek to facilitate the expansion of trade in goods and services including the development of tourism. For example, in 2003 the **United Kingdom** announced the largest airport expansion programme since the 1970s. This was aimed at addressing issues of competitiveness so that expansion in other European hubs did not outpace and restrict the UK’s competitive position due to expansion in Amsterdam, Paris and Frankfurt. This was further developed in a 2007 review of the policy as well as the opening of Heathrow’s Terminal 5 and proposals for a new runway.

In **Canada**, a Blue Skies Policy in 2006 on international air transport shifted the country’s policy position to an open skies approach; since 2006 **Canada** has negotiated twenty new or expanded agreements, in addition to an open agreement with the European Union applying to its 27 member states.

**Addressing environmental and climate change issues**

The sustainability of tourism destinations is more than a convenient concept. It is central to the longer-term development of the tourism sector and to the understanding of the motivation of tourists to visit a given destination. Many tourism strategies refer to sustainability in tourism, and outline strategies to ensure that sustainability criteria are respected (Box 2.8). Additionally, it is in this area that a greater commitment on the part of the tourism industry to green principles needs to be included.

Energy consumption, the importance of transport industries to tourism and global concerns about climate change all present tourism policy makers with opportunities to take proactive measures in support of the tourism sector.

The volatility of fuel prices for an industry that has developed historically on the basis of cheap energy raises many policy issues for governments, especially in countries dependent on long-haul markets where energy cost reductions in new aircraft technology are unlikely to mitigate fuel price increases. The International Energy Agency forecasts that 20% of the growth in energy demand to 2030 will be due to increasing demand for transport, a proportion of which will derive from tourists. Tourism remains overly dependent upon oil as an energy source, reinforcing the need for the tourism sector to consider alternative energy sources to maintain its supply, particularly green energy.
sources such as solar panels and wind power. OECD countries such as New Zealand, Australia and the many non-member economies which are dependent on long-haul origin markets may need to re-think their tourism policies and strategies.

The relationship between climate change and tourism has become one of the key areas of policy debate. While some positive impacts may arise for certain destinations, climate change is arguably one of the greatest threats to tourism (e.g. altered seasonality, heat stress for tourists from warmer temperatures, a wider geographical distribution of infectious disease vectors, the threat to small island states from sea level rises and the increasing frequency of extreme weather events and flooding).

Policy attention has been directed at the options available to reduce the negative effects of climate change. The two major options available in relation to tourism are: adaptation (i.e. accepting the inevitability of climate change and the identification of steps to restrict its negative effects); and mitigation (i.e. measures to curtail the production of greenhouse gases to reduce the speed of climate change). Many OECD countries have reviewed the implications of climate change for the tourism sector. For example, in 2006 the Ministry of Tourism of France produced a study on Adaptation to Climate Change and the Long-Term Development of Tourism. The OECD’s report Climate Change in the Alps: Adapting Winter Tourism and Natural Hazards Management highlighted a number of programmes of adaptation in the Alps to mitigate potential impacts. (See also Aspects of Tourism: Tourism, Recreation and Climate Change, ed. C.M. Hall and J.E.S. Ingham, Channel View Publications, 2005.)

The expansion of cheap and efficient transport systems has been at the centre of the rapid growth of international tourism for decades. Aviation is variously estimated as being responsible for 4%-9% of greenhouse gas emissions. These emissions increased by 86% in the period 1990-2004. Data show that transport causes around 75% of the CO2 emissions generated by tourism (Table 2.1), with aviation responsible for around 40% of these. The International Air Transport Association (IATA) has announced a programme of active reductions in air transport’s emissions with three specific targets:

- an increase in carbon efficiency through a 1.5% annual average increase in fuel efficiency to 2020;
- a programme to stabilise emissions with carbon-neutral growth from 2020; and
- an absolute reduction in aviation’s carbon emissions of 50% by 2050 compared with actual emissions in 2005.
More generally, in the case of transport emissions, these depend upon the mode of transport used with long-haul travel the greatest contributor to highly emission-intensive trips. One policy change by the European Union in July 2008 is likely to address emissions but will have considerable cost implications for tourist travel that are likely to affect demand for some tourism destinations (Box 2.9).

