TOURISM DEVELOPMENT
IN
ICELAND

Report to UNDP

prepared by

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PREFACE

The present report which is herewith submitted to United Nations Development Programme has been produced within a three weeks' assignment. Of this 8 days were spent in Iceland, 4 days in New York for briefing and discussions at UNDP-headquarters plus contact with the Icelandic mission to UN and other bodies concerned with Iceland's tourist problems, and the final 9 days in Copenhagen by preparing the report.

Though representatives for UNDP, the Icelandic Government and touristic authorities, plus the Icelandic diplomatic mission to UN in New York and also the Icelandic Embassy in Copenhagen have been informed of the essence of my findings, they have of course not as yet expressed any definite views on the conclusions and recommendations, which are thus so far wholly my personal responsibility.

Copenhagen, September 1969

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1. TERMS OF REFERENCE AND THE ACCOMPLISHMENT OF MY MISSION TO ICELAND.

According to my terms of reference as set up by UNDP (cf. Appendixes A & B), and elaborated during my briefing at UNDP headquarters in May 1969, and after consultation with the Tourist Board of Iceland on a suitable timing of my visit to the country, I left Copenhagen on August 19th and returned on the 26th.

In accordance with usual UN practice I am not going to thank and not even mention single persons by name who assisted and received me during my visit, but I cannot omit stressing that the program laid and carried through by the Tourist Board of Iceland, partly by its own initiative, partly inspired by my own suggestions, made it possible to perform my investigations and evaluations within the highly limited time at my disposal. I would not, however, have been able to get enough out of the visit even due to the mentioned fact, and due to my general experience of doing research work in all continents, if I had not been familiar with the development and situation, both culturally, economically and more specifically touristically, because I had visited the country earlier. This happened in 1965 (about one week's study of the touristic problems and facilities) and in 1967, when I participated in the inauguration of ICELANDAIR'S route between Copenhagen and Reykjavik with the new Boing 727 bought by the company. To this must, of course, and not least, be added the general familiarity I as a Dane have with Iceland's history, culture, geography etc.

The visit to Iceland included above all meeting practically all top people directly or indirectly concerned with tourism of the country. The program started and ended with meetings, where the members of the Tourist Board were present in pleno, and I met them also on a third occasion, viz. a dinner given in honour of me by the Minister of Communications. Further

there were meetings with leaders of the airlines, hotels, travel agencies, the head of the central bank, the head of the hotel school etc. Hotels and tourist attractions were inspected -- some of them I actually saw for the third time. But while I had formerly only visited Reykjavik and the surrounding country, I was now able to spend two days on a flight in a small plane, flying almost round the whole of the coastline, and across the barren interior of the country, landing in Hornafjordur, Egilsstadir, Akureyri (overnight stay) and Myvatn (cf. appendix D).

Finally, I had now as earlier access to whatever descriptive and statistical material is available on Iceland's economy in general and tourism in particular. The latter exsists, understandably enough, in rather limited quantity. A touristic survey has, however, been made already nine years ago. Though many of the observations now of course are outdated, it has been of interest to make comparisons with them and the present situation. The report bears the title "Tourism in Iceland" and was produced by Mr. Georges Lebrec of the French "Commissariat General au Tourisme" as bilateral technical assistance from France. As a highly topical, and therefore for me valuable source material, I would especially mention the treatises prepared by Mr. Valdimar Kristinsson, an economist connected with the Central Bank of Iceland. One ("Some thoughts on Iceland's Future as a Tourist Country") was published in the most recent issue of the Central Bank's quarterly publication "Fjarmalatidingi" (Jan.-April 1969), and the next one ("Prospects for Tourism with Special Regard to Akureyri") will appear in the ensuing issue. Mr. Kristinsson has been good enough to supply me with English translations of the treatises.

2. THE BACKGROUND FOR ICELAND'S INTEREST IN AND NEED FOR DEVELOPING TOURISM.

Comparing the viewpoints and attitudes of the Icelandic authorities concerned with tourism, as expressed to me during my consecutive visits to the country (1965, 1967 and 1969) and also from the contact I have had with some of them during their visits to Denmark during the mentioned period, I feel very intensively how the country has been more and more interested in developing tourism as a source of income of foreign currency. So on this background and knowing how limited the financial resources of this small country is, it is completely understandable that the government of Iceland now is looking for technical and financial assistance from United Nations in this field.

It is not intended, of course, to go into any lengthy description of the structure and perspectives of the economy of Iceland in this report. It may suffice only to underline a few basic facts, which explain why the country is looking to tourism as one of the possibilities for improving the economic situation. This country, located in the far North, off the beaten track, having an area of 40.000 square miles of which only a tiny fraction is inhabited and cultivated, and with a population only now approaching 200.000, has a more one-sided economic structure than any country in Western Europe. Though the country is self-containing in most respects as far as agricultural products are concerned, and some interesting industrial establishments have been created recently, the income of foreign currency rests almost solely on one trade only: fisheries. Actually, fish provides Iceland with 90 per cent of its foreign currency earnings and more than 25 per cent of its GNP. For a long time the need for diversification of the economy has been felt in Iceland and outside the country as well -- for instance has been pointed out in survey after survey produced annually by OECD -- and during the last few years this need has been drastically intensified. An very serious dually complicated situation has hit the Icelandic fisheries and the attached industries during the last few years. The catches,

especially of herring, have been difficult, costly and reduced, and at the same time export prices of fish and fish products in the world market have declined. Together with other difficulties, such as the devaluation of Sterling and other currencies, the fish situation necessitated a great devaluation of the Icelandic currency in November 1967 -- with no less than 24.6. per cent. As exports continued to decrease due to continued catch failures and falling prices, Iceland had again to devalue one year later, in November 1968 -- and this time by the even more massive rate of 35.2 per cent. Since then a certain improvement in the economic situation of the country, though hardly definite and permanent, has taken place -- but as the fish catch and the fish market in any foreseeable future no doubt will continue to be risky, the interest in diversifying the economy, i.a. with a view to developing tourism is more intense than ever before.

