

REPORT

TOURISM DEVELOPMENT  
IN THE BALTIC SEA REGION

*Creating Joint Policies as a  
Win-Win Scenario*

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BALTIC SEA REGION**

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**August 2004**  
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Title: Tourism Development in the Baltic Region –  
*Creating Joint Policies as a Win-Win Scenario*

## Executive Overview

The governments of the Baltic Sea Region countries appear to share and support the view that Tourism constitutes an area of significant economic potential for the future, as reflected in different manifestoes which have been published on the subject by public authorities across the region.

Tourism is a genuinely international activity which is in rapid transformation reflecting the advance of the information society. The industry is marked by a mixture of various public institutions and interventions on the one hand and the intensive, un-coordinated actions taken by a myriad of small players on the other. On both the public and the private side, there is a fragmentation of actions and a difficulty to identify and exploit opportunities for major strategic initiatives in the area.

If exploited proactively, the force of Tourism can be used to foster enormous economic, environmental and social benefits. This requires constructive co-operation between multiple players with different competencies, outlook and interests, and the stimulus for potentially important initiatives is often lacking. From what IKED has observed, substantial untapped opportunities exist for beneficial cooperation between the public and private sectors in the Baltic Sea region. Intensified cross-border linkages within the region could help realise greater dynamism in the field.

Progress to reinforce the development of Tourism and to strengthen its contribution to the region's economies and societies may be achieved if a number of significant issues are successfully addressed:

- **Marketing of the region** is being handled on several levels by different actors but along quite similar lines. It should be possible to gain efficiencies and economic benefits in the short term from better coordination in addition to the capturing of synergies by engaging in regional marketing efforts. Estimation of demand and economic results could be facilitated with the introduction of standardised approaches to measurement and greater transparency in spending habits regarding Tourism, and even common distribution channels. From a marketing viewpoint, a shared platform, with common basic brand identification, could reinforce the image of the region to potential visitors as a Tourism and Travel destination of choice. It could offer better prospects for novel international alliances around joint initiatives, while allowing each nation the flexibility to present itself individually.
- **Evaluation** of the Tourism industry's performance is largely based on information extracted according to sometimes imprecise industrial standards which do not clearly reflect Tourism-related activity. Legislators are bound to rely on out-of-date or piecemeal information from commercial sources to shape policy. This issue is not unique to the region, and various institutions are in the process of addressing it on both European and World-wide bases. Nevertheless, if regional authorities are to be appropriately informed, consideration needs to be given to the implementation of additional and more efficient methods and tools in order to demonstrate how well the sector is performing economically. This is a formidable, but not impossible, task.
- **Vocational training.** The skills and competencies of the players in the Tourism field directly affect the industry's results. Professional, friendly and reliable providers of high-quality services make a fundamental impact on how the industry is perceived. It is sufficient to point to a single example such as the "Guide Rouge" to illustrate what difference it makes if there

is transparency and fierce competition among the actors to relate to customer interests. The definition and implementation of educational standards in the various areas of activity and professions of the Tourism industry provide employers, employees and teachers alike with the practical references and goals required for the execution of Tourism professions. “Generalist” education institutions are challenged to meet these specific skills development needs. Innovative exchange programs that involve vocational training can thus be hugely beneficial to the industry. It may not be necessary to “reinvent the wheel” in this respect: but clarification of the standards and redeployment of effort are required to reap the benefits of the additional potential which suitable professional education unlocks. Further, expert and staff exchange related to joint cross-border initiatives could help widen horizons and generate new skills.

- **Clustering** within the Tourism sector is still largely restricted to “same-profession” associations, in particular when stakeholders have reasons of mutual interest to cooperate. It is also often limited to a few large players who dominate a disproportionately large part of the action in a given field as a result of canny management insight and practises. But clusters of smaller businesses with different activities and competencies (as well as local authorities) can in many cases undertake joint actions in which each participant’s professional knowledge complements that of the other(s) to develop and offer access to better products.

The prospects of Tourism industry clusters and Tourism-related activities are potentially excellent. However, traditional barriers dictated by existing organisational structures and hierarchy (Nation, Region, Municipality, Department), with their vertical organisation and individual budgets and treasuries – and sometimes vested interests – frequently stand in the way of more effective and common objective-oriented cooperation. Most encouraging is the fact that here and there in the Baltic Region, small clusters have already been formed and that pooling of resources is occurring to implement common, mutually-beneficial programmes. But a thorough understanding of the process is necessary: there is a risk that an existing organisation which has legitimately been formed to efficiently coordinate a common effort will be duplicated, and so available energy will be dissipated in unnecessary additional competition instead being invested in product and service improvement.

The responsibility to identify and bundle the initiatives which are still unconnected could lie with the highest authority, yet it clearly needs to be achieved on an informed basis of common interests among the potential partners.

To achieve the benefits which can be derived from a vigorous Tourism industry in the Baltic Region, high-level recognition could help remove hurdles and intensify processes in learning and innovation. There is a lack of complementary policies to develop Tourism’s potential. The fragmented nature, accentuated by national divisions, of the Tourism industry and the public institutions with which it interacts means that some potentially complementary players will not naturally be in a position to work together. It may be possible to introduce a platform – with for example job exchange programmes to enable professionals and functionaries to gain knowledge in/of other countries’ systems - to enable them to meet and to facilitate cross-pollination of ideas and exchanges of experiences.

Various actors in the Baltic Sea region could then be activated to exploit the potential of Tourism to launch a wide range of joint initiatives, for example in infrastructure development, vocational training, marketing evaluation, and so on. The report explores and outlines some opportunities in this respect.

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## 1. INTRODUCTION <sup>1</sup>

Tourism is *generally* defined as the activities of individuals when, for leisure, business or other purposes, they travel to and stay in places outside their normal environment for less than a year.<sup>2</sup> Today, Tourism represents a genuinely global phenomenon and one of the fastest growing sectors of the world economy. It plays a very significant role in the socio-economic development of advanced as well as of a growing number of developing countries.

The countries of the Baltic Sea Region are also experiencing increases of their Tourism activity to a greater or lesser extent depending on many different factors. To name a few, there are the overall level (and pace of) development of their economies, how well they are equipped to handle Tourism, the efficiency of (regional) transportation infrastructures, the degree of public promotional support for Tourism and last, but not least, how governments regard the importance of Tourism compared to other sectors of their individual economies and what policies they adopt as a result in respect to its development. Some observations have been made in this context regarding 11 countries in the Baltic Sea Region: Denmark, Estonia, Finland, Germany, Iceland, Latvia, Lithuania, Norway, Poland and Sweden and, in a number of respects, Russia.

The impacts of Tourism are a subject of debate. On the one hand, Tourism plays an important and positive role in the socio-economic and political development of many countries. It contributes to cultural exchange and is often instrumental in a positive evolution of international relations through improved mutual awareness and respect by peoples everywhere for the diversity of cultures and ways of life. On the other hand, the impacts are often difficult to pinpoint and measure. Further, there are reasons to believe that the actual contributions of Tourism to the economy and to society are considerably smaller than what would be potentially attainable. In fact, many Tourism destinations evidently experience negative impacts upon the environment, culture and society.

Yet, in few places around the world can we observe any comprehensive strategies to maximise the benefits and minimise the costs of Tourism, or to manage the field proactively for the purpose of generating desirable investment and Tourism flows and other positive spillover effects. This state of affairs is provoking questions how strategies enabling Tourism to be exploited as an instrument for achieving sustainable development can be effectively designed and implemented.

Mining, forestry, manufacturing, and technology, much of the service industry - even research and development - all are nowadays subject to strong competition or acquisition from abroad and much of these activities and their related employment opportunities can be transferred to regions which offer competitive advantages for owners, resulting in losses to local society of the associated economical benefits. This is especially true for the more mature economies in the region which are seeing the displacement of job opportunities to low-wage regions not only in traditional manufacturing and low-skills employment, but also of high-tech industry and IT service-related jobs as developing nations “skip” the traditional stages of industrial evolution and prepare their populations for employment in production and assembly of sophisticated electronics, the financial services sector, IT sector, even design. There is also a risk for the recent

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<sup>1</sup> This document has been prepared primarily by Matthieu Roest, with grateful acknowledgement of contributions by Thomas Andersson and Sylvia Schwaag Serger at IKED and Pernilla Rydmark of VINNOVA.

<sup>2</sup> WTO-OTM (2002)

Baltic entrants to the EU that their economies may be soon be unfavourably associated with the high-cost image of, say, the Nordic countries and that medium- and long-term industrial investment in “traditional” industry will pass them by as entrepreneurs from high-cost economies transfer their businesses directly to the lowest-cost regions available world-wide. On the other hand, these countries may well benefit from a growth in service-related employment while wages generally remain low and fiscal policy is still in evolution.

Where Tourism *is* an export when its products are purchased by consumers residing abroad (as is essentially the case in Tourism-based economies), and is sensitive to competition from Tourism products offered by other countries, those Tourism products that are specific to a particular location nevertheless cannot be consumed anywhere else but in the location itself. This is due to the essential components of Tourism products which are linked to the specific location and natural and cultural heritage that combine to deliver the specific qualities of a particular Tourism unique selling proposition.

In addition to the significant economic contribution, Tourism also provides the opportunity to reinvigorate traditions and conserve the natural heritage of a region through careful integration as part of the overall Tourism “product”. This serves to ensure the uniqueness of the Tourism destination and to strengthen its image vs. that of competing destinations. It also offers the employed populations a chance to reinforce their identity while rendering them both aware of and welcoming to others. Moving in that direction is not a trivial task, however. Implementing a “comprehensive” Tourism strategy is a challenge that goes beyond the instruments currently operated by those ministries and agencies responsible for the different elements of the public domain familiar to Tourism operators: Industry, the Environment, Education, Cultural Heritage, Social Affairs (Employment), or Finance (Taxation).

Against this background, we would like to examine how to further Tourism’s development for the benefit of the Region’s economies. Comprehensive, coordinated strategies are required to overcome established barriers (and to avoid the creation of new ones) to Tourism development and to benefit in several respects from synergies that would facilitate development of sustainable Tourism in the Baltic regional context.



## 2. THE IMPORTANCE OF TOURISM

It is today well established that Tourism represents a rapidly increasing part of the world economy, potentially affecting all regions and populations in all major regions. The World Tourism Organisation (WTO-OMT) has called Tourism the world's largest industry. Between 1960 and 2000, international tourist arrivals had risen by nearly 950 % to over 650 million, of which nearly 400 million concerned Europe alone. Asia is playing a disproportionately increasing role in development, as a destination but particularly as an origin for Tourism.<sup>3</sup> Following the Chinese Government's liberalization of rules and regulations on foreign travel, increasing numbers of Mainland Chinese travellers are now making overseas trips. The Chinese outbound tourist market is already worth as much as 12 billion USD at current rates of exchange (August 2004) and is poised to increase nearly five-fold by 2010.<sup>4</sup>

At the same time, the benefits of Tourism are potentially spread widely. Tourism services are dominated by small and medium sized companies. Worldwide, over 250 million people are employed in Tourism. For well-trained people, the sector offers an opportunity for sustainable employment. Tourism also offers jobs which require little formal training or education but which present a greater challenge to employers' capacity for motivation and adequate financial workers' compensation when considering the need for productivity and profitability. Seasonality also plays a determining role in many regions.

At the same time, tourism is in part a regional activity. Let us note a few other facts related to specific regions:

1. The European Union's Tourism activity is estimated today to be worth as much as 30 % of the total EU services' foreign business. Currently, about 60 % of global volume of Tourism benefits the EU and the WTO-OMT has estimated that by 2020 Tourism arrivals could reach 1.5 billion by 2020 (up from 400 million in 2000).<sup>5</sup>
2. The Baltic region's economies are also significantly influenced by Tourism, although not in equal proportions in all countries:
  - The Tourism (and Travel) industry in the Baltic Region is expected to account for 2,9 % of total regional GDP in 2004.<sup>6</sup> Based on observations made elsewhere (e.g. Sweden, where 90 % of Tourism businesses have fewer than 10 employees, mirroring current world-wide trends in this sector and the small scale of Tourism businesses generally<sup>7</sup>), many of the region's Tourism enterprises are difficult to evaluate, or escape evaluation, due to the scattered nature of the industry.
  - The Tourism and Travel industry is expected to provide jobs for nearly 2'000'000 people (about 3 % of the total employed) in the region in 2004. In Iceland, this is believed to reach

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<sup>3</sup> Frangjalli, F. (2000)

<sup>4</sup> The Nation (2004)

<sup>7</sup> Swedish Tourist Authority (2004)

<sup>6</sup> Based on TSA research by Oxford Econometric Forecasting on behalf of WTTC (2004)

<sup>7</sup> SCB (2004) Information derived from statistics for 2003, in compliance with the SNI2002 classification, Tourism related businesses classification 55 and 63. The latter includes public municipal commuter transport operators and cargo companies having more than 10 employees. The available figures do not separately list information for the individual Tourism-related categories, hence the estimation. If taken together, Tourism businesses with <10 employees constitute 83 % of the total number of businesses with employees registered in the indicated categories.

6,8 % but in Latvia as little as 1,2 %.<sup>8</sup> As a comparative indication, agriculture in the Baltic countries occupied between 2,3 % (Germany) and 13,6 % (Lithuania) of the population in 2002 (most recent figures published by the FAO, in February 2004) and generally can be observed to be in decline.<sup>9</sup>

- The WTTC has also published estimations of Tourism's wider influence on the economy, which reflect the importance of Tourism's indirect activity and contribution to the economy and employment. The "Indirect" activities are those which do not fall into categories of business which have a "face-to-face" contact with Tourism clients, for example:
  - Industry suppliers (airline catering, laundry services, food suppliers, wholesalers, accounting firms)
  - Government agencies, manufacture and construction of capital goods and exported goods utilised in Tourism
  - Supplied commodities (steel production, lumber, oil production, etc.)

An overview of the statistics developed for the region on this basis is compared with similar figures for the Tourism *Industry* in the annexed data comparison tables which include an indication for comparison of the proportion of the populations in the listed countries which were occupied in agriculture (Appendix 1 a-d).<sup>10</sup>

Because of spillover effects the economic and social impacts of Tourism clearly are considerably bigger than apparent from the directly identifiable activity alone. Above all, Tourism is a highly fluid and responsive phenomenon. It is critically dependent and in turn can have far-reaching effects on economic, social, political and cultural conditions as well as the attitudes and behaviour of people. In this way, Tourism must not be viewed and studied as a static concept. The factors influencing Tourism are subject to change. Innovations, creative ideas, and entrepreneurial ventures are essential to develop the activity. Based on these indications, it becomes apparent that Tourism should be recognised and integrated as a fully-established component part of today's economies.

The fact is that despite growing attention to the subject and significant progress in the measuring of tourism and its effects, nobody knows exactly how important Tourism is for the economy and for society. Neither is there a good understanding of its potential or how the benefits could be magnified. Much could be gained from the adoption of strategies reinforcing a systematic development of Tourism resources and activities.

## The Impact of Tourism on Society

The statistics are indicative only of the size of the share which Tourism may claim of a region's economy. They are the most visible – and easily measurable – signs of Tourism's importance to a region's economy and they are most interesting when evaluating how efficiently the Tourism industry operates, in the regional, national and international contexts.

Tourism can influence how ("traditional") ways of life evolve in regions which implement its development. Within relatively short periods, the meeting of different cultures triggers change.

<sup>8</sup> WTTC (2004) "2004 Tourism Satellite Accounting Research"

<sup>9</sup> FAOSTAT data (February 2004), Population Estimates, Agriculture

<sup>10</sup> WTTC (2004)

While many members of host communities assess such changes quite positively – for instance in terms of more rapid modernization in undeveloped regions or additional economic activity in marginalised regions of industrialised countries affected by technological progress or devolution – these changes can lead to the erosion of cultural identity and traditional value systems and disorient the populations it was intended to benefit.

In developing countries, the perceived advantages of Tourism-related service-sector occupations may displace activity from the primary sector (agriculture, fishing and cattle farming) or cottage-industries with resulting disruption of basic food production capacity if this happens on a large scale.

Another issue is that the small service-sector enterprises which tend to be the backbone of the industry are easy prey for organisations established beyond the region's borders which are familiar with the foreign markets targeted by the destination in question and that possess the means to handle them efficiently. These difficulties can be compounded in the case of season-dependent Tourism which does not offer continuous activity to those who have come to rely on it for economic sustenance.

For such reasons, benefits can bypass intended beneficiaries of Tourism, notably if introduction processes do not include the means to ensure their integration and the parallel development of “feeder” activities in order to retain and plough back profitable spin-off activity into the local/regional economy.

It may be thought that the risks of such negative impacts from Tourism are smaller in places which do not rely significantly on Tourism, and vice versa. However, the “underperformance” of Tourism as a potential resource is ill-evaluated by the usual official figures. Positive as well as negative impacts are often of an indirect nature and go unmeasured. With an appropriate strategy in a particular region, both the quantity and the quality of tourism activities and their socio-economic contribution ought to improve considerably. The implementation of such Tourism development policies in developed or mature societies cannot fully rely on existing mechanisms and institutions, however. In most places, there are few mechanisms to absorb and control negative side-effects, or to coordinate investment activities so as to concentrate efforts on fostering the increase of Tourism-specific activity in areas marked by especially high returns.

Therefore, in developed and developing regions alike, locally the introduction of increased Tourism activity will need to take into consideration and make allowances for the particularities of the already established economy and society, as well as the physical surroundings, in order to integrate successfully with society to the mutual benefit of all.