Concerns over transport’s contribution to carbon emissions and global warming pose a direct challenge to international tourism. Countries wholly- or substantially-dependent for their tourist arrivals on air transport in particular may have to re-think their market positioning and may be faced with some difficult decisions regarding the achievement of their tourism growth objectives. There is little doubt that the pressure on tourism to address the issue of its carbon emissions profile will increase as the global responses to climate change are developed further. The adoption of greener practices by the tourism industry offers one way in which these threats to the industry’s future can be countered.

**Box 2.9. The impact of new policy measures to combat climate change:**
The European aviation industry and emissions trading schemes

In July 2008, the European Parliament voted to phase in aviation emissions into the EU’s Emission Trading Scheme (ETS) from 2012. It is estimated that the ETS may cost the sector up to GBP 2.8 billion a year, as airlines will have to pay for the gases they emit via a carbon permits system. Each airline will be given a notional ceiling for emissions and once they exceed that cap, they will have to buy carbon credits. All airlines flying into and out of the EU, including non-European carriers, would be included, and would have to pay for 15% of their emissions permits initially. The cost of the aviation industry entering the ETS is expected to be borne by the consumer. The result is that the price competitiveness of European travel will be affected as airline ticket prices may rise between EUR 5 and EUR 40 by 2020 depending on the length of the flight. This is clearly a piece of green legislation that will directly affect tourism’s price competitiveness.

Concerns over transport’s contribution to carbon emissions and global warming pose a direct challenge to international tourism. Countries wholly- or substantially-dependent for their tourist arrivals on air transport in particular may have to re-think their market positioning and may be faced with some difficult decisions regarding the achievement of their tourism growth objectives. There is little doubt that the pressure on tourism to address the issue of its carbon emissions profile will increase as the global responses to climate change are developed further. The adoption of greener practices by the tourism industry offers one way in which these threats to the industry’s future can be countered.

**Focusing on marketing and branding**

The tourism strategies of OECD member economies address a wide range of proposals for support for the development of new and emerging market opportunities whether...
geographic (e.g. China or India) or perceived niche markets. Measures incorporated in the strategies range through marketing support, encouragement of networks, web-based marketing, to infrastructure, education and training initiatives such as language training and service quality advice, and the removal of obstacles to further growth. This includes the necessity to pay attention to domestic tourism, a very important component of tourism that is sometimes overlooked in favour of international markets.

Allied to the development of new national and international tourism markets are the issues of active marketing and destination branding. Most member economy tourism strategies include a substantial focus on destination marketing and the development of a national or regional brand. Indeed, for most countries, the largest single item of public budgetary support for tourism is the marketing budget given to national tourism offices or their equivalents for international marketing purposes. Thus tourism strategies at all levels of government typically focus heavily on marketing issues and have focused on, for example, niche markets specifically.

Tourism strategies typically discuss destination branding and the need to remain competitive against other destinations and industries – especially when discussing the development of a national brand (Box 2.10).

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**Box 2.10. Marketing and branding**

“On a more specific level, the plan is to implement a number of cross-cutting initiatives together with a targeted programme of action within five individual areas. The cross-cutting initiatives are especially intended to ensure a more effective and co-ordinated marketing, and they include a general initiative called ‘the Branding Denmark Initiative’ (Danmarks Initiativet) aimed at helping boost awareness of Denmark and improving coherence in marketing messages.” *Action Plan for the Global Marketing of Denmark*, Ministry for Economic and Business Affairs, p. 5.

“Branding: the Shannon Region in the western seaboard: The Shannon Region is a multi-purpose tourism location, in the centre of Ireland’s Atlantic seaboard, situated between major attractions such as Kerry and Connemara... The western seaboard has a distinct brand and identity, capable of appealing to international audiences. Collaboration by tourism interests along the western seaboard helps to create a critical mass, with strengthened access to major markets.” *Tourism Strategy for the Shannon Region 2008-2013*, Shannon Development, p. 6.

