

EUROPEAN TOURISM: 1980 - 1990

A REVIEW OF THE ITA STUDY

"EUROPEAN TOURISM: FUTURE PROSPECTS 1980 -1990"

A REPORT BY

AVIATION AND TOURISM INTERNATIONAL

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by Aviation and Tourism International

1. INTRODUCTION

In 1980 the Institut du Transport Aerien - ITA - completed a report "European Tourism: Future Prospects 1980 - 1990" on behalf of the European Travel Commission. The chronology of events leading to the publication of this comprehensive study is set out in Appendix 1.

Early in 1983 it was concluded at a meeting of the European Tourism Action Group (1) that, since the study would shortly be three years old, a review was necessary as to its contents and particularly its findings. As a result the European Travel Commission decided to appoint Aviation and Tourism International to undertake a review which would "monitor and up-date" the 1980 ITA study.

The terms of reference for this monitoring study were agreed as follows:

- "1. To examine the assumptions on which the forecasts and recommendations were based, e.g. exchange rates, energy crisis, population, etc, and where there have been major changes or where the outlook has changed radically. Advice on altered trends and their implications would be welcome.
2. To review forecasts, comment on them and suggest revisions where necessary.
3. To review recommendations and action which followed on the forecasts; confirm or amend as may be appropriate."

On 17 May 1983 Aviation and Tourism International sent out a questionnaire to all members of the three groups closely involved with the ITA study:

- * the national tourist organisations belonging to the European Travel Commission;
- * the sponsors who collectively financed the ITA study; and
- * the members of ETAG.

(1) European Tourism Action Group - ETAG - was set up on the initiative of the European Travel Commission in 1981 and includes representatives from ten sectoral organisations concerned with European tourism and transport.

In total the questionnaire went to 45 people and organisations and 22 detailed responses were returned by the organisations listed in Appendix 2. These answers, plus other analyses undertaken by ATI, were reviewed at a meeting of tourism experts held in London on 13 July 1983. A summarised record of this meeting is attached as Appendix 3 together with a list of those attending.

The report which follows draws upon the replies given to our questionnaire and also upon the views which were expressed at the meeting of experts on 13 July. Nevertheless the conclusions and recommendations of this report are those arrived at by the ATI study team consisting of Stephen Wheatcroft, John Seekings and Jeremy Bonnett.

2. THE ITA STUDY

The publication of the ITA study "European Tourism: Future Prospects 1980 - 1990" was a landmark in the chronicles of European tourism because it brought together in a single report an immense amount of information about the industry and provided a compendium of views about future developments.

In the course of reviewing the ITA study we have been greatly impressed by the respect and praise which people throughout the industry have expressed for it. We hope that any criticisms which we make in this report - expressly or by implication - will be understood to be about matters which have changed since 1979 and on which, if they had had the benefit of hindsight, ITA would almost certainly have reached different conclusions.

The ATI questionnaire began by asking two basic questions about progress since 1978 in tourism information and liaison in Europe. These two questions and the replies to them were as follows:

"The Zurich Conference (Jan '78) resolved to accept the two main recommendations of the ITA Pilot Survey (to improve the supply of information and to improve the system of liaison). How do you now assess progress in these two directions over the past five years?"

	Good	Fair	Poor
Improved information	5	10 X	5
Improved liaison	9	6 X	4

"The subsequent In-Depth Study was set six specific objectives. How do you now assess the extent to which these objectives have been achieved?"

	Good	Fair	Poor
"Providing Governments and Tourism authorities with an overall assessment of the situation in the area."	8	10 X	2
"Relating the planning and expectations of not only public authorities, but also of the different segments of the tourist scene."	7	4	8 X
"Affording the possibility of harmonisation in tourist policies and activities."	1	9 X	7

	Good	Fair	Poor
"Providing guidelines for investment."	3	7	9 x
"Disseminating information available for the first time covering the geographical area and the many sections of tourism."	9	4	5 x
"Opening up the possibility of a technical liaison between the different elements of tourism to their common and individual benefit."	11	6 x	2

Three important points emerge from these replies and lead us to the following conclusions:

1. It is widely agreed that better information is now available on a pan-European basis covering the different sectors of the tourist industry.
2. There is general satisfaction that the establishment of the European Tourism Advisory Group has provided improved means of liaison between the different elements of tourism in Europe.
3. Nevertheless, despite these improvements, much still remains to be done in improving information and liaison, particularly in the areas of practical implementation of co-ordinated plans.

3. THE ITA TRAFFIC FORECASTS

Although the ITA study developed alternative scenarios for both 1985 and 1990, the report only presents numerical traffic forecasts for 1990. These forecasts are given in "low", "middle", and "high" terms for:

World Tourist Arrivals
Europe Arrivals (including Eastern Europe)
Western Europe Arrivals (ETC Countries)

and Arrivals in Europe from:

Canada
United State
Japan

For ease of reference we have reproduced at Appendix 4 a part of the admirable summary of the ITA report which Professor Martin O'Donoghue presented to the Luxembourg Conference in 1980. This gives the ITA forecast of traffic growth to 1990 under each of the foregoing headings.

With hindsight it is now clear that ITA underestimated both the severity of the world economic recession and its impact on the growth of tourist traffic. They were not alone in this. Figure 1 plots (and Table 1 tabulates) the actual growth of tourist arrivals for the World and Europe from 1978 - 1982. On the same chart Figure 1 plots the ITA forecasts of growth to 1990, showing separate lines for their low, middle and high estimates.*

It must be stressed that the arrivals figures for 1982 are still only estimates and even those for 1981 may be subject to revisions. Nevertheless, the World Tourist Organisation, the source of these figures, generally produces estimates which give broadly accurate indications of trends.

Assuming that the 1981 and 1982 figures are broadly correct, the key question for judging the ITA forecasts is whether the rate of traffic growth will be sufficient, during the rest of the decade, to catch up with ground which has been lost up to 1982. Another possibility is that the rate of traffic growth during the rest of the decade will be less than that forecast by ITA even for this "low" level of growth.

Other aspects of the ITA forecasts which raise questions are their views on the high growth rate of traffic to and within Eastern Europe and the forecast growth rates of traffic to Europe from the USA, Canada and Japan. It must be noted that in all of these areas the actual results for the period from 1979 to 1982 fell substantially short of the levels needed to sustain the ITA long-term forecasts. In the case of traffic to East Europe there has been a significant fall in traffic - rather than a higher than average increase - and this is the reason why traffic for "Europe" in Figure 1 shows a more pronounced stagnation than that for "ETC Europe".

It is premature to speculate, at this stage of our report, on whether the results of the past three years are short-term aberrations in the long-term trends. This must wait until we have examined more fully the reasons for recent short-falls and have established our own up-dated assumptions for future growth.

*It will be noted that in the case of arrivals in ETC Europe we have not been able to reconcile our own figures with those presented by ITA as their 1978 base year. We have plotted their forecasts from their own base year figure.

Figure 1

INTERNATIONAL TRAVEL TRENDS

ITA FORECASTS

% p.a.

ARRIVALS

(millions)

High 7.5

Mid 6.4

Low 5.0

High 7.6

Mid 7.0

Low 5.6

High 6.1

Mid 5.1

Low 4.3

WORLD

EUROPE*

ETC EUROPE

* Including Eastern Europe

77 78 79 80 81 82 83 84 85 86 87 88 89 90

INTERNATIONAL TRAVEL TRENDS

	ARRIVALS (Millions)		
	World	Europe*	ETC Europe
1977	239.1	170.6	137.2
1978	257.4	183.5	145.6
1979	269.9	191.6	152.1
1980	280.1	196.5	156.4
1981	283.6	197.3	159.3
1982	279.9	196.8	161.2

* Including Eastern Europe

Source: WTO

4. THE IMPACT OF ECONOMIC RECESSION ON TOURISM

There can be little doubt that the rate of economic growth is one of the major determinants of the demand for travel. But the precise nature of this relationship, and the quantification of the income elasticity coefficient, are complex subjects which, in our view, still remain unresolved.

The view of income elasticity adopted by ITA in their report clearly had a considerable influence on their forecasts of traffic growth. Their report was emphatic in its view that the demand for tourism is largely "recession proof" with a low income elasticity in a downturn of economic activity. In our questionnaire we quoted the following paragraph from page 110 of the ITA report:

"To sum up on the impact of the economic environment on tourist demand in 1985, it is worth noting that, if the forecasts of economic activity were invalidated by general recession, the volume of tourism demand would only be slightly affected owing to its low downturn elasticity. This is explained by the absolute integration of tourism activities in the way of life today. The only possible consequences might be with regard to destination, length of stay and the types of accommodation and transport used."