This said, Tourism development offers opportunities and will encourage all kinds of satellite enterprises to cater to the flows of visitors who are curious to learn about the culture and share the experiences of their destination's society, whether on holiday or business. Very little is known, except through direct polling, about how much tourists spend on, or how their spending actually stimulates the development of, such auxiliary activity. But experience shows that societies in Tourism destinations seize the opportunities, at first to the best of their ability, developing their tactics and strategies as it becomes clear what is expected by the customers. The negative aspect of this approach is that there is a risk that the cultural differences will erode with time and while this may not deter tourists from returning, a destination may lose elements of the original character which gave it a competitive edge.

On the other hand, differences may be enhanced and promoted as exclusive experiences, adding to the value of the destination and reinforcing the worth of its cultural heritage to the original population and visitors alike.

### Environmental Impacts

Tourism is widely perceived as an important instrument of nature conservation. Income from Tourism can help finance protected areas and to safeguard ecologically sensitive regions against more environmentally damaging alternative uses. Nature-based Tourism can contribute to promoting the environmental education of both tourists and the local population. Many groups are nevertheless – justifiably – critical of the effects of Tourism development where there has been a lack of respect for the environment, whether physical or socio-economical.

Out of consideration for the host society and its physical environment the introduction of even relatively modest numbers of visitors to areas which are to be developed for Tourism activity must be well-managed. If not, it could conceivably lead to rapid degradation and the irremediable alteration of the original characteristics which qualified a destination as a Tourism attraction in the first place.

Increased numbers of visitors can lead to:

- Increased traffic (air, rail, public and private road transport)
- Increase in consumption of public utilities (including waste-handling)
- Higher wear and tear on and consumption of natural resources
- Increased need for public and private service facilities and infrastructure,

all of which tend to be associated with increased pollution. The land requirements of Tourism development can likewise be significant, invasive (hotel/sporting facilities/beaches/parking lots) and upsetting to delicate natural balances, frequently influencing conditions which determine future developments in other directly- and indirectly-related sectors. Unavoidably, in locations with large-scale Tourism development, society will be influenced in complex ways.

These observations are not startlingly new and most developed societies have legal and administrative frameworks to regulate existing industry and new development projects, large or small. Nevertheless, misinterpretations and abuse may occur as businesses or individuals assessing – and taking - risks in search of profit neglect, or knowingly ignore, the law. Irregularities are often uncovered at a stage where damage has been sustained and is either irreparable or extremely costly to rectify.

### 3. THE CHANGING NATURE OF TOURISM

#### Growing Opportunities

Whereas Tourism originally represented mainly travel and accommodation as leisure activities, it has over time quietly taken on a range of additional facets in response to societal pressures such as described above. Tourism can no longer be regarded simply as a collective term for travel and lodging activities supported by indigenous curiosities, the consumption of which is reserved for (main) vacation periods by visitors to a region or place. It has developed new elements which each individually make important contributions to the total Tourism Economy today. In early developments, non-Tourism related businesses in “Tourist destinations” became dependent on Tourism for a large part of their originally unrelated economic activity and started to support and contribute to the development of their local Tourism economy by diversification and refining their products (e.g. local “speciality” bakers selling products based on regional recipes as take-home presents), raising the value not only of their own work, but also of the Tourism activities thanks to which they were able to expand and diversify.

Society has evolved and competition for Tourism consumer spending has grown. Different market sectors have been identified and vary in importance to Tourism according to factors such as age, gender, ethnicity, earning power, family situation - each with its own specifically-adapted commercial responses.

Among major opportunities is the development of the Asian market. Following the Chinese Government's liberalization of rules and regulations on foreign travel, increasing numbers of Mainland Chinese travellers are now making overseas trips, as has already been observed earlier in this presentation, for both leisure and business purposes.

Thanks to the IT revolution distribution of information has been greatly facilitated, entire populations have been made aware of the ever increasing variety of - developed or undeveloped - Tourism destinations and attractions available for their discovery and enjoyment. Differences in culture are no longer a barrier to Tourism consumers.

Many jobs and professions have become more productive through technical and organisational innovations and adoption of new ways of doing things. On the one hand, many professionals are achieving success at an early stage of their careers and lives, being motivated by higher remuneration of some form, and they demand the rewards - promised by a consumption-oriented society – associated with superior results. They are prepared to spend correspondingly larger amounts on more, newer and varying experiences to balance the pressure of their professional commitments. They take more frequent but shorter breaks as their working routines allow them less time for long holidays (despite legislation to the contrary).

Groups that do not have (access to) high-reward employment (and of which some may even be socially disaffected as a result) are nevertheless also subject to higher demands at work and influenced (by the media and consequently also a degree of social pressure) to seek the same rewards as their highly-paid counterparts. Satisfactory occupation of these groups' free time is not solely resolved by market forces but is also becoming a preoccupation of a social nature for the authorities.

Existing and new businesses in countries which are traditional sources of tourists to other nations have also diversified their facilities and organisations in response to the potential of demand on their own home-market.

Examples are:

- Events organisers, which sell their services to international organisations as well as local ones that need to plan extra-curricular programmes for meetings or gatherings of all kinds,
- Technical support companies, providing and setting up equipment for such diverse needs as small and large meetings and rock concerts
- Tour bus companies, which provide services to meet temporary logistics requirements for a large international meeting as well as regular local sporting events and school outings
- Crafts associations, organised to welcome large tour groups at a traditional location as well meeting the needs of occasional local Tourism or the retail trade.

In addition, some concepts have been exported to other countries, bringing the product nearer to the consumers in a far-away region (e.g. Euro-Disney). Conversely, where local attractions had already been established, these have undergone development in response to demand from abroad also.

The demand for new experiences has as a result also stimulated the development of various activities and enterprises which cater not only to Tourism in the traditional sense of the term, but to broader society all year round, during planned or occasional, impromptu leisure time and wherever consumers are to be found. There is a need to identify and measure the impact of these activities too in their own context as an additional dimension to society and the economy. This can already be observed in the definition of many such activities and occupations within the concept of “the Experience Economy” of which Tourism is in several circles considered a part.<sup>11</sup>

### **Recent Developments in the Tourism and Leisure Industries**

- Consumer expectations of ever more stimulating experiences are continually being raised. The inflation is not unexpectedly driven by popular media presentations, commercial marketing efforts and fed by availability of time and cheaper travel and, in developed societies, a certain promotion of self-realisation.
- To remain competitive and gain market share, the private sector also develops and launches more Tourism and Leisure products which need to be commercialised, further raising the frequency of communication and the level of expectations.
- Entrepreneurs all compete with each other but to achieve the most benefits from the available market, they tend to concentrate bars, casinos, theatres, discotheques, etc., in such locations as public squares in cities or beach-front promenades to reinforce the exciting atmosphere of each others’ product offerings which also stimulates curiosity and demand. More recently, redevelopment projects in some previously dilapidated city-centres have recognised the benefits of this natural concentration of entertainment businesses and authorities have started to consciously plan such clustering of Tourism-related businesses to

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<sup>11</sup> Tourism research and development efforts are frequently centred on this concept in Sweden, for example, see work done by Sweden’s KK-Stiftelsen in this respect. KK-Stiftelsen (2002)

extract the greatest benefits (viz. the relatively high interest in shopping malls in various locations).

- These trends are also reinforced to some extent by decisions to adapt availability of public transportation to accommodate perceived consumer demand. For example, by adapting schedules to provide surrounding areas with access to entertainment areas or occasional festivals in addition to the (nowadays) normal late-night services, and by encouraging preference of their use by party-goers over private transport.
- Young people are under (peer) pressure to join in the activities and trends which are exemplified in popular media. In addition they have generally easy access to and familiarity with Internet-based media and informal distribution systems like chat sites of which the proliferation multiplies the number of available choices. The use of personal mobile phones further enables rapid communication between their owners of information about organised and spontaneous events alike, but a system to utilise this medium for instantaneous professional promotional activity to this market has yet to be developed by commercial Tourism.
- For a fast-growing number of consumers, the Internet has all but replaced the traditional Tourism sales outlets, although the structures of the traditional forms persist, with intermediaries between supplier and consumer, in the form of travel agencies and consortiums of different sizes and affiliations, having replaced their high-street shops with websites. However, suppliers are striving to develop their own direct Internet sales outlets in an effort to control sales and to reduce costly advertising and agency fees.

Tourism markets can be divided into segments which each have individual significance to entrepreneurs. This analysis could also be deserving of attention by Tourism authorities in search of improved yield for public efforts as each market has different requirements and therefore merits a different set of responses:

### ***I. Business-Associated Tourism***

This is often identified as the single most important sector by many hotel operators who cater to different sorts of business travellers.

Tourism businesses so far have not been able to systematically map these consumers except at the post-spend stage since the decision-making processes and spending habits of individual business travellers are not easily established. The individualistic nature of these consumers means that is very costly to effectively market services to them and particularly to gain their allegiance to a brand or particular individual operator.

Polls usually substantiate the belief that they spend considerable amounts on non-business related expenditures during business trips in addition to the generally higher-than-average spend related to the actual purpose of their travel.

Definitions have been developed of the "individual business traveller", but the standards are not common to all who cater to and track the movements of this segment of the Tourism market, increasing the difficulties to assess and quantify their importance with any degree of consistency through established statistics-gathering processes.

Operators have also developed greater awareness to the requirements of individual female business travellers and many marketing campaigns reflect this. In actual practise, however, suppliers of Tourism products could benefit from greater differentiation when answering their needs.

## *II. Meetings, Incentives, Convention/Congress and Expositions (MICE):*

There is a lot more information available on these markets because purchases made on their behalf are combined or pre-booked in blocks and the travel trade and local organisations can relatively easily identify and make this kind of information available. Major associations have appointed a representative group, with an office in Brussels, which has information available for the travel and Tourism trade about its members' profiles and their meeting habits.<sup>12</sup> Indications suggest that the MICE market offers substantial potential for further development despite some concerns about the security risk inherent in exposing large groups to public attention in this way and longstanding arguments about IT facilities replacing the need for people to travel to exchange views of consolidate business deals.

The successful acquisition of the MICE market requires long-term planning and cooperation between public and private interests because decisions taken by organisers in respect to the location of events depend largely on the availability of suitable and attractive infrastructure at the destination. This is particularly so for the large international events market. The Baltic Region possesses venues with potential for development in this sector, helped in recent years by the low attraction of the area for potential terrorism activity.

Aside from the land-based fixed venues, the concentration of an established cruise-ship industry in the region both offers suitable infrastructure and flexibility to meet a wide range of customer demand, with spillover to land-based commercial Tourism activity as an added bonus.

## *III. Training and Development Market*

HR-dependent organisations of all sizes rely on continual training activity to maintain corporate performance at a peak. Much of this can be achieved by on-the-job training or at least on-site as many companies maintain some facilities for this purpose. However, it is frequently necessary to reunite smaller or larger groups for informative sessions or beneficial to offer a change of location for better stimulation and this can often best be achieved off-site or at a location offering appropriate facilities. For example, companies with a small administrative group and a large sales force which must regularly be brought up to date about new products (e.g. the pharmaceutical industry) fit this description. Budgets will vary, but may be supported by tax breaks in some countries.

The “team-building industry” has become particularly creative and offers tailor-made “adventure” programmes (see below) which are actually seen as serious HR development tools even if they are included in the schedule as “recreational” activities.

## *IV. Eco-Tourism*

National parks have existed in various parts of the world for a long time but the rise of conservationism and green politics have raised awareness and interest among the public to new levels. There is also considerable romantic appeal attached to “roughing it” in exotic locations, although this can be controlled and even “dosed” according to the consumer’s level of tolerance for discomfort... There are countless possibilities available from simple individual hiking to logistically fully-supported programmes, depending on accessibility, security considerations and budget.

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<sup>12</sup> Union of International Associations, Rue Washington 40, B-1050 Brussels, [www.uia.org](http://www.uia.org)



## V. *The Increasing Ease of Travel & Access to Tourism Products*

Deregulation and increased competition have led to greater diversification and lower rates, offering more people access to far-removed and exciting or secluded locations, in turn spurring the development of Tourism to developing destinations - sometimes to the disadvantage of established ones or to those destinations seeking to develop Tourism which are perceived to be of less interest even if competitive and easily accessible.

This also means that the distances between the traveller's origin and destination are both a stimulant and less of a restraint than in the past, and local offerings in the tourist's home location are open to serious foreign competition. Internal Tourism in a country such as Sweden is clearly at a disadvantage because of these factors which also influence choices by inhabitants of surrounding countries. The facts that nearly 70 % of Tourism revenues in Sweden, which is relatively well documented, are generated by internal markets and that over half of Sweden's foreign visitors are from surrounding countries (Denmark, Norway and Germany), does nothing to disprove this.<sup>13</sup> The proportion of visitors from abroad is still very small and this merits reflection as to how Tourism products can be made more attractive to them.

## VI. *Other Market Development Trends in Tourism*

### a. Senior Citizens:

As may be deduced from the size of this market, there are good reasons to provide products and facilities that meet the demands of older people:

Older people are not motivated by the same physically demanding activities as young people. They need more time to do what younger people do and deal with many routine matters differently, according to older norms and values which are no longer in effect and are often frustrated and/or disoriented as a result. Older people generally tire more quickly than younger adults and need more time to rest and recuperate.

Senior Citizens are as curious as younger people and many are intellectually very capable but sometimes their physical condition (sight, hearing) is – imperceptibly to others - impaired, making communication difficult under some circumstances

There is a need to respect the dignity of older citizens that is not always recognised or accepted by younger people who frequently show impatience in dealing with them (this is a characteristic common to most industrialised and many “Western” societies)

For the above reasons many older people are wary of joining mixed groups in which they may be in the minority – travel planners need to take this into consideration when offering group travel arrangements.

### b. The handicapped,

or Physically Impaired, are a diverse group with as many different needs as there are forms of handicap. Much legislation has been introduced to ensure access to and mobility within facilities by wheelchair dependent people, or for the sight-impaired. Still there is potential for development in this field, the problem being where and whom to prioritise and which level of adaptation to choose to meet special needs in facilities with a broad commercial use, or how to modernise older facilities. Some companies have appointed customer-relations managers with a responsibility to

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<sup>13</sup> Turistdelegationen (2004)

establish relations with and develop products and services for handicapped consumers.

Tourism workers need to be made aware that people with physical handicaps appreciate both anticipation of their needs as well as some degree of independence. But apart from ensuring their access to suitably adapted surroundings to allow them to function on their own, many do not actually want “special” attention.

c. Work pressure and job flexibility,

Shifting work-patterns and last-minute decisions, shorter lengths of leisure trips, rates (low-price accommodation and air travel), have had their effects on booking patterns: opening times of all sorts of Tourism destinations have changed as the nature of the demand for Tourism products has gradually moved from distinctly “seasonal” to “all-year”. This has contributed to improved commercial yield during traditional shoulder- and low-season periods and has had a beneficial effect on high-season income (the trade having learned to charge higher rates for last-minute bookings made during high-demand periods). In many popular locations it has been beneficial for low-occupancy periods as consumers learn to shop for “last-minute” bargains that operators promote to generate additional revenue to cover fixed costs.

Leisure and Recreational Tourism operators have developed in a number of specialist fields over the past few decades. Not all have gained equal importance or acceptance, but many are established contributors to the Tourism Economy.

d. "Adventure" Activities,

which cater to personal well-being (emotional, intellectual, physical), are highly dependent on human interaction and shared experiences. Activities such as “white-water rafting” are already open to the physically less-well prepared who search for new thrills, available from promoters of Adventure Tourism, frequently in combination with Training Programme providers (team-building “experiences”) and can easily be annexed to the already lucrative corporate travel market, business meeting and congress/convention-related (“MICE”) sectors.

e. Gambling

has existed for decades as a major, legitimised core industry in its own right in only a few locations, (e.g. Nevada, USA; a limited number of casinos in France). It has recently had new impetus with the introduction of technology-supported gaming. This field of activity has long had a mixed reputation, with many societies limiting gambling to such activities as bingo, more as a form of social entertainment, or strictly-regulated occasional events like horse- or dog-racing-. Only recently has it started to gain grudging acceptance albeit under tough regulation in countries where it was previously impossible to organise betting. Gambling operations can also be lucrative sources of tax revenues for public authorities.

Casinos are therefore entering the mainstream of promoted all-round entertainment (“experience”) centres even in conservative societies, offering complete programmes with conferencing, dining and shows, together with warnings about the negative aspects of gaming.

f. Theme Parks

Not essentially a new development, but more sophisticated technology-driven attractions and the internationalisation of themes once associated with specific

locations has made theme parks ideal short-break destinations in a more “experience economy” oriented sector. Entire communities have sprung up around such parks and the more recent ones are indeed planned to include these as well as the usual hotels, transportation links, etc. (viz. Disneyland® Resort Paris).

In addition to the classical motivations for recreation/leisure travel, specific types of activity previously organised by and for special interest groups have become recognised as lucrative contributors to the Tourism economy. Examples are:

- g. “Dark Tourism” A controversial and complex area of Tourism developing in relation to a wide range of sites around the world: from death camps to sites of particularly significant battles and the graves of recently-deceased celebrities. Visitors include students of history.
- h. Religious Tourism Visits to religious sites, but also pilgrimages, attendance of religious festivals and seminars and self-discovery experiences generate Tourism revenues.
- i. Industrial Tourism by the public has proved to be a sometimes lucrative development, particularly if access is convenient. Inactive mining industry sites, active major harbours, Technical Expositions, etc., all are capable of interesting different audiences. The seemingly ever increasing interest for industrial heritage sites is quite recent, spurred by dedicated tourist routes displaying formerly important industrial plants and infrastructure in their original spatial and functional contexts, in different industrialised countries in Europe.
- j. “Sports-spectator” Tourism As opposed to dedicating an entire vacation to practising a specific sporting activity, like skiing or mountaineering, individuals practising a sport (e.g. golf) travel to different locations drawn by a specific event, or clubs send teams and supporters to away matches. Sponsoring of sports clubs and events has enabled higher spending on their development and competitiveness, so increasing the show value and accessory spending by fans and those directly involved.