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**Promoting economic development**

The importance of tourism for economic development is widely acknowledged. Because the tourist comes to the supplier, the industry can play a key role in poverty alleviation, bringing jobs for unskilled or semi-skilled workers in hotels, resorts and the cultural sites, as well as encouraging job creation in supply industries. Policies are needed to ensure that the benefits are shared and spread to poor communities, and that measures are taken to minimise the adverse impact of tourism on the environment.

Opening up markets to trade in services and investment could substantially contribute to the development of tourism (see *Tourism in OECD Countries 2008*, Section 2B). Any market opening needs to be properly designed and implemented, however, taking account of the social and environmental impact and incorporating the current emphasis on green jobs and greener business practices, if sustainable tourism and growth are to be achieved.
Governments are seeking to address these issues by establishing a variety of policy responses. Information and data on the impact of reforms is limited, but there is initial evidence that reforms are bringing about significant gains for the tourism industry. More liberal air transport policies, in particular open skies agreements, are enhancing service capacity and bringing fares down, increasing access to destinations. Innovative policies are also helping to enhance physical infrastructure, which often lags behind tourism growth. In particular, partnerships between governments and developers are engaging the private sector in helping to finance infrastructure development and operate the resulting services.

**Valorising culture and local attributes**

The OECD publication *The Impact of Culture on Tourism* highlights the fact that culture and tourism have a mutually beneficial relationship which can strengthen the attractiveness and competitiveness of places, regions and countries. Tourism provides an important means of valorising culture and creating income which can support and strengthen cultural heritage. Creating a strong relationship between tourism and culture can therefore help places to become more attractive as well as increase their competitiveness as locations to live, to visit, to work and to invest in.

Governments can play a role of supporting cultural heritage and thereby strengthening a destination’s tourism appeal. Here a long-term view is particularly important because changing the image of a place or increasing its attractiveness is not something that happens overnight. In most cases, a period of 20 to 25 years is required to realise the full benefits of sustained interventions in the field of culture and tourism. Policies in this sphere that are beneficial for residents will also be attractive to visitors, and vice versa (Box 2.11).

Such initiatives are closely linked to local development. Tourism policy represents an instrument for local development. OECD countries have well-developed policies to support tourism at a territorial level. Such policies have been highly beneficial to the development of different types of tourism resources and destinations in coastal areas (e.g. Emilia-Romagna, Italy), mountain areas (e.g. Valais in Switzerland), urban regions (e.g. the Ile-de-France), or in regions with exceptional natural resources (e.g. Quebec in Canada and Arizona in the USA) as well in support of rural tourism and tourism in remote rural areas (e.g. Greenland) or in areas that have restructured their industrial economies (e.g. Nord Pas-de-Calais, France). Sub-national tourism policies and their integration into local plans can also be used to address economic and social inequalities between regions.

Many public organisations are involved in the planning, development, management and marketing of tourism at the local level but few have been specifically designed to work in this field. In addition, co-operation between the various stakeholders is not always satisfactory. Territories often concentrate on competitive development whereas they could develop complementary tourism products. An important challenge is therefore to set up the governance mechanisms to improve tourism’s competitiveness and quality at the local level and to ensure the coherence and consistency of policy development and implementation. This will ensure sustainable and balanced tourism development and reinforce the tourism industry’s performance and a destination’s competitiveness at all levels (Box 2.12).
Box 2.11. Programmes to support culture and tourism

Located in western Austria, the Vorarlberg Region lies on Lake Constance, with borders to Germany, Switzerland and Liechtenstein. Tourism and leisure are extremely important for the region’s economy, accounting for 15% of GDP. The region’s cultural tourism strategy aims to position Vorarlberg in international markets and develop a regional brand. Culture plays an important part in differentiating the regional product and in underpinning the regional brand. Targets for 2010 include: i) to make Vorarlberg the most attractive cultural tourism destination in the region; ii) to ensure that Vorarlberg has the most dynamic and renowned cultural scene in the region; and iii) to develop co-operation between the cultural and tourism sectors.

