

Travel & Tourism: Moving on to Sustainability

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The Travel & Tourism Competitiveness Index (TTCI), described in Chapter 1.1 of this volume, builds on the work initiated by the World Travel & Tourism Council (WTTC) at the beginning of this decade, and is the subject to nearly three decades of solid and dedicated research. The TTCI is made up of three subindexes: the T&T regulatory framework subindex; the T&T business environment and infrastructure subindex; and the T&T human, cultural, and natural resources subindex. Together these are composed of a total of 14 pillars and more than 70 individual variables. This paper will present how the results published by the World Economic Forum in this year's *Travel & Tourism Competitiveness Report* can be utilized to assess sustainable tourism from a global perspective.

The Index provides a useful benchmark and enables industry leaders and policymakers to identify obstacles for further development of the industry. A cross-country analysis of the indicators of competitiveness in Travel & Tourism provides useful comparative information for decision-making and provides additional value to governments and businesses wishing to improve their Travel & Tourism (T&T) environments. The *Report* creates a platform for dialogue among all stakeholders, which is invaluable in a world where competitiveness is no longer a government-driven process but has been reshaped into a bilateral process between the public and private sectors. The *Travel & Tourism Competitiveness Report* assists both these sectors in identifying their strengths and, more importantly, their weaknesses, in order to outline an approach for attaining long-lasting tourism. The stakeholders of this booming and substantial industry are undoubtedly large: in 2007, the sector generated 10.7 percent of world gross domestic product (GDP) (US\$5,390.9 billion) and 8.3 percent of world employment (231 million jobs). The completion of this second *Report* complements the aims and objectives of the WTTC.

The World Travel & Tourism Council

In 1990, the founding members of the WTTC decided that the quantification of Travel & Tourism's impact would be the most important contribution they could make to achieve their goal of raising awareness among policy leaders and Travel & Tourism decision-makers. The subsequent 17 years of solid investment and innovative research made a significant contribution to the development of the new international standard for Tourism Satellite Accounting (TSA) research, adopted in 2001 by the United Nations Statistical Commission.

TSA follows the standardized methodology of measuring Travel & Tourism's impact on an economy's personal consumption, business spending, capital investment, government expenditures, GDP, and employment; it is a crucial step in the quest for recognizing Travel & Tourism's economic contribution and future potential.

Tourism Satellite Accounting (TSA)

The WTTC, together with its research team Oxford Economics, have developed a rich database and advanced modeling system enabling the quantification of the contribution of the T&T industry in an economy. TSA reports are based on a sophisticated combination of econometrics modeling, macroeconomic forecasting, national accounting, and high-quality T&T statistics. The WTTC conducts annual reports on 176 countries with a further 13 regional reports. The WTTC, in partnership with Oxford Economics, has produced a comprehensive system of research covering all concepts of T&T demand. This information is then translated into economic concepts of production, such as GDP and employment, which can be compared with those of other industries.

The UN standards lay the foundation for the compilation of internationally comparable satellite accounts. The WTTC's research applies the conceptual UN framework with a number of extensions. The WTTC develops the narrow concept of the T&T industry into the broader concept of the T&T economy. The industry level is composed of all inputs to the tourism industry (e.g., food, laundry, services, advertising, etc.). Meanwhile, the T&T economy concept incorporates suppliers of investment goods to the tourism industry (government collective spending on airport infrastructure, and investment such as hotels, exports of goods, etc.).

In theory, and in a world of fully available statistics, one would assess each line item of expenditure in each part of the economy (household, government, investments, net exports) to determine whether it is T&T spending or not. However, in a less-than-perfect world, we must make use of the available data and make educated assumptions and attribute shares of spending to the T&T sector. Most of the effort spent in creating the TSA model is directed toward this quest for information and explanations of the shares applied to the available data, where estimates are made from household budgets or surveys wherever needed.

There is little doubt that TSA research has made a major contribution to ensuring that Travel & Tourism is today increasingly considered an industry that fully justifies mainstream economic and policy consideration. It has also enabled the industry to initiate a broader and more in-depth dialogue with government about how Travel & Tourism can be used as an economic development tool.

