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Tourism

Tourism is a dynamic and growing worldwide industry, but 2001 saw a drop in worldwide tourism arrivals for only the second time since records began. Recovery has been dented by the Gulf conflict and the SARS outbreak in 2003. This paper describes the importance of tourism to the UK, government initiatives, trends, and provides a brief world overview. It replaces Library research paper 00/66.

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Summary of main points

Globally and domestically, the tourism industry is an important source of revenue and livelihoods. However, in 2001 the devastating effects of foot and mouth disease (FMD) in several parts of the UK were followed by the terrorist attacks of 11 September, leading to a fall in overseas visitors. 2001 suffered the first reduction in world tourism arrivals since 1982, and only the second since records began. A recovery in 2002 was followed by effects arising from the Gulf conflict and SARS in 2003.

The characteristics of the industry, along with its significance to the economy, have led successive UK governments to undertake a number of initiatives and restructurings. The present Government's first review resulted in the February 1999 strategy document *Tomorrow's Tourism* which called for a more joined-up government approach. This has been followed by a number of annual tourism summits designed to bring together pan-Government Ministers and the industry.

Recently, a new 'voice' for the industry, the Tourism Alliance, was formed under the auspices of the CBI, and the English Tourism Council and British Tourist Authority were merged in April 2003 to form VisitBritain. However, some, including the Culture, Media and Sport Committee in its 2003 report *The Structure and Strategy for Supporting Tourism*, remain critical of low levels of government funding for tourism especially in England, and feel that the industry might sit better with the Department for Trade and Industry, were that department not so large, than its current home, the Department for Culture, Media and Sport.

Figures for 2002 suggest spending by overseas tourists of some £12 billion in the UK, while expenditure by domestic tourists (who spent at least a night away from home) is estimated at £27 billion. Total tourism revenue including spending on daytrips amounted to some £76 billion, a *gross* contribution of 4.9% to GDP in 2002. However, UK residents are spending an increasing amount of money on visits abroad, leading to a negative 'travel account'. UK residents made almost 60 million trips abroad in 2002, a record number. Growth in holidays abroad has eclipsed growth in domestic tourism.

Tourism is of vital importance to the global economy. The World Tourism Organisation (WTO) estimates that in 2000 travel and tourism were directly and indirectly responsible for generating up to 10% of world GDP and 100 million jobs. The European Commission says that the 8 million people directly employed in the EU tourism sector may be increased by an extra 2 million travel and tourism jobs during the next 10 years. In the UK, total direct employment in tourism-related industries in 2002 was nearly 2.1 million people, or 7% of those in employment.

For a global, enormous industry, tourism is highly fragmented and dominated by small and medium sized enterprises. The Government estimates that there are around 127,000 businesses in the UK industry, 80% of which have a turnover of less than £250,000 per annum.

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I Value of tourism to the UK

A. Defining the industry

The defining feature of the tourism industry is not the product but the consumer – the 'tourist'. Such a demand side definition obscures the collection of official statistics. Tourism is not grouped into a single heading within the Standard Industrial Classification (SIC) for instance, which is normally used to define industry categories. This is all the more remarkable given the range of statistics that are nevertheless collected from a variety of surveys, and the importance of the 'industry'. This means that tourism statistics, which are many and varied, should be treated with some caution and may be estimations or approximations.

The business generated by tourists is crucial to many hotels, restaurants, travel services and entertainment facilities, but it does not account for all the business of these sectors. For this reason it is difficult to measure the exact number of jobs or amount of income that are either directly or indirectly dependent on tourism. In some parts of the country it will account for very little of such activities.

Generally, the most commonly cited data ignore these problems and provide information for sectors that depend on tourism for some of their business:

- Hotels & other tourist accommodation (SIC 551, 552)
- Restaurants, cafes etc (SIC 553)
- Bars, public houses and night-clubs (SIC 554)
- Travel agencies and tour operators (SIC 633)
- Libraries, museums & other cultural activities (SIC 925)
- Sports & other recreation activities (SIC 926, 927)

On the other hand, clearly such businesses are by no means entirely dependent on tourism, and will be used by tourists and non-tourists alike. This method is sometimes justified on the grounds that while it includes a certain amount of non-tourism related employment, it also excludes some which ought to be included, such as employment in transport services. In any case, it is the best proxy available.

B. Employment

Bearing in mind the problems outlined, it is possible to provide figures for those employed in 'tourism-related industries'. Indeed, a regular run of data which is available from 1996 is published quarterly in *Labour Market Trends* and this provides the best estimation of trends over time in tourism-related employment. Table 1 overleaf shows employee jobs and self employed jobs in tourism related industries over time.

Table 1

Employment in tourism related industries in Great Britian

('000s, not seasonally adjusted)

SIC 1992	Hotels & other tourist accomodation 551/552	Restaurants cafes etc 553	Bars, public houses and nightclubs 554	Travel agencies/ tour operators 633	Libraries/ museums and other cultural activities 925	Sport and other recreation activities 926/927	All tourism-related industries All	of which: employee jobs	self-employed jobs
Employee jobs and self- employment jobs (a,b)									
1996									
Mar	340.7	462.4	482.1	94.2	71.0	348.8	1,799.2	1,584.1	215.1
Jun	399.1	487.9	506.4	104.0	73.9	352.1	1,923.4	1,706.3	217.0
Sep	381.5	493.8	511.5	100.5	73.9	366.7	1,928.0	1,696.2	231.8
Dec	355.8	481.5	535.6	106.2	73.0	360.9	1,912.9	1,696.7	216.3
1997									
Mar	353.3	478.5	530.7	108.3	70.1	346.5	1,887.4	1,672.8	214.6
Jun	371.0	505.1	553.9	115.8	75.4	359.2	1,980.3	1,762.1	218.2
Sep	371.0	511.4	572.5	112.7	76.8	364.3	2,008.6	1,780.5	228.1
Dec	351.7	516.1	576.0	106.2	72.2	361.8	1,983.9	1,771.7	212.1
1998									
Mar	360.3	519.7	549.8	104.1	67.7	354.2	1,955.8	1,762.5	193.3
Jun	385.0	520.8	555.3	111.0	74.8	347.1	1,994.0	1,809.0	185.0
Sep	396.8	523.5	558.3	115.6	74.1	353.4	2,021.7	1,843.0	178.7
Dec	372.3	516.8	547.6	115.1	69.0	343.4	1,964.2	1,811.4	152.8
1999									
Mar	373.4	522.0	542.8	119.2	69.6	349.7	1,976.8	1,826.2	150.5
Jun	409.9	535.1	555.6	123.2	76.2	367.3	2,067.3	1,906.7	160.6
Sep	403.8	536.8	558.9	129.0	82.1	377.7	2,088.3	1,938.9	149.4
Dec	379.5	537.2	573.3	125.3	82.2	380.0	2,077.4	1,913.1	164.3
2000									
Mar	379.3	540.5	552.8	125.1	82.0	384.2	2,063.9	1,898.4	165.5
Jun	406.2	555.2	576.1	131.4	88.9	385.6	2,143.5	1,971.6	171.9
Sep	406.3	548.5	567.6	133.9	87.7	389.0	2,132.9	1,964.4	168.5
Dec	383.9	553.6	538.8	137.2	78.0	409.2	2,100.7	1,927.7	173.0
2001									
Mar	383.6	539.1	520.3	137.7	78.4	409.1	2,068.1	1,900.9	167.2
Jun	410.2	550.8	533.0	141.7	80.0	406.7	2,122.5	1,962.5	160.0
Sept	411.1	556.8	528.2	141.3	81.8	414.8	2,134.0	1,955.8	178.2
Dec	387.3	542.9	523.5	133.0	79.6	415.1	2,081.4	1,924.1	157.4
2002									
Mar	388.7	533.8	518.0	128.8	78.7	408.2	2,056.2	1,908.2	148.0
Jun	418.0	545.4	535.9	133.6	81.4	412.9	2,127.2	1,964.0	163.2
Changes:									
Jun 2001-02	**7.8**	**-5.4**	**2.9**	**-8.1**	**1.4**	**6.2**	**4.7**	**1.5**	3.2
%	**1.9**	**-1.0**	**0.5**	**-5.7**	**1.7**	**1.5**	**0.2**	**0.1**	2.0

Notes a The figures above are calculated by summing employee jobs and self-employment jobs (including self-employed as second job).
b Estimates of self-employment jobs are based on the results of the Labour Force Survey. Employee jobs revised due to introduction of the Annual Business Inquiry. Revised estimates for tourism-related industries are not available before 1996.