The Japanese Cultural Tourism Programme states that: “to encourage more tourists to come to Japan on both first-time and repeat visits, it is important to provide interesting, easy-to-follow information and experiences to stimulate deep interest in Japanese history and traditional culture.” In order to achieve this, it is important to link culture and tourism: “Until now, there have been virtually no systems in place to enable tourists to deeply experience the history and culture of a given location.” The Japanese Cultural Tourism Commission has therefore held workshops with a view to “facilitating a deeper understanding on the part of Japanese people of their own history and culture, and at the same time to identify and utilise cultural tourist resources from the perspective of foreign tourists, and to provide a cultural tourism experience for large numbers of tourists that answers to their interests”.

The State of Michoacán in Mexico is using its rich cultural and natural heritage, including archaeological sites, Hispanic architecture, cathedrals and villages, as well as local celebrations, festivals and customs to diversify the cultural offer for tourists. The development of tourism in the region has been undertaken as a joint effort between the government and civil society. For example the “Adopt a Work of Art” Programme is run by a local association which has restored numerous sites and monuments. In the three “pueblos mágicos” (Pátzcuaro, Tlalpujahua and Cuitzeo) there have been large investments in renovating the urban fabric and creating new marketplaces. The private sector has also invested in finding new uses for historic buildings as hotels, restaurants and shops.

Box 2.12. Programmes to support local and regional economic development in tourism

In the United Kingdom, national policy is set by the Department for Culture, Media and Sport which funds the National Tourism Organisation – VisitBritain. But the majority of funding for tourism spending is routed in England through its 9 Regional Development Agencies (RDAs) from funds combined from five government departments. This then leads to each RDA setting its own local and regional objectives for tourism with varying emphases and directions. This is in addition to the estimated GBP 120 million which local authorities spend on tourism, from another central government department and local rates, and subject to local policies prevailing in the area. This highlights an increased need for co-ordination as centralised policy making and implementation by NTOs and other bodies which have been decentralised, with a focus on local economic development.

In 2006 the national tourism organisation of Denmark, VisitDenmark, initiated the All-Year Tourism Project with the aim of developing strong tourism destinations and attracting more off-season tourists. The project aimed at supporting innovation, co-operation and growth in Danish tourism, nationally and regionally, through working with product development (accommodation facilities, attractions, general tourism offers and experiences and tourism service infrastructure) and branding. Seven destinations throughout the country have been chosen as “all-year destinations”. In January 2009 the seven destinations completed their implementation plans for 2009-15. The project will continue throughout 2009-10 with a focus on strategic organisational development, target group oriented product, development and strategic marketing.
Increasing safety and security

The safety and security of travellers is critical for the growth of global tourism (as for the global economy in general). In recent years, many international events have shown that tourism can be a target of terrorism and geopolitical uncertainties worldwide. Security has become a key issue for traveller choice. Ensuring that visitors are able to travel and engage in tourism safely and securely is now recognised as a critical determinant of a destination’s competitiveness. To address this issue, governments are developing new policies, for example in the realm of travel documents and entry/exit procedures to help ensure the safety and security of travellers and of host countries (Box 2.13).

Policies on safety and security have become integral to the development of tourism. There is a need for a closer dialogue at international level to harmonise the different approaches and share new practices in this area, for example when measuring the economic impact of safety and security measures on travel and tourism. The key challenge for policy makers is to balance safety and security measures with the freedom to travel.

Box 2.13. Issues related to safety, security, travel and tourism

As tourism depends upon the free flow of people across borders to operate in a relatively unconstrained manner, the measures now in place within many destinations that have experienced terrorist attacks or feel that they may be targets have led to difficult policy decisions on how to handle incoming visitors. A variety of policy positions exist from highly controlled entry and exit policies such as in the United States to more liberal policies where minimal visa restrictions exist such as intra-regional travel across the European Union for EU citizens. Aside from visa issues, the heightened security measures now in force at many airports have been strengthened, adding additional time and cost to travel.

New technology, such as the development of smart passports with chip technology, is easing entry and exit procedures at borders. Following the USA’s 2006 policy for countries taking part in its Visa Waiver Programme to present machine readable passports with a chip, this technology has been examined more closely to address new security concerns. Germany has already implemented contactless passports since 2005.