Examples are the Tour de France, which generates millions in spending on facilities along its route by the organisation and spectators alike, and Tennis’s Davis cup (which directly benefits the numerous participating countries) Sponsoring (= investment in) sport has contributed to the development of more spectacular events, drawing crowds with a combination of the core sporting attraction and supporting events. Sponsoring and the associated advertising have international as well as national impact, further amplified by media exposure of popular events.

- k. Hunting/Fishing have a traditional following amongst others in industrialised countries which no longer offer hunting or sports-fishing facilities or significant quantities of game. Catering to the demands of these sportspeople has developed discreetly and much goes undocumented, since it is controversial in some circles. The Baltic region enjoys a well-established reputation for big-game hunting and fishing, which merits examination of how this large-budget activity can better benefit local Tourism economies.
- l. Hobby/Special Interest clubs Bird-watchers will travel to sites around the world to observe a single species. This is a specialised relative of eco-Tourism which has fantastic development potential in the region due to the many locations, both reserved by man and natural, which attract rare species threatened by extinction.

Railway enthusiasts have prompted the renaissance of legendary train voyages which offer limited travel but highly-profitable experiences. Vibrant local organisations operate museum railways or maintain cycle-paths along disused track. Additional promotion of these assets is being undertaken to higher-spending groups, for example by linking with MICE operators (vintage “party” trams or trains for congresses, “Royal Scotsman” cultural and gastronomic voyages, etc.).

- m. Language Tourism has been successfully developed in regions offering a combination of language-teaching, established recreational facilities and good weather conditions.

It does particularly well in host regions where the main language is the one to be learned; the potential combinations with unique destination products are many even if the local language is not the subject.

Many countries have realised that their cultural and natural heritages are of significant value to the Tourism Economy and authorities have taken initiatives, or have been supportive, in developing promotion of specialist tour packages or itineraries in diverse fields. The Baltic Region offers excellent opportunities for enlarged, interregional cooperation and cohesive action.

## VII. *Big Operators vs. Small-Scale Businesses*

Small businesses which are typical in the Tourism Economy will be launched and will flourish as long as there are creative, motivated individuals with the freedom to operate and who see opportunities for reward through investment of their personal time and effort. Whether, individually, they fail or survive, they generally pose neither a significant threat nor benefit to society beyond a small circle of stakeholders, each one being a self-contained unit resolving its internal and social issues without significant wider impact on society or on the economy.<sup>14</sup>

They have a greater freedom inherent in small organisations to choose, or adapt to, the best form of organisation to allow them to meet the challenges of expanding and contracting business cycles. From a greater economic perspective, these SMEs are considered to play a vital role in an era where the ability to innovate and adjust to rapidly changing technologies and consumption patterns, for example, is increasingly important for competitiveness and economic growth. Given the right framework conditions, SMEs have the potential to serve as incubators to new ideas, exercising their ability to act quickly and flexibly more easily than big established firms or large-sized enterprises (LSEs). Furthermore, as a result of the ICT ‘revolution’, among other things, transactions and processes that used to require a central location and large scale now can be carried out in the periphery and on small scale, if firms and other actors can engage in networks with partners. The ability of SMEs to combine the flexibility of small scale with economies of scale and scope at the level of networks has considerably strengthened the ability of SMEs to compete with large enterprises.

Commercial interests may prompt SMEs to expand either organically or through acquisition, as opportunity presents itself. However, abuse (e.g. deliberate transformations of a socially debatable nature or lack of compliance with existing regulations) by individuals carries the risk of provoking backlash in the form of overregulation affecting the creativity of a whole sector.

The development of larger private organisations is not always enthusiastically welcomed. Those who fear large commercial groups point to the short-term gains apparently favoured by entrepreneurs to the detriment of long-term viability and the survival of individuals or small specialist operations, particularly in environments which rely on significant traditional cultural

<sup>14</sup> Richards, R. and Schendler, A. (2000)

or natural assets to attract Tourism, e.g. Alpine or exclusive coastal resorts. (Small business owners and environmental groups share this argument). Alternative forms of integration for productive activities, such as cooperatives do not have the dynamics or the drive of focused for-profit organisations. Such altruistic organisations usually fail (or change their management philosophy) because they become too unwieldy or members no longer share or support their original common vision or decide to pursue their own economic goals.

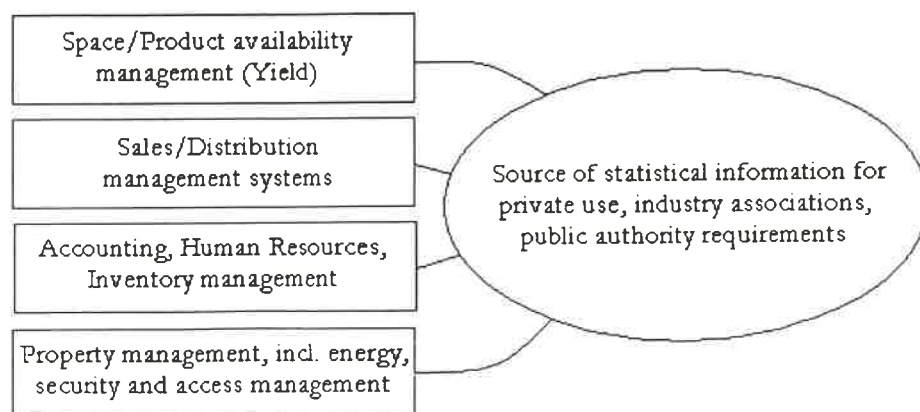
Vertically-integrated conglomerates such as TUI, the German-based travel giant, have the power to combine the resources available to much better effect than if these were under individual management. With extensive marketing power, they offer a wide selection to consumers while offering associated operators the possibility to reduce their individual marketing activities in exchange for access to guaranteed (usually reduced) rates and yet improve yields. Operators who become reliant on their marketing support consequently have less flexibility to benefit from positive market evolution and in addition have little to fall back on during slow periods. The motivation to cooperate with such the travel organisations is the promise of a steady flow of business.

Large-scale businesses also offer other opportunities which are not always available to small, family-owned ones. Economies of scale in purchasing and other operational aspects and financing and the spreading of financial risk are less possible for small businesses operating under strong competition or uneven conditions (e.g. seasonality). In some respects, conglomerates have assumed the role of government in establishing continuity and even stability within a specific economic area which may not have been within the reach of small individual businesses under the same circumstances even if strong arguments exist for association and clustering may have been introduced for certain activities.

Thus the larger operators have the potential to offer sustainable socio-economic perspectives, while the small ones can provide useful stimulation for renewal. For policy-makers, there is a clear incentive to encourage both types of organisation.

## The Role of Information Technology

Within the Tourism industry, IT first was most widely applied to automate essentially manual systems for functions such as:



More sophisticated “Rooms inventory management systems” (designed to provide input for and interact with large-scale coordinated use of sales information/management systems to establish marketing strategy) for hotel and other Tourism businesses have evolved from the airline and vehicle-rental industries which were the first to develop such applications for practical use.

Today most of the manual work originally associated with information systems is no longer required and even much of the input is supplied by the consumer when making initial travel or accommodation arrangements. Companies also tend to eliminate paper by encouraging consumers through their fidelity programmes or special incentives to use electronic means of communication. However, the initial investment in such systems is still today considered economically justifiable only by large organisations. Although hardware is becoming accessible to most small and medium enterprises, still relatively large software investments are needed to cover essentially the same type of marketing information requirements as larger businesses have. Consequently, there are disparities between the levels of detail information available from small and large enterprises.

There is a real potential in applications for automated and sometimes online (real time) collection of statistics via retail organisations (utilisation of credit and fidelity cards), subject to heavy restrictions out of concern for privacy protection issues arising from the possible transfer of confidential and personal information from one organisation to another.

### **Developments in Marketing and Distribution**

Bringing a product to the market is as vital to the success of Tourism as to other economical activities in order to ensure the success of the enterprises involved. Techniques and intensity of publicity and sales campaigns have advanced with the development of the influence of the media on public behaviour and consumption.

Some actors in the Tourism field are taken for granted or have no obvious competitors in their field (e.g. state railways, even when “privatised”). Most are entirely private, small, initiatives started in the belief that there is demand for their particular product (in a particular location) and which must ensure their survival and profitability by generating sufficient volume of business. They advertise individually or work in association with competing or non-competing businesses to combine advertising and distribution efforts for greater effect.

Tourism businesses dispose of a variety of advertising facilities and channels. Advertising via press or other media may be tailored to specific target audiences. Traditional brochures may be distributed either on request or via selected mail shots, or are entrusted to agents, who use them as supporting sales material. They are still widely used but are expensive to produce and distribute and quickly become dated. Their relevance is often questionable in the presence of other influential media with large quasi-permanent audiences. Some organisations try to recuperate the cost of brochures which are distributed on a request basis, but this is a questionable practise from a commercial point of view.

In respect to the actual distribution, Internet booking and payment, attractive offers packaging compatible products, agents working on a commission-per-sale basis, etc., are the most common and effective channels used to bring Tourism products to the general public. They can be implemented separately but are often combined in order to achieve the widest most effective coverage possible, thus making individual sales more costly. Up to 70 % of the advertised price of hotel accommodation may have to be allocated to total combined distribution cost. This gives some indication of the potential share of the distribution sector in the Tourism economy generally, and the power this sector has overall in determining end product and price. Indeed, some groups try to retrieve the distribution process and control its costs and effects on revenues by establishing their own distribution network (e.g. Hotel chains establishing their own websites).

This course of development has even resulted in the establishment of wholly-integrated conglomerates with full control over (supply and management of) product, transport to and from destinations, as well as sales and distribution (again, e.g. TUI which has developed into a fully international conglomerate).

- **The public authorities** support private Tourism initiatives, typically with promotion through the National Tourist Offices present in many countries. National and regional Tourism Offices work on a broad, image- and relationship-building basis, concentrating on destination promotion and providing some feedback to the sector in the form of statistics about achieved volumes of Tourism activity and the results of polls taken to evaluate the quality and appropriateness of the Tourism product. Regional public organisations are growing in significance as governments decentralise to add flexibility and improve response to regional and local needs. One result of this decentralisation process is that regional bodies start to build their own organisations to promote business development within the areas under their jurisdiction, in competition with other regions, at the risk of effectively adding a layer to the bureaucratic hierarchy.
- **The private sector** has taken the initiative in developing new marketing techniques, using evolving commercial and technological tools according to its needs. Airlines, hotel chains, supermarkets, retailers of electronic goods, oil companies, have all established fidelity programmes with personalised membership cards to help track their customers' spending. The availability of huge amounts of information about the habits and whereabouts of consumers has enabled marketeers to pinpoint potential clients for their companies and to create suitable products to be presented in the most effective manner possible. Use is also made of commercial "NGOs", associations which usefully promote members' business activities to the public under an Eco-Tourism or other such altruistic flag.

Competition from new developments and the resulting pressure on existing Tourism businesses or Tourism-dependent regions has spurred various players to rethink their relationships. Mutually beneficial cooperation, while starting on a local scale, is increasingly valid also in an interregional or international context.

Indeed, such clustering can serve as an effective means to develop and market new Tourism services and yet respect the partly conflicting interests of a large constituency and a wide range of objectives (IKED, 2004). The strategic benefits include the possibility to focus collective efforts on improving development prospects for the group or sector as a whole, as opposed to the pursuit of business tactics which are both less efficient in the long run and leave the individual operators in an exposed position when having to deal with agents and intermediaries. Clustering further offers advantages of pooled resources and reinforced competencies within the sectors that share target markets. An analysis of the situation in the Sultanahmet region around Istanbul, Turkey, for which parallels may be found in other regions also, resulted in the implementation of (the first stages of) a clustering project that offers some interesting and compelling arguments for the development of clustering solutions.<sup>15</sup>

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<sup>15</sup> Bulu, M. (2003). See also cluster website: [www.sultanahmetonline.org](http://www.sultanahmetonline.org)

## 4. SUSTAINABLE TOURISM

### What is Sustainable Tourism?

The expression “Sustainable Tourism” is guided by the principles set out in the *Rio Declaration on Environment and Development* (which intended to minimise the negative impacts of Tourism and to enhance its positive contribution to sustainable development) and the recommendations contained in *Agenda 21*.<sup>16</sup>

Sustainable Tourism needs to meet social, cultural, environmental and economic criteria of viability and acceptability. It has a long-term perspective, relating to both present and future generations, and is described as being

- Ethically and socially just and culturally appropriate,
- Environmentally/ecologically sustainable and
- Economically profitable and feasible.

These aspects of sustainability are closely interrelated, and need to be considered and addressed in an integrative manner.

In the long term, sustainable Tourism depends on:

- The successful balancing and careful utilisation of available means (natural, cultural and financial),
- Continual dedication of effort to the conservation and renewal of natural resources,
- Recognition of the needs of the involved populations and
- Consideration as to how they may participate in the economic benefits generated by spending on Tourism.

Tourism and its dependent activities have their suppliers and markets, like many commodities and manufactured goods or services on which international trade depends. Like trade in any of those goods, Tourism has beneficial effects and less positive ones on people, their economy and their environment, not at the same time, not in the same places at once.

Ensuring the sustainability of Tourism development is therefore dependent on a common approach, as the social, economical and environmental issues shared by the various actors involved in the delivery or the consumption of Tourism are to a large extent interdependent.

The WTO-OTM saw a need to review and update its existing definition of Sustainable Tourism to take into account developments since the concept was first established in 1992 in order for it to be able to continue service as a common reference for public institutions, the private sector, and researchers who are concerned by the domain. The result is a:

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<sup>16</sup> Agenda 21, the Rio Declaration on Environment and Development, and the Statement of principles for the Sustainable Management of Forests were adopted by more than 178 Governments at the United Nations Conference on Environment and Development (UNCED) held in Rio de Janeiro, Brazil, 3 to 14 June 1992. See <http://www.un.org/esa/sustdev/documents/agenda21/index.htm> and <http://www.un.org/esa/sustdev/documents/agenda21/english/agenda21toc.htm> for access to the complete document.



- **Definition** which takes into consideration the above as well as the realities of business development has been proposed by the North Carolina State University: Sustainable Tourism is the development of business opportunities that meet the needs of the present generation without compromising the ability of future generations to meet their own economic, cultural and environmental needs.<sup>17</sup>

Entrepreneurs need to understand the basic principles and contexts of sustainability in business in general, and then learn how these apply to the business of tourism (or, indeed, to related subjects such as travel, leisure, hospitality, events management, the arts and cultural industries).

Many large enterprises have integrated environmentally-responsible behaviour in their routines (whether the benefit is economic, or simply better public relations). Industries have invested in systems to improve the environmental impact of their operations. In typical Tourism SMEs this often implies investments which can not be absorbed in the short term and are often put off until major replacements have become unavoidable. In addition, a major element in improving environmentally-friendly practises is the training and subsequent behaviour of the personnel in Tourism businesses at all levels.

- Coordination between government institutions and ministries which issue legislation influencing Tourism activity would be helpful to ensure environmental regulation take into account the working conditions of the typical Tourism SMEs.
- The private sector has already developed useful benchmarking tools exist for tracking performance by Tourism businesses in respect to their environmental practises: see <http://www.benchmarkhotel.com>. Designed for hotels, these tools can nevertheless be adapted to use by other environmentally conscious Tourism operators also. Support of this kind initiative and of industry to provide adequate equipment and supplies would be helpful to Tourism development.

## **Sustainable Tourism in the Economic, Social and Environmental Context**

In many developing as well as developed countries, insufficient attention is paid as yet to ensuring that unrestrained growth will not irreparably damage existing resources, nor lead to practises which are harmful to the destination's image and therefore desirability, with resulting negative socio-economical impact in the longer term. For instance, strains have been put on water and food supplies, waste-handling facilities and the capacity of the local population to meet the standards of service promised to Tourism consumers. As a result, the "success" of Tourism in these locations is usually short-lived in its originally hoped-for form.

A greater awareness of how environmental and cultural assets can be either underpinned or undermined by Tourism activities, depending on how they are organised, is one of the keys to the successful design and implementation of strategies in this area.. Tourism trade professionals do educate customers they carry to developing destinations about what conditions to expect and how best to interact with them. International hotel organisations do outstanding work to bridge cultural gaps between local staff and visitors from abroad, and incorporate the local culture in the design and management of their properties. They also contribute to the sustainability of local

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<sup>17</sup> This definition was quoted in a report published by Sustour, a public-private partnered project organisation (Sustainable Tourism in the North - <http://195.148.254.130/sustour/sustour.htm>) in January 2002 and attributed therein to the North Carolina State University. (see the full report at: [http://www.nordicinnovation.net/img/Sustainable\\_tourism\\_development.pdf](http://www.nordicinnovation.net/img/Sustainable_tourism_development.pdf)).

Tourism by supporting – on the job or through local educational facilities - the development of staff and local feeder industries to help to exceed guests' expectations.