The questions asked are no longer *whether* Travel & Tourism is important to our economy—the result is undoubtedly positive. Tables 1 through 4 present the most recent data about the dramatic effect of Travel & Tourism on specific economies. Instead, the question has shifted toward how countries can improve and give themselves a comparative advantage in this increasingly demanding world market. The quest for improvement should not however, be a short-term goal but should extend well into subsequent generations.

Table 1: T&T demand (2007)

Economy	US\$ (millions)
United States	1,689,309.0
Japan	523,015.2
Germany	483,598.6
China	439,772.4
United Kingdom	377,122.1
France	366,927.9
Spain	300,099.0
Italy	271,972.6
Canada	201,971.9
Mexico	149,483.7

Source: World Travel & Tourism Council, Tourism Satellite Accounting Research, 2007.

Table 2: T&T industry GDP (2007)

Economy	Total GDP (%)
Maldives	31.1
Macau	30.9
Seychelles	29.2
Anguilla	24.5
Antigua and Barbuda	21.1
Aruba	19.1
Bahamas	18.5
British Virgin Islands	17.5
Guadeloupe	16.7
Vanuatu	16.4

Source: World Travel & Tourism Council, Tourism Satellite Accounting Research, 2007.

Table 3: T&T industry employment (2007)

Economy	Jobs (thousands)
China	16,584.7
India	11,002.9
United States	5,701.1
Japan	2,920.2
Brazil	2,333.3
Indonesia	1,980.7
Thailand	1,945.5
Spain	1,553.9
Egypt	1,504.9
Philippines	1,388.2

Source: World Travel & Tourism Council, Tourism Satellite Accounting Research, 2007.

Table 4: T&T demand (2008–17)

Economy	Annualized real growth (%)
Croatia	8.9
China	8.3
Montenegro	8.2
Namibia	8.1
Kiribati	7.6
Zambia	7.4
Congo, Dem. Rep.	7.3
India	7.3
Vanuatu	7.2
Hong Kong SAR	7.0

Source: World Travel & Tourism Council, Tourism Satellite Accounting Research, 2007.

Sustainable tourism

Emerging tourism destinations are exerting pressure on their natural, cultural, and socioeconomic surroundings. In line with expert predictions, WTTC research suggests that demand for global Travel & Tourism will continue to grow at a steady annual rate of 4.2 percent over the next 10 years. Long-term negative externalities of this forecasted growth could ultimately outweigh the economic gains. The new challenge is to manage this growth, which generates income and employment, while limiting the industry's impact on the environment and conserving the cultural heritage and local ecosystems of a country.

The T&T industry acknowledges that it is part of the problem, contributing to global carbon emissions; equally, the industry players wish to be part of the solution. Major T&T companies are fully engaged, with in-house sustainability programs. For example, the new Boeing 787-8 Dreamliner uses 20 percent less fuel and travels at speeds comparable to those of other similar sized aircrafts. However, a significant part of the T&T sector is generated by small- and medium-sized enterprises (SMEs); the real challenge is how to create sustainability in the SME section of the industry. Finding a way for governments and other organizations to assist these small SMEs to develop sustainability programs would be beneficial.

From the WTTC's perspective, much of sustainable tourism begins with leadership. It is correct that tourism ministers usually have complete authority over their portfolio; however, their control does not stretch beyond their allocated resources. Unless the top leaders are convinced, then sustainable tourism advantage is in jeopardy. Although the TTCI includes hard data on T&T government expenditure as percentage of total budget, it would be naïve to assume that this alone is a strong proxy for sustainable tourism. More important is *how* the money is spent, not *how much* is spent. Government expenditure on marketing and campaigning destinations has potential short-term returns that are not necessarily sustainable in the long run. Meanwhile, investing in infrastructure, health and safety, and effective regulatory policies are a more long-term investment. However, as politicians are in power for short tenures, the WTTC understands the difficulty inherent in enticing governments to focus on these sustainable investments. The TTCI generally shows that sub-Saharan African countries dominate the bottom of the Index rankings. Although rich in cultural and natural resources, sub-Saharan African countries often score low in infrastructure. This underdevelopment in infrastructure, coupled with the region's poor health and safety environment, deters the development of Travel & Tourism. Policy reform is necessary; creating an environment that supports tourism is essential and requires considerable planning and structured investment, and here it is most evident that the manner of investment is more important than the quantity invested.