We then asked the following question and received the replies shown:

	Confirms	Not Proven	Contradicts
Do you think that the experience of the past three years confirms or contradicts the view that the tourism demand is "recession proof"?	7	4	7 x

The large divergence of views indicated by these replies is substantially reduced when consideration is given to the comments which many respondents attached at our request to their answers. Many of those who said that the experience of the past three years confirms the view that tourism demand is "recession proof" actually added comments like:

"tourism demand has held up surprisingly well during the recession"

or "the demand for tourism has been less affected by recession than that for consumer durables or cars"

A number of respondents said that the "redundancy money" and "increased earnings in the black economy" had been important in maintaining the level of demand for tourism during the recession. This subject, and also the extent to which people had "traded down" during the recession, produced a lively debate at the meeting of experts on 13 July but, here again, there was a substantial divergence of views.

In our view the long term relationship between the demand for tourism and economic growth is indisputable. Figure 2 plots World Tourist Arrivals and the GDP of the countries of the OECD for the period from 1970 to 1982. (The OECD countries generate almost 80 per cent of all international travel.) Correlated growth during the seventies and correlated stagnation since 1980 are the obvious trends which emerge from this presentation. It must be noted, however, that the demand for tourism was little influenced by the short-lived 1974/75 (OPEC 1) recession. And it must also be noted that the demand for tourism continued to grow during the early part of the recent protracted recession, particularly in 1980 when GDP was already showing a marked slow down.

A number of respondents to our questionnaire questioned the usefulness of any global figures or forecasts for tourism demand. They make the valid point that their practical concern is with forecasts for their own countries or sectors and that world-wide, or even Europe-wide, figures are of little interest.

We believe that global forecasts do have value in setting the framework for specific country or sector estimates: they enable each country or sector to question why its own forecasts are above or below the probable aggregate level of demand. But, of course, global estimates must be based upon the developments in the major generating markets. It is for this reason (together with the availability of data) that we have chosen to make a detailed examination of travel trends over the past five years in four important European generating markets: France, Germany, Netherlands and the United Kingdom.

In each of these countries survey data is available for each of the past five in a consistent form which makes it possible to establish the trends of developments. Definitions of holidays vary from one country to another but this is not too important when the objective is to examine trends in a particular country. (1)

Table 2 gives details of the travel trends in France and is based on the annual surveys carried out by INSEE. Of the four countries surveyed, French holiday-making appears - up to 1982 - to have been least affected by economic recession. The percentage of population taking a holiday and the total number of holidays have both continued to increase, despite poor economic performance and high levels of unemployment. International holiday trips are, however, a relatively small part of French holiday-making and have remained a fairly constant percentage of total holidays over the past five years. About one third of the international vacation trips is estimated by INSEE to be VFR visits of foreign residents in France returning to Algeria, Spain and Portugal. The true French international holiday market is, therefore, less than 6 million trips. The data in Table 2 all relates, of course, to the period before the imposition of financial restrictions on foreign travel in 1983. No information is yet available about the consequences of these restrictions. They are, however, a worrying indication of the protectionist policies which can be adopted by Governments in times of financial crisis.

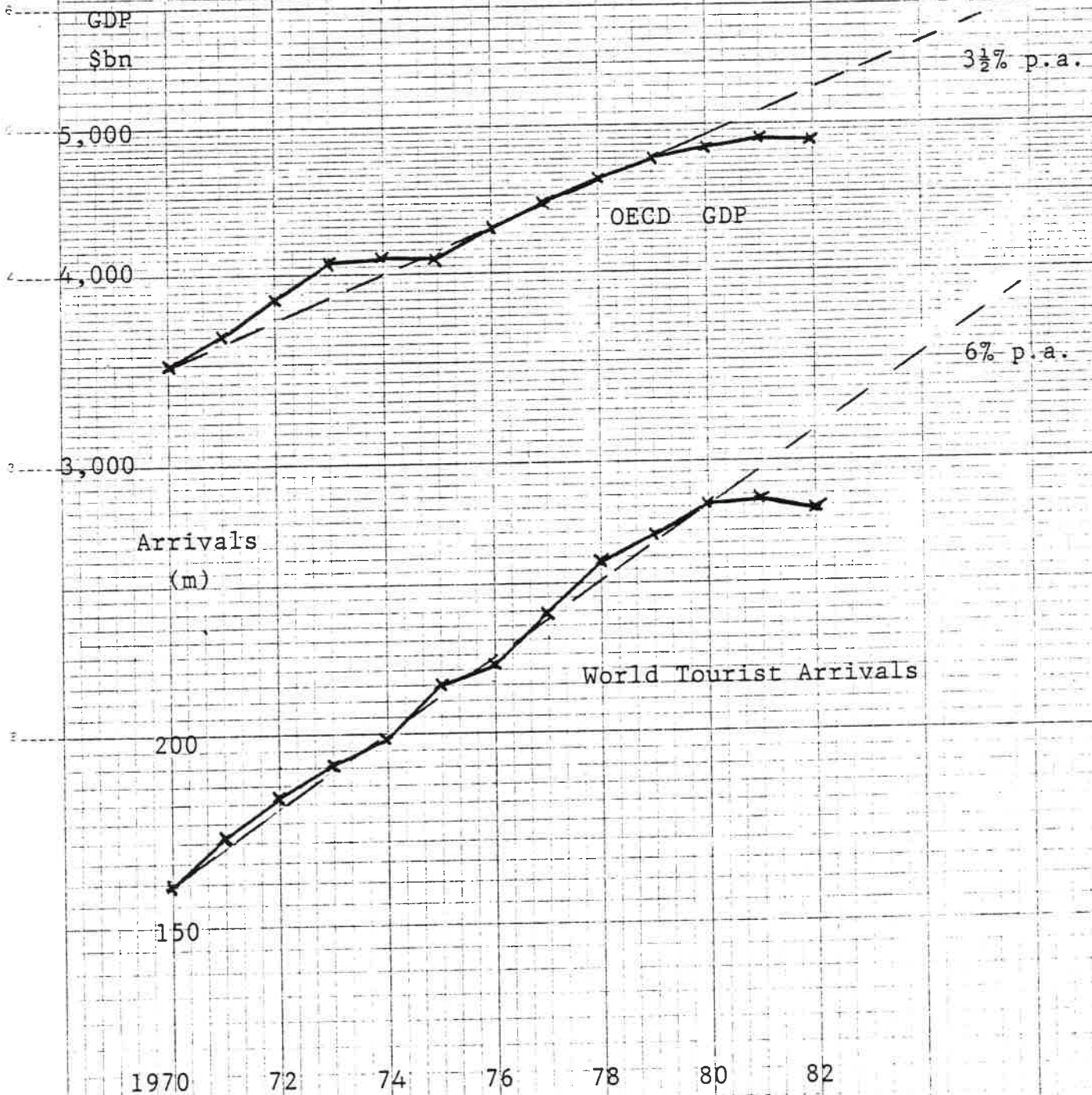
(1) A comprehensive review of holiday habits in 12 European countries is available in a report by Professor S Medlik entitled "Holiday Surveys Examined" recently published by Horwath and Horwath (UK) Ltd. Professor Medlik's report describes the methodology of the holiday surveys undertaken in each country and summarises the key information derived from them for 1981 or the most recent year.

Figure 2

TOURISM AND ECONOMIC GROWTH

World Tourist Arrivals v GDP of OECD Countries

1970 - 1982



TRAVEL TRENDS - 1978 TO 1982

COUNTRY ...FRANCE.....

		1978	1979	1980	1981	1982
HOLIDAY TRAVEL						
Percent population taking holiday	(%)	54.3	56.0	56.2	57.2	57.8
Total vacation trips	(M)	48.8	51.5	52.8	54.0	55.4
Domestic vacation trips	(M)	40.6	43.8	44.9	45.7	46.9
International vacation trips	(M)	8.2	7.7	7.9	8.3	8.5*
	(%)	16.8	15.0	15.0	15.2	15.3
Transport mode for international vacations						
Air	(%)	29.5	31.1	30.4	28.2	30.7
Rail	(%)	12.8	13.4	13.5	12.9	12.2
Car	(%)	49.2	45.7	46.3	48.7	46.7
Coach	(%)	3.7	6.1	5.4	6.4	6.4
Other	(%)	4.8	3.7	4.4	4.4	4.0
AVERAGE DAYS OF HOLIDAY		30.7	29.7	29.4	29.4	29.4
ECONOMIC INDICATORS						
Real GDP change	(%)	---+3.4---		+1.1	+0.2	+1.5
Unemployment	(M)		1.35	1.45	1.77	2.01

Source: Les Vacances des Francais. Institut National de la Statistique et des Etudes Economiques. (INSEE)

Coverage: Stays of 4 Days or more away from normal residence for all reasons other than business and vocational. Covers total population of Metropolitan France.