It is equally important for the sustained development of Tourism that the benefits generated by the industry do not escape those local stakeholders who are most in need of an activity for their own sustenance. This requires an engagement from developers and the local population alike. If the former have clear objectives and motivations and possess the means and expertise to meet them, the latter often are not properly prepared to participate in the Tourism development process and will therefore need adequate guidance in making their choices and yet remain competitive in the world market without having to resort to protectionist measures

A popular misconception is that unskilled populations with a high degree of unemployment are suitable labour pools to meet the majority of Tourism's human resources requirements. In truth, successful Tourism – whether on a large or small scale - is dependent on close cooperation between informed, enthusiastic people with different but complementary skill-sets. Many basic skills can be developed on the job, however at the cost of devoting sufficient time to training that even seasoned Tourism managers frequently underestimate.

The need for a better understanding of cultural differences between Tourists from different origins and the providers of the Tourism products is also often forgotten, not least in developed regions. Many people who might be more effective in a Tourism-related employment are denied this because they are not adequately prepared for interaction with consumers from outside their familiar surroundings and lack the attitude which is the cornerstone to facilitate such preparation.

These aspects of human resources development in Tourism usually receive inadequate attention from public authorities in developed regions as they rightly leave the decision about qualifications and suitability of entry-level employees to the entrepreneurs. Nevertheless, where governments identify Tourism as a sector of significance to the country's economical development, it should also be considered worthwhile to encourage a supportive public attitude to any suitable initiatives to develop vocational education.

## Security Management

Insecurity at a destination negatively influences decision-makers and consumers. Especially leisure Tourism activity is affected as responsible travel organisers and organisers become increasingly reluctant to travel to areas which are perceived as hazardous to them or their charges. Tourism can not be sustained under conditions which are uncertain to travellers and investors

### *Risks include*

- Violence such as armed uprising or terrorism
- The resurgence of diseases in new, drug-resistant strains
- Normal – but possibility aggravated - risks inherent in moving (groups of) people around locations unfamiliar to them

Societies must enjoy stable peace and public order to provide safety as the basis for viable Tourism economy development. If businesspeople are willing to put up with a limited degree of additional stress in order to ensure their personal safety when travelling, leisure travellers generally are not, especially when accompanied by their children.

Regions with political stability founded on democratic principles, a perception that the area is of low interest to terrorist activism and the presence of well-rooted and sophisticated health care systems offer strong arguments as attractive Tourism destinations.

Since bombings first took place at Tourism locations world-wide in the early 1980's, the subject of security has become an integral part of training programmes for workers at all levels in order to detect and respond to intended acts of destruction. These measures have at least achieved a positive psychological effect but awareness and preparedness decrease in the (fortunate) absence of new events and require continual investment in updating and retraining to maintain effectiveness.

Despite a sharp increase of security risks at various times in recent years, the World's Tourism Economy does not appear to have suffered permanent damage. Even in directly-affected regions, after periods of conflict or individual incidents, activity usually returns to normal levels – despite initial misgivings – with the appropriate support of the authorities (e.g. Egypt's campaign after the Luxor attacks) and aggressive marketing campaigns by the private sector. Statistics available in respect to the Tourism economies of different regions affected by war or terrorist incidents may show noticeable declines during periods of strife or after a particular incident, but usually resume a normal trend line shortly afterwards.<sup>18</sup>

On another level of less interest to consumers but vital to business in view of increasing reliance on electronic systems to manage even small enterprises, many IT systems have been developed to support businesses' security measures. The most common (and visible) ones concern access control and theft prevention, fire prevention and detection, health/sanitation verification, protection of information and financial security.

Tourism consumers have become used to electronically-controlled door-locks, participation in fire drills, hygienically-wrapped portioned food items with best-by identification and full pre-payment of foreseeable expenses in all but the most basic lodging facilities. In every case these systems must be nevertheless complemented by competent personnel trained in their operation to back them up in cases of failure or malfunction.

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<sup>18</sup> Mowforth, M. (2003)

## 5. MEASUREMENT AND EVALUATION

In many countries the authorities responsible for collection of information on the performance of the economy have developed standards for the measurement of the national economical output. Often, these standards are shared amongst groups of countries in the interest of enabling comparisons and benchmarking. One example is the NACE code in use in the European Union which codifies different branches of industry.<sup>19</sup> The code has references to Tourism but these are inadequate for in-depth evaluation of even limited Tourism activities. The WTO-OTM provides reference to a comparable, somewhat more detailed set of standards (The Standard International Classification of Tourism Activities - SICTA) for developing Tourism analyses.

However, since 1995 the WTO-OTM has spent much effort on the development and promotion of the Tourism Satellite Accounts (TSA) in cooperation with national and international organisations that have a particular interest in Tourism statistical information, such as the United Nations (the Statistical Commission, the Statistical Office and its regional agencies), the World Trade Organization (WTO), the Organisation for Economic Cooperation and Development (OECD), the Statistical Office of the European Communities (EUROSTAT), the International Labour Organization (ILO) and the International Monetary Fund (IMF). This also applies to various types of regional organizations and bodies representing the main industries and tour operators, such as ICA, APEC and IATA.<sup>20</sup> Although the TSA system, when fully implemented and complete, should be of great use in evaluating the impact of Tourism, it may become very complicated and costly to implement, as reflected in a recent publication by the Polish Institute of Tourism.<sup>21</sup>

This coincides with the review of the International Standard Industrial Classification of all Economic Activities in preparation by the United Nations Statistics Division (the so-called ISIC Rev. 3) scheduled for consideration in the 2007 revision process for these classifications. A questionnaire concerning the suitability of the classifications as they referred to Tourism was circulated to institutions worldwide such as National Tourism Administrations, National Standards Offices or Central Banks as well as some Tourism enterprises. A report was subsequently issued by the WTO-OTM July 2002, the contents of which are intended to supplement the work of the United Nations on this issue.<sup>22</sup>

Information about Tourism activity may be further supplemented by sector-specific results obtained from industry. In some cases structures exist to facilitate the collection process. The disadvantage of current tools is that many do not consider the specific nature of Tourism in sufficient detail to yield a real picture of the impact of this vital and vigorous industry. An example is the Swedish system for classification of professions (SSYK), which offers 25 specific classifications and some general ones for operators of different kinds of machines, but only 5 which can be used to identify personnel in Tourism activities, of which three are not intended for

<sup>19</sup> Eurostat (2002) A complete explanation is available on

<http://unstats.un.org/unsd/class/family/historical/isic/papers/isic-10-eurostat.pdf>

<sup>20</sup> WTO-OTM (11/2000) See Appendix 2 "Tourism Satellite Account (TSA) Project" and

[http://www.world-tourism.org/statistics/tsa\\_project/TSA\\_STRATEGIC\\_PROJECT.pdf](http://www.world-tourism.org/statistics/tsa_project/TSA_STRATEGIC_PROJECT.pdf)

<sup>21</sup> Buczat, T. (2001)

<sup>22</sup> See: "Revision of the 'International Standard Industrial Classification of all Economic Activities (ISIC, Rev.3)'"

[http://www.world-tourism.org/statistics/tsa\\_project/WTO-OMT%20ISIC%20DOCUMENT.pdf](http://www.world-tourism.org/statistics/tsa_project/WTO-OMT%20ISIC%20DOCUMENT.pdf).

identification of Tourism personnel only and the two others each group together a number of different professions.<sup>23</sup>

The area of analysis which appears to have been least subject to development is that of evaluating Tourism's level of efficiency. There appears to be little correlation between numbers and categories of tourists in relation to the amounts of revenue they generate. Most countries do regularly publish statistics about hotel/camping/"other accommodation establishment" room/bed/guest counts as the case may be but often the link between volume of business and revenue is missing and must be obtained through separate polls to evaluate trends.

Clearly, additional and different means are required to supplement current levels of knowledge and to enable decision-makers in the private and public sectors alike to better appreciate the import of Tourism and its related activities and to make decisions concerning its development.

### **What Should be Measured? (Key Indicators)**

Tourism entrepreneurs typically evaluate the success of their business development efforts on the basis of the following:

#### ***Volume of business***

- The quantity of business generated as a result of a particular marketing programme/promotional activity<sup>24</sup>
- Information detailed by category of activity
- An effort should be made to detail information by market segment (business, leisure, meeting/conference, other events)

#### ***Quality of business***

- Revenue generated/unit of volume recorded
- Incremental income (profit) generated by the programme (per unit sold for the business entity which delivers the product)

#### ***Cost of implementation***

- Cost of the programme to the marketing organisation,
- Additional cost within the business which delivers the product of delivering the product (if any, a rare occurrence) expressed per unit of product sold
- Results expressed per unit of product sold/category of business to be obtained

Consistency in the survey processes is naturally a requirement in considering the following areas:

***Participation:*** To establish linkages over time between any developments in the techniques used to market Tourism products and the effect on targeted businesses, the same units should report in systematically to obtain as complete a record as possible of the impact of the programmes implemented

<sup>23</sup> SCB (2004) - List available on: [www.scb.se/Grupp/ekonomi/Dokument/SSYKsyst\\_kod.doc](http://www.scb.se/Grupp/ekonomi/Dokument/SSYKsyst_kod.doc)

<sup>24</sup> Usually the number of rooms sold per night. "Bed nights", or beds sold per night is a similar indicator, less frequently used by businesses which measure selling efficiency (revenue per available room) in the light of low incremental costs and charges for double occupancy and growing reluctance of travellers in certain markets to share rooms. See Appendix 3 for an example of commonly used (hotel) guest categories.

**Information profile:** The type and scope of activity which is developed to promote a product will vary as different markets are tested and tried for response. Other variables may also be deliberately introduced or have to be considered over a period of time, which are beyond the normal control of the promoters. Analysts considering statistical information specific to Tourism-related promotional programmes have experience in interpreting results against the background of the most common ones, e.g. variations in weather, the economy, effects of terrorism on travel patterns, etc.

The key indicators which are required should, however, be consistently the same over the range of products/marketing methods to which they apply.

**Frequency:** The effectiveness of any marketing action is best evaluated while information is fresh. However, standard business practise will usually require evaluation before the end of the accounting period during which activity has taken place. A major motivation to speed up the process is the need to evaluate past or current actions in order to learn from experience before implementing new initiatives.

Initiatives which have a short planned life may need be reviewed only once at the end of the exercise, whereas repeated or seasonal actions may require frequent intermediate reviews to assess their effectiveness or the need for possible additional support.

## **From Measurement to Evaluation**

The above is basically about traditional measurement. More is needed to design, implement and assess a comprehensive policy approach. Tourism, with its interaction with a wide range of activities, represents an area that is difficult to evaluate. Benefits are often indirect and diffused among many stakeholders.

Evaluating comprehensive tourism strategies means addressing horizontal technologies and organisations around platforms transpassing specific sectors in the economy. The challenges that arise include:

- **Definitional** – determining what is meant by, e.g., creative industries and how to identify and include firms within these definitions.
- **Size aggregation** – within horizontal groupings there are small and large players, and small ones are greatly important in Tourism.
- **Sample size** – small sectors sampling is difficult and a high non-response rate to evaluation approaches can leave too small a sample to allow for meaningful conclusions.

This implies that multidimensional approaches are needed, which may necessitate the application of a number of techniques. Output information, statistical analysis, individual programme evaluations, client and business surveys, sector and national data collation, business case studies, and so on, may add value.

While a range of techniques could be utilised, evaluation will be less costly to the extent that it can draw on existing information rather than replicate evaluation effort. Assessments should indeed address what is realistic and do so in a cost-efficient manner. Advanced techniques, such as full-fledged cost-benefit analysis and calculation of societal returns should be applied when possible and reasonably effective. In a general sense, the following can be recommended:

- a. Cost-benefit frameworks should be applied;
- b. Quantifiable, measurable criteria should be strived for in determining success;
- c. Evaluations need to attempt to compare with what would have happened in the absence of a programme or policy, i.e. determine additionality;
- d. Evaluations need to take account of the temporal dimension of programmes and their impacts, developing retrospective ex-post evaluations, or in contrast, ex-ante evaluations depending on whether the aim is the monitoring of ongoing programmes or the forward planning of policies and programmes.
- e. A combination of evaluation tools and approaches (both quantitative and qualitative) is required in order to optimise the evaluation process and increase the credibility of results and, by extension, the policy recommendations that emerge.

Fundamental to the application of evaluation, authorities need to become aware of the issues that arise because of externalities and problems for actors to internalise payoffs in associated economic, environmental and cultural activities. Input-output tables can be calculated to measure the nature and intensity of some interactions, (De Bresson and Hu, 1999). Other techniques, including questionnaires and case studies, may be applied in special cases. There should be explicit attempts to understand the source of overt or covert obstacles for different actors to coordinate their efforts in regard to Tourism. Here, the study of "cluster processes" can come in handy. Issues arise both because private firms may refrain from potentially beneficial co-operation, and because policymakers or public authorities are in charge of relevant domains or institutions and may be unresponsive to private as well as socio-economic interests, unless mandated that way through the policy framework.

Efficiency does need to be measured on the basis of appropriate criteria. To the extent feasible, policies should be evaluated with regard to their efficiency in the following respects:

- a. **Appropriateness.** Does the programme address an objective that can be clearly related to policy rationale in terms of market, policy or government failure?
- b. **Superiority.** Is the programme more effective than other instruments that might have achieved the same goals?
- c. **Systemic efficiency.** How does the policy interact with other policies? Is there efficiency or suboptimality in this respect?
- d. **Own efficiency.** Is the programme cost-effective in achieving its specific objectives?
- e. **Adaptive efficiency.** To what extent do the results from evaluations feed back into policy design and implementation? Does policy design ensure a sufficient degree of flexibility enabling it to respond to the need for change?

These five aspects of efficiency should be examined with a view to the appropriate objectives. There are several alternatives in this respect, including:

- a. **Objectives of the programme** (these should be compatible with overall government objectives and should address market failures);
- b. **Overall government objectives** (e.g. economic growth, job creation, enhanced competitiveness, export promotion, regional growth policies, etc.); and
- c. **Framework conditions** (e.g. the tax system, overall macroeconomic conditions, regulatory environment, bankruptcy laws, competition policy, etc.)

If efficiency is only considered in terms of the first of these objectives, there is a risk that policy will result in a piecemeal approach. The objective of a given programme may overlap or be inconsistent with that of another one. Programmes and policies are often contradictory, especially when they go beyond the area of innovation policies in the narrow sense. The incentives confronting the relevant actors are influenced by a range of policy areas and the optimum solution to a particular problem may not be confined to innovation policy in a narrow sense. If second-best solutions and cross-purposes are to be identified and avoided, governments must not fail to take account of the second and third objectives.

This distinction between objectives reflects the role of different actors. For those involved in the actual management of a government programme, including some policy makers, the focus is entirely on internal programme efficiencies and on maximising the quality, responsiveness and delivery of the scheme. There is a need for policy makers and society stakeholders (i.e. tax payers, consumer interests) to concern themselves with incentive effects and resource allocation as well as the choice of policy instruments.

It is recommendable to pursue evaluations in a way that is consistent with a portfolio perspective, i.e. experimentation is useful and individual cases must be allowed to fail. The achievement of narrow, short-term objectives as a result of individual policy actions in principle deserves less attention than impacts achieved through a broader strategy over a longer time period, although it must be ensured that evaluations do not become too general and that results are operational. Further, evaluations should relate to, and make use of, intermediary targets and milestones, so as to be able to assess whether processes are on track rather than only focusing on ultimate objectives, where the time frame may be too long-term to provide any meaningful guidance. As for indicators, intermediary measures in the form of publications, patents, new products, or new firms, may then be preferred. Variables that come closer to objectives such as profitability, job creation, growth, or welfare, ultimately need to be in focus. A combination of methods, with consideration to context- as well as data-availability, is normally preferable.

Evaluations not only serve the ex post purpose of answering how good results are, but represent important tools for formulating objectives and shaping incentives. Correctly arranged, evaluations can greatly contribute to broadening the understanding of and the support for the objectives of a programme. Various procedures should be followed to ensure that the potential of evaluations to underpin effective implementation of policies is fulfilled. For instance, it is highly desirable to determine already before a policy is implemented what is to be measured and how. There should be proper communication early on. Interim evaluations could be used as opportunities for mustering collective reflection and for inspiring adjustment of behavioural codes and joint decision parameters, if needed. External, independent evaluators must be engaged, but the actors involved in programmes should be engaged and be motivated to strengthen contributions towards programme objectives.

Clearly, there is no 'one model', neither for Tourism policy, nor for Tourism evaluation. There must be an element of 'trial-and-error'. Resources and expertise available for evaluation are scarce, especially in developing countries, and approaches should be designed also with a view to what findings are most important, most conducive to policy learning, as well as most beneficial for the accumulation of further expertise on evaluation.



## Measuring Tourism Flows

### *Availability of Statistics and Access to Analysis*

Most governments have organised the collection and collating of information about the Tourism industry in the context of their normal economic evaluation procedures. International cooperation to sharpen the focus and extract more accurate intelligence about Tourism's workings has been promoted through the World Tourism Organisation (WTO-OTM) and the OECD Tourism committee and the WTTC. The reliability of the indicators published on the basis of this information depends on several factors:

- a. The accuracy (quality) of the collected information. Are common definitions of activity in place across the countries/regions where activity is being evaluated and are they being respected?)
- b. How representative the information is (what proportion of the user group being observed actually contributes to the input)
- c. Whether the input is sufficiently detailed to achieve a useful level of analysis (does information reflect the specific different categories of the user groups and/or other comparables; does the time period allow identification of events/trends?)
- d. Relevance of benchmarking where utilised (comparing apples with apples)
- e. Whether the collected information is available in a format and time-frame which are of relevance to the end-users
- f. Whether the information is understood and results in action to improve the quality of the work/product that is being analysed

Collecting adequately-detailed information about even only a specific sub-sector and collating it in a usable format can be time-consuming both to the organiser of the process as well as those providing the input.