3. DEVELOPMENT AND STRUCTURE OF TOURISM TO ICELAND.

The only two main statistical sources illustrating the Icelandic tourism concern passenger arrivals and exchange of foreign currency.

The total figures are contained in table 1 (next page). While this report of course will not deal with the Icelanders' travels outside their country as such, we include these figures in the initial table with a definite purpose. It is interesting to note that while the whole world only generates around 40.000 tourists to Iceland, the small population of this country produces 20-30.000 out into the world. This stresses the need for the country to increase the credit side of the national travel account. It also indicates that domestic tourism does not play the same comparative rôle in Iceland as in many other countries, so that the favourable consequences hereof with a view to off-season business and extra capacity utilization on the whole are hardly felt by hotels and other sectors of the tourist trade.

The figures in the table do not include the so-called shore excursionists, i.e. passengers onboard cruise-ships, who do not sleep in the country, but stay overnight onboard, and only make sightseeing and shopping trips on land. During the last four years it has been estimated that the number of these shore excursionists have been appoximately 7.800 (1965), 9.000 (1966), 9.500 (1967) and 7.200 (1968).

	Icelanders			Foreigners		
Year	Number	Increase from Previous Year	Increase %	Number	Increase from Previous Year	Increase %
1947	3.853			4.395		
1948	4.333	480	12,5	4.802	407	9,3
1949	6.376	2.043	47,1	5.312	510	10,6
1950	4.312	- 2.064	- 32,4	4.383	- 929	- 17,5
1951	4.780	468	10,9	4.084	- 299	- 6,8
1952	4.943	163	3,4	4.823	739	18,1
1953	5.183	240	4,9	6.380	1.557	32,3
1954	6.566	1.383	26,7	6.843	463	7,3
1955	7.112	546	8,3	9.474	2.631	38,4
1956	8.751	1.639	23,0	9.517	43	0,5
1957	8.858	107	1,2	9.279	- 238	- 2,5
1958	8.239	- 619	- 7,0	10.111	832	9,0
1959	9.712	1.473	17,9	12.269	2.158	21,3
1960	9.491	- 221	- 2,3	12.806	537	4,4
1961	10.078	587	6,2	13.516	710	5,5
1962	11.227	1.149	11,4	17.249	3.733	27,6
1963	13.124	1.897	16,9	17.575	326	1,9
1964	16.746	3.622	27,6	22.969	5.394	30,7
1965	18.679	1.933	11,5	28.879	5.910	25,7
1966	23.147	4.468	23,9	34.733	5.854	20,3
1967	26.368	3.221	13,9	37.728	2.995	8,6
1968	20.848	- 5.520	- 20,9	40.447	2.719	7,2

Table 1.

Passenger arrivals in Iceland 1947-1968.

Table 2 shows a breakdown of the total number of arriving passengers (exclusive of the shore excursionists), specified on ship and airplane passengers. It will be seen that while the number of ship passengers has been relatively stable, and during the last two years definitely on the decline, the overwhelming majority of the tourists arrive by air -- in 1968 no less than 95 per cent.

	By sea	By air	Total
1950	1.734	2.649	4.383
1951	2.000	2.084	4.084
1952	2.364	2.459	4.823
1953	1.514	4.866	6.380
1954	1.970	4.877	6.847
1955	2.377	6.730	9.107
1956	2.812	6.795	9.607
1957	2.272	6.507	9.279
1958	2.785	7.326	10.111
1959	3.275	9.021	12.296
1960	2.894	9.912	12.806
1961	2.595	11.034	13.629
1962	2.334	14.501	16.835
1963	2.524	14.836	17.360
1964	2.749	19.639	22.383
1965	4.391	24.488	28.879
1966	4.160	30.573	34.733
1967	3.385	34.343	37.728
1968	2.226	38.221	40.447

Table 2

Passenger arrivals in Iceland 1950-1968, specified on sea and air.

Due to Iceland's geographical situation as an island lying isolated in the far North, only with the sparsely inhabited coast of Greenland lying within a few hundred miles' distance, but with 1.000-1.500 miles flying distance to the

important European key cities, and twice the latter distance to New York, Iceland is not visited by certain groups of tourists which account for large shares of the tourism in many other countries. There are for natural reasons no border crossings (one-day or other short-term excursions) from neighbouring countries -- by car, by rail, bicycle or even by foot. Only very few tourists will due to the long sea journey bring their own cars -- though a certain increase has been noted during the last few years. Thus, in 1969 it is estimated that some 5-600 foreign cars are being brought along for use on long stays by tourists.

One specific type of short-term tourism has, however, been developed. It accounts actually for a very large part of the increase of the number of visitors to Iceland. In the late fall of 1963 the icelandic international airline LOFTLEIDIR introduced a special 24-hours' package-stopover for passengers flying that airline from New York via Reykjavik to Europe, or vice versa. 3 years later a 48-hour package was added. As will be seen from table 3,(next page), these stop-overs have -- after a modest initial period -- accounted for some 10.000 passengers annually during the latest two years, i.e. around one fourth of the total number of arriving foreigners. No statistics are available concerning the duration of the other tourists' stay in Iceland. In the local travel trade is generally guessed at somewhere around 5-6 days (so that the overall average would be around 4 days), so of course the stop-over passengers are of more limited importance as shown by their numbers as such. They are also per day considered as far more modest spenders than the other tourists. They buy the package-stay at a very low price and have rather little possibility for extra spending in restaurants etc. and seem to concentrate on some shopping.

	1963 24-hour	1964 24-hour	1965 24-hour	1966 24-hour(+ 48-hour beg. Oct. 1)	1967 24-hour	1967 48-hour	1968 24-hour	1968 48-hour	1969 24-hour	1969 48-
Jan.		"	164	286	347	40	306	67	248	0
Feb.		"	177	110	266	41	281	52	384	10
March		"	221	302	365	87	429	98	387	9
April		"	483	574	573	185	739	262	609	20
May		"	668	1029	727	333	907	706	1106	45
June		"	501	1202	640	280	594	273	794	43
July		"	439	1248	701	403	803	395	739	33
Aug.		"	438	1390	938	371	593	285		
Sept.		"	575	1063	824	285	742	328		
Oct.		"	522	1178	1071	304	796	252		
Nov.	"	"	275	467	710	105	417	112		
Dec.	"	"	195	487	579	65	303	58		
	Total:244	Total:1798	Total:4658	Total:9336	Total:7741	Total:2499	Total:6910	Total:2888		
					Sum total: 10.240		Sum total: 9.798			

Table 3.