Source *Labour Market Trends August 2003 table B.17*

On this basis, total direct employment in tourism-related industries in the UK is some 2.1 million people. The long term trend is a gradually increasing number of jobs, and the majority are employee jobs. The chart also illustrates the seasonal nature of tourism employment (over):

Total employment in tourism related industries, GB

C. Contribution to GDP

Spending by both domestic and overseas tourists is one measure of the tourism industry's contribution to GDP. Using a wide definition, gross spending in 2002 was some £76 billion, comprising (table 2):

Table 2
Tourism expenditure in the UK, 2002
£ billion

Spending by Overseas Residents (provisional)	
Visits to the UK	11.7
Fares to UK carriers	3.2
Spending by Domestic Tourists	
Trips of 1+ nights	26.7
Day Trips (est.)	34.2
Total	75.8
Excluding day trips	41.6

Source: VisitBritain and Overseas Travel and Tourism July 2003, National Statistics 5 September 2003

Spending on domestic day trips has been over £30 billion for each of the past five years[1], but this figure is usually excluded from considerations of expenditure. Instead, tourism spending is taken to comprise only overseas residents' spending, the fares they paid to UK carriers, and domestic tourists' spending. The smaller £41.6 billion total represented

[1] VisitBritain Industry website, http://www.visitbritain.com/corporate/links/visitbritain/tips.htm

a gross contribution to GDP of 4.0% (including day trips would bring this to 4.9%). However, according to the International Passenger Survey, UK residents in turn spent some £27.0 billion *overseas* in the same year, and this can be thought of as an import of goods and services. The difference between spending by overseas visitors in the UK and UK residents abroad is a deficit of some £15.2 billion.[2] Spending by UK tourists abroad has been growing at a greater rate than overseas tourists' spending in the UK, and so the deficit has been growing (see also the next section).

Subtracting the £27.0 billion spent abroad from all other tourism spending in the UK gives a net contribution to GDP of 1.4% in 2002, without taking into account fare payments by UK residents to overseas carriers - the true net contribution would be even lower. Table 3 shows the full run of figures.

Table 3

Tourism's contribution to GDP

£ million

	Overseas tourists expenditure in UK (a)	Domestic tourists' expenditure in the UK (b)	Total tourists' expenditure in UK	Gross contribution to GDP	UK residents' expenditure overseas (c)	Net expenditure on tourism	Net contribution to GDP
1987	7,737	6,775	14,512	3.5%	7,280	7,232	1.7%
1988	7,686	7,850	15,536	3.3%	8,215	7,321	1.6%
1989	8,700	10,865	19,565	3.8%	9,357	10,208	2.0%
1990	9,753	10,460	20,213	3.6%	9,884	10,329	1.9%
1991	9,179	10,470	19,649	3.4%	9,951	9,698	1.7%
1992	9,998	10,665	20,663	3.4%	11,243	9,420	1.5%
1993	11,869	12,430	24,299	3.8%	12,972	11,327	1.8%
1994	12,328	13,215	25,543	3.7%	14,365	11,178	1.6%
1995	14,587	20,070	34,657	4.8%	15,386	19,271	2.7%
1996	15,366	22,040	37,406	4.9%	16,223	21,183	2.8%
1997	15,296	24,135	39,431	4.9%	16,931	22,500	2.8%
1998	15,879	22,815	38,694	4.5%	19,489	19,205	2.2%
1999	15,693	25,635	41,328	4.6%	22,020	19,308	2.1%
2000	16,255	26,130	42,385	4.5%	24,251	18,134	1.9%
2001	14,434	26,095	40,529	4.1%	25,332	15,197	1.5%
2002	14,937	26,700	41,637	4.0%	26,962	14,675	1.4%

a Includes fares paid by overseas visitors to UK carriers

b Excludes spending on day trips, from 1989 UK Tourism Survey, new series from 1995

c Excludes fares paid by UK visitors to overseas carriers

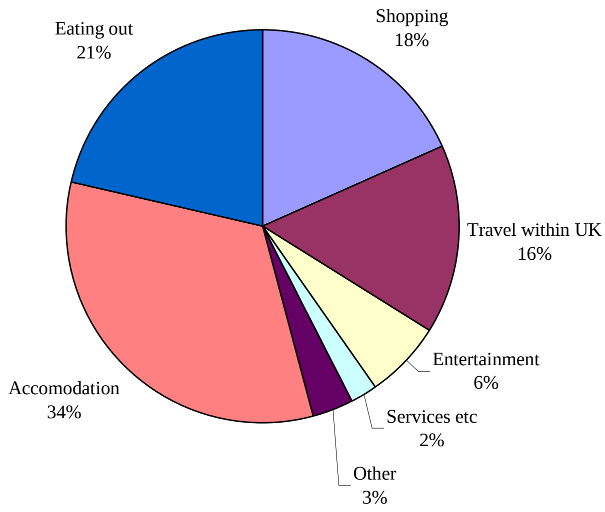
Sources: National Statistics database, series YBHA, GMAK, GMAM

VisitBritain UK Industry website http://www.visitbritain.com/corporate/links/visitbritain/tips.htm

[2] National Statistics *Overseas Travel and Tourism July 2003,* 5 September 2003 table 4

In 2001, the total tourism spending in the UK by both domestic and overseas tourists was split by sector as follows:[3]

Overseas and domestic tourism spending by category, 2001



D. Balance of payments – the travel account

The travel account- the flows of tourism expenditure in and out of the UK- forms a significant part of the UK balance of payments. Anyone who intends to stay for less than twelve months is treated as a visitor, so the travel account includes business, education and family trips as well as leisure visitors.

The provision of UK goods and services to overseas visitors is treated as a balance of payments credit (an export) while the purchase of goods and services abroad by UK residents counts as a balance of payments debit (an import). So every pound spent by visitors to the UK on, for instance, hotel accommodation, souvenirs and domestic travel makes a positive contribution to the UK balance of payments, and vice versa.[4]

Expenditure by UK residents abroad accounts for around 40% of total imports of services.[5] The travel account moved from surplus in the late 1970s to deficit from the mid 1980s onwards, and since the late 1980s the travel deficit has grown significantly. Since 1999 there have been two visits by UK residents abroad for every visit made by overseas

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[3] *Tourism Intelligence Quarterly* March 2003 BTA table 13

[4] Expenditure financed from money earned or provided locally is deducted. Spending on travel to and from the UK is not included in the travel account but in the civil aviation and sea transport accounts as appropriate.

[5] *UK Balance of Payments The Pink Book 2002* National Statistics p.39

residents to the UK. The record deficit of 2002 (£13.9 billion) resulted from increasing numbers of UK residents travelling abroad combined with overseas visitors to the UK falling sharply (down 9% to 23 million in 2001, due to foot and mouth disease (FMD), 11 September, and other factors - see section III).

Much of the deficit in the travel account is attributable to tourism patterns within Europe. In 2001 UK residents made a record 32.7 million more visits to Europe than European residents made to the UK. This difference accounted for 92% of the total gap in visits made by overseas residents to the UK and UK residents abroad. UK residents visiting Europe in 2001 spent £16.2 billion on their visits, compared with £5.1 billion spent by European residents visiting the UK. The difference (£11.1 billion) accounted for 79% of the total deficit in the balance of payments travel account.[6] The travel account is summarised below in table 4 and the chart following:

Table 4

UK trade in services - the travel account balance of payments

£ million, cash

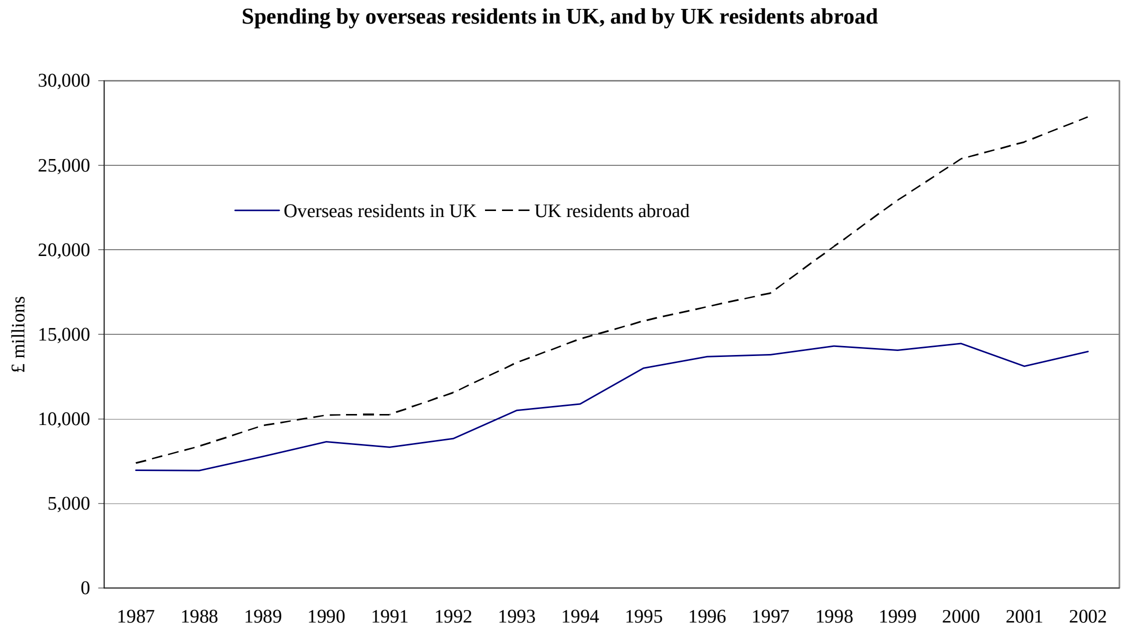
	Business travel			Leisure travel			All travel		
	Credits	Debits	Balance	Credits	Debits	Balance	Credits	Debits (a)	Balance
1987	1,657	1,394	263	5,300	5,990	-690	6,957	7,384	-427
1988	1,866	1,519	347	5,070	6,864	-1,794	6,936	8,383	-1,447
1989	2,047	1,687	360	5,736	7,917	-2,181	7,783	9,604	-1,821
1990	2,190	1,907	283	6,469	8,317	-1,848	8,659	10,224	-1,565
1991	2,142	1,885	257	6,188	8,370	-2,182	8,330	10,255	-1,925
1992	2,211	2,000	211	6,630	9,557	-2,927	8,841	11,557	-2,716
1993	2,489	2,364	125	8,020	10,955	-2,935	10,509	13,319	-2,810
1994	2,633	2,657	-24	8,249	12,071	-3,822	10,882	14,728	-3,846
1995	3,292	3,115	177	9,698	12,678	-2,980	12,990	15,793	-2,803
1996	3,306	3,490	-184	10,385	13,152	-2,767	13,691	16,642	-2,951
1997	3,586	3,507	79	10,219	13,936	-3,717	13,805	17,443	-3,638
1998	3,989	4,349	-360	10,313	15,852	-5,539	14,302	20,201	-5,899
1999	4,112	4,549	-437	9,948	18,381	-8,433	14,060	22,930	-8,870
2000	4,231	5,003	-772	10,215	20,382	-10,167	14,446	25,385	-10,939
2001	3,778	4,694	-916	9,332	21,687	-12,350	13,110	26,376	-13,266
2002	3,883	4,461	-578	10,112	23,386	-13,274	13,995	27,847	-13,852

(a) Including personal imports of cars

Source: National Statistics database series FJPG, FJQY, FJSS, FJTU, APQW, FJTW, FJPF, APQA, FJSR

This differs from tables 2 and 3 in that it includes all imports and exports of travel services included in the 'travel account' so for instance, personal imports of cars are included.

[6] *Travel Trends 2002 A report on the 2001 International Passenger Survey* National Statistics 2002



The British Tourist Authority's latest forecasts are that, in 2003, inbound spending will fall by around 15% compared with 2002, which on the basis of provisional results for 2002 would represent a fall of between £1.5bn and £2.0bn. These figures are for inbound tourism only; there are as yet no forecasts for domestic tourism.[7]

II Visitor numbers

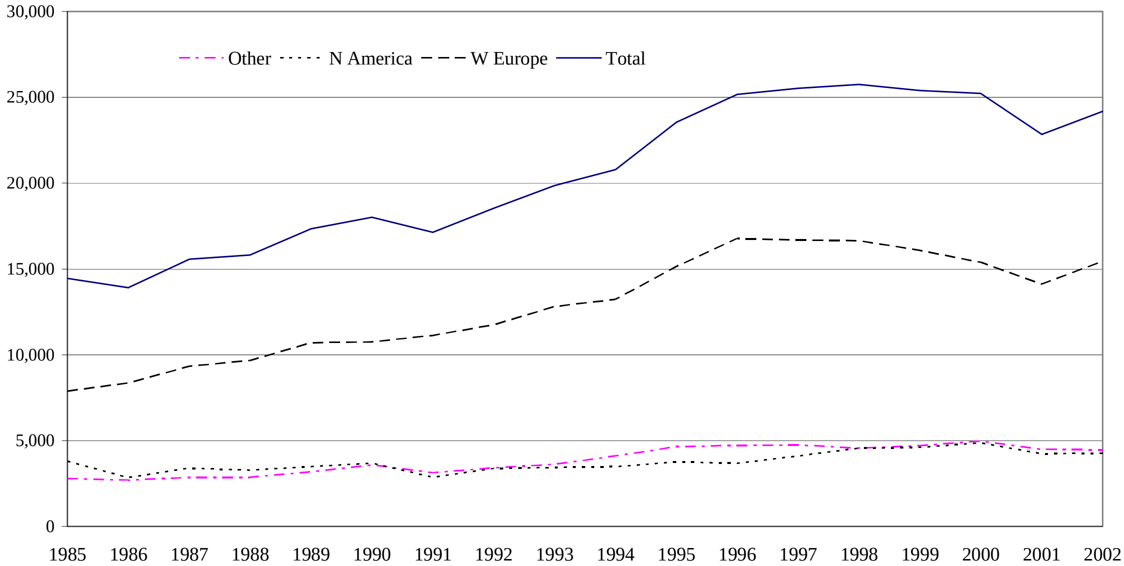
A. Overseas visitors to the UK

In 2002 there were a total of 24.2 million overseas visitors to the UK, compared to a peak of 25.7 million in 1998. However, the 2002 figure was an increase of 6% on 22.8 million in 2001.[8]

72% of visitors to the UK arrive by air, compared to 17% by sea and 11% via the Channel Tunnel.[9] The growth in visitor numbers to the UK over the past 20 years or so has been largely fuelled by an increasing number of visitors from Western Europe. They accounted for 64% of visitors in 2002 while visitors from North America have remained stable at around or under a fifth of total visitors. The chart below[10] shows the drop in 2001, and how the recovery is due to returning visitors from Western Europe:

[7] http://www.visitbritain.org/ukindustry/ as of 16 September 2003
[8] National Statistics database series GMAA, GMAE, GMAD, GMAC
[9] Star UK website, www.staruk.org
[10] National Statistics database series GMAA, GMAE, GMAD, GMAC

Overseas visitors to the UK by country of residence ('000s)



The next chart shows the purpose of overseas visitors' trips to the UK. The number of holiday trips is unsurprisingly the most volatile and was by far the worst affected by the events of 2001. Recently, visiting friends and relatives (VFR) and business trips have become almost as significant as holiday trips, which have declined from peaks in 1996-1997. Table 5 on the following page provides more detail, including spending by each type of visitor, up to 2001.