The quality and accuracy of the statistics and analyses will be improved if the sources of the information understand the process and its value to the eventual beneficiaries (the benefits may only be indirect) and lend it their support. Many (Tourism) SMEs are already burdened by compulsory administrative procedures that consume precious resources and they hardly welcome more bureaucracy if it perceived to be of little or no benefit. However, many large, well-structured organisations routinely rely on detailed sector-related information to determine their business strategies and have the tools in place to collect it.

The public authorities nevertheless need to have a thorough understanding of how the entire industry performs if it is to shape policy so that all the stakeholders will have fair opportunities for development. In order to ultimately achieve the best possible basis for analysis, policymakers will need to consider involvement by the widest possible range of Tourism sector businesses and so eventually be able to address its many concerns

Thus it is essential that preparatory consultation is undertaken to ensure adequate understanding of what information would be required and to support the collection process..

In the absence of uniformly strong private sector representation across the entire industry, the implication is that this process may require a large degree of proactiveness from the public authorities concerned with Tourism's development to stimulate the initial stages of the process.

Informative analysis enables businesses and the public authorities to determine strategy or policy in regard to long-term development processes.

This is of particular relevance for the Tourism sector which typically operates in delicately-balanced conditions much of the time. Even seasoned entrepreneurs need information about expected market and political conditions in order to make timely decisions and appropriate investments in their respective operating environments. Otherwise, basic inefficiencies in infrastructure, marketing and human resources development may result which could make the difference between success and failure, for private as well as for public efforts.

Smaller enterprises are guided by their original vision, creativity and the will to work but seldom allocate to additional development until adverse conditions set in. While this may allow them to survive, it limits their capacity to establish any sustainable economic growth or to prepare for changes in their business environment. Their understanding and analysis of the market conditions (including the perceived trend in their clients' needs or desires) are based on current, relevant information and knowledge about the background of these elements and their influences on Tourism to which many individual entrepreneurs or small businesses may have access (often simply through experience).

Large enterprises experience greater pressure to plan ahead and may have established a certain degree of self-sufficiency and/or sophistication in analysis and research. Reliance, to a greater or lesser extent, on ad hoc information and analysis provided by outside sources such as the public domain, trade associations or consultancies is not uncommon. Information can range from broad-based to very specific, associated with a proportionally increasing cost.

It can be safely assumed that collection of information, research and analysis carried out by a public authority will also generate a higher cost if this work is more detailed. While public institutions may need to maintain or develop appropriate resources to master the domain of analysis, sometimes this work is delegated to private sector specialists to obtain independent, unbiased analysis in a fractured private sector.

It would be useful to combine the efforts of the various institutions currently in existence and which serve to collect, analyse and report on the sector's activities, including the national statistical institutions and private-sector actors such as industry associations.

### ***Availability and use of Research and Development***

As with analysis, there is an argument for maintaining an independent, unbiased advisory body to provide development support to private enterprise if the public authorities establish the desirability for expansion of activity a specific economical sector.

Few Tourism enterprises can afford the means for extensive research and development of their own, nor is there as clear a situation in Tourism as in industries with very specific, defined manufacturing and commercial activities and objectives such as in the pharmaceutical industry. Most Tourism enterprises dedicate their free capital to the establishment, upgrading or maintenance of infrastructure. Development frequently takes the form of adapting to new trends or opening new outlets ahead of competitors or finding new cost-cutting methods.

Real development in Tourism would mean opening an area or region to Tourism where this has not previously been a serious activity (i.e. economically important, engaging a significant proportion of the population in sustainable activity) or introducing Tourism to a population with no regular previous experience in this sector as a way of living. It would imply careful evaluation of the possibilities and long-term consequences of establishing Tourism activity. Not least, research would have to establish which markets exist or have to be created and how. The implications of the latter are that infrastructure and resources – development funds

and professional capabilities - should be defined and eventually made available in order to establish a Tourism economy.

### **Situation in the Baltic Region regarding availability of information**

Statistics currently available from the various governmental statistical offices government allow a degree of comparative evaluation of selected national results from each other or with those from countries in other regions.

There is a definite trend amongst these national institutions to base the presentation of Tourism-related data on international standards (as expressed in the Tourism Satellite Account system) but not all institutions (are able to) adhere strictly to these as is evident from the difficulties to obtain equally fresh information about even simple indicators such as hotel occupancies from all the Baltic Region countries (see Appendix 4).

There may be small but fundamental differences in the composition of the basic financial information that individual countries utilise to prepare their TSA reports, making some comparisons slightly misleading. This statement is based on an observation taken from a recent New Zealand TSA report in respect to comparisons with Australian data.<sup>25</sup> While no research has been undertaken to investigate and confirm this premise as regards collection and analysis in the Baltic region countries, a coordinated effort to develop the regional Tourism economy should for obvious reasons include harmonisation of the statistical information.

Private or semi-private consulting groups and public institutions are active in the region which have varying experience in the gathering and interpretation of information which is of commercial interest. In Sweden an example is Resurs AB, which was originally active as a subsidiary of the National Tourist Board. Its reports use the measuring standards of the WTO-OTM with material gathered from established public and private sector sources. The company commercialises its products, selling them to official Tourist offices in support of their own reporting, etc.<sup>26</sup> The Norwegian government statistics institution permanently maintains an extensive organisation which is capable of delivering analysis and research of various natures, as do other governments in the region.<sup>27</sup>

This above structure would appear to offer a reasonable basis for evaluation of Tourism development in the region. It is important to understand and account for the impact of fundamental changes in the evaluation standards, some of which have been made in the past few years (changes in lodging categorisation, changes in the computation of employment statistics, local changes). The challenge is to find and use the knowledge of the local background to make it possible to track trends - and compare them - in detail.

Concerning Tourism research, the Swedish government offers some capacity to the public through ETOUR, a limited-term project established in 1996 with the support of EU funding, a number of government institutions more or less linked to Tourism, some contribution from private industry and the "Mitthögskolan", which has established ETOUR's base at its Östersund campus. The government has called for a review of ETOUR's activities, which were originally destined to end in September 2004 and it is not certain whether the project will be extended after December 2004 or in what form or with which objectives.<sup>28</sup>

<sup>25</sup> Statistics New Zealand (2004)

<sup>26</sup> Resurs AB - see [www.resursab.com](http://www.resursab.com)

<sup>27</sup> Statistics Norway - see [www.ssb.no](http://www.ssb.no)

<sup>28</sup> ETOUR (2004) - see [www.etour.mh.se](http://www.etour.mh.se)

### *The Need to Coordinate Sources of Information*

The above does not attempt to provide an analysis of the data-collection and -analysis capabilities of the region.

What is apparent when attempting to identify sources of information about Tourism in the region is that there is a disparity in (or lack of) the basic information which may be expected from the official national institutions on one hand (if it is accepted that adherence to the Tourism Satellite Account structure and publication of other basic marketing information is a minimum requirement). The financial services sector has also been active in diversifying the choice and field of application of financial and other commercially-valuable information of use to business development in the interests of its own expansion. But the private-sector analysts can not really provide specific in-depth reporting on this basis and if they are not able to rely to their own data-gathering resources, they must resort to obtaining data from others which process implies that quality potentially will vary, as will cost

The choice is confusing to the individual small entrepreneur who must (spend precious time to) select the best source for advice or additional knowledge at the best price, as well as institutional and large enterprise representatives. The region stands to gain from cooperation in this field. Considering that Germany, with a population of over 80 million and more Tourism infrastructure than the other Baltic region countries combined (Russia not being included in this scenario), already has a functioning, integrated central statistics-gathering system for its 16 "Bundesländer", this should not be too unrealistic an objective for the region's different national institutions.

There appears to be another ground for fruitful cooperation between the respective authorities in the provision of useful, comparable information about the health and productivity of the region's Tourism industry.

Like analysis, the usefulness of the research which a public institution provides to the private sector is the subject of discussion. Academics will argue that operators act in the absence of adequate knowledge, secure in their belief that they already possess the necessary competencies, and therefore need to be made aware of their deficiencies. Many operators, on the other hand, are of the opinion that the research is too far-sighted, and they demand information of more immediate commercial usefulness.

## 6. RATIONALE FOR A REGIONAL POLICY ON TOURISM

### Public Intervention in Tourism Development

The active support of Tourism is fairly generalised in even developed countries where Tourism has long been a leading contributor to the national economy, although government financing for such public works as roads, airports, airlines also benefits other industries, while Tourism-specific capital investment is nearly always provided by the private sector. National or regional authorities often play strong supporting roles in marketing the national assets which existed or were shaped specifically to benefit from Tourism demand and to encourage the development of suitable infrastructure by the private sector.

Most governments understand the need to have a role in supporting Tourism. Public authorities world-wide have traditionally been more or less active in its development. Intervention has clearly been more important in developing regions or where economies are in transition. Where such situations have existed or still do, the trends are towards disengagement from involvement in Tourism development, as economies evolve and governments decentralise and turn over responsibilities for this and other economically-important sectors to regional authorities or private enterprise.

In addition to the general regulatory aspect, governments also manage publicly-owned infrastructure such as communication and transport facilities (which remain the subject of political interest and influence even when they are “privatised”) and which are key elements in a properly-functioning Tourism economy.

There is less need for public sector support of Tourism in countries and regions which have reached a high level of economic development. However, it is widely recognised that there must be an appropriate set of legal, social and fiscal regulations – as well as favourable physical conditions - if Tourism is to develop in a balanced, sustainable manner.

This can only be provided or initiated by the public authorities themselves.

### What is Effective Today?

This is the subject of much discussion and numerous enquiries regarding the effectiveness of public intervention in Tourism development as the realisation has grown about the extent of Tourism-related activity and its potential importance to society. (Viz. the Swedish government’s recent enquiry on the subject in the national context: “Turistfrämjande för ökad tillväxt” (loosely translated: “Tourism promotion for increased growth”)<sup>29</sup>

What may work well in one context could be inadequate in another. But properly coordinated, comprehensive campaigns are a must to achieve any goal. On a small scale, organisations may achieve much progress with “collective enthusiasm”, but Tourism is a large, complex area, economically, socially and geographically speaking. In such situations a comprehensive game plan has to be developed. Even then, many creative and skilful individual players do not necessarily

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<sup>29</sup> Swedish Ministry of Industry (2004) Enquiry ”Turistfrämjande för ökad tillväxt”

make a cohesive, successful team. In addition to respect of the rules, management and coaching are essential, integral elements to extracting the best results from available potential. Football clubs and symphony orchestras share these issues on a small scale. Tourism presents an exciting and formidable challenge in this respect.

Nowadays most societies establish strategy and policies through some sort of interaction between the public authorities and the private sector.

Associations which evolve to represent and defend the interests of various groups in the private sector often have some negotiating power that is used to influence policy and legislation - as it applies to their particular area of activity – through interaction with representatives of the public authorities. Like those of the public organisations with which they interact, their structures are often somewhat conservative and hierarchical, with requirements for accountability between different levels of responsibility in the respective structures which can form a barrier both to the flow of information within the organisations and to interaction with other organisations with similar or parallel interests.

It can be observed that the sometimes narrow focus of some associations, as well as that of some public bodies, further hampers the broadening of discussions to include related issues which can have an impact on the actors' primary interests – and would therefore be worthy of inclusion in their overall strategies. For example, the relations between developments in vocational education and improvements in industry standards (including environmental issues), or creation of sustainable employment opportunities and fiscal policy, which are well-established in industry are often the domain of separate, unconnected agencies in the public sector which may have quite differing agendas.

Although it is not impossible to formulate policies with these instruments, they are inherently unwieldy. Useful synergies could be achieved with some improvements in internal cooperation or coordination between various branches the public and private sectors which are involved in Tourism on the national level if cross-border cooperation between these authorities and associations were to become a reality. It could also generate benefits by overcoming building new synergies. The new structures need both the discipline to establish a coordinated regional strategy in favour of tourism development as well as the flexibility to allow room for individual, more localised initiatives.

It is safe to state that there is no really dramatic underdevelopment of the Baltic Region's Tourism economies today, with many of the building blocks already available (and clear national policies also established in regard to Tourism development in some of the recent entrants to the EU). Yet opportunities exist to create an integrated, well-functioning regional Tourism economy which is successful and offers consumers a wide variety of Tourism products and which can be much greater than the sum of its parts if broader, joint policy development can be implemented instead of more narrowly-focused individual game plans.

### **Who Currently Decides Tourism Strategy at the National Levels?**

Most governments in the region have established some sort of consultative body to communicate with the private sector. This means that in theory facilities exist to enable exchanges of views and representation by private as well as public sector actors in the process of establishing policy. These commissions are usually made up of a balanced number of civil servants (often some are knowledgeable in Tourism matters and some are political appointees of different backgrounds

and motivations) and private sector (“Tourism industry”) representatives with a degree of practical experience or professional association executives with extensive knowledge of issues which concern the particular sector or sectors they represent.

The members of such Tourism Councils take heed of their respective constituencies’ demands and priorities when Tourism development of policy proposals are formulated for government consideration.

Although none of these Councils appear to have any real executive powers, in some cases they may be allowed some influence in the manner in which previously established decisions are implemented and in others they are of real support in helping to formulate useful input for policy-makers.

These processes will be more or less influenced by the strength and weight of the private sector representation and the importance of the country’s Tourism industry/economy in proportion to its total economy. However, Tourism issues are usually subjugate to many other influences at work within the government agencies under whose jurisdiction they fall, not least to inter-ministerial discussion or even conflicts of interest – weighing the need to allow or stimulate widespread development national assets of natural or cultural importance against the drive to preserve these from overexposure, for example. Last but not least, legislation in regard to Tourism - as well as other matters – needs to be passed by parliaments of varying compositions and with varying priorities before it can be effective.

Tourism matters in most of the countries in the Baltic Region fall under the responsibility of a government Ministry such as for the Economy, and/or Industry, Social Affairs or Labour, with differing degrees of attention being accorded to Tourism issues depending on their (political) sensitivity and urgency... However, it is true that each country has a formal entity within the main responsible Ministry to oversee Tourism development, whether mainly concentrating on commercial development or in a more comprehensive manner. A Ministry dedicated to Tourism exists in Lithuania and in the Russian Federation.

The table in Appendix 5 provides a comparative overview of structures currently in place in the countries of the Baltic region.

## 7. CONCLUSIONS and RECOMMENDATIONS

Governments / the various national Tourism authorities in the region appear to share and support the view that Tourism constitutes an area of significant economic and social potential for the future, as reflected in different manifestoes which have been published on the subject across the Baltic Region. However, high-level recognition required also of a number of hurdles which must first be cleared in order for the region to achieve the full benefits which can be derived from a vigorous Tourism industry.

There is a lack of complementary policies to develop Tourism's potential due to the fragmented nature of the Tourism industry and the public institutions with which it interacts. Their different representatives will have to be brought together to spur the kind of cooperation required to bring forth a coordinated set of policies and strategies. This kind of platform, with for example job exchange programmes to enable industry professionals and public sector representatives to familiarize themselves with systems other countries, needed to ensure that they meet and that cross-pollination of ideas and exchanges of experiences take place, should be created with the full support of the competent authorities. Such a basis for genuine cooperation is indeed required to capture the synergies inherent which improved communication can bring.

With the right attitudes to cooperation and coordination, Tourism's various actors in the Baltic region should find it possible to launch a wide range of joint initiatives, for example in infrastructure development, vocational training, marketing and the on-going evaluation of the sector's performance with the goal of further providing essential information as to how best the public and private sectors can contribute to the development of a sustainable Tourism industry across the region. Finally, in this respect the report outlines some recommended actions for consideration.

From what we have observed, substantial benefits may further be achieved if the following points are successfully addressed:

- **Marketing of the region** is being handled on several levels by different actors but along quite similar lines. In view of their level of sophistication it should be possible to gain economic benefits in the short term from better coordination between the relative national authorities, avoiding duplication of marketing investments and effort. Increased customer-friendliness because of better access due to more coordinated sources of information would yield obvious further benefits. From a marketing viewpoint, a shared platform will reinforce the image of the region as a Tourism destination while offering better prospects for the creation of joint initiatives. Despite the temptation for each nation to present itself individually, a single common Tourism website – in the early stages at least a common portal or a common presentation format - for the region, will be of huge benefit to the common marketing goal.
- **Evaluation** of the demand and the economic results could be greatly facilitated with the introduction of standardised protocols for the collection and analysis of information. Current systems are largely based on information extracted according to industry standards which do not reveal sufficient details about Tourism-related activity. This is not uniquely a regional issue, certainly. Nevertheless, if the regional authorities require additional information, consideration needs to be given to implementation of additional methods and tools in order to determine how well the sector is doing economically. Contracting this work out to private



enterprise could be a solution, and organisations already exist which should be capable of delivering appropriate solutions.