Travel trends in Germany over the past five years are described in Table 3 and these suggest that the holiday market has been significantly affected by economic recession: there has been little growth over the period and this has applied equally to domestic and foreign holidays. TUI has estimated that organised travel in 1983 will be 3 to 4 per cent lower than in 1982.

In the Netherlands, as recorded in Table 4, recession has been associated with a stagnation of the total holiday market but, in addition, there appears to have been a significant down trading in the form of a swing from international to domestic holidays.

In some ways the experience of the United Kingdom market, recorded in Table 5, is the most interesting of the four countries. The total holiday market has certainly been adversely affected by economic recession, but the whole weight of the recession has been taken by the domestic market. International holiday trips have actually increased by 40 per cent since 1979 and there has been a remarkably large rise - from 21.1 per cent to 30.6 per cent - in foreign holidays as a proportion of total holidays. The explanation of this dramatic change in the market is the relative prices of domestic and foreign holidays. Favourable exchange rates for countries like Spain have kept down the prices of inclusive tour holidays and have made domestic holidays look expensive.

The first conclusion we have drawn from these various sources of evidence is that the demand for tourism is not much influenced by the level of economic activity when people think that the downturn is likely to be temporary. This explains why tourist traffic held up in 1974/75 and why recession did not have much initial effect in 1980. From surveys of priorities accorded to the discarding of consumer expenditures in hard times it is clear that holidays are highly valued. Thus, tourism and leisure activities may be maintained by the use of savings and by forgoing expenditures on other items with a lower priority. The ITA proposition that there is a low downturn income elasticity of demand for tourism may, therefore, be valid at the beginning of a recession but it becomes less tenable when a recession continues for two or three years. It seems to us to be a plausible hypothesis that it is the length of the 1980-83 recession, and the uncertainties about when a recovery will start, which have produced a greater impact on tourism demand than previous recessions. We think that the German and the UK evidence fully supports this proposition.

Unfortunately we do not have enough information to offer an opinion on the effects of redundancy money, black economy incomes or trading down on the recent pattern of tourism demand. We think that these factors may be found to vary greatly from country to country. We are quite sure, however, that further research into these questions would contribute to a better understanding of this critical feature of the tourism market.

TRAVEL TRENDS - 1978 TO 1982

COUNTRYGERMANY.....

	1978	1979	1980	1981	1982
HOLIDAY TRAVEL					
Percent population taking holiday (%)	56	57	58	56	55
Total vacation trips Main* (M)	25.8	26.5	27.1	26.6	26.3
All** (M)	30.6	32.1	32.8	31.6	32.1
Domestic vacation trips (M)	10.1	9.6	10.2	9.6	10.2
DDR (M)	0.4	0.5	0.5	0.6	0.2
International vacation trips (M)	15.3	16.3	16.3	16.3	16.0
Transport mode for international vacations (Main holidays)					
Air (%)	14	17	16	16	16
Rail (%)	17	15	16	16	14
Car (%)	60	59	59	56	59
Coach (%)	7	8	8	10	9
Other (%)	2	2	2	2	2
TRIPS PER PERSON **	1.2	1.2	1.2	1.2	1.2
ECONOMIC INDICATORS					
Real GDP change (%)		+4.1	+1.9	+0.2	-1.2
Unemployment (M)		3.8	3.8	5.5	7.5

* Main holiday trips of 5 days or more persons over 14.

** All holiday trips of 5 days or more persons over 14.

Source: Reiseanalyse. Studienkreis für Tourismus, Starnberg.

Coverage: Stays of 5 days or more away from home for all reasons other than business and vocational. Covers all German citizens over 14 years. Concentrates analysis on main holiday trips of 5 days or more.

TRAVEL TRENDS - 1978 TO 1982

COUNTRYNETHERLANDS.....

	1978	1979	1980	1981	1982
HOLIDAY TRAVEL					
Percent population taking holiday (%)	58	61	61	63	60
Total vacation trips (M)	10.3	10.8	11.4	11.7	11.7
Domestic vacation trips (M)	4.1	4.3	4.7	4.8	5.3
International vacation trips (M)	6.2	6.6	6.8	6.9	6.4
Transport mode for international vacations (%)	60	61	60	59	55
Air (%)	15	18	13	12	13
Rail (%)	6	5	7	6	6
Car (%)	68	66	67	70	68
Coach (%)	7	8	9	10	9
Other (%)	3	3	3	2	4
TRIPS PER PERSON	1.32	1.31	1.37	1.36	1.41
ECONOMIC INDICATORS					
Real GDP change (%)		2.2	0.9	-1.2	-1.2
Unemployment (M)		5.1	5.9	9.0	12.4

Source: Vacantie Onderzoek. Netherlands Central Statistical Office.

Coverage: Stays of 5 days or more away from home for recreational purposes excluding visits to friends and relatives. Covers all resident Dutch nationals. Because visits to friends and relatives are excluded this series is not directly comparable with the French, German and British studies. Nevertheless the trends are comparable.

TRAVEL TRENDS - 1978 TO 1982

COUNTRY . UNITED KINGDOM.....

		1978	1979	1980	1981	1982
HOLIDAY TRAVEL (BNTS)*						
Percent population taking holiday	(%)	61	63	62	61	59
Total vacation trips	(M)	48.0	48.8	48.5	49.8	46.8
Domestic vacation trips	(M)	39.0	38.5	36.5	36.5	32.5
International vacation trips	(M)	9.0	10.3	12.0	13.3	14.3
Transport mode for international vacations	(%)	18.8	21.1	24.7	26.7	30.6
Air	(%)	69	71	68	68	66
Boat	(%)	27	24	28	28	30
Hovercraft	(%)	3	3	4	3	3
TOTAL VISITS ABROAD (IPS)**						
Holiday	(%)	63	64	67	69	70
Business	(%)	17	16	15	14	13
VFR	(%)	15	14	13	12	12
Other	(%)	6	6	5	5	5
ECONOMIC INDICATORS						
Real GDP change	(%)	+2.6	+2.6	-2.4	-2.4	+0.8
Unemployment	(%)		5.1	6.5	10.2	12.0

Sources: *BNTS- British National Travel Survey. British Tourist Authority. Covers stays of 5 days or more away from home which respondents in resident population over 16 consider a holiday.

**IPS - International Passenger Survey. Department of Trade. Covers all UK residents returning from visits abroad for all purposes.

5. UP-DATED FORECASTING ASSUMPTIONS.

The broad political and social assumptions made in the ITA study about developments in the European environment in the rest of this decade do not seem to require significant change. Our questionnaire asked the following questions and received the answers shown:

"The main forecasts of the Study were based on a number of assumptions. With hindsight, how would you now assess these assumptions?"

	Unduly Optimistic	Reasonable	Unduly Pessimistic
Economic and policy environment:			
No world conflict	0	20 ✓	0
Continued construction of Europe	6	13 ✓	1
Liberalism will become more pronounced	12 ✓	7	1
The energy "crisis" will not be solved	1	10	9 ✓
Unemployment situation will remain similar to that observed since the crisis	10	8 ✓	2
The structural determinants of tourism demand will keep to current trend, as follows:			
The decrease in the birth rate will increase the proportion of elderly people in the population and will increase the freedom of households to indulge in leisure activities	1	19 ✓	0
Urbanisation will continue to increase	1	18 ✓	1
Working time will be reduced by an average of 1 per cent a year	3	16 ✓	0
There will be little change in the average qualifications of workers and in the general distribution of incomes	0	17 ✓	1

We agree with the general view that the ITA assumptions in these areas remain valid.