Overseas visitors by purpose of trip ('000s)

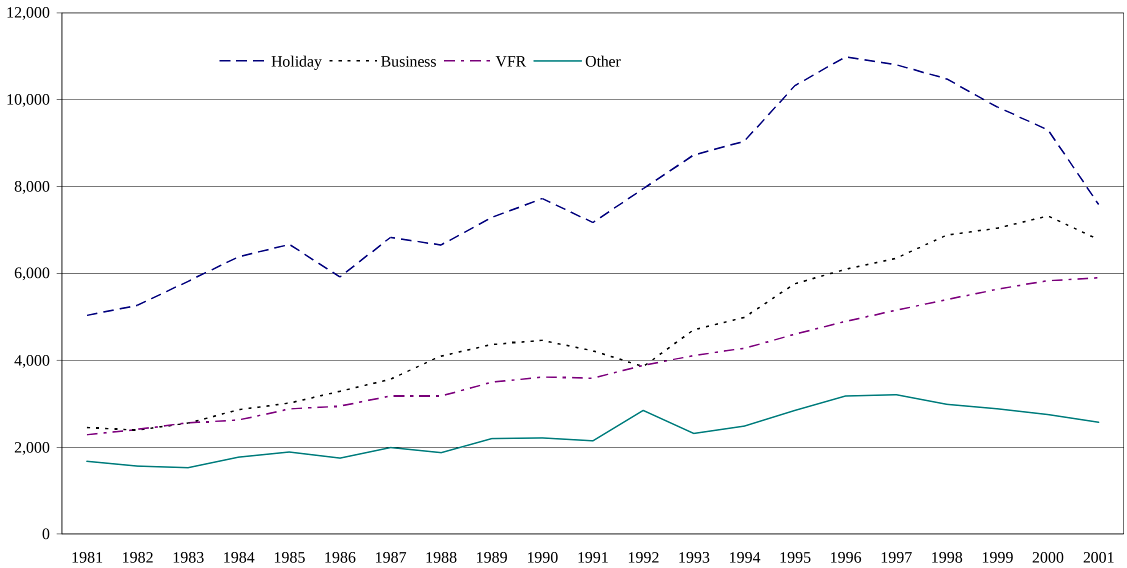


Table 5

Overseas visitors to the UK by purpose of visit

Thousands of trips; £ million

	Holiday		Business		VFR		Other		Total	
	Trips	Spending	Trips	Spending	Trips	Spending	Trips	Spending	Trips	Spending
1981	5,037	1,276	2,453	763	2,287	442	1,675	484	11,452	2,970
1982	5,265	1,386	2,393	794	2,410	484	1,568	518	11,636	3,188
1983	5,818	1,711	2,556	961	2,560	639	1,530	687	12,464	4,003
1984	6,385	2,052	2,863	1,091	2,626	706	1,770	759	13,644	4,614
1985	6,666	2,379	3,014	1,293	2,880	852	1,890	908	14,449	5,442
1986	5,919	2,228	3,286	1,552	2,946	844	1,746	917	13,897	5,553
1987	6,828	2,695	3,564	1,644	3,179	910	1,996	1,001	15,566	6,260
1988	6,655	2,473	4,096	1,852	3,178	922	1,870	926	15,799	6,184
1989	7,286	2,757	4,363	2,032	3,497	1,049	2,193	1,094	17,338	6,945
1990	7,725	3,198	4,461	2,174	3,611	1,147	2,216	1,213	18,013	7,748
1991	7,169	2,849	4,219	2,077	3,591	1,148	2,147	1,293	17,125	7,386
1992	7,949	3,125	3,855	2,146	3,884	1,259	2,847	1,343	18,535	7,891
1993	8,729	3,925	4,706	2,420	4,109	1,467	2,319	1,654	19,863	9,487
1994	9,048	3,947	4,986	2,559	4,278	1,551	2,482	1,706	20,794	9,786
1995	10,323	4,567	5,763	3,219	4,602	1,739	2,849	2,214	23,537	11,763
1996	10,987	4,848	6,095	3,220	4,898	1,841	3,182	2,357	25,163	12,290
1997	10,803	4,555	6,347	3,501	5,155	1,941	3,209	2,223	25,515	12,244
1998	10,475	4,488	6,882	3,820	5,400	1,970	2,988	2,367	25,745	12,671
1999	9,826	4,251	7,044	3,967	5,640	2,133	2,884	2,108	25,394	12,498
2000	9,302	4,383	7,322	4,048	5,834	2,271	2,750	2,068	25,209	12,805
2001	7,585	3,446	6,778	3,582	5,898	2,273	2,574	1,964	22,835	11,306
Average annual growth	*2%*	*5%*	*5%*	*8%*	*5%*	*9%*	*2%*	*7%*	*4%*	*7%*
Change 2000-01	*-18%*	*-21%*	*-7%*	*-12%*	*1%*	*0%*	*-6%*	*-5%*	*-9%*	*-12%*

Notes: VFR visiting friends and relatives

Care should be taken when comparing 1999-2001 results with earlier years due to changes in the sampling methodology

Source: Travel Trends 2002 table 1.03. Based on the International Passenger Survey

By English regional tourist board (RTB) area, overseas and domestic tourists showed differing distributions, with overseas visitors concentrating in London:

Table 6

Visits by UK and overseas tourists to each RTB area, 2000-2002

millions

	UK residents' trips				Overseas residents' visits			
RTB Area	2000	2001	2002	share total 2002	2000	2001	2002	share total 2002
Cumbria	5.0	4.5	4.3	3%	0.2	0.2	0.2	1%
Northumbria	5.6	4.3	4.8	3%	0.4	0.4	0.5	2%
North West	14.8	13.7	14.5	11%	1.3	1.3	1.3	5%
Yorkshire	13.1	11.0	12.2	9%	0.9	0.8	0.9	4%
Heart of England	23.4	22.2	24.6	18%	2.3	2.0	2.5	11%
East of England	13.2	13.0	14.5	11%	1.8	1.4	1.6	7%
London	18.5	16.9	16.1	12%	13.1	11.5	11.6	49%
South West	18.6	19.8	21.0	15%	1.6	1.4	1.4	6%
Southern (a)	14.7	13.3	14.6	11%	2.1	1.9	1.8	8%
South East (a)	12.1	12.6	10.9	8%	2.1	2.0	2.0	8%
Total	139.0	131.3	137.5	100%	25.2	22.9	23.8	100%

Note: (a) merged with effect from 1 April 2003

Source: HC Deb 21 May 2003 c827-8W

B. Domestic tourism

Domestic tourism is defined as trips by UK residents who spend at least one night away from home, so day trips are excluded. There were some 167 million such trips in 2002, generating spending of some £27 billion. In other words, domestic tourists generate far more spending than overseas visitors to the UK. Over half of all trips were for just one (30%) or two (27%) nights. July, August and December were the busiest months.[11] By region, these trips were split as follows:

Table 7

Distribution of domestic tourism in 2002

millions, rounded

	Trips	% total	Nights	% total	Spending (£)	% total
Cumbria	4	3%	13	2%	728	3%
Northumbria	5	3%	13	3%	868	3%
North West	15	9%	39	7%	2,316	9%
Yorkshire	12	7%	36	7%	1,595	6%
Heart of England	25	15%	65	12%	3,166	12%
East of England	15	9%	44	8%	1,704	6%
London	16	10%	35	7%	2,818	11%
South West	21	13%	87	16%	3,901	15%
Southern	15	9%	46	9%	2,065	8%
South East	11	7%	32	6%	1,355	5%
Total England	**135**	**81%**	**416**	**78%**	**20,787**	**78%**
Scotland	19	11%	65	12%	3,683	14%
Wales	12	7%	40	7%	1,543	6%
Northern Ireland	3	2%	9	2%	525	2%
Total UK	**167**	**100%**	**532**	**100%**	**26,699**	**100%**

Source: Star UK website www.staruk.org

Trends can be derived only from 1995, because the UK Tourism Survey (UKTS) changed its methodology in 2000 and data from 1995 to 1999 only were reworked:

Table 8

Trends in domestic tourism trips compared to visits abroad

Millions, rounded

	Domestic tourism trips					
	UK	England	Scotland	Wales	N Ireland	Visits abroad by UK residents
1995	148	114	18	13	3	41
1996	154	117	20	14	4	42
1997	162	126	21	12	3	46
1998	149	115	19	12	2	51
1999	173	138	19	13	3	54
2000	175	140	19	13	3	57
2001	163	132	18	12	2	58
2002	167	135	19	12	2	59
Change 1995-2002	*13%*	*18%*	*6%*	*-7%*	*-43%*	*44%*

Sources: UKTS data from http://www.staruk.org.uk//default.asp?ID=388&parentid=512
and Overseas Travel and Tourism (MQ6) Quarter 1 2003, National Statistics Table 2

[11] United Kingdom Tourism Survey (UKTS) from the Star UK website http://www.staruk.org/

a. Visitor attractions

The *Survey of Visits to Visitor Attractions* shows which paid and free attractions are the most popular in the UK, although many of the visits may be made by UK residents on day trips, of course.