Where potential crises may occur, there is a growing trend towards contingency planning and establishing emergency response systems among tourism organisations to ensure the visitor population is reassured, adequately informed and advised on how the crisis or event is being handled. One notable policy activity here is VisitBritain’s Tourism Industry Emergency Response Group (TIER) which was developed after the experiences of Foot and Mouth in the UK and was used to good effect in the London bombings of 2005 to assist in the recovery strategy. These groups also have a key strategic role to play in being prepared for other eventualities such as a flu pandemic which saw this TIER structure replicated in Scotland and used during an outbreak of avian influenza in 2006 as well as briefing the media to create the right image for the destination and message for visitors.

Behind these strategic groups is a commitment to scenario planning, a feature now used in many countries to integrate the thinking of tourism and non-tourism policy makers in an attempt to understand how best to respond to crises and emergencies which may directly be caused by tourism or affect tourists. This is a major step change in policy making, in that action plans and contingency plans are routinely exercised to ensure they are fit for purpose. Many governments have invested resources in building capabilities in this area.
Improving measurement and evaluation

Efficient national tourism organisations and sound market-oriented policies at national, regional and local levels make a significant contribution to the provision and quality of services supplied to tourists. Effective tourism policies fill gaps in the market, for example in the field of promotion, networking of enterprises, innovation, information and analysis, or education and training. They also help to strengthen cohesion between tourism policies and others (e.g. transport or environment) and to increase the competitiveness of the sector.

Evaluation is critical to understand whether policies and programmes are appropriate and efficient in achieving their intended objectives. Evaluation involves quantitative and qualitative data. Quantitative tools tend to be used most frequently (often simple arrivals or expenditure based measures), but the impact of tourism on communities and individuals cannot always be reduced to quantitative measures, hence the need also to use qualitative tools to understand how policy interventions may have shaped tourism outcomes.

The measurement and evaluation of policy outcomes in tourism is still in its infancy because measurement tools and performance measures are still under development. While much attention has been focused on the Tourism Satellite Account (TSA), the TSA remains essentially a static accounting method measuring the contribution of tourism to an economy. The TSA is not suitable for measuring the impact that changes in tourism demand will have on key parameters (e.g. gross value added, employment) and hence for dealing with many of the policy issues that governments face in regard to tourism, even at the level of economic impacts alone.

Other methodological developments in tourism research such as Computable General Equilibrium (CGE) models, for example Scotland’s Moffat Model or the Sustainable Tourism Cooperative Research Centre’s Tourism CGE Model in Australia, seek to understand the impact of such changes and how they will affect both tourism itself and the wider economy of the destination. Such models are now widely used in a number of OECD countries although their application in a tourism policy context, in place of more limited tools such as input-output analysis, is in its very early stages of development.

Widely-used techniques for tourism policy analysis include: cost-benefit analysis, input-output based measures and goal assessment as well as public participation and feedback on policies, illustrated by the public consultation process often associated with new policies and strategies.

At global level, the World Economic Forum (WEF) report on travel and tourism competitiveness provides initial research on countries’ performance, strengths and weaknesses. This report covers 130 countries and aims to measure the factors and policies that make it attractive to develop the travel and tourism sector in different countries. This approach focuses on:

a) the regulatory framework governing tourism (policy rules and regulations, environmental sustainability, safety and security, health and hygiene, etc.);

b) the business environment and infrastructure (air transport infrastructure, ground transport infrastructure, tourism infrastructure, ICT infrastructure, and price competitiveness, etc.);

and

c) human, cultural and natural resources.
The WEF study raises awareness of competitiveness in tourism and provides a new agenda to illustrate the potential contribution that competitiveness studies may make to tourism policy making.

Clearly, a new research agenda is needed to establish greater clarity and a wider range of tools to understand the notion of competitiveness and how it can be applied more effectively to tourism destinations. The analytical capacity of tourism measurement needs to be enhanced (see Chapter 3) to move beyond simple statistical measures of visitors and their impacts. Examples of programmes to support measurement and evaluation in tourism are discussed in Box 2.14.