The economic and demographic assumptions made by ITA for 1985 and 1990 are more contentious, particularly those relating to the rate of economic growth. In our questionnaire we summarised the ITA assumptions as follows:

Demand Determinants (1980-1985)

1. European economic growth - sluggish (1-3%)
 - Germany - above average (3% min)
 - U.K., Italy, Sweden - below average (1% max)
 - Nevertheless tourism "recession proof"
2. Petroleum prices
 - continue upward, possibly to \$60 pb by 1985
 - increased fuel price unlikely to restrict tourism
3. Unemployment continue high - 10/15%
 - high level unlikely to restrict tourism
4. Personal expenditure
 - rising disposable income
 - more on leisure, less on savings
5. Destination prices
 - Europe relatively less competitive
 - Monetary factors (exchanges/inflation rates) "decisive"
6. Exchange rates
 - Germany, Switzerland, Japan "strong"
 - Belgium, U.K., Italy, Spain "weak"

Demand Determinants (1980-1990)

1. Population of W. Europe - 394m by 1990 (0.6% p.a.)
2. Age distribution - main growth brackets 25-45 years and over 55
3. Economic growth - gradual recovery to 3-4% p.a. norm.
4. Unemployment - falling but still high at 6-8% norm.
5. Rapid expansion in black/grey economy (to 25% of GDP?)
6. Reduced work ethic
7. Normal paid leave - 5-6 weeks p.a. (v. 4-5 weeks in 1980)
8. Sustained growth in leisure travel
 - Germany 7% min
 - France, Netherlands, Scandinavia 6-7%
 - Others 5%

Because ITA made no specific forecasts for 1985 we have concentrated our attention on up-dating forecasts for 1990. We have taken account of the replies to our questionnaire and the views expressed at the meeting of experts on 13 July. We have also been assisted by the excellent papers prepared for the 33rd Congress of the "Association Internationale d'Experts Scientifiques du Tourisme" for their meeting in Nairobi in September 1983.(1) Additionally we have been influenced by a comprehensive Special Report recently published by the Economist Intelligence Unit entitled "The USA and the UK on Holiday". (2)

The EIU report has a chapter called "The forces at work on holiday-taking in the 1980's" and in this chapter Mr Robert Cleverdon analyses these forces under six major headings:

1. Society's attitudes and expectations
2. Socio-demographic changes
3. Time and money
4. Costs of travel
5. Legal and political developments
6. Technological developments

Mr Cleverdon's conclusions on each of these influences can be summarised briefly as follows:

The most important feature of society's attitudes and expectations is that holidays are now regarded as a right and a necessity. This attitude will be consolidated in the 1980s by factors like the continuing rise in education levels, the increased awareness of holiday opportunities, the increasing pressure to get away from urban environments, the lesser demand for consumer durables and a continuing tendency to emulate the wealthy. (3)

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- (1) "The changes of tourism in the eighties and their consequences."
Publications de l'AIEST, Vol 24 1983
 - (2) "EIU Special Report by Robert Cleverdon:
"The USA and the UK on Holiday." June 1983
 - (3) We have some doubt about a continuation of the tendency to emulate the wealthy. We believe that what has been described as "the achievement of inner satisfaction" may prove to be a more powerful influence on tourism demand in the future.

Many socio-demographical changes point towards increased demand for travel. These include: an ageing population, a growing proportion of single adults, later marriages, more childless couples and an increase in the proportion of working women and two-income families.

Although time and money factors may increase at a lesser rate than in the past two decades, they will, nevertheless, still lead to an increase in the demand for travel at a faster rate than that of economic development as a whole.

The costs of travel are unlikely to increase faster than either the general cost of living or competitive products and services.

Legal and political developments, taken collectively, are likely to have moderately positive impact on holiday travel growth.

Despite increased competition from in-home computerised entertainments, technological developmens will produce benefits which outweigh their disadvantages in influencing the demand for travel. Particularly advantageous will be developments in computerised information and reservations systems, computerised administration and accounts and the widespread use of video brochures. Retail travel agents will adapt to these changes and will maintain their position as "the traveller's friend".

The evidence and analyses on which Mr Cleverdon bases these conclusions is highly persuasive and we share his view that the underlying "desire" factors in the demand for travel will continue to be strongly positive in the 1980s. The most significant uncertain factors are the rate of economic growth, which will determine the overall size of the travel market, and the differential factors, like relative prices and exchange rates, which will determine the geographical distribution of demand.

It is with these considerations in mind that we have reviewed the ITA conclusions about these aspects of the "demand determinants" for the rest of this decade and now put forward the following up-dated assumptions:

1. Population growth and age distribution: We see no reason to change the ITA assumptions, although their 0.6 per cent annual growth in European population may be rather high.
2. Economic growth: A slow recovery in OECD countries from mid-1983 but GDP growth not likely to exceed an average of 3 per cent a year for the rest of the decade.
3. Unemployment: Will remain high - over 5 per cent - and will become an increasingly serious social problem, but will only have limited and specialised effects on tourism and its growth.

4. Black economy: Will continue to be a significant - and possibly increasing - factor in the demand for tourism but we can find no statistical basis from which to estimate its present or future size.

5. Petroleum prices: Stable for the next two years in US\$ terms but then likely to rise at least in line with OECD inflation. Unlikely to have any significant effect on the demand for tourism or on the relative prices of transport used by tourists.

6. Personal expenditures: With rising GDP and disposable incomes the demand for leisure travel will resume an upwards trend from mid-1983. Income elasticity at least until 1990, is likely to remain at much the same level (approximately 1.7) as that experienced world-wide in the seventies. (See Figure 2)

7. Exchange rates: The two major unforeseen changes since ITA made their report in 1980 have been the strengthening of the US dollar and the weakening of the French franc. But despite these recent developments we think that the longer term assumptions made by ITA are still valid. The experiences of the 1980-83 period certainly underline the decisive importance of monetary factors in influencing the direction of tourist traffic flows.

8. Destination prices: Although we share ITA's view that European prices will probably rise faster in the eighties than those in some competitive markets, we do not think that this will adversely affect the European share of world tourism. Improvements in products, greater efficiency and a better marketing - on a national and pan-European basis - will maintain the competitive position of Europe during the rest of this decade.

From these assumptions we now turn to a consideration of tourist traffic growth in the rest of the decade.

6. UP-DATED TOURIST TRAFFIC FORECASTS

We now return to the questions posed at the end of section 3 of this report. With the benefit of hindsight it seems reasonably clear that the ITA forecasts for tourist traffic growth in the 80s were over-optimistic. But the present danger may be to avoid the over-pessimism which so often characterises forecasts made during a recession.

World Tourist Arrivals

The general consensus of replies to our questionnaire and views of experts is that it is highly unlikely that the volume of world tourist arrivals will reach even the "low" level of 465 million forecast for 1990.

Our own forecast of the "most likely" level of world tourist arrivals in 1990 is approximately 415 million. We base this on the assumption of a continuation of an income elasticity of 1.7 and an economic growth in OECD countries of 3 per cent a year for the rest of the decade. This produces an average growth rate of 5.1 per cent a year for international tourism. Although we describe this as our "most likely" forecast, it must be noted that, with one exception, our reservations are on the down side of this projection.

The three most important factors which could invalidate our projection of a 5.1 per cent per annum traffic growth to 1990 are:

1. A lower rate of economic growth.
2. A reduced income elasticity.
3. A substantial change in the split between international and domestic holiday travel.

Many of the experts at our meeting on 13 July thought it was optimistic to assume that economic growth in OECD countries would average 3 per cent a year to the end of the decade. Alternative views were that 2 1/2 per cent (or even 2 per cent) was a more realistic forecast. (1) With a continuing income elasticity of 1.7 these growth rates would produce annual tourism increases of 4.3 and 3.4 per cent a year, giving rise to world tourism arrivals of 390 million and 366 million respectively for 1990.

Other experts have questioned whether it is realistic to expect the same income elasticity for international tourism in the rest of the eighties as that experienced in the seventies. They have pointed to a long term decline in the value of the income elasticity coefficient for travel. Our own view supported by the analyses presented in the EIU report "The US and the UK on Holiday" is that - even though at some future date the travel market may reach "maturity" - we do not think that income elasticity is likely to decline in this decade and, a fortiori, we think it would be unduly pessimistic to combine a lower income elasticity with a lower forecast of economic growth.

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- (1) In their Aiest paper "The World recession and the future of tourism", Dr J Prunster and Prof Dr K Socker say: "The medium term forecast (until 1986 or 1987) necessarily has to count with lower growth rates than before 1970. A growth rate of 2% would be a good performance, compared with past long-term rates. This does not exclude one or two years of higher growth rates after the last recession." Publications of Aiest: Vol 24, page 146.