The 2002 survey showed an 8% increase in visitor numbers on the previous year compared to a 2% drop in 2001. Farm visits, country parks and wildlife attractions all showed large increases as they recovered from the effects of foot and mouth disease. Free entry to some London museums caused almost a doubling in their visitor numbers. However, visitor numbers to many attractions especially in London and the South East reliant on overseas visitors had still not fully recovered.

The table contains only data on attractions which responded to the survey and gave permission for their information to be published:

Table 10
Visits to top UK attractions, 2002

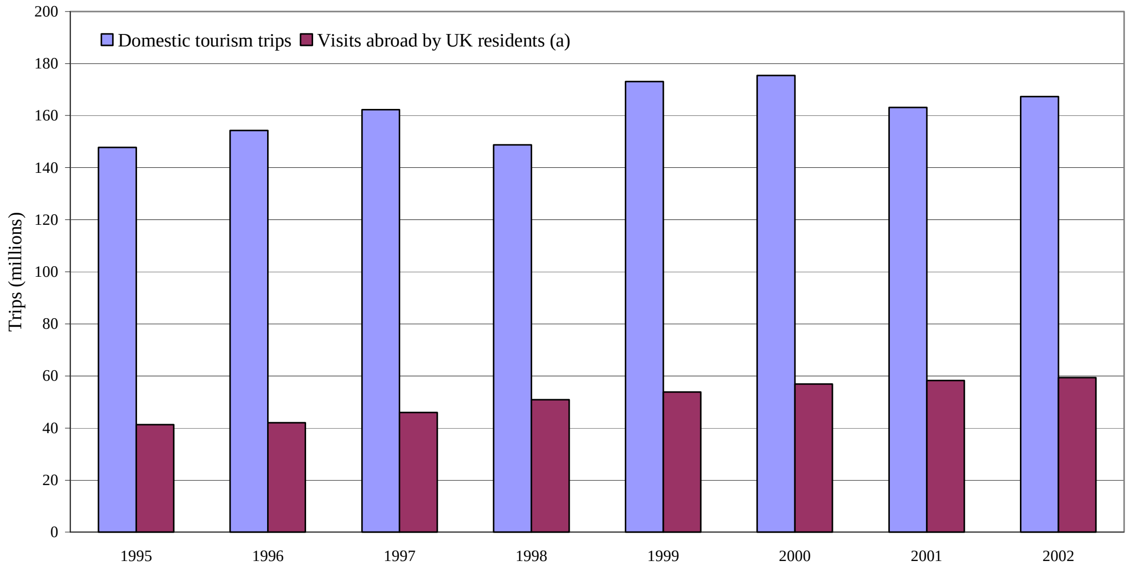
Paid admission		Change from 2001	*Free admission*		Change from 2001
British Airways London Eye	4,090,000	6.2	Blackpool Pleasure Beach	6,200,000	-4.6
Tower of London	1,940,856	-3.9	Tate Modern	4,618,632	30.0
Eden Project (e)	1,832,482	7.8	British Museum	4,607,311	-4.0
Legoland Windsor	1,453,000	-11.0	National Gallery (e)	4,130,973	-16.0
Flamingo Land Theme Park & Zoo (e)	1,393,300	5.4	Natural History Museum	2,957,501	74.4
Windermere Lake Cruises	1,266,027	1.9	Victoria & Albert Museum	2,661,338	84.0
Drayton Manor Family Theme Park (e)	1,200,000	25.0	Science Museum	2,628,374	94.3
Edinburgh Castle	1,153,317	2.4	Pleasureland Theme Park, Southport (e)	2,000,000	0.0
Chester Zoo	1,134,949	7.0	Eastbourne Pier (e)	1,900,000	-5.0
Canterbury Cathedral (e)	1,110,529	-3.5	York Minster (e)	1,570,500	-1.8
Westminster Abbey	1,058,854	7.4	Pleasure Beach, Gt Yarmouth (e)	1,500,000	0.0
Kew Gardens	969,188	-2.0	National Portrait Gallery	1,484,331	16.9
Windsor Castle	931,042	3.0	Tate Britain	1,178,235	16.5
London Zoo	891,028	-1.8	Kelvingrove Art Gallery & Museum (e)	955,671	-7.3
Roman Baths, Bath	845,608	-2.2	Somerset House (e)	900,000	28.6
New MetroLand, Gateshead (e)	810,000	24.6	Flamingo Family Fun Park, Hastings	900,000	0.0
Royal Academy of Arts	794,042	-12.8	Chester Cathedral (e)	850,000	-5.6
St Paul`s Cathedral	781,364	-6.7	The Lowry, Salford (e)	810,200	-0.7
Stonehenge	759,697	12.2	Poole Pottery	808,725	-24.0
The Deep, Hull (e)	750,000	not open			

(e) estimated
Source: StarUK website, from Survey of Visits to Visitor Attractions

C. UK residents' visits abroad

UK tourism abroad has grown steadily and rapidly in recent years, in contrast to domestic tourism. From 1995 to 2002 overseas tourism by UK residents, in terms of trips made, increased by 44% while domestic tourism rose by only 13% (see table above). However, this should be seen in the context of the still very high number of trips made by UK residents within the UK each year - 167.4 million in 2002:

UK residents' domestic and overseas tourism



Nevertheless, UK residents made 59.4 million trips abroad in 2002, the highest ever number, spending almost £27 billion, again a record.[12] In 2001, two thirds of visits were to go on holiday and over 20 million of these were package holidays. The average length of stay abroad was for ten nights, and the average spend was £434. Around this average, people visiting friends and relatives (VFR) stayed for longer but spent less, while the reverse was true for business travellers.[13]

The most popular destination was France closely followed by Spain, and then the USA and Republic of Ireland, but visitors to Spain spent the most money. This was because visits to Spain lasted longer, rather than because of a higher spend per day. Countries such as Spain, Portugal and Greece were almost exclusively holiday destinations, while almost half of all visits to Germany, for instance, were on business. Ranking the 'importance' of destinations depends heavily on whether the number of visits made, the total number of nights spent there or the amount spent by UK residents is considered. The table shows a ranking by number of visits, the most commonly used measure:

[12] National Statistics *Overseas Travel and Tourism July 2003*, 5 September 2003
[13] *Travel Trends 2002*, Chapter 5 National Statistics

Table 9

UK residents' visits abroad, 2001

Top 12 countries ranked by number of visits

	Holidays			Of which package			Business			VFR			Total (including misc.)		
	Visits ('000)	Nights ('000)	Spending (£m)	Visits ('000)	Nights ('000)	Spending (£m)	Visits ('000)	Nights ('000)	Spending (£m)	Visits ('000)	Nights ('000)	Spending (£m)	Visits ('000)	Nights ('000)	Spending (£m)
France	7,083	46,639	2,165	2,769	17,935	938	1,501	5,411	555	929	7,371	170	11,959	61,620	3,320
Spain	10,797	117,124	4,183	6,700	69,212	2,602	381	2,035	202	488	5,236	123	11,790	126,807	4,614
USA	2,448	35,201	2,235	893	12,000	888	765	6,810	969	691	13,097	372	3,990	56,778	3,653
Irish Republic	1,591	9,342	424	295	1,460	93	782	3,110	201	1,413	8,807	280	3,930	21,520	919
Greece	3,025	34,018	1,200	2,648	29,267	1,040	68	441	32	106	2,119	27	3,215	36,975	1,271
Italy	1,667	13,961	808	794	6,813	427	392	1,825	200	318	3,723	84	2,471	19,912	1,132
Germany	561	3,412	156	183	953	51	1,050	3,578	397	524	4,866	91	2,242	12,383	673
Netherlands	1,022	3,903	275	255	974	77	670	2,571	240	328	2,186	54	2,095	9,027	589
Belgium	796	2,273	157	322	1,079	74	544	1,170	153	163	731	22	1,738	4,503	377
Portugal	1,384	14,658	579	743	7,155	297	96	439	39	99	1,439	28	1,598	16,786	677
Cyprus	1,356	15,643	635	1,071	11,732	513	25	174	13	84	1,481	24	1,476	17,437	681
Turkey	772	9,407	304	633	7,380	246	52	478	42	52	972	17	878	10,876	364
World total	38,670	399,349	17,317	20,631	204,187	9,384	8,220	43,614	4,391	7,727	115,566	2,512	58,281	578,803	25,332

Source: Travel Trends 2002 table 5.04, National Statistics

France comes top in terms of number of visits, but UK residents spend far more nights in total in Spain each year. Looking at individual countries only rather than regions, Australia for instance is ranked seventh highest in terms of money spent there, but only sixteenth in terms of visits made.