Stop-over-passengers 1963-69.

Table 4 illustrates one of the most crucial problems of Iceland's tourism -- the seasonal variation in the number of visitors (1968)

	Stop-over passengers	pct.	Other tourists	pct.	Total	pct.
January	373	4	1.818	6	2.191	5
February	333	3	1.261	4	1.594	4
March	527	5	1.310	4	1.837	4
April	1.001	10	1.567	5	2.568	6
May	1.613	17	1.503	5	3.116	8
June	867	9	4.581	15	5.448	14
July	1.198	12	5.988	20	7.186	17
August	878	9	5.971	19	6.849	17
September	1.070	11	2.374	8	3.444	9
October	1.048	11	1.886	6	2.934	7
November	529	5	1.268	4	1.797	5
December	361	4	1.101	4	1.462	4
Total	9.798	100	30.649	100	40.447	100

Table 4.

Tourist arrivals in 1968, by months.

Almost half of all tourists (48 pct.) come during the very short peak season, consisting of June, July and August -- within which there is even some reduction in the first half of June and the latter half of August -- and when the so-called "shoulder-months" May and September are added, two thirds of Iceland's total tourism are concentrated here. There is, as table 4 shows, interesting seasonal differences between the stop-over passengers and the other visitors. The former come in relatively smaller numbers during the peak season, and in greater numbers during the shoulder periods. This seems mainly to depend on LOFTLEIDIR's reduced interest in selling the stop-over packages in the peak season, as their own hotel in Reykjavik is occupied by other guests at that time.

Considering the other, or normal, tourists' seasonal distribution, this is then even more dominated by the peak months than is the case with the stop-over-passengers. 54 pct. of them come during the three summer months. This seasonal peak has with the growing tourism during the later years been even more marked than before. 10 years ago, when Iceland had a mere 10.000 tourist arrivals, 42 per cent of them came during the three summer months. The increase in the tourism has mainly been real tourism (vacations), while business and official travellers formerly constituted comparatively larger parts of the total number of visitors -- and such travellers will of course largely visit the country outside the summer vacation months.

As the present hotels and other overnighting facilities are booked to or at least as close to capacity as practicable in July and August, the present number of tourist arrivals which Iceland is able to absorb, seems to be around 7.000 (or maybe up to 8.000) per month, provided that the present distribution of stop-over passengers and other tourists, and on the whole the present average duration of stay is maintained. This would indicate a maximum capacity of 80-90.000 tourist arrivals, or twice the present number of 40.000. As Iceland's hotel capacity roughly estimated consists of 900-1000 hotel beds and almost just as many (about 800) beds available in student hostels, boarding schools, private rooms and the like during the summer vacation period (which, interesting enough, for Icelandic students and children goes from May through September) the unused capacity must be reduced to half of the mentioned figure, i.e. some 20.000 tourists. A further increase in the influx of tourists would demand added seasonal and/or all-year-round overnighting facilities. It will be understood that relatively few additional beds -- according to international standards -- would enable Iceland to receive relatively many more tourists and that 2-3-4 times as many tourists as are coming now could be achieved within a relative short span of years. Even the

mentioned increase due only to more intensive utilization of the present capacity would be large compared to the present tourism into Iceland -- an increase of about 50 per cent, but compared to international tourism this increase, and Iceland's present number of visitors as well, the dimensions are only tiny.

Table 5 shows the tourist arrivals in 1968 specified on the main contributing nations. Out of the 40.000 tourists arriving in 1968, U.S.A. supplied 15.000, the Nordic countries 10.000, other Western European countries 12.000, and the rest of the world 3.000. Americans seen to constitute quite a large part of the stop-over passengers, probably up to half of them (5.000), and they are also especially important as cruise-passengers.

Nationality	By air	By ship	Total	per cent
Denmark	3.743	776	4.519	11,2
Norway	1.630	32	1.662	4,1
Sweden	2.639	216	2.855	7,0
Finland	785	14	799	2,0
(Nordic Countries)	(8.797)	(1.038)	(9.835)	(24,3)
U.K.	3.490	496	3.986	9,8
Ireland	80	4	84	0,2
W. Germany	3.808	423	4.231	10,5
France	1.227	83	1.310	3,2
Netherlands	757	18	775	1,9
Belgium	272		272	0,7
Switzerland	741	22	763	1,9
Austria	390	29	419	1,0
Italy	433	13	446	1,1
Greece	66		66	0,2
Luxemburg	109	1	110	0,3
Spain	123	5	128	0,3
Portugal	39		39	0,1
Rest of Europe	540	11	551	1,4
(European Countries)	(20.872)	(2.143)	(23.015)	(56,9)
Canada	833	4	837	2,1
U.S.	15.217	61	15.278	37,8
South America	570	1	571	1,4
Other countries	729	17	746	1,8
Total	38.221	2.226	40.447	100,0

Table 5.

Tourist arrivals 1968, by nationalities.

The American tourists' share of the total number of arrivals

has been increasing i.a. due to the stop-over-traffic. In 1958 25 per cent of the arriving passengers were Americans, in 1965 28 per cent, 1966 34 per cent, 1967 35 per cent, and in 1968 38 per cent.

The Icelandic currency exchange statistics show the amounts of Icelandic kroners, into which the foreign money was exchanged. Due to the repeated devaluations, these figures are not easy to compare. We are therefore instead in table 6 quoting the figures as reported to and published in the annual O.E.C.D.- statistics on tourism. They are all in millions of Dollars at the current rate of exchanges.

Million U.S.$

	U.S. & Can. $	Other currencies	Total
1965	1.3	1.1	2.4
1966	1.5	1.2	2.7
1967	1.6	1.3	2.9
1968	1.8	1.3	3.1

Table 6.

Travel currency exchanged 1965-68.