The relationship between international and domestic holiday traffic remains, in our view, as the largest pitfall in the path of a forecaster of world tourist traffic. International travel is only about 20 per cent of all holiday traffic and a relatively small change in fashion in some of the major generating markets could produce very large changes in world tourist arrivals upward or downwards. It has already been shown that such large changes can happen: the increase in UK foreign holidays from 19 per cent in 1978 to 31 per cent of all holidays in 1982 is the sort of change which, if it happened in several countries, could totally invalidate our "most likely" estimate of 1990 traffic. This is a particularly important factor when considering the US travel market in which the proportion of international traffic is only about 10 per cent of the total.

ETC Europe

At the suggestion of the meeting of experts on 13 July we do not intend to make a revised forecast of traffic to and in Eastern Europe because this has very limited relevance to the problems of ETC countries.

Our "most likely" forecast of tourist arrivals in ETC countries is based on the proposition that there is no reason why the growth of this traffic should be significantly different from that of the world as a whole. The economic, social and demographic factors discussed earlier apply to the major generating markets which, including the ETC countries themselves, provide most of Europe's tourists. We therefore base our ETC Europe forecasts on the same assumptions of a 3 per cent a year OECD GDP growth and the continued validity of a 1.7 income elasticity co-efficient. A further assumption, put forward in the previous section of this report, is that Europe will remain competitive with other parts of the world in terms of the "value for money" offered by its tourism products.

Our conclusion is, therefore, that the "most likely" growth of international tourism in ETC countries will be 5.1 per cent a year and that the ETC countries will maintain their share of world traffic at approximately 57 per cent throughout the eighties. These assumptions produce a 1990 figure of 239 million arrivals for ETC Europe. We have not related this figure directly to the ITA forecast for 1990 because of the difficulty, to which we referred earlier, in establishing a common base line for 1978. Our forecast annual rate of growth from 1983 is, however, the same as that of the "middle" projection in the ITA report.

Our forecast of arrivals in ETC Europe is subject to the same reservations as discussed for world tourist arrivals and may err on the side of optimism unless the ratio of international to domestic holidays changes in favour of international. There is, moreover, an additional reservation which might affect the ETC Europe forecasts. European arrivals are predominantly European generated: over 80 per cent of European arrivals originate in other European countries. A major change in the proportion of European traffic going to longer-haul non-European destinations could, therefore, have an impact on the tourism within ETC Europe. We do not think, however, that this is likely to be significant. Our view is that the long-haul sector of the European travel market will resume the higher-than-average rate of growth experienced during the seventies but will remain a sufficiently small part of the total up to 1990 that it does not call for a revision to our forecast.

Main flows from overseas to Europe

By far the most important of these traffic flows is that from the United States which, in 1980, represented approximately 3.9 million departures from the United States and 9.7 million arrivals in Europe. (The difference is mainly explained by the number of US tourists who visit several countries in Europe). It should be noted that although this is the largest overseas traffic flow, it accounted for only 6 per cent of European arrivals. No other traffic flow reached 1 1/2 per cent of total European arrivals.

Forecasting the growth of US traffic to Europe is, in our view, the most difficult problem in this report. The ITA "middle" forecast was that this traffic flow would increase by 3.5 per cent from 1978 to 1990 and would reach a total of 16.0 million by 1990. (ITA bracketed this forecast with a low annual growth rate of 2.8 per cent and a high of 6.2 per cent.) In view of the stagnation of this traffic from 1978 to 1982 it would now require an annual growth of 6 per cent to reach ITA's 16.0 million forecast by 1990.

The consensus view of respondents to our questionnaire and the experts we have consulted is that a growth rate of this order is highly unlikely. Their general conclusion is that a growth rate of 4 per cent a year is a reasonable forecast for the rest of the decade producing approximately 14 million US arrivals in 1990.

We have some doubts about this consensus view because we find it difficult to see any logical reason why US travel to Europe in the rest of this decade should not grow at least at the same rate as that we are forecasting for total world tourism, i.e. approximately 5 per cent a year.

The most powerful argument against such a forecast is the almost complete stagnation of US to Europe travel for the past ten years. Whether measured by US departure statistics (Department of Commerce) or European arrivals (OECD) there was no growth in US traffic from 1973 to 1981 (though there was an increase in 1982 and indications of a continuing recovery in 1983). These trends are illustrated in Figure 3. Exchange rate disadvantages and the perceived high level of European prices probably explain most of the stagnation and the recent substantial strengthening of the US dollar certainly explains the increase of US traffic in the past year. (1)

This recent recovery of US traffic supports our view that the rest of the decade should see a substantial growth in this major traffic flow from overseas. Unless there is a dramatic and, in our view, unlikely change in the exchange rate situation - with the dollar substantially weakening against the major European currencies - US departures to Europe should grow at least at 5 per cent a year and probably more. There may, however, be some decline in the ratio of arrivals per departure (i.e. the average number of countries visited in Europe) as traffic volume increases. Even allowing for a drop to 2.3 countries per visitor we forecast that there will be at least 14 1/2 million US arrivals in Europe in 1990, corresponding to 6.3 million departures from the United States.

(1) See Time Magazine: "Americans Everywhere" 25th July 1983

TOURIST TRAFFIC BETWEEN US AND EUROPE

Millions

11

10

9

8

5

4

3

2

1

US "ARRIVALS" IN EUROPE

US "DEPARTURES" FOR EUROPE

"Countries visited"

2.9

2.7

2.5

2.3

2.5

2.3

2.4

1973

74

75

76

77

78

79

80

81

82

Canadian traffic to Europe declined even more sharply than US traffic between 1978 and 1981 largely because of the greater severity of the economic recession in Canada. ITA took an optimistic view of the growth of this traffic and their "middle" forecast was an increase of 4.0 per cent a year from 1978 to 1990, producing an estimate of 3.7 million arrivals in 1990. (The spread of their "low" and "high" forecast was bigger than that for the US with a low of 2.2 per cent and a high of 7.0 per cent a year.) Because of the stagnation of traffic from 1978 to 1982 it would now require an increase of 7.5 per cent a year to reach the ITA "middle" forecast of 3.7 Canadian arrivals by 1990.

The consensus view of respondents and experts is that the growth rate of traffic from Canada is unlikely to be more than 3 per cent to the end of the decade - lower than the ITA middle growth rate and very much lower than the rate needed to achieve their middle forecast of 3.7 million Canadian visitors in 1990.

Our conclusion is that the consensus view is pessimistic although we agree that the growth of Canadian traffic, for a variety of economic reasons, is likely to be lower than that of traffic from the United States. Our "most likely" forecast is a growth rate of 4 per cent a year from 1982 to 1990 giving a total of 2.9 million arrivals from Canada in 1990. Canadian sources (Statistics Canada) give a figure of 743,000 Canadian departures to Europe in 1981 and we estimate the 1982 figure at 772,000. Allowing for a small decline in the number of European countries visited per departure we estimate that there will be 1.1 million Canadian departures for Europe in 1990.

The ITA report took an optimistic view of Japanese traffic to Europe and forecast a "middle" growth of 7.6 per cent a year, producing a total of 4.1 million arrivals in 1990. (The low forecast was 6.4 per cent a year and the high 10.1 per cent.) At the middle growth rate arrivals from Japan would have overtaken those from Canada by 1985: in fact, estimates of traffic for 1982 indicate that this change in the league table has already taken place.

The views of respondents to our questionnaire and other experts disclosed very wide differences of opinions on the way that Japanese traffic would develop in the rest of this decade. The differences were too large for any consensus to emerge. All we can say is that most of the opinions were rather less optimistic than the ITA forecasts of traffic growth.

Our own conclusion is that this traffic will grow at a higher rate than the world average and we forecast a growth of 6 to 7 per cent a year, producing 3.0 to 3.3 million arrivals from Japan in 1990. Japanese sources (Japanese National Tourist Office and the Ministry of Transport) give a figure of 401,000 Japanese departures for Europe in 1981 and we estimate the 1982 figure at 432,000. Allowing again for a decline in the number of European countries visited per departure, we estimate that there will be between 700 and 750,000 Japanese departures for Europe in 1990.

Table 6 summarises our 1990 forecasts and compares them with those of the ITA report.