III Factors affecting UK tourism

A. 2001

In 2001 there was a world reduction in tourism arrivals and receipts for the first time since 1982, the year of the Falklands War and other troubled international events (see section V). Yet the contraction in the UK tourism market was even more marked than for the world as a whole.[14]

Foot and mouth disease (FMD) was first announced towards the end of February 2001 but took fuller effect from mid-March, ie mainly in the second quarter onwards, and initially before the main tourist season. There were other confounding factors that year such as bad weather and falling stock markets, and then the effects of 11 September, which were felt most strongly in the fourth quarter, were in the end far more extensive than those of FMD. [15]

Library research paper 01/35 *Foot and Mouth Disease* summarised the situation during the outbreak, the expected effects on tourism and the government action taken. At the time the eventual outcome was very uncertain but some parts of the country and small businesses were especially badly hit by visitors staying away, in some cases unnecessarily. Some early predictions of losses were far too high and of the order of £9 billion net.[16]

11 September had a much more immediate effect on tourism than FMD with an initial sharp downturn in airline bookings. In November 2001 the Secretary of State for Culture, Media and Sport (Tessa Jowell) said:[17]

> Transatlantic tourism has been badly hit as a result of the terrorist attack on the World Trade Centre and the Pentagon. Airlines are reporting ticket sales down by between 20 and 30 per cent. on some key transatlantic routes. The impact on the British tourism market is severe, because transatlantic tourists typically spend £6 for every £1 spent by a domestic tourist. The fall in income could reach £2.5 billion this year, but a survey from the British Tourist Authority suggests that there will be a recovery in the second half of next year.

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[14] Tourism Intelligence Quarterly BTA March 2003

[15] *Travel Trends 2002* Chapter 6: The impact of the events of 2001 on travel and tourism. National Statistics

[16] "Bill for farms crisis hits £9 billion", *Sunday Times*, 18 March 2001

[17] HC Deb 5 November 2001 c6

A survey by the English Tourism Council indicated that some 900,000 UK holidaymakers had changed their plans between October 2001 and the end of December 2001 and would holiday at home, instead of abroad.[18] Airline restrictions also reduced the number of UK residents who travelled abroad. It was thought that some of these people might substitute foreign trips with breaks at home instead, which would help areas affected by foot and mouth earlier in the year.

The official travel figures for September 2001 based on the International Passenger Survey[19] showed that according to estimated, seasonally adjusted figures there was a sharp fall from August to September in the number of tourists from North America. This was offset by an increase in visits from Western Europe, so the overall number of visitors to the UK actually rose slightly (by 1%). But earnings from overseas visitors' spending in the UK fell from August to September, by £20 million to £920 million for the month.

By March 2002 the following estimates were given for the cost of 11 September and FMD in the previous year:[20]

> **Dr. Howells** *[holding answer 28 February 2002]:* It is estimated that foot and mouth disease caused direct losses to the tourism industry during the months of March–August 2001 of between £2.7 billion and £3.2 billion in terms of value added.
>
> Visitor expenditure from overseas residents fell by £1.8 billion in 2001, compared to 2000. This downturn is mainly attributable to the impact of foot and mouth disease, the events of 11 September and current global economic conditions.
>
> The impact across the country has been mixed and there are signs that we are now in the early stages of a recovery.

In its submission to the third tourism summit of March 2002 the British Tourist Authority (BTA) summarised the year:[21]

> 2001/2002 was a particularly challenging year for British tourism. The outbreak of foot and mouth disease and the way it was depicted by overseas media caused strong negative images of Britain as a destination; with visitor expenditure down 16% against pre FMD forecasts by April 2001. BTA secured an additional £14.2m from HM Treasury to fight these negative perceptions and implement recovery plans. The terrorist atrocities of September 11 changed people's attitudes to travel and tourism dramatically and hit Britain's inbound tourism industry again, with spending in October 2001 down 27% against original forecasts. **Total**

[18] 22 October 2001 press release *British residents stay in the UK*
[19] *Overseas Travel and Tourism September 2001* National Statistics 7 November 2001
[20] HC Deb 13 March 2002 c1152w
[21] 5 March 2002 see http://www.culture.gov.uk/tourism/default.htm

> **losses over the whole of 2001 are estimated at £2bn (15%).** BTA has worked closely with the national and regional tourist boards and the travel industry to implement recovery plans to help rebuild the value of tourism to Britain. Despite the events of 2001, there are a number of success stories and achievements to report.
>
> …
>
> **September 11**
>
> The events of September 11 hit international tourism hard, both inbound to Britain and to an extent outgoing tourism by British residents. The adverse impacts on the UK tourism industry were therefore concentrated on destinations favoured by overseas visitors, particularly London which accounts for half of all visitors and half of their spending, other cities and historic towns, and 'icon' rural areas such as the Lake District, Cotswolds, parts of the West Country, Scottish Highlands, etc. Meanwhile, many rural areas (including the icon areas) have actually benefited from fewer British going overseas, helping the recovery from Foot and Mouth Disease.
>
> **Short haul traffic has suffered less than long haul: the fear of travel and of being away from home is less, and the aggressive pricing and promotion of the low cost airlines in Europe has boosted travel.** In November and December, European travel was level with 2000, while North America was down 16% and the rest of the world down 22%. The GLA family and London Tourist Board have embarked on a major domestic promotion of London, and are working with BTA on international recovery plans.
>
> The 3rd stage of FMD recovery was re-planned to deal with the consequences of September 11. **In January 2002, BTA launched UKOK, a high profile international marketing campaign to stimulate overseas visitors to travel to Britain in 2002…**

a. International travel to and from the UK

By comparing quarterly data to previous years' equivalent quarters, the effects of FMD and 11 September can be assessed separately, and seasonal variation taken into account.

11 September had a greater effect on international travel to and from the UK than FMD. When quarters of 2001 are compared to the same quarters in 2000, the greatest fall occurred in the fourth quarter, when overseas residents' visits fell by 17% from 5.5 million in 2000 to 4.6 million in 2001.[22] (The effect was most pronounced in the fourth rather than third quarter despite the suspension of flights because the survey is carried out on people returning to the UK, and overseas visitors leaving.)

The quarter 4 2001 figures showed the lowest number of visits to the UK by overseas residents for any quarter during the last five years. For each quarter of the year, visits by EU residents fell most in absolute terms. They account for the bulk of visitors to the UK-

[22] *Travel Trends 2002* Report on the International Passenger Survey National Statistics http://www.statistics.gov.uk/downloads/theme_transport/TTrends02.pdf Chapter 6 "The impact of the events of 2001 on Travel and Tourism".

64% in 2002, compared to US visitors accounting for under a fifth (section II). As a percentage of visits made, those by North American residents fell by more (by 28% between Q4 2000 and Q4 2001). This was against trend - while visits by EU residents had been falling anyway, for the past few years visits by North American residents to the UK had been rising. National Statistics summarises the effects on different types of traveller:[23]

> In summary, these data suggest that FMD had a major effect on the number and spending of overseas residents visiting the UK for holiday purposes but little effect on visits for business purposes. In contrast, the effects of September 11th were more widespread, affecting business as well as holiday visits. The number of business visits made by residents from all parts of the world fell sharply in the second half of the year, and from North America and EU Europe in particular. The number of holiday visits made by North American residents also fell sharply, as did those made by EU European residents but to a smaller degree. The spending of North American residents on holiday and business visits was similarly affected by September 11th. The number of visits made by overseas residents to friends or relatives in the UK was the least affected by either event.

The same assessment shows that for UK residents, between Q4 2000 and 2001, while there was a negligible change in visits to the EU, visits made to North America fell by 24%. Despite this, UK residents' spending abroad increased between 2000 and 2001.

Some work by the British Tourist Authority noted several similarities between the effects of FMD and 11 September.[24] In both cases, in absolute terms holiday and business visits fell most, and accounted for over 90% of losses in visits and for the bulk of the losses in spending. VFR visitors were the most resilient in both cases.