With U.S.A. as the no. 1 -supplier of tourists to Iceland, and in view of these tourists' usual big spending (even if rather many of them are stop-over-passengers and cruise-passengers as mentioned formerly), it is no wonder that U.S.$. is the dominating currency in the exchange statistics. However, other nations do to an increasing extent to use Dollars on their travels, so quite a share of the Dollars exchanged do come from other nations. Therefore we do not go into details as to specifying the other currencies exchanged.

To the mentioned amounts may be added a greater part of the gross revenue of the tax-free sales made in the international airport of Iceland (Keflavik) and the estimated gross revenue achieved

by Icelandic transportation companies by transporting the tourists to and from Iceland. These figures may for 1968 be estimated at 0.5 and well 9 million $ respectively, so that Iceland's total income of foreign currency derived from tourism at the moment may be estimated at some 13 million $ -- equivalent to about 5 per cent of the country's total currency revenue.

Increasing the present number of tourists, as mentioned formerly, already on the basis of the existing overnighting capacity (by increasing its utilization), would then add several million $ to the tourist revenue, and increase tourism's share of the total currency revenue accordingly -- naturally depending on how the currency income from commodity exports etc. will develop in the future. With new summer seasonal and/or all-the-year-round overnighting capacity added to Iceland's present hotels etc., numerical potentialities for increasing the number of tourists and thus the tourist receipts multiply manifold. As underlined formerly, at this moment only a fraction of a fraction of the flows of international tourism reach Iceland. When U.S., for instance, supplied 15.000 tourists last year, this figure should be seen in the light of the fact that the same year more than 2 million Americans visited Europe, and out of them, for instance, no less than 300.000 visited a country like Denmark, i.e. 20 times as many as came to see Iceland.

From the preceding figures it may be calculated that the average tourist (here with the cruise-passengers included) spends around 65 $ in Iceland, and that he in total contributed around 300 $ to the currency income of the country. Behind these averages are, of course, extraordinary big differences -- from the stop-over-passenger only sending postcards, buying some Icelandic souvenirs and purchasing his ration in the tax-free store at Keflavik -- up to the millionaire from U.S. or Britain flying from Keflavik to his salmon fishing base in a privately hired airplane and having some expensive days and nights in Reykjavik, too. As will be understood the available statistics do not, unfortunately, disclose these variations from the average.

4. TOURISTIC ATTRACTIONS AND INFRASTRUCTURE.

In the introduction to a recent pictorial book on his country, the present president of Iceland, dr. Kristjan Eldjarn quotes a national poet for saying on the country: "It is like no other land". This is whole-heartedly to be confirmed.

The geysers, the newly created volcanic island Surtsey, and the barren or treeless tracts are unique or at least not surpassed anywhere in the world. These attractions are combined with many other interesting natural touristic assets, such as enormous glaziers, extraordinary possibilities for bird-watching, fishing, trekking through the country on pony-back, and also potential possibilities for skiing.

To these natural touristic attractions comes the unusual combination of a small people with a direct contact to the Viking age (for instance the language), which is found nowhere to-day in the other part of the former Viking area -- and a progressive, cultural and modern society, operated by only 200.000 inhabitants.

Also, Iceland exerts an attractive, even if latent, power on many tourists, just because they have seen a lot of other parts of the world, but <u>not</u> Iceland with the above mentioned combination of attractions.

But just as nature has endowed Iceland with the mentioned and other natural assets, it has on the other hand been rather unkind to the country.

First, the isolated location far from Western Europe and America. Even if this has been radically broken by air transportation, the long distances to Western Europe, America, and the rest of the world, still count economically. The costs of travelling to and from Iceland simply keep large numbers of tourists away.

Secondly, the location in the far North, with ensuing climatic

consequences in the form of a long dark winter and a short summer with daylight round the clock. (The midnight sun is not a veritable tourist attraction in Iceland, as in Norway, because the Polar Circle only touches the country on the island of Grimsey North of the country.) Though the Gulf stream creates an extraordinary mildness tourists will generally consider the winter weather as too rainy. Even the summers may be too wet and too cold in the opinion of many tourists -- preventing them from such popular leisure activities as swimming and sunbathing at beaches. Pony-trekking in the country, not to speak of camping, and even driving in automobiles, may therefore very often be less pleasant than would be the case under other climatic conditions. Rain also prevents skiing in some tracts of the country, notably the vicinity of Reykjavik.

The natural character, configuration, and space of the country, especially its almost uninhabited interior have serious negative consequences when it comes to bringing tourists outside Reykjavik and its surroundings -- the point of arrival and departure of virtually all tourists to the country. It is no less than fantastic that this small people in this big country can possess a road net extending over 9.000 km -- but of course the quality of the roads leaves much to be desired. Only the 45 kms from Keflavik airport to the capital have a metalled surface -- the rest are dirt roads, uncomfortable both in winter and in summer, the latter due to the dust. The roads have to make long detours due to natural impediments. Thus, for instance, it has not yet been technically feasible and/or economically possible to have a road encircle the whole of the coast, where the majority of the population are living. Considering the country's size and financial possibilities, the roads are also served by an impressive bus system, and the Icelanders have a large stock of private automobiles. Nowhere in the country has the traffic demand justified building railways, but domestic flying is extremely important in the country. All agglomerations of any importance have landing fields (of various quality), and on top of the numerous domestic regular air routes, small airplanes are used intensively for taxi-flying with tourists, and ambulance-flying.

Many of the already mentioned facts result in making a trip to and a vacation in Iceland quite expensive for a tourist. This is no doubt well known in the world tourist market. Iceland has probably also an image of a rather high price level on the whole,(compared to the quality) with a view to other main items on the tourist's budget, such as hotels, restaurants, and shopping. It goes without saying that in a country with such drastic, consecutive devaluations as Iceland, holders of foreign currency will during certain periods find that the rates of exchange are too low -- that they do not get enough Icelandic kroners for their Dollars etc. Since the latest devaluation inflation seems to be checked, and most domestic prices have been frozen or at least controlled. The general impression is that even if Iceland has not by any means turned into a bargain-country, it is now more on level with for instance the other Nordic countries, but they are also pricewise far above the real inexpensive countries in the Mediterranean area, to which charter-flights offer extremely low transportation costs, and where the general touristic price-level is low, so that fun (and sun) there is within the reach of almost any tourist from for instance Scandinavia. Summing up, Iceland will hardly be able in any foreseeable future to claim inexpensiveness as a sales argument. For some time to come it will suffer to some extent from the image of being expensive. If prices again go extraordinarily up in Iceland, this image will be further consolidated and accordingly hurt.