The initial problem is how to convince government leaders that tourism should be a top priority. After that has been completed, these same political figures need to know how to sustain this dynamic industry.

The answer to the first problem is straightforward—economics. What is Travel & Tourism's place in the economy? What does Travel & Tourism produce and consume in the economy? How many jobs are produced as a result of Travel & Tourism, and how many jobs are at stake if the flow of business goes away? The use of TSA has been essential in answering these questions, and has successfully convinced all logical and unbiased stakeholders that the T&T sector is too large to be ignored. Although the industry numbers are impressive, catastrophes such as the severe acute respiratory syndrome (SARS) international outbreak in 2003, the 9/11 attack, and the tsunami in the Indian Ocean in 2004 emphasize the depth and breadth of tourism's impact on the economy. It seems that Travel & Tourism receives an appropriate level of attention only when the entire flow is cut off.

Responding to the problem of how to sustain a dynamic T&T industry requires a little more thought. It would be unrealistic to assume a standardized formula that each country can follow. The heterogeneity of each country is what makes this industry truly incredible, although it is also what makes the quest for a standardized approach equally troublesome. On a country basis, it can be useful to use the findings published in this *Report* that compare and contrast the strengths and weaknesses of a country. Identifying the major disadvantages is a critical step for policymakers to identify the areas that require enhanced attention. In a different approach, the WTTC seeks to provide suggestions on a global level.

Blueprint for new tourism

From a global strategic perspective, the critical policy issues concerning T&T growth are encapsulated in WTTC's policy statement *Blueprint for New Tourism*. The *Blueprint for New Tourism* provides a new strategic framework for ensuring that Travel & Tourism works for all stakeholders in the future—in a way that ensures benefits for everyone. New Tourism looks beyond short-term considerations. It focuses on benefits—not only for those who travel, but also for the local communities they visit and for their respective natural, social, and cultural environments. The vision is based on three key components:

1. governments recognizing Travel & Tourism as a top priority;
2. business balancing economics with people, culture, and environment; and
3. a shared pursuit of long-term growth and prosperity.

Governments recognizing Travel & Tourism as a top priority

New Tourism depends on governments recognizing Travel & Tourism's valuable flow-through effects for all sectors of the economy and across the whole population, and having the sense of leadership to act on that recognition. Leadership at the highest levels of government should factor Travel & Tourism into policies and decision-making; should coordinate all strategies that have an impact on, or are impacted by, Travel & Tourism; and should reorganize structures and funding so as to ensure effective planning and management. The most effective policy responses are those that encompass key government responsibilities, such as coordinating infrastructure development and fostering competitiveness, rather than focusing on short-term protectionism or micro-intervention in market mechanisms.

The benefits, which can be enjoyed by every economy that adopts measures to help deliver on the promise, include:

- the creation of a competitive business environment that avoids inflationary taxation, guarantees transparency, and offers more attractive corporate ownership rules;
- the assurance that quality statistics and information feed into policy and decision-making processes;
- the inclusion of new professionalism, funding, and coordination in promotion and marketing, employment and training needs, infrastructure, and regional and local policy;
- the development of the human capital required for Travel & Tourism growth. Governments should lead investment in human resources—through education and by bridging the gap between authorities and the industry—to help plan ahead for future needs. An online and easily accessible market monitoring network could link reliable tourism market information with data on employment;
- the liberalization of trade, transport, and communications and the easing of barriers to travel and to investment;
- the building of confidence for customers and investors on safety and security;
- the promotion of product diversification that spreads demand;
- sustainable tourism expansion in keeping with cultures and character; and
- investment in technological advances, such as satellite navigation systems, to facilitate safe and efficient T&T development.