Box 2.14. Programmes to support measurement and evaluation in tourism

At the local level, the Australian Tourism Impact Model is one example of a model to help local government understand the impact of tourism on their locality, using cost-benefit analysis. Tourism Research Australia has also developed a tool called the Total Economic Inbound Economic Value of Tourism which is used to estimate effects of changes in tourism demand using TSA based data and relationships.

Researchers at Nottingham University in the United Kingdom and the Sustainable Tourism Cooperative Research Centre (STCRC) in Australia are working with specially constructed tourism Computable General Equilibrium (CGE) Models which can be used to estimate impacts of changes in tourism demand on the tourism sector and across the economy. These are much more powerful analytical tools which incorporate inter-industry feedback effects and resource constraints in the economy as well as exchange rate and public sector funding responses. As their use becomes more widespread they are likely to add considerably to understanding of the impacts of tourism on the economy and the effects of policy changes.

The New Zealand Tourism Strategy to 2015 explicitly states a series of simple measurable targets which can be evaluated at the end of the period. The New Zealand Ministry of Tourism also launched a Tourism Planning Toolkit which allows local authorities and businesses to evaluate performance measures in tourism as a means of developing appropriate policies for local areas.

Austria has a range of well developed measurement tools for contributing to policy analysis in tourism, notably: a TSA, a Tourism Monitor (T-MONA) to gather travel behaviour and demographic data through a web-based management information system, and a Destination Management Monitor Austria (DMMA) which reviews the international competitiveness of Austria’s destinations and holiday regions. It also undertakes benchmarking exercises of the hotel sector using qualitative and quantitative measures.
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ANNEX 2.A1

Riva Del Garda Action Statement for Enhancing Competitiveness and Sustainability in Tourism

Background

At the invitation of the Italian government, the High Level Meeting of the OECD Tourism Committee took place in Riva del Garda on 9-10 October 2008. The meeting brought together high-level government officials from 27 OECD countries and 12 non-members, as well as private sector representatives and international organisations.

The Tourism Committee assists OECD and non-OECD governments to maximise the economic, social and environmental benefits of tourism through medium- and long-term strategic development, soundly-developed tourism policy and greater coherence between tourism and other policies. Since its creation in 1948, the Tourism Committee has been instrumental in identifying and reducing obstacles to travel and tourism in the OECD area, in developing the Tourism Satellite Account and in promoting a culture of evaluation of tourism policies, programmes and instruments.

Tourism represents a very significant share of the services economy. In the OECD area, it accounts for 30% of service exports and up to 11% of GDP and 12% of employment at country level. OECD countries represent about 60% of the global tourism market; however, emerging and developing countries are quickly catching up, registering higher tourism growth rates in recent years. The continuing growth of tourism at global level masks important fluctuations at national, regional and local levels. Tourism, through its horizontal and cross-sectoral characters, has the potential to contribute to the economic and social development of a wide range of territories in developed as well as in developing countries.

Globalisation is strengthening competition and driving structural changes in the tourism industry. The internationalisation of demand (new consumers/tourists), increased competition between firms, places and destinations, rapid developments in information and communication technologies, and improved transport facilities are some important elements which affect the role of governments in tourism policy making.

Further challenges to OECD tourism industries exist in the form of highly volatile energy prices, climate change impacts and the financial crisis with its credit crunch which affects households’ budgets.

Against this background, OECD countries must innovate and rejuvenate their tourism supply to attract the new emerging demand and to maintain the competitiveness of their tourism services.
Tourism policy should assist firms and destinations in the development of sustainable tourism, notably by providing a business-friendly environment, attractive public goods and market-oriented programmes. Successful participation of firms and destinations in the global tourism market requires policy programmes and instruments which address a wide range of challenges, such as overcoming the disadvantages of the small size of tourism enterprises by co-operation and participation in global value chains, upgrading the standards and quality of tourism services, improving the attractiveness of the tourism labour market, reducing unnecessary obstacles to tourism development, developing coherent policy measures in support of sustainable tourism, notably for the use of natural and cultural resources, and strengthening institutional governance mechanisms that will allow tourism-related policies to maximise the economic and social potential of tourism.