- **Vocational training** Definition and implementation of educational standards in the various areas of activity of the Tourism industry will serve to provide practical references and goals required for the execution of Tourism professions. It may not be necessary to “reinvent the wheel” in this respect. Clarification of the standards and redeployment of effort are required to provide a better understanding and appreciation of the additional potential which appropriate professional education, not available in “generalist” institutions, unlocks.<sup>30</sup> In turn, confidence and pride in Tourism activity will be reinforced, leading to overall improvement in product quality. Specialised learning institutions furthermore lead to a natural establishment of professional networks, useful both for introducing participants at an early stage to the functioning of such networks as well as for providing ready access to the benefits such networks potentially offer. Inspiration may be found in the apprenticeship programmes adopted in some European countries, or a number of well-established hospitality business management schools which now serve the international community but were originally designed to cater to the national markets in, for example, Switzerland.
- **Clustering.** Clusters of smaller and larger businesses (as well as groups of different local authorities) with different areas of activity and competencies can in many cases undertake joint actions in which each participant’s knowledge complements that of the other(s) to develop and secure access to better products or services.

The prospects to do so are excellent: only the traditional barriers dictated by existing organisational structures and hierarchy - Nation, Region, Municipality, Department, Industry, (with their vertical organisation and individual budgets and treasuries) or Profession (with sometimes vested interests) - stand in the way of more effective and objective-oriented cooperation. It is most encouraging to note that a number of clusters have already been formed and that pooling of resources is occurring to implement common, mutually-beneficial programmes. But a thorough understanding of the process is necessary: at risk is that more clusters will form and start to act separately and parallel to, for example, an existing organisation which has legitimately been formed to coordinate a common effort, and so will disperse the available energy instead of uniting all of their efforts on the basis of a common framework.

The responsibility to identify and bundle the initiatives which are still unconnected could lie with the highest authority, yet it clearly needs to be achieved on the basis of common interests among the potential partners.

### Suggested Objectives for Regional Stakeholders

It is proposed that discussions take place between representatives of relevant public institutions and Tourism industries in the region with a view to identifying a way forward to structuring and facilitating wide-ranging regional Tourism development initiatives along the following lines:

- Establish a real common regional joint-marketing effort and eventually brand image to enhance the impact in world markets for the Baltic Sea Region as a quality Tourism destination. What are the essential elements that can realistically be expected in such an enterprise?

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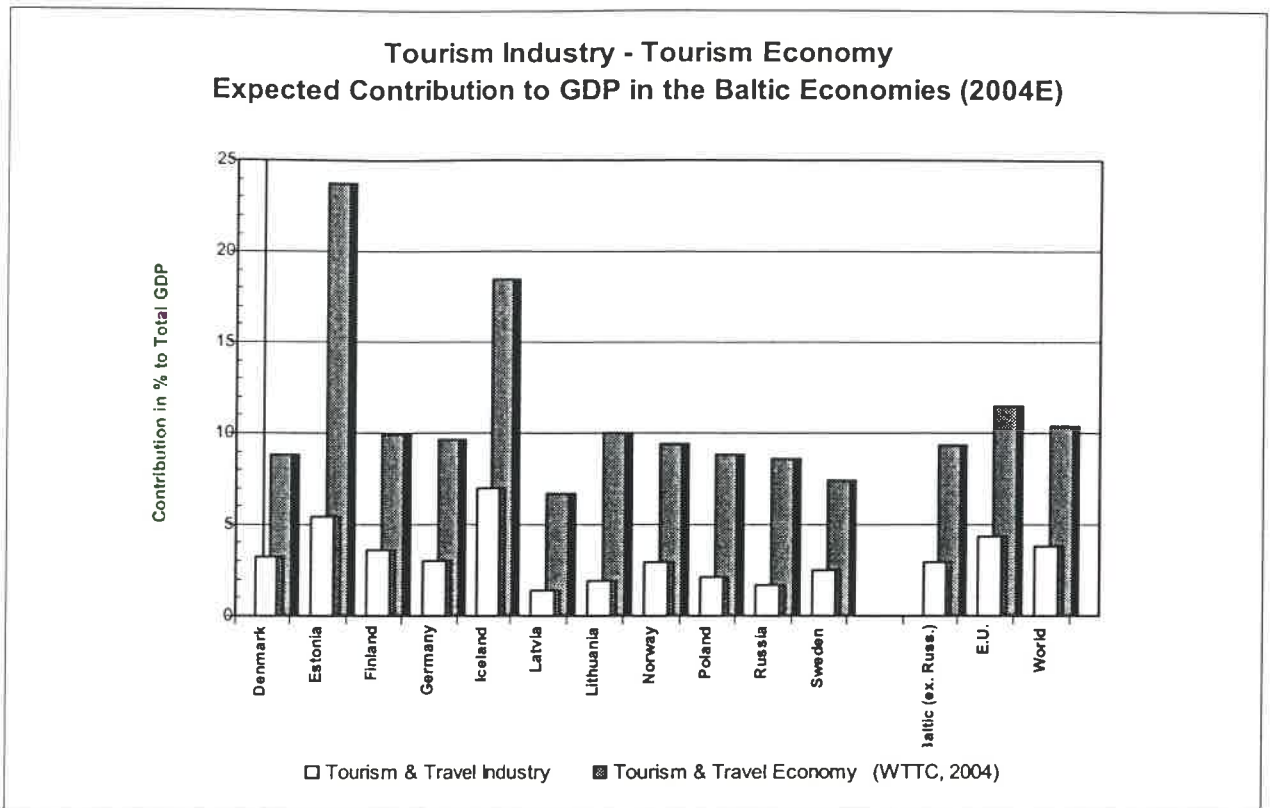
<sup>30</sup> This may also mean centralisation of effort, as there seem to be no established “centres of excellence” in this respect. Instead, locations and available means are dispersed and standards vary both in infrastructure and objectives.

- Foster a common Tourism culture amongst entrepreneurs (by focusing attention on the importance of Tourism as a contributor to the economy – e.g. create a regional Tourism award to recognise a selected personality/company which has made an outstanding contribution to Tourism’s development in the region). There may be volunteers for serving as patron of such an award?
- The establishment of educational standards and facilities required to develop the human resources essential to Tourism’s development in the future and as part of the regional brand image. The engagement of professionals in the development of this sector of industry is as important as it is in any other to guarantee the levels of quality that consumers have come to expect from Tourism businesses in developed regions everywhere. Professional education, vocational training activities and the development of a Tourism culture can not be left to accident if it is the ultimate intention to benefit from a healthy Tourism economy. Facilities should be dedicated to building the competencies needed for pro-active strategies in regard to Tourism – an opportunity for academia? A suggested option, to gain time in the development of appropriate educational programmes, is for aspiring Tourism colleges and schools to “twin” with existing high-level Tourism/Hospitality Management institutes if available in the Nordic Region, or in other regions as appropriate for the type and level of professional development to be implemented.
- Based on the established international guidelines, work to refine the evaluation of Tourism activity by ensuring accessibility to uniformly-presented information (standard statistics and analyses) and that special, economically significant trends are adequately identified so that the private and public sectors alike receive appropriate and timely information in support of eventual focused development initiatives.
- Many of the region’s Tourism authorities’ mandates currently are to focus on Marketing, a highly-important aspect of development. This would appear to leave somewhat of a vacuum in some societies as concerns policy-making responsibilities in respect to the development of Tourism itself within the conditions imposed by modern society, in order to enable the industry to become competitive and sustainable and to meet future challenges. There is an opportunity for the public and private partners to establish a template for a systemic approach to Tourism (i.e. how it would tie together regional growth strategies, environmental and educational considerations, etc.).

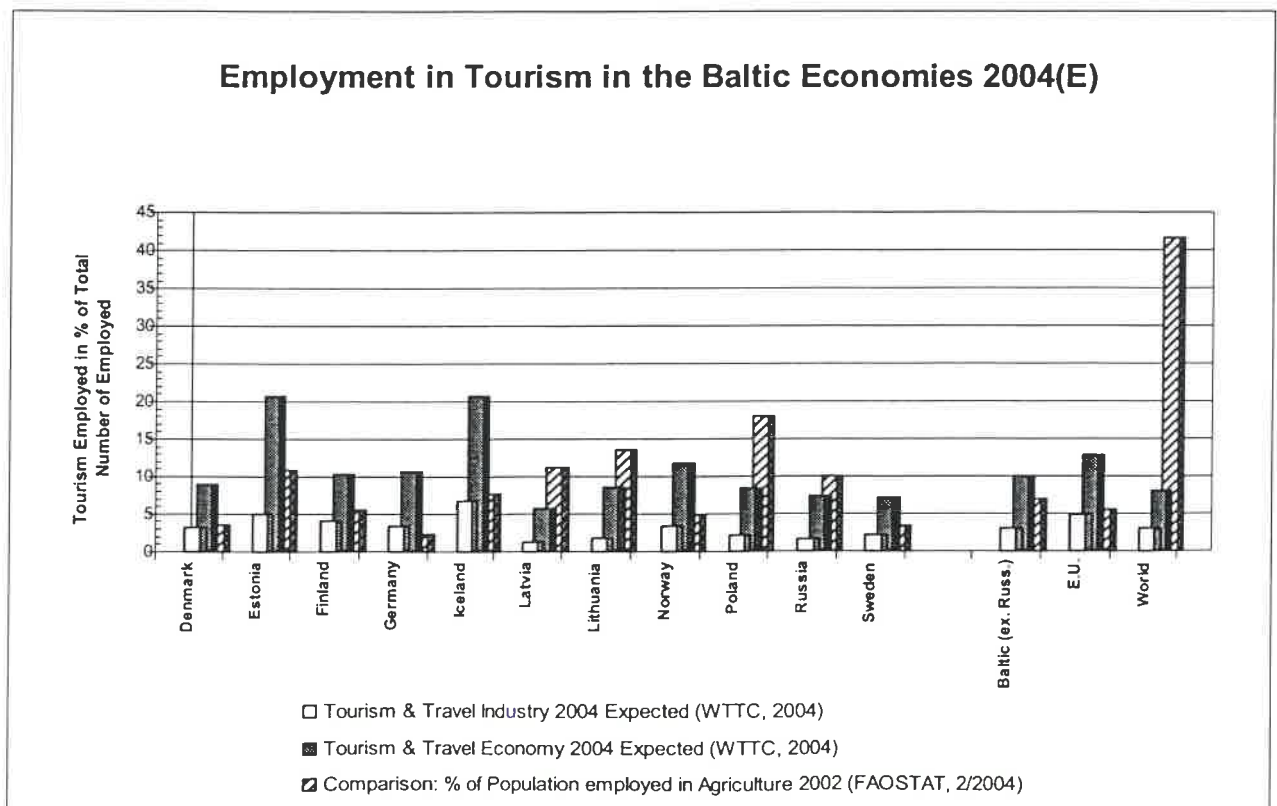
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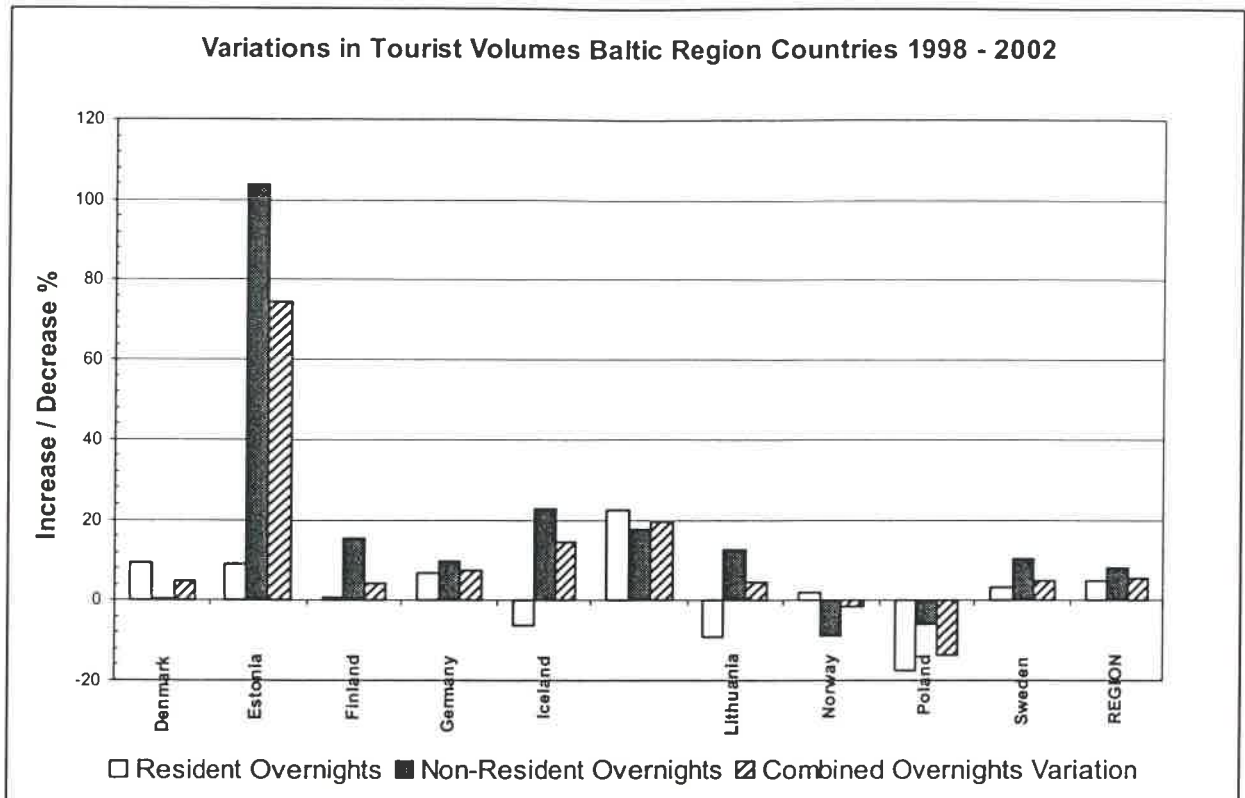
## Appendix 1a



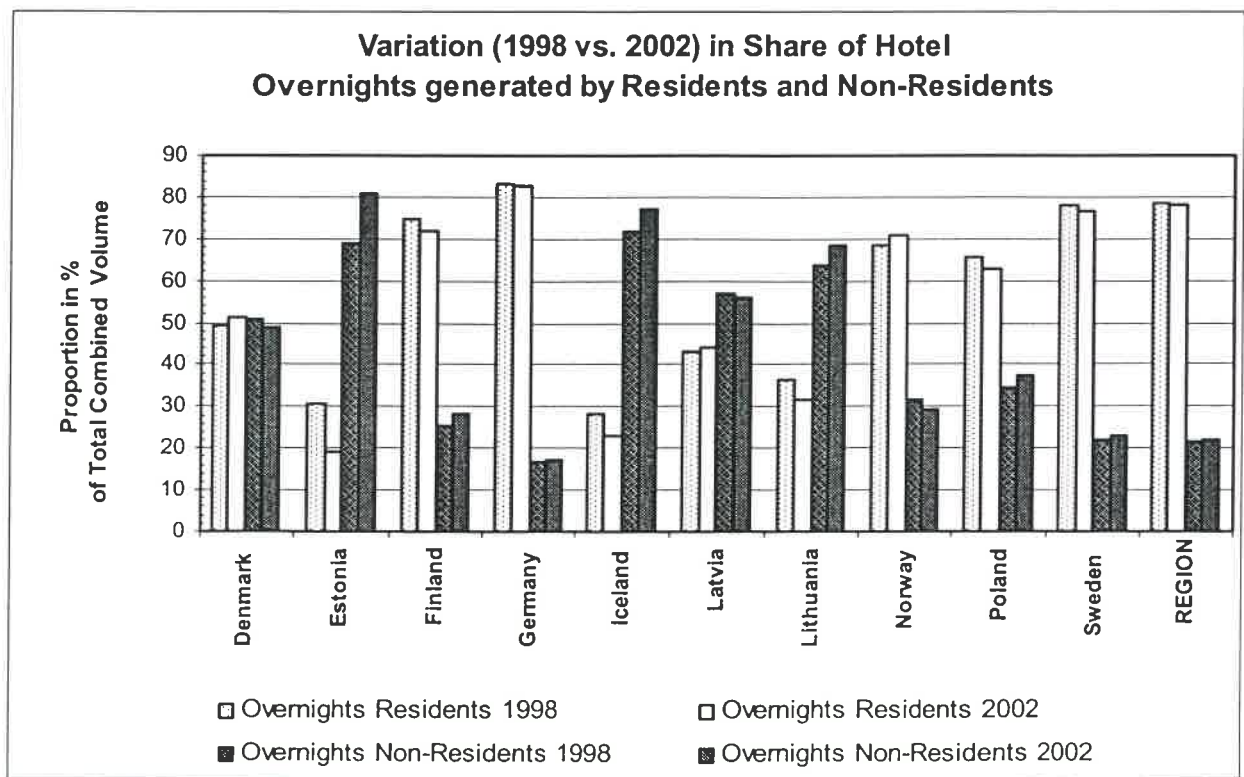
## Appendix 1b



## Appendix 1c



## Appendix 1d



## Appendix 2

### Tourism Satellite Account Background Information

The development of a The Tourism Satellite Account (TSA), an especially relevant statistical instrument to analyse the economic importance of Tourism, is considered a strategic project for the WTO-OTM. "The Tourism Satellite Account (TSA): A strategic project for the World Tourism Organization" summarizes the components of this strategy.

In developing the TSA, it is essential to develop the System of Tourism Statistics (STS), in which National Tourism Administrations must play a key role. The document "General guidelines for National Tourism Administrations (NTAs) relative to the development of the Tourism Satellite Account (TSA)" outlines the fundamental characteristics the WTO proposes for this system.

The "Basic References on Tourism Statistics" covers the main elements that make up the System of Tourism Statistics, including the TSA as the unifying framework of most of its components. This document includes an update of basic concepts, definitions and classifications, as well as indicators and accounting aggregates related with tourism as an economic activity.