Business balancing economics with people, culture, and environment

New Tourism requires the T&T industry to achieve the right balance between business imperatives and the wider needs of local communities in terms of quality of life. Private-sector growth can drive sustainable development and contribute to the dignity of the people and cultures it touches. Internally, the sector must adjust business planning and product and service quality, and adopt policies that respect the interests of the people for and with whom it works. Externally, it must systematically embrace opportunities to spread its benefits—from helping to kick-start developing economies into conserving the environment to transferring skills and promoting the dignity of people in local communities. Many of New Tourism's key tasks for the private sector are very concrete:

- expanding markets, while promoting and protecting natural resources and local heritage and lifestyles;
- developing careers, education, and employee relations;
- promoting small firms;
- raising environmental awareness, and helping to narrow the gap between the “haves” and the “have-nots”;
- ensuring a range of tourism products that helps diversify a country's tourism product mix so as to reduce seasonality and increase yields;
- improving the quality of tourism products and services, and adding value-for-money while increasing consumer choice;
- agreeing and implementing quality standards at all levels and in all areas, including staff training;
- transferring industry skills and best practice that spread the benefits of Travel & Tourism widely and efficiently;
- ensuring increasingly sophisticated and more precise measurement of the sector's own activity, to feed into strategic business decisions; and
- communicating more effectively with the world in which it operates—for example, including energetic input from T&T umbrella organizations to government, at strategic and local levels.

The cumulative effect will be a shift toward Travel & Tourism that continues to serve the private sector's own needs while embracing the wider interests of the countries and communities in which it operates.

A shared pursuit of long-term growth and prosperity

Travel, whether it is for business or private purposes, has become part of the fundamentals of human behavior. The constant growth we have experienced in recent years is going to continue for the foreseeable future in mature and emerging markets.

Protecting the environment is becoming a top priority for the consumer as well as the service providers, but it is in no way the only one. Human resources and infrastructures will have to be considered as essential driving forces for those governments and communities that want to enjoy the full benefits of a sustainable development. Those are long-term commitments, and very few countries have yet made the effort to make them.

More than ever, tourism needs new joint strategies, using new mechanisms springing from new partnerships with public authorities. The challenges are immense and all energies are to be mobilized. The industry's recognition of its broader responsibilities has to be matched by that of government, and both sides must be prepared to adopt a new form of long-term thinking—and a new degree of openness and cooperation—to develop contingency planning as well as development strategies. Specific tasks that can be successfully undertaken by the widest cooperation include:

- applying best practice in tourism development with policies on regional affairs, transport, human resources, the environment, infrastructure, and rural development;
- promoting public-private partnership in the joint preparation of sustainable master plans for the development of entire destinations or holiday regions—a task that is too demanding for a single company or state authority to undertake on its own;
- creating locally driven processes for continuous stakeholder consultation, involvement, and benefit;
- restructuring national tourism organizations (NTOs) as public-private partnerships;
- averting the dangers of excessive, unplanned development, and setting environmental policy goals that can realistically be met;
- developing human resources and deploying skills through planning and legislation that avoids limits based on residence or other requirements;
- collaborating on information requirements for public-sector analysis and policy formation;
- promoting joint efforts to improve security, with private-sector mechanisms complemented by action from public authorities; and

- developing confidence among all stakeholders that efforts are mutually reinforcing.

New Tourism offers the prize of economic activity that enhances quality of life as well as new opportunities for self-sufficiency and local prosperity. This prize can be won by all economies that rise to the challenge of integrating the needs of the T&T industry with national policies.

This is particularly true for SMEs; more than in any other economic sector, SMEs are essential to this industry and give business opportunities to local entrepreneurs. This increase of opportunities helps to build a society where there are opportunities for future generations to create companies and be part of the growth.