COMPARISON OF 1990 FORECASTS

	ITA "Middle"	ATI "Most likely"
WORLD TOURIST ARRIVALS		
Annual growth	6.4% (1)	5.1% (2)
1990 forecast	465 M	415 M
ETC EUROPE ARRIVALS		
Annual growth	5.1% (3)	5.1% (2)
1990 forecast	242 M	239 M
MAIN OVERSEAS FLOWS		
USA:		
Annual growth	3.5% (3)	5.0% (2)
1990 forecast:		
European arrivals	16.0 M	14.5 M
US departures	-	6.3 M
Canada:		
Annual growth	4.0% (3)	4.0% (2)
1990 forecast:		
European arrivals	3.7 M	2.9 M
Canadian departures	-	1.1 M
Japan:		
Annual growth	7.6% (3)	6 - 7% (2)
1990 forecast:		
European arrivals	4.1 M	3.0 - 3.3 M
Japanese departures	-	0.7 - 0.75 M

(1) From 1979 base (2) From 1982 base (3) From 1978 base

7. ACCOMMODATION AND TRANSPORT

Accommodation

We fully agree with the main conclusion of the ITA report that all the trends in European tourism point to a relative decline in the demand for luxury type hotel accommodation and a shift towards lower tourist-grade accommodation. We also agree that, associated with these trends, there will be an increased growth in the para-hotel segment with self-catering growing in popularity.

During the past five years there has undoubtedly been some "down trading" in accommodation demand and there is interesting evidence for this in Germany where, as demonstrated by Dr Alfred Koch (1), tourist demand for food and beverages has moved significantly towards self-catering and eating with friends and relatives. Further research into the development of VFR traffic generally would, in our view, be very worthwhile.

But beyond these general observations we do not feel that we have more to contribute in this field. What the accommodation sector needs in the analysis of future trends is detailed forecasts of the demand and supply situation in specific geographical areas and the scope of our study clearly ruled out analyses of this kind. We can only recommend that further work in this field is initiated by ETAG.

Transport

The conclusions of the ITA report about developments in transport used by tourists can be summarised as follows:

- the private car will remain the main mode of transport used for domestic tourism but will decline for:
 - a) main holidays within Europe
 - b) winter holidays
 - c) weekend trips
- the modes benefiting from private car decline will be in this order:
 - a) railways
 - b) coach
 - c) car rentals
 - d) airlines
- car rentals will increase by 5 to 10 per cent each year

(1) Dr Alfred Koch: "Tourist Development in the Light of Changed Economic Situation."
Publications de l'AIEST: Vol 24. page 37.

- coach travel will be used increasingly by the elderly and young people
- high speed trains will be popular for distances over 500 kms
- promotional air fares will be 50 per cent lower than current basic fares
- no greater growth is expected in intra-European air charter traffic because scheduled conditions will become similar to those of charter
- long-haul air charters will continue to grow
- sea traffic will grow, particularly on cross-channel ferry services
- transport costs are likely to rise in real terms but air and surface will rise at similar rates.

Developments since 1978 confirm some of these predictions but throw doubts on others. Tables 2, 3, 4 and 5 give details of the changes in the transport modes used for international holidays in France, Germany, the Netherlands and the UK over the past five years.

In France the most significant changes have been a small decline in the use of the private car and a marked increase in the use of coach services. There is no evidence of an increase in rail traffic: both air and rail have remained fairly constant in their shares of total traffic.

In Germany the most important changes have been the decline of rail traffic and a small increase in air and coach traffic.

In the Netherlands air has declined slightly and coach traffic has slightly increased.

In the United Kingdom, where the split given is only between air and sea (although sea travel involves rail, car or coach at each end of the ferry crossing), there has been a significant fall in the air percentage of the total.

It is not easy to extrapolate these recent changes into trends for the rest of the decade because the past five years have obviously been considerably influenced by the economic recession. The increased use of coach travel, which seems a common feature, is probably explained, to some extent, by "trading down" and saving travel costs during the recession. We do, however, think it is significant that rail travel has shown no increase in popularity over the past five years and, in some countries, has actually declined.

Our main doubt about the ITA prediction is in this area: we do not think that rail travel will be a beneficiary of a decline in the use of the private car. A German expert told us that he believes strongly that there will be a long-term decline in the railway share of tourist traffic and totally disagrees with the ITA conclusion. We think that the weight of evidence tends to support his views. It seems likely that improvements in automobile technology - reflected particularly in improved miles per gallon - will be greater during the rest of this decade than improvements in railway technology.

With other aspects of the ITA predictions we have few disagreements except that it seems to us unlikely that intra-European air IT charter traffic will grow less slowly than total European traffic. In the longer term there may be some decline in the popularity of "sun and sand" holiday traffic to Mediterranean destinations - economic growth may reduce the current low wage advantages of these destinations - but we do not believe that this factor will have much influence on traffic in the rest of this decade.

8. MARKETING

The most important aspect of ITA's conclusions about future changes in the marketing of tourism in Europe is their expectation that there will be a reduction in the activities of retail travel agents and a greater recourse to direct selling. ITA predicted that, by 1990, between 30 and 40 per cent of holiday packages in Europe will be sold through direct sales. They also predicted that new sales outlets such as supermarkets and banks would grow rapidly and might account for 30 per cent of total sales by 1990.

We have no doubt that there will be radical changes in the technology and methods of marketing in the next few years. We referred to these changes earlier when commenting on the conclusions of the EIU report "The USA and the UK on Holiday". This subject was, moreover, an important item of discussion at our meeting of experts in London on 13 July when Mr Bertil Harrysson gave an interesting account of recent developments in Sweden and the progress of a fully integrated tourism information and reservations system called BOKSER.

It is quite clear that major technological developments, particularly with the introduction of responsive computer terminals into homes, will have a profound effect on the way that travel is sold and could radically reduce the role of the retail travel agent. What actually happens in the rest of this decade will, however, much depend upon how travel agents react to the changes in technology. What is certain is that travel agents will have to adapt and change their selling methods if they are to retain their present importance. It also seems highly likely that the agency business will become more capital intensive and that there will be powerful pressures towards consolidation into larger and financially stronger groups.

Our conclusion is that, if the travel agents recognise the new challenges and adapt to them, there is no reason why they should not retain their predominant role in the marketing of tourism and, in Mr Cleverdon's words, continue to sell their services as "the traveller's friend".

Other possible developments in the marketing of tourism - not covered in the ITA report - which would repay further investigation are new types of cooperative marketing and changes in the way that holiday packages can be put together through the use of "building blocks".

9. GOVERNMENT POLICIES

In our questionnaire we summarised ITA's conclusions about government policies and asked our respondents for their current views on these issues. We put the following questions and received the replies shown:

"The Scenario for 1990 assumes that various Government Policies will have been adopted to the benefit of the development of tourism. How would you now assess the likelihood of the following policies being implemented?"

	Likely	Possible	Unlikely
Main Sectors of Europe's economy "harmonised"	2	10 ✓	8
Harmonisation probably extended to tourism	0	10 ✓	9
Governments recognise the overall importance of tourism, particularly in employment	13	5	2 ✓
This recognition results in increased Government intervention in tourism and increased financial support	6	9	5 ✓
The main tourism sectors have developed sectoral co-operative association which facilitate effective liaison	5	13	2 ✓
Environmental aspects of tourism, especially the aspects of tourism pollution and congestion, are more controlled	10 ✓	8	2
Increased importance given to consumer protection	18	2 ✓	0
The development of policies for "social tourism" remain unresolved	9 ✓	6	4
Governments have taken concrete and decisive action in order to achieve the staggering of holidays in time and space	2	3	12 ✓

On harmonisation of economic policies in Europe the general view, which we share, is that progress is likely to continue to be slow in these matters.

Replies about government recognition of the importance of tourism indicated a general agreement that, although it was quite likely that such awareness would increase, it was unlikely that policies would be adopted which gave significant support to the development of tourism. We sadly agree that this is a reasonable assessment of the current situation and it leads to one of our action recommendations in the last section of this report. We think it is essential for ETC to increase its activities to persuade governments to adopt policies which will help the tourist industry and, in particular, to adopt policies which will enable the industry to fulfill its job-creating potential.

Sectoral cooperation in European tourism has, by general agreement, been greatly improved by the creation of ETAG and we fully support the need to strengthen the work of this Group and to ensure that its views are made known to policy-makers in Governments.

Most respondents thought that environmental aspects of tourism were likely to become more controlled. We agree with this conclusion but we also fully support the proposition advanced at the meeting of experts that we should try to rid the language of the expression "tourism pollution" which is misleading and has unpleasant connotations.

There is little doubt that consumer protection will be given increased importance by governments, and rightly so. There are strong pressures in this direction in all sectors of the economy and the tourism industry must harness its joint efforts to ensure that the methods of consumer protection are not unduly bureaucratic and do not impose constraints on innovatory developments.

Most respondents agreed with the ITA proposition that there will be little progress in the development of policies for social tourism. We agree with this conclusion.