The WTO has prepared two documents explaining the content of the TSA:

- Basic Concepts of the TSA, which is meant to explain to a wide audience what the TSA is.
- An introductory course to the TSA, called TSA in depth: Analysing tourism as an economic activity. It draws on all the experience accumulated in seminars that have been held to date, and makes use of support materials developed for them. The course is aimed at both producers and users of tourism statistics, as well as researchers and members of academia.

As indicated in its official document, the TSA is the unifying framework of most of the components of the System of Tourism Statistics (STS). In view of this, the WTO has developed initiatives related to the TSA project designed by the World Tourism Organization.

Special research has been carried out with funding from tourism authorities in Canada, Spain and Sweden regarding surveys developed to estimate visitor expenditure associated with inbound tourism. Based on these national experiences and those of other countries that have agreed to collaborate in the project, the WTO has developed a proposal for a survey to estimate visitor expenditure associated to inbound tourism, designed for use not only by NTAs for the creation of tourism promotion policies and as a basic set of tourism-related statistical information, but also by central banks (for balance of payments preparation) and national statistical offices (for national accounts). A recently-launched second phase of the research refers to international experiences in the measurement of traveller flows at national borders with the goal of developing a statistical prototype that could improve the measurement of the flows of travellers in a country of reference, as well as to elaborate general guidelines for its implementation.

The classifications are used also constitute an essential component of the System of Tourism Statistics. This is why the WTO decided to work with the UN Statistical Commission in the revision of the International Standard Industrial Classification of all Economic Activities (ISIC), Rev. 3.1 and the Central Product Classification (CPC), Ver 1.1.

The document "The WTO's Questionnaire on Tourism Characteristic Activities: Responses and Comments" includes the 58 responses to the questionnaire sent out in February 2002.

Source: World Tourism Organisation (WTO-OTM)  
[http://www.world-tourism.org/frameset/frame\\_statistics.html](http://www.world-tourism.org/frameset/frame_statistics.html)

## Appendix 3

### **Tourism Categories (Market segmentation)**

Consideration should be given to evaluating individually tourists from internal (national) sources and external sources (international tourists). Differences in culture and levels of knowledge of the destinations in effect impose different marketing and servicing approaches.

- Congress/Convention/Events Tourism (primary reason, identification of demand for specialised, large-capacity infrastructure – transportation, lodging, etc. and staffing competencies, e.g. multi-lingual)
- Group Tourism (primarily cultural or vacations, but often includes “shopping trips” and special interest or educational tours, in certain countries also personnel training and motivation sessions organised by businesses - adequate group accommodation and transportation infrastructure and competencies)
- Individual business travellers (where applicable, effectively restricted to application in the case of hotels – difficult to identify when travel has not been coordinated through an organisation such as traveller’s company or a travel agent/global distribution system - generally recognised important to Tourism as one of the highest spending client categories )
- Health & Spa, Leisure resort and Ecological Tourism (interest of development of highly-specialised infrastructure and knowledge)
- Individual leisure Tourism (the most difficult to identify and survey systematically, although in regions which are less accessible or to which access is more easily controlled the actual proportion of individual travellers escaping quantification may be insignificant – high-spending category, therefore of significant interest to Tourism)
- Local Tourism (interregional and local day/overnight stays – information available on spending levels if available)
- Day Tourism (essentially “Experience” Tourism, shopping often a major attraction of significant commercial importance)
- Airline Crews large and small (still for many reasons a separately-considered category, not least because of consistently large numbers despite gradual reduction of the need to accommodate them)
- Other (individual) Tourism (a category which would require additional evaluation depending on size and whether regularly-recurring business is classified as such which does not readily fit into any of the previously-mentioned categories)

Individual Tourism aside, much pertinent statistical material may be readily obtained from records held by the Tourism businesses surveyed or even tourist authorities.

Another importance observation is that the nature of different categories of Tourism and their impact on socio-economic values varies considerably, which is also critically influenced by policy.

## Appendix 4

### Evolution of Tourism Volumes Baltic Region 2003 vs. 1999

	Hotel "Overnights" 2003	Hotel "Overnights" 1999	Increase (Decrease) %	Source, Definition of figures as published by source
Denmark	12 849 141	12 783 476	0,5	Statistics Denmark (2004), "Nights spent at hotels by visitors"
Estonia	2 947 804	1 943 706	51,7	Statistical Office of Estonia (2004), "Accommodated visitors - foreign, tourists, residents"
Finland	4 250 108	3 773 959	12,6	Statistics Finland (2004), "Overnight stays by <i>foreigners</i> at accommodation establishments"
Germany	315 127 500	308 028 116	2,3	Statistischen Bundesamt (2004), "Uebernachtungen Beherbergungsstätten > 8 Betten"
Iceland	1 368 728	1 183 680	15,6	Statistics Iceland (2004), "Overnight stays, Hotels and Guesthouses"
Larvia	759 500	462 900	64,1	CSB Larvia (2004), "Number of visitors, Accommodation establishments"
Lithuania *	1 028 195	900 512	14,2	Statistics Lithuania, <i>Tourism</i> (2004), "Guests and Guestnights in Lithuanian hotels - Total guestnights" *figures for 2002 and 1999
Norway	15 636 323	16 526 378	-5,4	Statistisk sentralbyrå (2004), "Hoteller og andre overnattingsbedrifter. Overnattinger"
Poland **	14 644 000	14 232 000	2,9	Central Statistical Office, <i>Biuletyn Statystyczny</i> (05/2004), "Number of guests in accommodation" **figures for 2003 and 2001
Russian Federation				(No comparable year-on-year information found)
Sweden	44 512 805	39 854 715	11,7	Turistdelegationen - Swedish Tourist Authority (2004), "Guestnights"

Note: No attempt has been made to totalise the above data and to evaluate individual country performance against the total Regional, EU or World results due to a degree of uncertainty about the comparability of the statistics from one country to another, since definitions appear to differ.

Clearly, cooperation in the field of gathering and definition of data would be beneficial in enabling performance evaluation (benchmarking) to be achieved on a consistent basis across the region.



## Appendix 5

<u>Overview of National Tourism Policy Implementation in Baltic Region Countries</u>							
Country	National Tourism "Patron"	Publicly available Policy information	Principal objectives of Stated Policy		Tourism Policy Executive body	Additional remarks	Private-Public Sector Consultative Body
			Marketing oriented	Other remarks			
Denmark	Ministry of Economic and Business Affairs	Mission Statement published under Danish Tourist Board heading, a more complete strategy statement from 2000 (government vision for Tourism) on website	Yes, mainly	Extensive document includes many references to hard and soft infrastructure development	Danish Tourist Board	Mission objective is centred on increase of Tourism volumes but extensively recognises need to set and regulate standards in product quality and education	Not clearly determined or easily accessible information to the public, but supposedly the DTB has responsibilities in this area
Estonia	Ministry of Economic Affairs and Communication	Main stated objective is to establish an supportive environment for Tourism development in the country	Yes, mainly		Estonian Tourist Board	Statement indicates it is a travel industry support body. The ETB is a subsidiary organisation of Enterprise Estonia, the official government agency which coordinates the utilisation of European Union structural support funds amongst others.	The ETB works closely with business and non-government organisations as well as foundations and inspectorates to ensure a supportive environment for Tourism
Finland	Ministry of Trade and Industry	Public administration supports private sector initiatives	Yes, mainly	Purpose is for "general promotion of tourism to Finland"	Finnish Tourist Board	Mainly state financed with contribution from Finnish tourist industry: "Leans heavily on entrepreneurs of the branch". FTB's operating strategy decided by FTB directors to meet target set by Ministry of T & I.	The FTB is partly financed by the private sector and can therefore be considered a private-public sector consultative body.
Germany	Federal Ministry of Economics and Labour	Ministry "makes sure framework conditions are right for Germany's free-market economy"	Yes, mainly	Individually, states may adopt a more integrative approach	German National Tourist Board	Up to 80 % of operating funds provided by the Ministry.	Each German State is individually in charge for development of its own Tourism industry.
Iceland	Ministry of Communications	Ministry "deals with ... tourism, restaurants, tourist bureaux, traffic centres and the Icelandic Tourism fund", through the "Tourism Department"	Yes, mainly	Also covers environmental protection issues, training of guides and "organisation of courses for those involved in tourism"	Icelandic Tourist Board	Iceland's Tourism policy is outlined in the 1994 Tourism Administration Act. The Hotel and Restaurant Act of 1985 details conditions for establishing/running hotels & restaurants.	The ITB is composed of 2 government-officials and 5 appointed by the ministry, proposed by private sector
Latvia	Ministry of Economics, State Secretary of Economics	See website of the LTDA, which is subordinate to the ministry of Economics	Subsidiary activity of LTDA	Main goal of LTDA is to guarantee the actual realization and implementation of state tourism development	Latvian Tourism Development Agency	The recent Latvian Tourism law delegates large areas of responsibility to the LTDA for marketing activities. Tourism infrastructure development, education and protection of Tourism assets is the	The Latvian Tourism Advisory Council is a "collegial, consultative and co-ordinating authority", which includes

					responsibility of "local governments"	representatives of ministries, local governments, private sector and public organisations involved in the implementation of Tourism policy
<b>Lithuania</b>	Lithuanian State Department of Tourism	The Ministry has made available detailed information about policy and strategy in respect to Tourism (website)	Included amongst responsibilities	Other fields of responsibility are named.	The 1998 Law on Tourism is the basis for a quite comprehensive policy, which implicates other Ministries' responsibilities in the furthering of the nation's Tourism industry establishes basis for regulation of education, product quality as well as product promotion responsibilities.	Lithuanian Tourism Council, responsible for suggestions and recommendations on Tourism development (public-private sector representation)
<b>Norway</b>	Ministry of Trade and Industry	...promote nationwide industrial development profitable to both the business economy ... "help release" the potential of districts and regions by contributing towards innovation, internationalisation and promotion.	Yes	("Visit Norway" website, which also links to "Innovation Norway")	Innovation Norway has also replaced the Norwegian Trade Council, the Norwegian Industrial and Regional Development Fund, SND and the Government Consultative Office for Inventors. It appears there is an intention to coordinate activities of these 4 bodies.	RBL, the Norwegian Hospitality Association, presumably plays a part in influencing Tourism policy, but it is not clear how this is achieved from publicly available information.
<b>Poland</b>	Ministry of Economy, Labour and social Policy	Management appears to be quite centralised although covers a wide range of issues	Business development strategy is included as a major element	Strategy recognises need for a comprehensive approach to development	The PTO works together with regional and local authorities to coordinate promotion of Tourism and provide feedback & input to Ministry for policy destination, cultural assets, infrastructure and vocational competency.	It is not clear to what degree private-public sector cooperation to develop policy or strategy takes place - no provision found in official policy publications.
<b>Russia</b>	Russian Federation Ministry of Economic Development and Trade	"establishment in the Russian Federation of an up-to-date efficient and competitive tourist complex"	Mainly	Policy covers wide range of issues important to Tourism development in addition to marketing	Policy provides for establishment of conditions to encourage Tourism development, reflected in Tourism Dept's structure	The approach seems to be to manage the development process from the Tourism's viewpoint.
<b>Sweden</b>	Ministry of Industry, Employment and Communications	"Sweden should be an attractive tourist destination; ...its tourist industry should be competitive ... Tourism policy is part of business development policy"	Main visible activity, delegated to STTC (Swedish Travel and Tourism Council)	Additional goals formulated include references to expertise and quality development	The Ministry relies on information supplied by the Swedish Tourist Authority and the input from the private sector associations to form policy decisions and legislation. It has published objectives (action programme) on its website.	

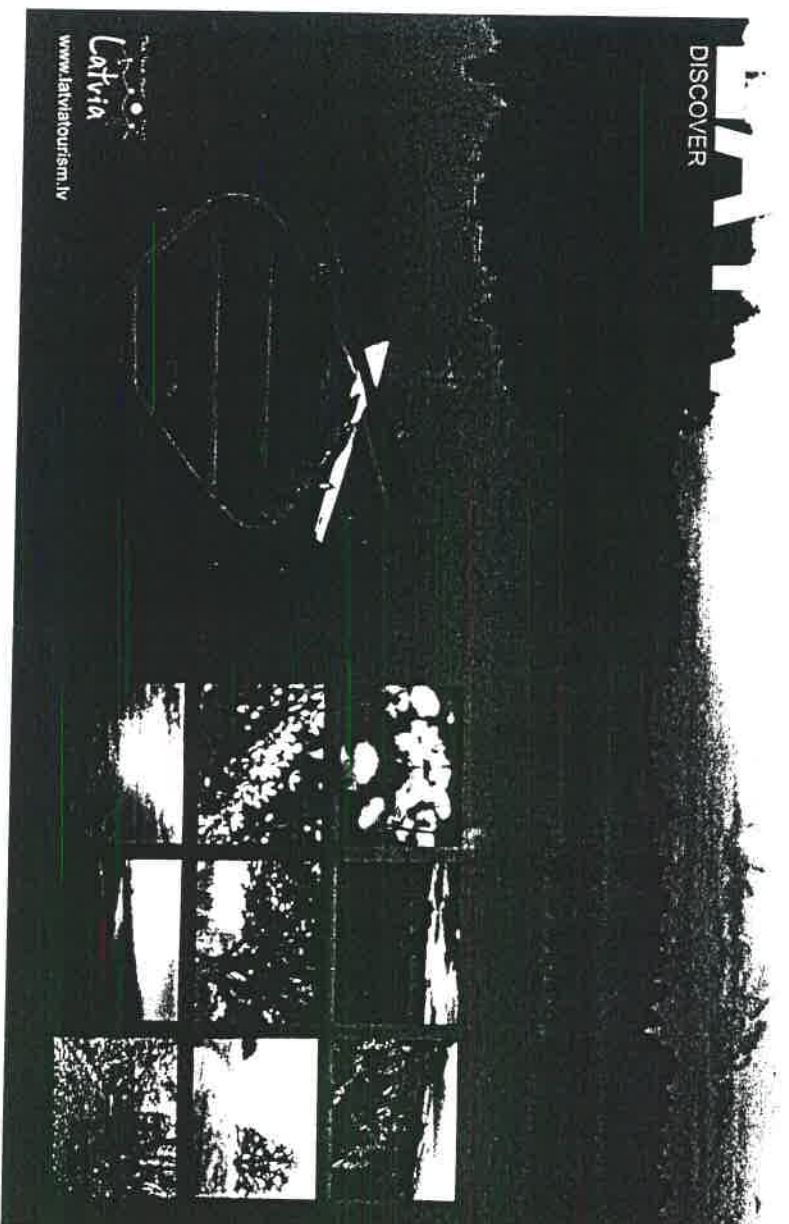
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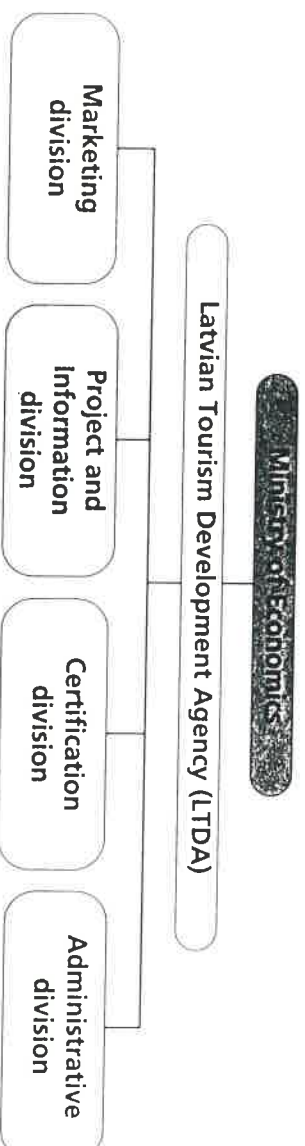


## **TOURISM – A BOOMING INDUSTRY IN LATVIA**

*Uldis Vrtoliņš, Director of the  
Latvian Tourism Development Agency (LTDA)*

September 16, 2004, Riga

## TOURISM STRUCTURE IN LATVIA



### LATVIAN TOURISM DEVELOPMENT AGENCY (LTDA)

- operates under the Ministry of Economics. Founded in 1999.
- develops and sustains Latvia as a high-quality and competitive tourist destination.
- Mission - to promote domestic and overseas tourism to Latvia

### MAIN MARKETING ACTIVITIES

- Participates in international tourism fairs;
- Issues tourism promotion materials;
- Organises Latvian and international workshops, seminars, and presentations;
- Organises mass media and tourism companies visits to Latvia;
- Maintains and coordinates Latvian Tourism Information Bureaus abroad.