Similar competitive charter air fares as are in effect between especially Northern Europe and the Mediterranean, are not likely to materialize for the majority of the tourists travelling to Iceland within at least the next few years. A small number of Scandinavian charter flights have reached Iceland recently, but the aircraft-pendling week after week which is the true basis for charter-flying, cannot be absorbed by Iceland. More likely is an expansion of the so-called IT-arrangements organized via the scheduled IATA-airlines. ICELANDAIR and S.A.S. are already serving this market quite actively. Such tours, often comprising both Iceland and Greenland in one package, are especially sold in Scandinavia through the GLOBETROTTER wholesale firm, which is jointly owned by the leading Scandinavian travel

agencies and S.A.S. It is understood that an extended selection of such Iceland-Greenland packages, of various duration, and therefore on various price-levels, will be marketed during the forthcoming winter season with a view to next summer. ICELANDAIR is also activating the sales efforts for their special 9-, 10- and 12-days IT-tours to Iceland from Scandinavia and Britain.

While Danish shipping traditionally has played a rôle within Iceland's sea connections, air traffic to the country was until recently almost solely operated by the two Icelandic air-companies. ICELANDAIR connects Reykjavik with Glasgow, London, Oslo and Copenhagen (besides operating all the domestic air routes). LOFTLEIDIR concentrates on and is mainly interested in through-traffic (at reduced non-IATA rates) across the Atlantic, from New York to Europe, where Luxemburg now is this airline's no. 1. - gateway. Thus LOFTLEIDIR's interest in tourism is above all related to the mentioned 24- and 48 hours' stop-overs, plus the operation of their new hotel in Reykjavik. During more than 20 years PAN AMERICAN has operated one weekly service from New York via Reykjavik to Scandinavia, but concentrates also on the through-traffic. A certain number of the American tourists come direct from U.S.A. to Reykjavik via LOFTLEIDIR and PAN AMERICAN, but other come via the ICELANDAIR routes from Europe. During the summer of 1968 S.A.S. commenced flying between Copenhagen and Reykjavik. This summer they have two weekly flights, of which one proceeds to Greenland. A certain co-operation is being developed between ICELANDAIR and S.A.S. with a view to the Greenland traffic, and also regarding a route from Reykjavik via the Faroe islands to Bergen, Norway. With ICELANDAIR using Boeing 727 and S.A.S. DC-8 equipment, and with for instance 4 weekly connections to London, and more than daily connections to Copenhagen, the journey to Reykjavik anyhow is fast and comfortable. The airlines carry through an intensive promotion not only for their own services but for Iceland as a tourist destination as well. This goes first of all for ICELANDAIR, but also LOFTLEIDIR does a lot of promotion, mainly for their stop-overs, and recently also S.A.S. has published brochures on Iceland and Reykjavik in general and on the whole included Iceland in their

world-wide promotion. Both the Icelandic and the Danish shipping companies also promote Iceland as a tourist destination.

The Achilles-heel of the tourist trade in Iceland is, as already mentioned, the limited hotel space, running at or close to full capacity in the short peak season. With the addition of two rather large, first class hotels in Reykjavik during the latest few years, "Saga" and "Loftleidir", with 150 and 216 beds, respectively, the hotel trade has been raised both quantitatively and qualitatively. In all Reykjavik disposes of 670 hotel beds, plus 150 in student hostels, totalling 820 beds. The leading town and tourist center in the provinces, Akureyri, has 185 beds plus 140 beds in a dormitory in summer. A few small-sized hotels have also been erected in other spots in the provinces lately. No exact topical survey of their capacity is available, but it may approach 200, plus ca. 400 in school dormitories. The total hotel capacity therefore lies around 1.000 beds, plus some 800 beds in hostels. Any immediate substantial extension of the tourism to Iceland seem to depend on utilizing the unused capacity in shoulder months and low season better. In the next turn may be added more beds in the high season by producing new students' hostels and expanding the present hotel buildings with more rooms. In a longer perspective new all-year-round hotels will have to generate further tourism.

In light of this situation it is remarkable that Iceland with a certain initial success has begun developing convention business. International, especially Nordic meetings are in increasing numbers placed in Reykjavik, and pre-and post-convention trips out into the country have been included in the programs. Facilities for such conventions, of the small or medium-sized type, are available in the leading hotels, the university, the new "Nordic House" (built in Reykjavik by the Nordic countries jointly) and in movie theatres. The record was set by the Nordic Construction Day last year, with over 1.000 participants, who to a large extent were housed onboard a ship anchored in the harbour. Compared to the number of conferences held elsewhere, for instance Nordic conventions held in the other Nordic countries, Iceland is only in the beginning of the beginning of becoming a convention venue. Also, the conventions so far have tended to come to Reykjavik in the already crowded peak season.

In view of the local background for restaurants Reykjavik and even Akureyri seem to offer the tourist more entertainment that might be expected generally. Certain regulations and restrictions do, however, tend to irritate the tourists. They complain that no strong beer is allowed in the country, that liquor is prohibited on Wednesday, that closing time nowhere can be extended longer than to 1.a.m. and that restaurants with entertainment ask for a so-called hat-tax of 25 icel. kroner per person, of which the government takes 15. Icelandic food specialities are served in some restaurants, and tourists like to taste them at least once. Seafood abunds on the menu-cards, and tourists seen to evaluate it favourably. On top of this the cuisine is quite varied and international.