The BTA also notes key differences, however. Certain long haul markets (Asia, Pacific and the Americas) and also package holidays were far more affected by 11 September than by FMD, and generally, the losses following 11 September were 'deeper and more widespread'.

B. 2003 - The Iraq conflict and SARS

In Q4 2002, the number of overseas visitors to the UK was 25% higher than in the same quarter in 2001.[25] However, no sooner had tourism apparently recovered from the events of 2001 than the situation in Iraq and the Gulf became more serious. Military operations began officially on 20 March 2003.[26] A short conflict in the Gulf was not expected to

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[23] Ibid.

[24] *The impacts of foot and mouth disease and September 11th on tourism to the UK,* BTA 2002 http://www.staruk.org/../../downloads/BTA%20Documents/FMDandSept11.pdf

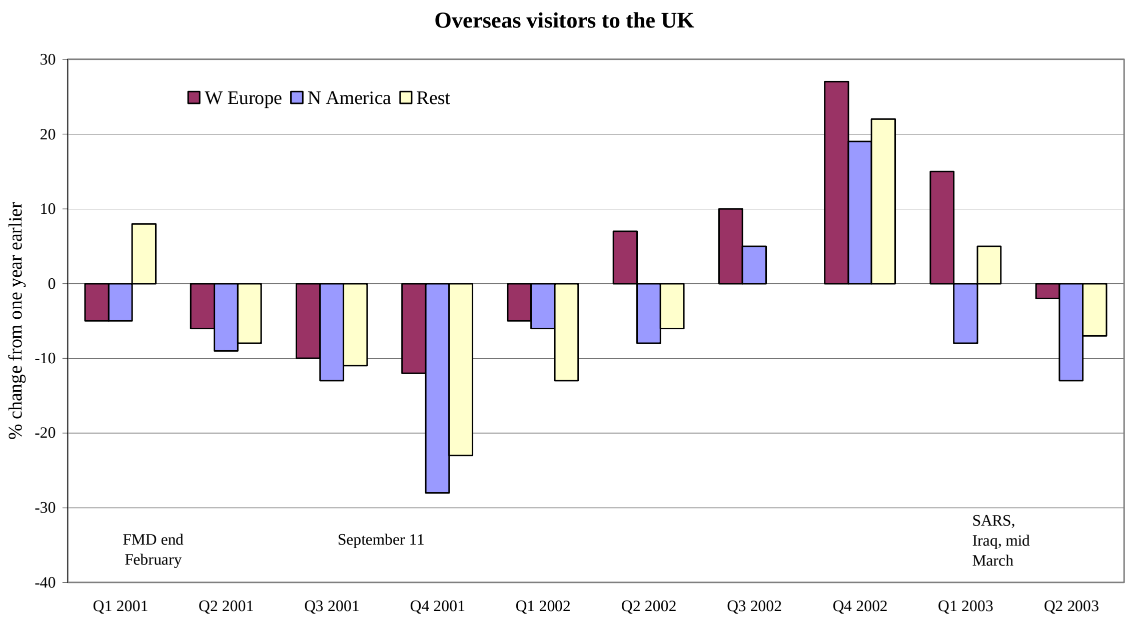
[25] *Overseas Travel and Tourism, July 2003*. National Statistics 5 September 2003

[26] Library research paper 03/50 The conflict in Iraq

affect a traditionally resilient industry too badly[27] but then severe acute respiratory syndrome (SARS) developed in Asia and resulted in a global alert being issued by the World Health Organisation on 12 March 2003.[28] During a debate on tourism in the Lords in April 2003, Lord Davies of Oldham, speaking for the government, said:[29]

> We are still sustaining the effect of the devastating anxieties produced in American society as a result of September 11th. Inevitably, the war in Iraq contributes to that aspect. Although the medical profession will identify that the present threat of SARS in this country looks very muted, and although the outbreak of that frightening disease will probably cause limited numbers of deaths across the globe, the uncertainty of the situation and its impact will mostly affect tourism. We pay the price, even though objectively the risk involved may be limited. That is the nature of the tourism industry.

In the event, tourism has not been as badly affected as some feared,[30] and SARS has now been contained.[31] There have been some shifts, however. Looking at visitor numbers by quarter and comparing these to the previous year to remove seasonal effects, provides some idea of how tourists from Europe and America have responded to the events of the past three years and the four main events: FMD, 11 September, the Gulf conflict and SARS. The date on which each was announced is indicated but the effect was often felt most keenly, at least by the International Passenger Survey, in the following quarter.



[27] WTO press release *War in Iraq may postpone tourism growth but will not cause collapse* 21 March 2003
[28] http://www.phls.org.uk/topics_az/SARS/background.htm
[29] HL Deb 30 April 2003 c768
[30] "Tourism: the disaster that didn't happen" *Economist* 19 August 2003 p.25
[31] WHO 5 July 2003 SARS: breaking the chain of transmission

Overlying all of these are other factors, notably the economic downturn, and factors such as weather, of course. It is clear that visitors from Western Europe are the most resilient.

C. Other issues

It has been pointed out that many of the factors affecting tourism are those affecting any other UK industry. It is sensitive to the general economic climate. As well as this, the Tourism Alliance[32] cites the 1% increase in National Insurance contributions from April 2003, rises in compulsory insurance following 11 September, and the national minimum wage as extra burdens on UK tourism businesses, in a labour-intensive industry.

The Alliance also notes other possible threats on the horizon. The proposed EC Temporary (Agency) Workers Directive would require that agency temps receive, after six weeks, the same terms, conditions and pay as permanent staff. This might affect areas such as contract catering or where workers are taken on to cope with seasonal peaks. The Alliance also fears that if further taxes need to be raised by the Chancellor, then increases in general business taxes including a possible supplementary local business rate in designated areas would hit tourism businesses hard.

On 30 April 2003 there was a debate in the Lords on tourism.[33] Lord Pendry, chairman of the All-Party Parliamentary Tourism Group and former Opposition spokesman on tourism, said that the Government's moves were admirable and in Dr Kim Howells tourism had a real champion. But he believed that with the pressure of recent years and economic downturn, there was a need 'to consider resurrecting the Government's policy towards PAYE and VAT holidays for tourism businesses'. Flexibility in paying business rates, tax and NI contributions could help avoid the laying-off of staff.

Reducing or suspending air passenger duty could also help. VisitBritain's grant-in-aid needed upgrading to correct the shortfall. Free entry to national museums and galleries had been a positive move, but the Government might consider extending the VAT recovery scheme to all museums and galleries. The National Lottery Commission might be encouraged to target funding towards tourism-related projects. Seaside resorts had many difficult social and economic issues and needed investment from RDAs and other bodies in their general infrastructure. (There was a Westminster Hall debate on regenerating seaside towns on 10 September 2003.[34])

The Culture, Media and Sport Committee has also outlined pressures on UK tourism, including, it says, some of the highest VAT rates in Europe.[35] The Committee is currently taking further evidence on the UK 2012 Olympic bid. In its memorandum to the

[32] Tourism Alliance *Priorities for Tourism - First Year Review*. June 2003
[33] c739 onwards
[34] HC Deb 10 September 2003 c99WH onwards
[35] *The Structure and Strategy for Supporting Tourism* 4 February 2003 HC 65 Fourth Report 2002-2003

Committee's report on the same subject earlier this year, the then English Tourism Council called the bid a 'once in a generation opportunity' for UK tourism. [36]

IV UK tourism support structures

Tourism is a wholly devolved issue, which in England comes under the responsibility of the Department for Culture, Media and Sport (DCMS). The *Development of Tourism Act 1969* established the Wales Tourist Board, the Scottish Tourist Board, now VisitScotland, and the English Tourist Board and British Tourist Authority (now VisitBritain).

1. Reorganisation in England

Tomorrow's Tourism[37] was the DCMS tourism strategy published in 1999 that, *inter alia,* argued for a more joined-up Government approach to tourism.

Following on from this, the Rural White Paper of November 2000[38] recognised the importance of tourism to rural life and said that the Government wanted it to be an increasingly important business sector:

> Tourism is an important rural business. Day visitors spend around £8 billion a year in the English countryside. We want more people to be able to enjoy its pleasures, which is why we are opening up more rights of access to mountain, moor, heath and registered common land as well as protecting and improving our network of historic rights of way.
> In future, tourism-related businesses such as forestry and horse riding will provide increased sources of rural income, as will distinctive local products.
> The English Tourism Council and the Countryside Agency will produce a joint strategy to help promote rural tourism beyond the oversubscribed 'honeypot' sites. It will focus on better visitor information, better business advice and co-operation, access to start-up finance and a review of planning guidance.