On the staggering of holidays the general view of respondents was pessimistic about the development of positive and helpful government policies. ETAG and ETC have recently initiated some new moves in this field and the memorandum "Action to combat the effects of seasonality in Europe" (1) makes some important practical proposals. Our own view is that the best hope for progress in reducing high summer peaks of tourism demand in Europe is by continuing and increased commercial action, through pricing and marketing, to stimulate off-peak and shoulder-period traffic. The creation of new demand - and potential new demand - for off-peak travel is likely to be the best way of putting political pressure on governments to adopt policies - like the staggering of school holidays - which are otherwise unlikely to be followed.

(1) Memorandum dated 6 July 1983, circulated by ETC on behalf of ETAG.

10. FUTURE ACTION PROGRAMME

Our questionnaire asked respondents to make suggestions about the actions which should be taken to follow up the Final Resolution of the 1980 Luxembourg Conference. Many interesting suggestions were made and these, together with proposals made at the meeting of experts on 13 July, have been consolidated into the following eight proposals:

1. Strengthen ETAG

It is generally accepted that ETAG now plays an important role in coordinating activities within the various sectors of the European tourism industry. It is vitally important that this work of ETAG should be consolidated and strengthened and that it should be directed to assist the work of international sectoral organisations through their appropriate committees and meetings.

2. Undertake further demand research

This report has shown that there are many areas in which there are large gaps in knowledge about the way that tourism is likely to develop in the rest of this decade. It is therefore essential to ensure that further analyses are undertaken of the basic economic, social and market factors which determine the demand for tourism, including income levels and distribution, transport costs, hotel prices, exchange rates and holiday habits. In this work further thought should be directed to the analysis of alternative "futures" beyond 1990.

3. Improve tourism statistics

A particular problem in forecasting future tourist traffic is the incompatibility of statistical data, both at the "arrivals" end and in the major generating countries. WTO and OECD should be urged to achieve improvements in both areas. Forecasting would be particularly assisted by the development of "compatible" and "inter-related" statistical reporting and the survey data for the major originating countries.

4. Monitor demand forecasts

The present study has attempted to monitor and up-date the forecasts made by ITA in 1980. This should be a regular procedure and a new monitoring exercise should be undertaken in 1986.

5. Monitor sectoral investment plans

ETAG should initiate a new programme to analyse and monitor the investment plans for hotels and transport in the major receiving countries with the objective of highlighting inconsistencies.

6. Harmonise computer developments

So much is happening so fast in the computer field that it is highly desirable to increase efforts to encourage harmonisation and compatibility in the development of new computerised information and reservations systems for all tourist services and facilities. ETAG should consider setting up a Standing Committee to coordinate these developments.

7. Promote policies for staggering demand

The main efforts in this field should be to encourage operators to continue to pursue pricing and marketing policies to develop off-peak and shoulder-period demand. The creation of this demand will put political pressure on Governments to adopt other policies like the staggering of school holidays.

8. Promote the importance of tourism

Governments often pay lip service to the importance of tourism but do little to support it. What is needed is a coordinated public relations effort to persuade Governments that tourism should be supported because of its economic and social importance, particularly as a generator of employment and as an "export" industry.

We look forward to opportunities to discuss the conclusions of this report with those who have contributed to it and with other colleagues in the European tourism community.

A T I Monitor: CHRONOLOGICAL BACKGROUND

- October 1976 At a meeting in Vienna, the ETC decided to commission a Pilot Study to assess what lessons for tourism should be learned from the recent experience of the 1974/75 oil crisis.
- 1977 Desk research for the Pilot Study was carried out by ITA.
- January 1978 The Pilot Study was presented to the ETC Zurich Conference. ITA's two main recommendations were: (a) that an In-Depth Study be commissioned (to remedy the lack of information) and (b) that liaison machinery be subsequently established (to remedy the lack of liaison). These recommendations were formally adopted by the conference. The conference proceedings were published by ETC in "Europe's New Tourism - A Look at Prospects in the 1980s".
- 1978 - 1980 From early 1978 to early 1980, ITA collected "Background Material" for the In-Depth Study, mainly actual results up to 1976 or 1977 and estimates for 1978 or 1979.
- March 1980 This "Background Material", plus a series of questions, was presented to a pan-European team of experts who participated in a three stage "Delphi survey" consisting of two rounds of questions and answers followed by a one-day seminar.
- October 1980 The In-Depth Study "European Tourism: Prospects 1980 - 1990" was completed and published as a two-part Main Report and an Executive Digest.
- November 1980 The In-Depth Study was presented at the ETC Luxembourg Conference and the proceedings published in "Europe: Tourism Prospects 1990".
- 1981 ETC took the initiative in setting up the European Tourism Action Group - ETAG - to provide technical liaison, as advocated by ITA's Pilot Study and agreed by the Zurich and Luxembourg Conferences.
- Early 1983 The ETC - with support from ETAG - commissioned Aviation and Tourism International to "monitor" and "update" the ITA study.

REPLIES TO THE QUESTIONNAIRE

Aviation and Tourism International would like to thank the following organisations for their replies to the Questionnaire dated 17 May 1983:

- American Express
- ✓ Austrian National Tourist Office
- ✓ Belgium Tourist Commissariat
- British Airways
- ✓ British Tourist Authority
- ✓ Danish Tourist Board
- European Travel Commission
- ✓ Finnish Tourist Board
- ✓ German Tourist Board
- ✓ Iceland Tourist Board
- International Air Transport Association
- International Hotel Association
- ✓ Irish Tourist Board
- Netherlands Railways
- ✓ Norwegian Tourist Board
- Passenger Shipping Association
- ✓ Spanish Tourism Secretariat
- ✓ Swiss National Tourist Office
- Thomas Cook
- Universal Federation of Travel Agents Associations

In addition, helpful comments were received from the Institut du Transport Aerien and the questionnaire was completed by Aviation and Tourism International.

V = 11 National Tourist Boards

MEETING OF TOURISM EXPERTS

LONDON - 13 JULY 1983

Attendance list:

Mr Bertil Harrysson	President ETC
Mr Leonard Lickorish	Chairman Research Committee
Dr Tim O'Driscoll	Executive Director ETC
Mr Brian Griffiths	British Airways
Mr John Brownlow	British Airways
Mr Charles Barnard	British Tourist Authority
Mr Jonathon Bodlender (1)	Horwath and Horwath (UK)
Prof Rik Medlik	Horwath and Horwath
Mr Douglas Barrington	International Hotel Association
Mr Raymond Fenelon	International Hotel Association
Dr Hubert Geppert	Touristik Union International
Prof Martin O'Donoghue	ETC Consultant
Mr Robert Sowter	Airlease International
Mr Alan Dunlop	British Rail
Major Eric Strologo	International Automobile Federation
Mr Stephen Wheatcroft (2)	Aviation & Tourism International
Mr John Seekings	Aviation & Tourism International
Mr Jeremy Bonnett	Aviation & Tourism International

(1) Chairman of WTO Working Party on Guidelines for Tourist Investment.

(2) Also attending as observer for the International Air Transport Association.

SUMMARISED RECORD OF DISCUSSION

INTRODUCTION

Opening the meeting, ETC President Harrysson briefly welcomed delegates and expressed his hope that the day's discussions would represent significant progress in the process of monitoring the ETC's study of future tourism in Europe. ATI Director Wheatcroft then reminded delegates of the historic background, starting with the ITA pilot study and leading up to the appointment of ATI to "monitor" progress. He suggested that the main objective of the meeting was for the assembled experts to give their views on the provisional conclusions emerging from the ATI study.

WORLD TRENDS

- Wheatcroft: In view of actual record in early 1980's ITA forecast of global arrivals for 1990 (450-600m arrivals) surely over-optimistic?
- Medlik: Allowing for dubious WTO data "we shall now be extremely lucky to pass 400m in 1990".
- Griffiths: BA's various forecasting methods all show reduced growth rate for UK air market, now expected to be 4-5%, a factor being declining income elasticity.
- Geppert: TUI seldom forecast more than 3/4 years ahead and concentrate on German vacation market; TUI's only long-range forecast (in 1978) caused surprise by predicting slow (1-2%) growth in this market, since confirmed by actual results.
- Wheatcroft: Combination of forecast economic growth rates and past income elasticity would suggest 4-5% growth for international tourism arrivals, i.e. just over 400m arrivals in 1990.
- Griffiths: In maturing markets, like travel, constant income elasticity rather optimistic.
- O'Donoghue: Past over-optimism not based on faulty theory but on unfortunate fact that economic recession went on much longer than expected. Too early still to take a view on likelihood of declining income elasticity.
- Strologo: Current trends among European motorists show recovery from decline in early months of 1983; this year should finally show a 1-2% growth over 1982.
- Bodlender: To be realistic, income data should be related not only to international travel but also to domestic travel including trips of short duration.