### LATVIA PARTICIPATED IN 17 INTERNATIONAL TOURISM FAIRS IN 2004

1. "MATKA 2004" Helsinki, Finland
2. "CMT 2004" Stuttgart, Germany (Baltic states in one stand)
3. "FITUR 2004" Madrid, Spain
4. "HAMBURG FAIR – REISEN 2004" Hamburg, Germany (Baltic states in one stand)
5. "HOLIDAY WORLD 2004" Prague, Czech Republic
6. "BALTOUR 2004" Riga, Latvia
7. "BIT 2004" Milan, Italy (Baltic states in one stand)
8. "TOUREST 2004" Tallinn, Estonia
9. "VIVATTUR 2004" Vilnius, Lithuania
10. "ITB 2004" Berlin, Germany
11. "MITT 2004" Moscow, Russia
12. "TUR 2004" Gothenburg, Sweden
13. "IMEX 2004" Frankfurt, Germany
14. "Cologne RDA 2004" Cologne, Germany (Baltic states in one stand)
15. "TT Warsaw Tour + Travel 2004" Warsaw, Poland
16. "WTM 2004" London, UK
17. "EIBTM 2004" Barcelona, Spain

## LTDA'S TOURISM PROMOTION MATERIALS IN 2004

- Tourism Image of Latvia
- Tourism Image of Latvia (short version)
- Practical Information Pages
- Baltic states Tourism Map
- Country holidays - 2004
- Zemgale Region Map
- Kurzeme Region Map
- Latgale Region Map
- Vidzeme Region Map
- Business Tourism
- Active Holidays

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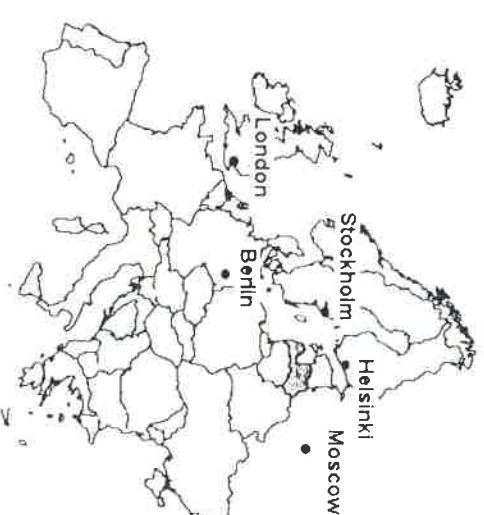
- Czech
- Dutch
- English
- Estonian
- Finnish
- French
- German
- Italian
- Latvian
- Lithuanian
- Norwegian
- Russian
- Portuguese
- Polish
- Spanish

## LTDA MAIN PARTNERS

- Latvian institute and other organisations that promotes Latvia;
- Latvian diplomatic and cultural missions;
- Latvian tourism companies in Latvia and abroad.

## LATVIAN TOURISM BUREAUS

- **Current:**
  - Finland (Helsinki);
  - Germany (Berlin);
  - United Kingdom (London).
- **Will open in 2004:**
  - Sweden (Stockholm);
  - Russia (Moscow);
  - Latvia (Riga).
- **Plans to open in coming years:**
  - Lithuania;
  - Estonia.



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### ● UNITED KINGDOM

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## LTDA – YOUR PARTNER IN TOURISM

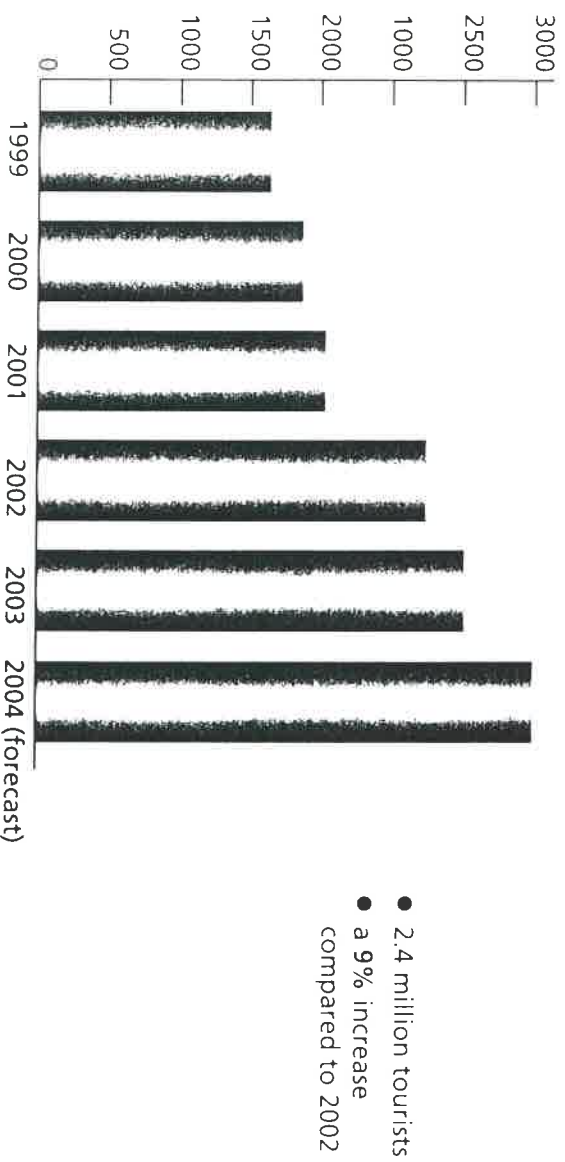
### Extent of activities

- Organises journalist and tour operator visits to Latvia;
- Organises seminars and conferences in tourism;
- Promotes investment opportunities in tourism industry;
- Your ideas!!!

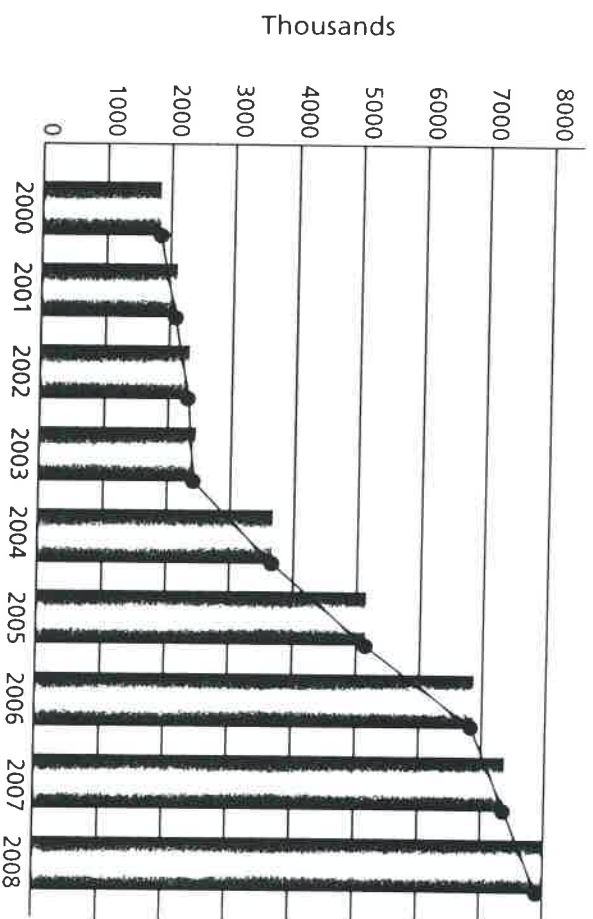
## LATVIA - A BOOMING DESTINATION IN EUROPE

- One of the fastest growing tourism markets in Europe;
- Latvia - new destination in Europe;
- Tourism – one of the fastest growing industries in Latvia.!

## INTERNATIONAL ARRIVALS 2003



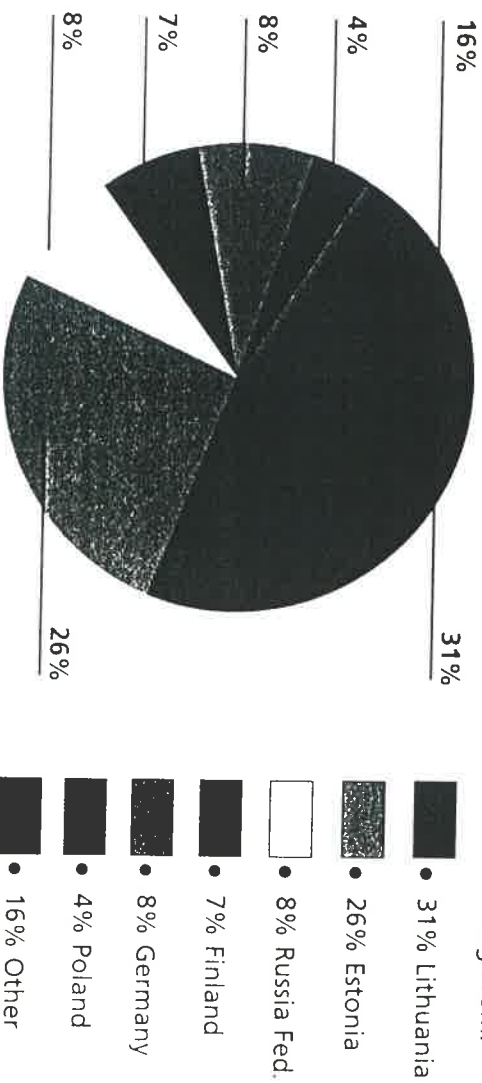
## FORECAST OF INTERNATIONAL ARRIVALS \*



\* Ministry of Economics

## INTERNATIONAL TOURISTS

International Arrivals: 2.4 million (Year 2003)

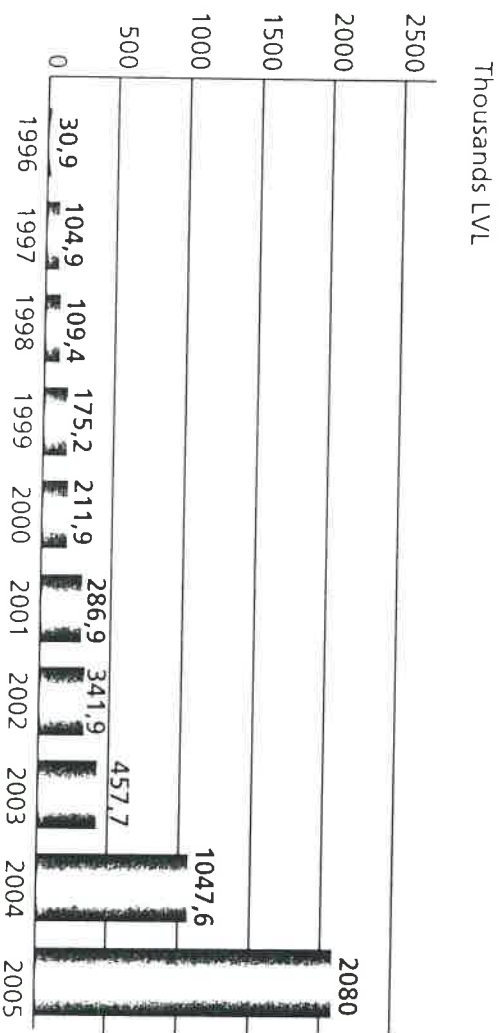


Coming From:

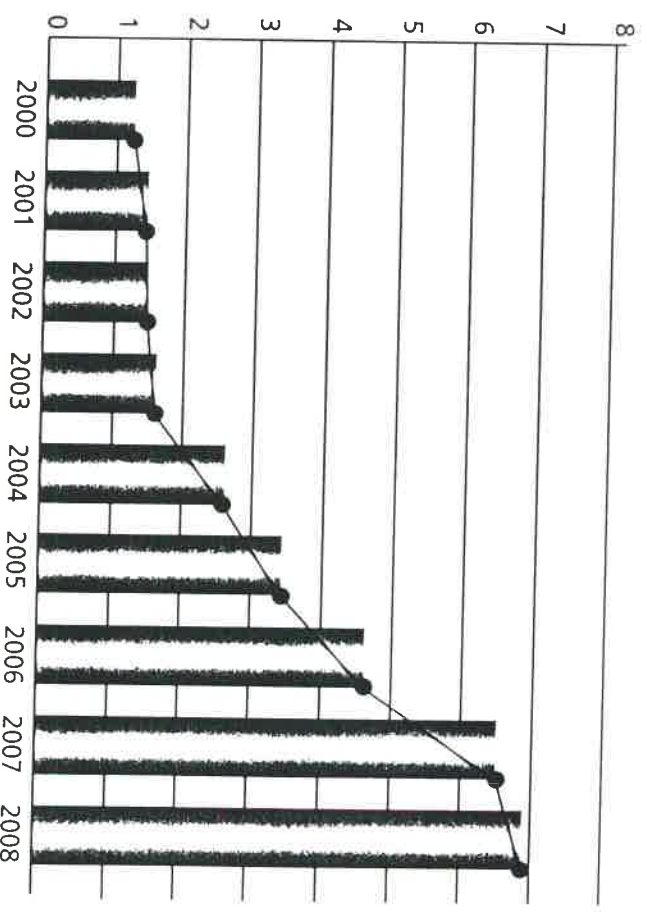
- 31% Lithuania
- 26% Estonia
- 8% Russia Fed.
- 7% Finland
- 8% Germany
- 4% Poland
- 16% Other



## STATE BUDGET EXPENDITURE FOR TOURISM, 1996 - 2005

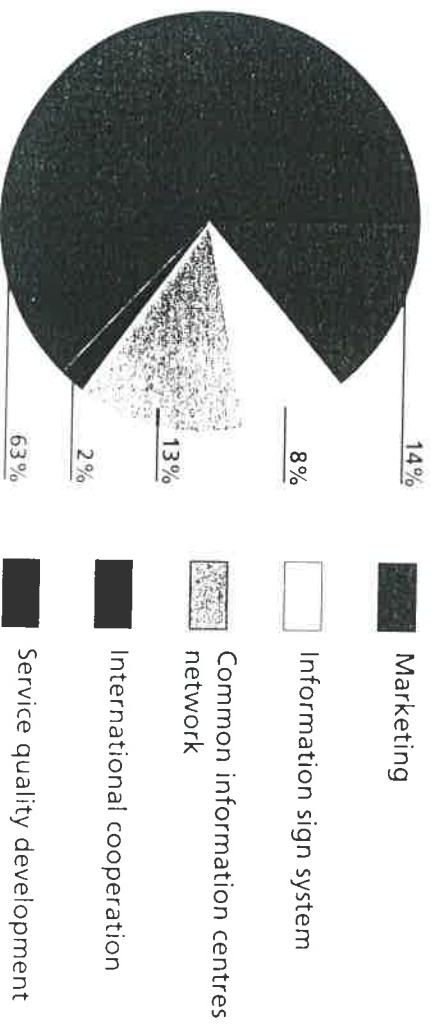


## FORECAST OF TOURISM SHARE IN GDP, %\*



\* Ministry of Economics

## STATE BUDGET EXPENDITURE FOR TOURISM, 2004, %



## HOW TO CONTACT US

Latvian Tourism Development Agency  
4 Pils laukums  
Rīga, LV-1050  
Tel.: + 371 7229945  
Fax: +371 7085393  
Web site: [www.latviatourism.lv](http://www.latviatourism.lv)  
E-mail: [tda@latviatourism.lv](mailto:tda@latviatourism.lv)

## THE MINISTRY OF ECONOMICS OF REPUBLIC OF LATVIA

The Ministry of Economics of Republic of Latvia is a leading state administration institution in the field of economic policy. The Ministry works out the economic policy of Latvia, coordinates the implementation of economic policy and ensures the international economic cooperation.

### Ministry:

- works out the long term economic strategy of Latvia;
- takes part in policy making in budgetary and taxation issues;
- improves business environment and coordinates entrepreneurial support instruments;
- plans, implements and supervises development programmes and projects financed by EU and other financial instruments in the field of competence of Ministry;
- defines and implements industrial, energy, building, tourism sectoral policies, policies in fields of foreign economic relations, internal market, consumer rights protection, innovation, entrepreneurial development, state investments;
- works out and implements export and foreign direct investment promotion.

### How to contact us:

**The Ministry of Economics of Republic of Latvia**  
Brivibas Str. 55, Riga, LV – 1519  
Phone: + 371 7013103, + 371 7013195  
Fax: + 371 7280882, + 371 7013186  
E – mail: [pasts@em.gov.lv](mailto:pasts@em.gov.lv)  
Web site: [www.em.gov.lv](http://www.em.gov.lv)

## THE LATVIAN TOURISM DEVELOPMENT AGENCY

The Latvian Tourism Development Agency (LTDA), The National Tourism Board of Latvia, develops and sustains Latvia as a high-quality and competitive tourist destination. Its mission is to promote domestic and overseas tourism to Latvia.

### The Latvian Tourism Development Agency:

- promotes local and international tourism in Latvia;
- organises Latvian tourism enterprises participation in international tourism fairs;
- develops information centres abroad and in Latvia;
- carries out local and international tourism market research;
- develops and maintains a Latvian Tourism Information Database;
- attracts private and non-government organisation financial resources for tourism development.

### How to contact us:

**Latvian Tourism Development Agency**  
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Riga, LV-1050  
Phone: + 371 7229945  
Fax: + 371 7085393  
E-mail: [tda@latviatourism.lv](mailto:tda@latviatourism.lv)  
Web site: [www.latviatourism.lv](http://www.latviatourism.lv)

## THE LATVIAN INVESTMENT AND DEVELOPMENT AGENCY

The Latvian Investment and Development Agency (LIDA) is a state institution under supervision of the Ministry of Economics of the Republic of Latvia.

The objective of LIDA is to promote business development, by facilitating the growth of foreign investments and increasing the competitiveness of Latvian entrepreneurs in domestic and foreign markets.

### The Latvian Investment and Development Agency:

- promotes foreign trade of Latvian entrepreneurs (companies);
- attracts foreign investments to Latvia; implements activities in accordance with state support programmes aimed at support of private entrepreneurs (companies);
- implements activities for improvement of business environment;
- introduces public - private partnership projects.

### How to contact us:

**Latvian Investment and Development Agency**  
Perses Str.2, Riga, LV-1442  
Phone: + 371 7039400  
Fax: + 371 7039401  
E-mail: [invest@lida.gov.lv](mailto:invest@lida.gov.lv)  
Web site: [www.lida.gov.lv](http://www.lida.gov.lv)