As restaurant life and entertainment especially in Reykjavik may exceed the expectations of many tourists, also other aspects of the attractions of the city may be beyond what would be expected in a city of less than 100.000 inhabitants (which number is, of course, very large compared to the total population of the country, viz. half of same). This goes for historic and artistic museums, sporting facilities such as golf courses and not least the open air swimming-pools, where the water is coming direct from the natural hot springs. But on the other hand a city of this size is not able to offer whatever the tourist may be interested in. Thus, for example, he will look in vain for an aquarium, (even if this country litteraly spoken lives on fish) and a zoo with arctic fauna. On the whole the atmosphere and attractions generally connected with metropoles in the million-inhabitant-class and above may not be found in Reykjavik. Department and specialty stores are of modest size, but quite a large number of souvenirs shops carry a large stock of interesting Icelandic handicrafts, especially woollen and skin products.

The travel agencies constitute a sector of the travel trade of Iceland, which must be characterized as extremely active and expansive The number and variety of packaged tours offered direct to the tourists, and indirect via travel agencies abroad, airlines, conventic organizers etc. is very impressive. There are city-sightseeings in Reykjavik and the biggest provincial city, Akureyri in the North, of a few hours' duration, taking the tourists through the cities

proper and their outskirts. It is possible even in Reykjavik to buy a tour on pony-back of 3 hours' duration in quite interesting parts of the surrounding country. There are half-day tours to the hot springs and other sights in a somewhat larger distance from Reykjavik. Whole-day tours from Reykjavik cover some of the biggest attractions in the country -- within 10 hours it is possible to visit both Thingvellir, (the site of Iceland's ancient Viking parliament), the main Geyser area, Gullfoss, the biggest waterfall in the country, and Hveragerdi, where the natural hot water has been utilized in clusters of greenhouses. Similarly, it is possible in one day to see the town of Akureyri plus the Lake Myvatn area, another center of Iceland's natural attractions: volcanic craters, steam jets and boiling sulphur pits, plus bird-life at the beautiful lake. Such a trip may even be made in one day from Reykjavik by flying to and from Akureyri. Packaged tours of almost any duration, and going to all parts of the country, or covering the whole of it (for instance "the grand 9-day conducted tour of Iceland" in 9 days by bus) are offered. The tourist may select among all types of transportation, or combine them: bus, scheduled or taxi plane, private cars with or without drivers, and also ships connecting the coastal towns, may be used. The packaged tours are offered both as collective, guided tours -- and as individual trips. Though most of the packages are meant for general sightseeing, also some specific tours are organized, such as pony-treks of several days' duration, naturalist tours (especially bird-watching), field tours for geologists, trout fishing tours, and camping tours.

I have not had time and opportunity to participate in any of the conducted tours, but my impression is that they are well organized, using modern bus-equipment and having effective, multi-lingual tour conductors. The mentioned new modern small-sized hotels in the provinces are used by these tours, and in certain places the students' hostels, also. In the latter case accomodation is on a rather modest level, but so far most of the tourists have been prepared not to expect too many amenities after arriving in Iceland,

or at least after departing from Reykjavik out into the country.

While in many countries quite a lot of advice and assistance is needed for organizing and marketing packaged tours, the Icelandic travel trade seems to have managed this very competently. The same goes for receiving the shore-excursionists and organizing sightseeing and bus transportation for them. This summer 19 cruise ships have visited Iceland. Some ships bring several hundred passengers (up to 700) and it is understood that the travel agencies serving them are able to receive one shipload every day.

Of the travel agencies one, the Iceland Tourist Bureau (Ferdaskriftstofa Rikisins) stands out not alone due to its size and variety of activities (such as running 7 hostels and schools as summer hotels and selling Icelandic souvenirs in the airport), but also because it is owned by the state, and acting as the governmental tourist promotion and information service at the same time as it is being run as a travel agency.

It must, however, be stressed that ITB only operates in the incoming tourist business, and not in the outgoing one (i.e. the Icelandic travellers' trips abroad). So when ITB sometimes is compared to the travel organizations in U.S.S.R. and Eastern European countries (Intourist, Cedok, Ibuz, Orbis etc.) this comparison is not quite adequate, because the latter also perform outgoing tourist business. Also, these have a monopoly in the travel trade, which ITB has not any more. But still it causes some friction with the private travel agencies that the government thus operates and competes in the travel market. The privately-owned agencies point to the fact that ITB does not pay any taxes and is housed in a building belonging to the state with very low rent costs. On the other hand, out of the total turnover of ITB, approximately one mill. $ in 1969, the bureau is able to use some 30.000 $ for general propaganda and promotion for Iceland abroad.

The office of ITB functions well as a general tourist information office, located as it is right in the center of Reykjavik. The mentioned propaganda and promotion budget abroad is by no means large enough to cover the operation of promotion offices in key

market centers abroad. Formerly, such an office was maintained in London in connection with ICELANDAIR, but the airline has now completely taken over this office. Now ITB contributes modestly to the Danish tourist office in Frankfort and the joint Scandinavian offices in Rome and Zurich, so that these offices give information also on Iceland and distributes promotion material. Further, the mentioned budget comprises informative brochures, posters and assistance to visiting travel writers, plus occasionally films and participation in exhibitions abroad. The government until 1967 allocated annual contributions of 30-60.000 $ at the then rate of exchange to ITB for promotional use abroad, but during the latest two years the government has not given any cash contribution to ITB whatsoever. This means that ITB out of its own earnings has to create the whole budget for selling Iceland as a tourist destination in the world market.

While in most Western European countries, for instance the other Nordic countries, the official tourist organization, sponsored by the state, does not mix into the sphere of the travel agencies, but concentrates on general promotion, propaganda and information, it will be understood that the situation is different in Iceland. The function of representing the various sectors of the travel trade and acting in an advisory capacity in tourist matters to the government, which is also an essential part of the official tourist organizations' field (for instance in the other Nordic countries), is not connected with ITB, but with the Icelandic Tourist Board (Ferdamalarad).