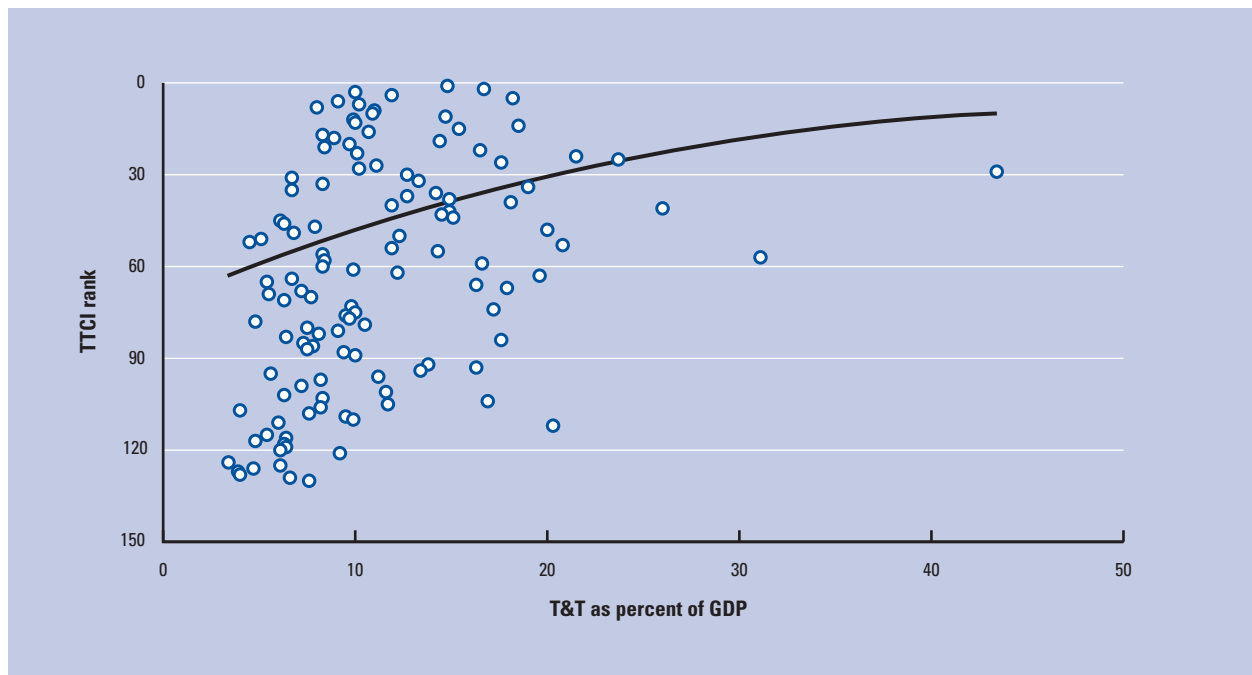
TTCI and TSA findings

Figure 1 is a cross-sectional analysis showing what appears to be an exponential and positive relationship between tourism as a percentage of GDP and the TTCI ranking. This figure illustrates that countries with a dominant T&T industry relative to their GDP are, on average, ranked higher in the TTCI than countries with a less vigorous T&T industry. This finding is not surprising, and perhaps illustrates the benefits of economies of scale. The exponential relationship implies that the relationship is increasing at a decreasing rate; this indicates that countries at the bottom section of the figure (those countries at the lower tier of the ranking) would find it “easier” to shift up the TTCI. Meanwhile, deviations among the highest-ranked countries are quite low. This finding is substantiated by comparing the previous Index rankings with this year's rankings. The highest-ranked nations illustrated a low level of deviation, with overall stability in the top of the ranking. Most of the deviation occurred at the bottom quartile of the ranking, lending some support to the finding of an exponential relationship.¹ The TTCI findings imply that these countries have great potential to improve on an international level; moreover, further examination of those countries indicates that they are usually less-developed countries.

Despite the general weak rankings that less-developed countries receive, there is still room for improvement. These less-developed countries have a comparative advantage in a wide range of areas. With strong natural and cultural resources and abundant cheap labor, they have seen international arrivals increase at higher rates than the world average. Moreover, our TSA research indicates that it is indeed the less-developed countries that are forecasted to grow at the fastest rates.