The High Level OECD Tourism Committee found that governments and international institutions can play a greater role in assisting destinations and the tourism industry in improving their competitiveness in the world tourism market and therefore recommends this ACTION STATEMENT.
Recommendations

Governments and other stakeholders can assist destinations and the tourism industry in improving their competitiveness in the world tourism market through policies, practices and targeted programmes including:

1. Policies and an institutional framework that contribute to a business environment conducive to growth

These policies should include stable macroeconomic and well-designed structural policies in areas that impinge on sustainable tourism. These include but are not limited to employment and education, small- and medium-sized enterprises (SMEs) and entrepreneurship, sustainable development, transport and infrastructure, local development, culture and creative industries, trade and investment and safety and security. To take full advantage of the potential of tourism development, a strong public sector management and a multi-actor system of governance should support tourism, notably by:

- establishing a comprehensive policy framework;
- promoting a coherent policy framework through a “whole of government” approach;
- encouraging a culture of co-operation among tourism actors; and
- implementing evaluation and performance assessment of government policies and programmes affecting tourism development.

2. Targeted programmes

Participants considered that in designing targeted programmes, governments in OECD member and non-member economies should consider market failure arguments and subsidiarity when formally evaluating government programmes. Appropriate programmes may include:

Stimulating innovation mechanisms, productivity-based growth and quality by:

- promoting the sharing of innovative practices in terms of organisation, entrepreneurship or process (e.g. new distribution channels) development for a better use of existing capacities, higher labour productivity and a rejuvenation of the tourism supply (e.g. new products);
- encouraging SMEs to align their offer with the consumer’s expectation by promoting high quality standards in comfort and services through tourism accreditations; and
- facilitating co-operation, the creation of networks and building of clusters in the field of tourism to achieve economies of scale and scope.

Improving and promoting the attractiveness of employment in tourism, by:

- influencing improvements in the tourism labour market to create attractive working places;
- increasing the entrepreneurial/management capacity of tourism SMEs through appropriate support and training programmes;
- promoting training and skills development through education and vocational training, on-the-job training and transfer of knowledge from research institutions to practitioners; and
- encouraging partnerships among enterprises to offer better career perspectives.
Enhancing and promoting the uniqueness of the destination, by:

- developing long-term programmes that promote the authenticity of tourism experiences, through the preservation and enhancement of natural and cultural resources and local cultures;
- supporting destinations in the rejuvenation of the tourism offers through appropriate financial, regulatory, technical measures and by a positive business environment to attract investment in tourism; and
- positioning the destination in international markets through new techniques of branding and well-targeted promotional efforts to create attention and attract visitors.

Making tourism development more energy efficient and sustainable, through:

- stimulating investments in energy efficient travel and tourism facilities and services in order to minimise costs and increase profitability of tourism-related enterprises and industries;
- reducing waste and pollution by better management of tourism-related resources such as climate, water, landscapes and biodiversity; and
- mitigating the impacts of greenhouse gases by using technological progress and market driven mechanism in the field of tourism related infrastructure, facilities, operations and processes.

Reducing obstacles to the development of tourism, by:

- pursuing the reforms of air transport services as a way to improve efficiency and reducing costs, while maintaining quality of services and extending regional and international connections;
- supporting, especially in less developed regions, investments in infrastructure (airports, harbours, electricity and water and sewage) and related services (communication, technology) to meet the needs of increasing tourist arrivals; and
- suppressing unnecessary regulatory and administrative impediments to travel and tourism mobility and simplifying and harmonising them.

Building up tourism knowledge, by:

- developing and promoting a system of information and statistical tools (e.g. TSA) which cover the wide range of economic, social and environmental tourism-related questions, meet the demand of tourism stakeholders and support business and policy decision making; and
- raising government and other stakeholder awareness of the nature of tourism’s contribution to economies and society and by ensuring an effective dissemination of research and information to governments and industry stakeholders, e.g. through ICT networks and regular publications.
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