The Tourist Board was established in 1964 according to the first law of tourism in Iceland,+) passed by the Alting (the Icelandic Parliament) that year. The board consists of representatives for the transportation companies and associations, the ITB, hotels, restaurants and travel agencies, plus the Icelandic Travel Association. Its functions include advising the government in tourist matters, planning the increase and improvement of the hotel industry, approving hotels and restaurants, and administering the so-called governmental tourist fund, which -- on a very modest scale -- grants loans to construction or modernization of hotels. It represents Iceland in

+) The law is attached to this report as appendix C.

the O.E.C.D.-tourism committee. Its normal budget is, however, only ca. 5.000 $, so it will be understood that it is not able to finance for instance physical planning of tourism or tourist promotion. The now total lack of direct governmental support to the country's tourist promotion abroad, and the described status of the ITB and the Tourist Board seem to necessitate within a reasonable time some sort of streamlining of the governmental rôle in tourism -- most likely according to the pattern in the other Nordic countries. This would also include placing both the Board and ITB under the same ministry. At present the Tourist Board is under the Ministry of Communications, while ITB is under the Ministry of Commerce.

Where more effective efforts and larger budgets are needed, is in the promotion in the world market, i.e. the manipulative part of the promotion. This will especially be the case, if and when the Icelandic tourist policy in the near future would aim at extending the all too short season in Iceland. This will call for more intensive and more specific propaganda effects, which are not achieved by the present promotion, though not least the informative side of this is well handled now. Brochures describing the mentioned wide selection of packaged tours are available both for the individual tourists and the travel agents and other tour organizers.

As also mentioned formerly, the airlines produce and distribute the main part of the present-day manipulative brochures and other propaganda. General brochures on the country as a tourist destination are produced both by ICELANDAIR, LOFTLEIDIR and now also S.A.S., plus the steamship companies, and these efforts are many times more extensive and expensive than what the ITB is able to finance. But this material is, of course, geared to the present touristic situation in Iceland, and not yet aiming at new policies and targets such as extension of the all too short season.

Finally, it should be added that on top of the free printed material available to tourists, very good maps and detailed printed guides to the country are available in English, to some extent also in Danish, German and French.

5. PROSPECTS FOR DEVELOPING THE TOURIST INDUSTRY.

As has been underlined already at an early stage in this report, the topical and central problem in Iceland's tourism development is the all too short season for the present dominating types of visits to the country. With the exception of LOFTLEIDIR's stop-over-passengers and also the business and official travellers, visitors to Iceland will more often than not perform general sight-seeing in the country. The overwhelming majority of them will not undertake the long and costly trip just to go to Reykjavik alone, or to one or a few attractions elsewhere in the country, but they will see if not the whole country, then skim the major attractions. Also, Reykjavik will not be able to keep them busy and interested for more than one or two days, and in the second or the third day the attractions in some further distance from the capital may be covered (Thingvellir, Geyser, Gullfoss etc.). Travelling from place to place by bus, in airplane, by private car, by ship or on pony-back all demands the best of the weather Iceland can offer, so most tourists will consider this "roving" type of tourism practicable in the summer only. Therefore, only minor extensions of this traditional tourism stands a chance for being achieved because it is locked by the short season and the present limited overnighting capacity. Cruise tourism is also a phenomenon closely related to the summer. This market can, contrary to the market for the traditional tourism, be extended in the peak season, because the hotel capacity does not interfere, and the travel agencies and bus companies etc. are able to handle many more shore excursionists than they do now.

The climatic and other natural conditions in Iceland -- even in summer -- forces the present tourism to be of the described "roving" nature. There is no, or very little basis for summer resort hotels based on the natural attractions on their present, not developed stage. One or two weeks could not be spent at a beach, or by looking at a waterfall, a geyser or a lava field. It is however interesting for the tourists just to take a look, more often than not a quick one of these fabulous sights, and then hasten towards the next one.

I am convinced that there are four types of tourism, which may be

developed with a view to extending the tourist-season in Iceland, not in the shoulder months alone, but right into the present low-season also. They would together create of course not a completely even number of visitors all the year round, but produce a much needed, substantial increase in the number of tourists outside the peak-season. These four are: 1) utilizing the hot water from the natural hot springs for health purposes (spas), 2) developing ski-resorts, 3) providing facilities for fishing tourists, and 4) moving conventions from the peak season, and increasing their numbers.

As mentioned tourists will only take a quick look on the hot water, steam and clay from the natural springs, whether these natural forces are untamed or harnessed and utilized for heating buildings or greenhouses or swimming-pools. But if the natural heat were used for medical purposes, combined with the clean air, walks in the solitude of the Icelandic scenery, and diets of vegetables from the green-houses, patients and convalescents might spend weeks or even months in Iceland. And these visitors would draw many other visitors -- relatives -- to the country. The idea of creating one or more spas in Iceland has been advocated from various parts already several years ago, especially with Hveragerdi in mind -- the place not too far from Reykjavik, where the natural heat is especially abundant, and already has formed the basis for the main greenhouse-industry in the country, and where there is also homes for old-age people and a sanatorium for local patients. Several foreign specialists in medicine and also in the operation of spas are reported to have expressed optimistic views concerning the prospects of developing a spa center here and/or in other locations of Iceland. Even outlines of architectural projects of this type have been produced locally.

An extensive study of the technical facilities, including detailed scientific analyses of sulphur, air etc. has, however, not been undertaken, the various possibilities for locating one or more spas not investigated, and the world market for Iceland as a spa country not surveyed. With positive outcome of all this, projecting and calculating one or more spas physically should then follow.

While climatic conditions as mentioned are unfavourable to skiing in the Reykjavik area, conditions are different in the Northern part

of the country. Here there is a heavy snowfall, and the terrain is excellent, too. In a few places certain skiing facilities have been set up, but they are not up to international standards as they are known in the present skiing-countries, so they appeal almost only to the local skiers.