With these substantial growth rates forecasted, it is important that these countries include long-term sustainability plans at an early stage of their development schemes.

Finally, the need to gather feasible and reliable data for less-developed countries is an essential condition

Figure 1: Relationship between the TTCI and the importance of Travel & Tourism in the economy

Source: World Economic Forum, TTCI 2008; World Travel & Tourism Council, Tourism Satellite Accounting Research, 2007.

Table 5: T&T economy: Percent of total employment (2007)

Region	Total employment (%)
World	8.3
Caribbean	14.8
North Africa	12.8
European Union	11.8
North America	11.1
Middle East	10.0
Northeast Asia	9.5
Southeast Asia	8.4
Latin America	6.9
South Asia	5.2

Source: World Travel & Tourism Council, Tourism Satellite Accounting Research, 2007.

Table 6: T&T economy employment: 10-year real growth, annualized (percent)

Region	Annualized real growth (%)
World	1.3
Middle East	3.0
Latin America	2.7
North Africa	2.4
Caribbean	2.3
Southeast Asia	1.9
South Asia	1.4
European Union	1.3
North America	1.2
Northeast Asia	0.7

Source: World Travel & Tourism Council, Tourism Satellite Accounting Research, 2007.

necessary to improving statistical estimates and forecasts. Through its work with various worldwide government officials, the WTTC has stressed the need to gather data and maintain up-to-date and accurate national accounts.

Sustainability amidst a changing world

Entering a new year, financial markets remain volatile and the impact of the credit crunch is progressively more felt in terms of global growth and the policy perspectives of major central banks. Pressures in the money market are starting to spill over into the real economy. Credit surveys have shown commercial banks tightening conditions for borrowers, while central banks have eased monetary policies, providing increased liquidity. The deterioration in economic conditions is increasing concerns about prospects in 2008. Nonetheless, it remains most probable that the slowdown in world GDP growth will be limited. Primarily, emerging markets continue to grow, supported by strong domestic demand and stimulus from increasing trade among themselves, and in turn supporting global growth into 2008.

So how will Travel & Tourism be affected by an economic downturn? International tourism arrivals grew at 5.5 percent in 2007, the fourth successive year where arrivals' growth has exceeded its long-run trend of 4 percent. This, coupled with the increase in tourism spending and the rapid tourism growth in developing countries, has led the WTTC to believe that, although the concerns of an economic downturn might be justified, its ramifications for the T&T industry is limited.

Conclusion

This paper has tried to demonstrate the need to develop a new form of dialogue between the private and the public sectors. The importance of the T&T industry is undoubtedly a powerful source of development and is forecasted to continue growing at a remarkable pace. The new mission is to manage this growth; our vision of global sustainable tourism involves participation from all stakeholders. Governments are increasingly aware of the importance of Travel & Tourism. The time has come to plan for the medium and long term accordingly.

Leaders should start by defining coherent and streamlined management structures that can efficiently drive New Tourism. Politicians should elevate Travel & Tourism to a strategic national level with senior level policymaking by factoring Travel & Tourism into all policies and decision-making, to promote growth that respects both business needs and the well-being of citizens. Simultaneously, the industry should adapt strategic thinking in order to develop tourism with benefits for everyone, while at the same time extending and diversifying the products offered, thus improving yields and social value while maintaining a degree of corporate social responsibility.

All stakeholders should cooperate in identifying opportunities for growth and focus on building Travel & Tourism that opens up prospects for people—from employment to development. Everyone involved should work together to remove impediments to growth—from infrastructure shortcomings to pollution, and from outdated legislation to health and security concerns. The research conducted by the World Economic Forum is an important step in the right direction toward accomplishing the WTTC's vision of tourism for the future.

Note

- 1 Given the changes made to the TTCI last year, scores and rankings across the two years are not strictly comparable. This year's model has placed more weight on natural and cultural resources, which has benefited many developing countries. Still, the potential improvements are striking.

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