- Wheatcroft: Whereas most European data show swing from international to domestic during recent recession, UK shows reverse, probably because - for Britons - foreign holidays have tended to be cheaper than domestic holidays.
- Barrington: UK international boom has probably been boosted by redundancy payments and increased leisure during recession.
- Griffiths: US travel experience also shows how choice between international and domestic, and choice of overseas destination, depends on relative price, in particular, exchange rate variation.
- Medlik: International arrival data require a better understanding of trends in key originating markets.
- Barrington: In 1983 there appears to be a major swing in US market to Europe and away from the Caribbean.
- Wheatcroft: Once recession is over, are slower growth rates inevitable?
- Griffiths: Gradual slow-down inevitable as we approach demand "saturation".
- Geppert: No "saturation" likely in German market this century.
- Dunlop: Current trend in rail vacation travel in Europe is that long-haul growth is poor but short-haul travel growing rapidly.
- Sowter: We must beware of thinking economic recovery will automatically mean resumed travel; other factors such as foreign exchange problems will still inhibit growth.

EUROPEAN TRENDS

- Wheatcroft: ATI forecast of just over 400m international arrivals world wide in 1990 is consistent with 200 to 250m for ETC members.
- Medlik: Global growth rate for rest of 1980s likely to be nearer 4% than 5%.
- Lickorish: Because of basic instability, a range of forecasts is needed, one uncertain element being extent of "rebound" as recession ends.

- Seekings: To get "rebound" in perspective, a two-year rebound at 10% per annum, followed by steady fall to 5% "norm" in 1990 would result in an apparently over-optimistic 8% growth over rest of decade.
- Wheatcroft: Recent experience does not support ITA forecast of faster growth in Eastern Europe than in Western Europe.
- Geppert: One reason is decline of low-income market which has hit East Europe.
- Medlik: Another factor is very poor COMECON economic performance which has hit intra-East European travel.
- Seekings: After recession travel to East Europe will probably recover as result of setting of price levels at artificially low prices to earn foreign exchange.
- Lickorish: Probably prudent to ignore East Europe and concentrate on West Europe.
- Wheatcroft: ATI only included East Europe because of need to test ITA assumption - probably wrong - that the East would somehow be drawing business away from the West.

IS TOURISM RECESSION PROOF?

- Wheatcroft: ATI questionnaire showed mixed views.
- Geppert: Tourism maintains high position in German spending pattern being exceeded only by accommodation and food; whereas tourism has been stagnant, sales of competing consumer durables have collapsed.
- Medlik: To evaluate whether recession proof we need better data on "trading down", we also need to distinguish behaviour of different market segments.
- Harrysson: In Scandinavia, business travel appears to be less recession proof than vacation travel.
- Seekings: On "down-trading" we need to know:-
- (a) Whether it has increased during recession and
 - (b) whether it will diminish as we move out of recession.
- Dunlop: An important aspect of down trading is swing in demand to low cost shoulder months.

Fenelon: Hotels generally report less spending but little switching away to cheaper hotels.

Wheatcroft: There is no evidence to support ITA forecast of down-trading to camping.

ACCOMMODATION

Wheatcroft: Are accommodation forecasts needed?

Fenelon: Yes, especially for specific locations.

O'Donoghue: Also useful to have forecasts for main sectors of accommodation industry.

O'Driscoll: We should remember when ITA study started that there was doubt whether total accommodation supply could meet tourism demand in the 1980s.

MARKETING

Harrysson: We must avoid being slowed down by outdated techniques. In Sweden the Bokser system illustrates successful application of computer technology.

Geppert: Unlike the "open" Bokser system, Germany's Start system is restricted to approved participants.

Wheatcroft: Whereas ITA forecast declining travel agent involvement, evidence is that this will only happen if agents fail to respond positively.

Geppert: Ministry of Economics study showed that German agents would probably fail to respond.

Sowter: Key element is how soon private homes have printers as well as terminals.

GOVERNMENT POLICIES

Brownlow: BA experience suggests little successful harmonisation in airline industry.

Medlik: Although airline harmonisation difficult, in other sectors of tourism harmonisation moving forward, e.g. hotel classification, licensing, consumer protection, border formalities, taxation, working hours.

- Geppert: Harmonisation has inevitably suffered from protectionism during recession.
- Dunlop: Harmonisation has been actively implemented in Europe's railways.
- Wheatcroft: Looking ahead, we can expect more harmonisation in air transport.
- Medlik: Current problem is that governments, having now recognised tourism as a job generator, may be disillusioned if tourism fails to cure widespread unemployment.
- O'Donoghue: In discussing trend towards sectoral co-operation, we must consider co-operation both on national and on international levels.
- O'Driscoll: Use by ITA of phrase "tourism pollution" is possibly misleading and should be generally avoided.
- Geppert: Tour operators have shown that staggering can be achieved by pricing policies.

HIGHLIGHTS OF THE STUDY

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The study presents a range of projections of the possible development of tourism in Europe for the period up to 1990 and also examines the implications of these projections for the various sectors of the tourism industry such as transport and accommodation.

The projections of future tourism volumes are summarised in three scenarios; first a mainstream or middle of the road projection which reflects the dominant view taken by the panel of experts used in the preparation of the forecasts. To illustrate the range of variation from this central forecast two alternative views are presented,

one reflecting a more pessimistic outlook about the likely course of development in the factors affecting tourism demand such as incomes and inflation, and the second adopting a more optimistic outlook on these influences.

Table 1 illustrates these projections. It summarises the projected volume of tourist arrivals in 1990 both for the world as a whole for each of the three selected scenarios, and also shows the projections for Europe as a whole (i.e. including Eastern Europe). The details for earlier years are also given for comparative purposes.

TABLE 1. TOURIST ARRIVALS (MILLIONS)

	1965	1975	1979	Low	1990 Forecasts	
					Middle	High
World	114.4	213.5	270.0	463.0	536.0	600.0
Europe (incl. East Europe)	83.7	151.5	196.0	357.0	411.0	440.0

It will be seen that Europe's share of the world total is forecast to be 77% in 1990 for both the middle and low forecasts. In the case of the high or optimistic scenario Europe's share would be lower at 73% — the same share which it obtained in 1979. This lower figure is also comparable to Europe's share in earlier years — the figures being 73% in 1965 and 71% in 1975. One of the main factors increasing Europe's share is the rapid growth predicted for East European countries, where total arrivals are forecast to rise from the 54 million total recorded in 1978 to between 130 and 170 millions in 1990 depending on the scenario chosen. These 1990

magnitudes would mean that East Europe's share would rise from something over 25% of the European total in 1978 to almost 40% by 1990. In part the reasons for predicting this rapid growth stem from the fact that tourism in East Europe is currently less developed than in the western countries. In part also it is due to the assumption that east Europe will be less affected by general economic conditions than the west.

Table 2 summarises for convenient reference the average annual growth rates associated with the tourist magnitudes shown in Table 1.

TABLE 2. AVERAGE ANNUAL GROWTH RATES IN TOURIST ARRIVALS (%)

	1965-1975	1975-1979	Low	Forecasts 1979-1990	
				Middle	High
World	6.4	6.1	5.0	6.4	7.5
Europe (incl. East Europe)	6.1	6.7	5.6	7.0	7.6

Tourism in Western Europe

Table 3 summarises the composition of the forecasts for tourist arrivals to the 23 member countries of ETC, for

each of the three scenarios, together with the annual growth rates implied by these forecasts.

TABLE 3. INTERNATIONAL TOURIST ARRIVALS IN ETC MEMBER COUNTRIES (MILLIONS)
AND ANNUAL AVERAGE GROWTH RATES (%)

Arrivals From:	1978	Arrivals			Annual Average Growth Rates %		
		1990 Forecasts			1978-1990 Forecasts		
		Low	Middle	High	Low	Middle	High
Europe	110.0	185.6	200.0	215.0	4.5	5.1	5.7
Canada	2.3	3.0	3.7	5.2	2.2	4.0	7.0
United States	10.6	14.7	16.0	21.8	2.8	3.5	6.2
Japan	1.7	3.6	4.1	5.4	6.4	7.6	10.1
Other Countries	9.1	15.8	18.6	24.6	4.7	6.1	8.6
Totals	133.7	222.7	242.4	272.0	4.3	5.1	6.1