Where most has been done so far, is in Akureyri, where there on a mountain slope close to the town is a skilodge (with 23 beds only, so skiers stay mainly in the hotels of the town), a chair-lift and two rope-tows. But this is only part of the technical facilities required in a modern ski-resort. The chair-lift will have to be considerably extended, the hotel capacity at the very resort to be improved and increased, facilities for ice-skating to be created etc., while the hotels downtown are able to provide now unused hotel-capacity for a number of skiers. There are two or three other potential ski-resort locations which should be investigated, evaluated and compared. Most probably everything speaks for concentrating on developing Akureyri in the first turn as a large, modern ski-resort, and the necessary physical and economic projecting should be carried through. The market possibilities for attracting skiers in the world market should also be studied closely. There will, admittedly, be more darkness and less sunshine here than in the Alps, but Iceland would compete well with Norwegian ski-resorts. Ski-fans seem to be apt to try as many different ski-terrains and countries as possible. So skiers formerly patronizing Colorado, Italy, Switzerland, Austria, Norway etc. may flock to a new ski-country just to experience it. Something like this has happened in the new Scottish ski-resorts, for example. A ski-resort would attract the first bunches of skiers already around Christmas and New Year, but the main season would be March-April and it would continue far into the summer, so that the overnighting facilities even in the ski-resort would get a reasonably good utilization.

Skiing would above all prolong the season in spring and early summer, but developing fishing could continue the season in the opposite direction -- in late summer and fall. Even if Iceland is an excellent salmon country, there are not too many profitable possibilities for

drawing a substantial increased number of tourists to the country for this purpose. Very few areas suited for salmon fishing are still available beyond those already used by salmon catchers from Britain, U.S.A., Denmark and other nations plus the well-to-do Icelanders. This is also a very expensive sport, appealing to only foreigners of the very high income brackets, and definitely no mass-tourism. With trout fishing the situation is quite different. Rivers and lakes everywhere are full of trout, it can be caught in uncountable places, and the costs can be kept on a modest level. There might also be possibilities for amateurs to participate in deep-sea fishing, from Akureyri and other places. Even if some special trout fishing package tours have been organized, mainly on an experimental basis, fishing as a major type of tourism outside the high season has not been investigated, organized and systematized. Mapping the most important fishing places, improving their utilization by tourists living in already existing hotels and other overnighting facilities, and planning setting up lodges or cabins in the fishing places, are areas, where a specialized work is needed. To this comes planning the promotion of fishing as a type of tourism able to attract not the experts alone, but above all the amateurish type of fishing tourist, such as has been the case in several countries, in Europe notably in Ireland and Sweden.

In the preceding chapter mention was made of the beginning of international convention business in Iceland. This could be further developed, and conventionists could be drawn to Iceland all the year round, even right in the heart of the winter. The present convention facilities do not appeal to the very big international conventions, but to the small and medium-sized conferences, seminars, symposia and the like. Of the enormous number of international meetings -- more than 3.000 with 2 million participants -- the smaller ones constitute the lion's share, and they would be the appropriate target of Iceland. The problems would be here to investigate those market sectors most easy for Iceland to work in, the orientation on the demands of conventions and conventionists to the local travel trade, and effective promotion of Iceland conventionwise, such as already commenced this year by LOFTLEIDIR.

Another goal of the policy of developing Iceland's tourism will be

to increase the specific overnighting capacity available in the peak season only -- while these buildings the rest of the year would be used for other purposes such as students' hostels and the like. The need for such extensions are or will be topical especially in Reykjavik, where the demand for rooms by students also is the most massive. For instance, the half-finished office-building close to the FORD-dealer's plant could relatively soon be converted into and completed as hostel for students from various schools in that part of the town, and further hostels could be planned in the university district in the other end of the city.

On a somewhat later stage, new all-year-round hotels will be needed, again above all in Reykjavik. Provided the outlined off-season tourism has developed successfully, this can be further extended, and so many foreigners will then pass Reykjavik on their way to and from the off-season-attractions that the new hotel capacity on a round-the-year will not only be filled up in peak season, but also get a satisfactory number of guests the rest of the year, without tapping the other hotels for guests. The already existing hotels could most possibly extend their present buildings before or at the same time as new hotels are being set up.

All this -- developing off-season business on the basis of the present capacity, extending the capacity in the peak season, and finally creating new round-the-year capacity -- could and should be performed within both a short-range and a long-range plan. The short-range-plan might cover 2 years, the long-range-plan 8 further years, so that a total 10-year-plan would come in question.

Estimating that the increase in the number of tourists could be around 5 per cent annually during the first two years, 10 per cent during the following 3 years, and 15 per cent during the second half of the period, the number of tourists might go up as follows:

First year ----------	43.000
Second year ----------	46.000
Third year ----------	51.000
Fourth year ----------	56.000
Fifth year ----------	61.000
Sixth year ----------	80.000

Seventh year ----------	81.000
Eight year ----------	93.000
Ninth year ----------	107.000
Tenth year ----------	124.000

While this results in more than trebling the tourists, as they are defined in the usual sense (staying overnight in the country), the increase of cruise-tourism to Iceland may also be achieved, but probably at a somewhat slower pace, for instance doubling, i.e. adding some 16.000 to the figures above, thus bringing the total figure up to 140.000. This increase would result in around 10 million $ exchanged by tourists at the present rate, and around 40 million $ as revenue for Iceland's travel and transportation trade. The future tourist visits would eventually demand approximately the following capacity and utilization of same:

The present hotel and hostel capacity now houses	41.000	tourists
Improved utilization of the present capacity during off-season	20.000	"
New capacity in a spa-center, 400 beds in 360 nights, 10 days average stay, 80 per cent utilization	14.000	"
New capacity in ski-centers and fishing cabins etc. 400 beds in 180 days, 10 days average stay, 80 per cent utilization	7.000	"
800 new beds in hostels, hereof 600 in Reykjavik in 100 nights, capacity utilization 90 per cent, 5 days average stay	14.000	"
Extension of present hotels and construction of new hotels, mainly in Reykjavik, 400 beds open round the year, 80 per cent utilization, 5 days average stay	28.000	"
	124.000	"

As elaborated in the next and final chapter, UNDP-assistance would be deemed essential already in the short-range plan, and for setting up and performing the long-range plan as well. Without such assistance there is hardly any possibility for Iceland's government and the local travel and catering trade to develop tourism on such a scale, very large as it is for their country, though modest compared to the dimensions of tourism and tourism capacity elsewhere. Also, it is not too conceiveable that

private, foreign investors would undertake the investment on their own initiative, from planning the projects until completing and running them.