A series of 'tourism summits' have now been held, intended to bring together pan-Government Ministers and the industry. The fourth was held in November 2002 and documents are available on the DCMS website.[39]

At the third annual tourism summit held in March 2002 a new 'Tourism Alliance' was announced, to be chaired by Digby Jones (Director General, CBI) and to provide a unified voice for the industry. The Alliance was duly established within the CBI's offices and a

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[36] Third Report 2002-03 *A London Olympic Bid for 2012* 21 January 2003 Appendix 15 Minutes of Evidence

[37] *A growth industry for the new Millennium* DCMS, 26 February 1999 Available at http://www.culture.gov.uk/tourism/default.htm

[38] Department for Environment, Food and Rural Affairs *Our Countryside: The Future A Fair Deal for Rural England* 28 November 2000 Cm 4909

[39] http://www.culture.gov.uk/tourism/tourism_policy/tourism_summit.htm

first annual review *Priorities for Tourism - First Year Review* was produced in June 2003.[40] This pointed out that the pressures on tourism match those on other industries, and was critical that the government had not done more, financially, to help. The first annual review said:

> In conclusion, the Alliance observes that notwithstanding world events, the tourism sector is undergoing some major negative pressures. The 2003 Budget produced no noteworthy measures for the sector. This we find disappointing given the timely opportunity to provide a much needed boost in this important economic sector.

In 2002 several large changes were announced to the marketing of tourism in England. In brief, the English Tourism Council (ETC) and British Tourist Authority (BTA) were merged, creating a new body VisitBritain from 1 April 2003. A Statement in October 2002 gave details:[41]

> We wish to combine some of the day-to-day operations of the English Tourism Council with the BTA. These two organisations have served tourism well, but combining their resources and strengths allows us to develop more quickly the marketing team for England we need. This will also enable us to put more resource into direct support for tourism and less into overheads. We will take this opportunity to develop more effective partnerships with private industry investors to support tourism. We will pursue our commitment to the sustainable development of tourism, particularly in rural areas, some of which are still in recovery following the foot-and-mouth outbreak.
>
> Accordingly, I am today asking Tom Wright to broaden the BTA reform programme and to draw up detailed plans for a further unit to lead and co-ordinate the marketing of England, promoting destinations to customers within our own country. Funding for this activity, and other activities of the relaunched national organisation in support of English tourism, will be accounted for and reported to Parliament separately from action in overseas markets on behalf of all three parts of Britain.
>
> [..]
>
> I have asked Alan Britten and David Quarmby, the chairs of the existing boards, to work closely together to ensure the new arrangements are implemented quickly and effectively. Staff from both organisations will be treated on an equal and fair basis, taking full account of their own skills and experience and the requirements of the new arrangements. I have asked them to make recommendations about the new name when they have made further progress on the reforms.

Regional development agencies (RDAs) are to play a much greater role, as presaged in the Rural White Paper. Funding which previously went to Regional Tourist Boards via the ETC will now be channelled via the RDAs. Several RDAs have been in discussion

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40 Tourism Alliance *Priorities for Tourism - First Year Review*. June 2003

41 Statement at HC Deb 31 October 2002 c887w

with their local regional tourist boards, to develop joint strategies. Examples include stronger local branding and using local marketing money in a more strategic way.[42]

The February 2003 Culture, Media and Sport (CMS) Select Committee report on *The Structure and Strategy for Supporting Tourism*[43] found that, despite the above initiatives:

- The real challenges for the tourism sector now are further successful recovery and keeping tourism very high on the Government's agenda. (Paragraph 25)
- The evidence presented to us indicates that at present the Government is not providing an adequate support structure for the tourist industry. The Tourism Alliance told us that "the Department takes too much of a *laissez faire* approach to tourism" and we agree. (Paragraph 41)
- We are concerned at the serious under-funding for tourism in England, and believe there is a need to make increased funding available, especially with the adoption of the additional marketing of England proposed for the new body. (Paragraph 43)
- The amount of money available to the sector, especially in England, from Government is not sufficient to support such a large and diverse industry. The new arrangement seems to be just a more complicated way of cutting the same funding cake. (Paragraph 47)

The committee was not convinced that the new body (VisitBritain - the merged ETC/BTA) was the right organisational structure for taking things forward. There should have been consultation before this was decided, and Government Department responsibilities needed re-aligning. Tourism should not get lost in the currently oversized DTI, but neither remain stranded as 'the Cinderella of government' within the DCMS. The report included a consideration of the roles of RDAs:[44]

> …The introduction of responsibilities for tourism for Regional Development Agencies within England was intended to give a regional perspective to tourism strategy and its support, with the aim of enabling the appropriate investment into tourism to be made depending on the importance of the industry to the economy of the region. Whether it has succeeded in doing so is a different matter.
> […]
> The RDAs have an increased responsibility for the strategic development of tourism, creating an integrated strategy for tourism at a regional level. The Secretary of State announced on 13 May 2002 said that "Regional Development Agencies will in future play a stronger part in the strategic leadership of tourism. Regional Tourist Boards are the natural delivery partners for the RDAs" Each RDA can promote its region both domestically (which has been encouraged as the primary form of domestic tourism promotion within England) and also abroad.

[42] 4th Tourism Summit of November 2002.
[43] *The Structure and Strategy for Supporting Tourism* 4 February 2003 HC 65 Fourth Report 2002-2003
[44] Ibid.

Finally, the Committee concluded:

- Tourism must be a priority for the Government. It is one of Britain's largest and fastest growing industries and it should be treated as such … The success of the UK tourism industry is crucial to our cultural and economic well-being. It is time the Government gave tourism the priority it deserves.

In its response to the Committee[45], the Government said that tourism was high on its agenda. Its reforms would provide a less centralised but more effective framework of support, including a stronger role for the RDAs. The Government felt that financial resources in the industry were huge - direct government support had always being quite small relative to the industry's turnover - but the trick was to make more effective use of them. If just a few percent of the industry's current spend on marketing was invested directly or in joint programmes this would offer a vast improvement on productivity and profitability. Tourism was properly situated within DCMS and closely linked to its other policy areas.

2. Funding

The CMS Committee drew attention to 'serious disparities' in the funding received by the tourism boards in England, Scotland and Wales, and some witnesses felt that devolution had in this respect led to fragmentation and higher priorities being attached to tourism in the devolved bodies. England earns £4 out of every £5 spent on tourism in the UK[46], but its per capita funding for tourism promotion is by far the lowest of the three countries. The minister for tourism, Dr Kim Howells, told the Committee that the government's spending on tourism was just 24p per head of population in England compared to £8.10 in Wales and £5.50 in Scotland, but that this funding was there to correct market failure. [47]

The Committee's report noted that 'There are serious disparities in the funding received by the three tourist boards, with the WTB receiving a £22.6 million grant-in-aid from the Welsh Assembly for 2002-03, VisitScotland receiving a core grant-in-aid of £28 million for 2002-03 and the ETC receiving only £11.6 million for the same year of which less than half is passed onto the RTBs for marketing purposes'.[48] This issue has been revisited during DCMS Questions.[49]

Core national funding for 2003-2004, now that VisitBritain has been created (which of course has a marketing role for all countries, not just England), is as follows:

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[45] Cm 5790 Government Response to "The Structure and Strategy for Supporting Tourism" Report of the Culture, Media and Sport Committee Session 2002-2003 April 2003
[46] Tourism Alliance *Priorities for Tourism - First Year Review*
[47] op.cit. Question 157
[48] para. 43
[49] for example HC Deb 30 June 2003 c9

Table 11

National tourist board funding 2003-2004

£ million

	Core funding/grant in aid	Additional funding
Wales Tourist Board	22.0	5.0
VisitScotland	29.4	2.0
VisitBritain	51.6	3.1
Northern Ireland Tourist Board	9.7	
Total	112.7	10.1

Source: Priorities for Tourism, Tourism Alliance June 2003

In turn, VisitBritain's grant in aid and additional funding comprises the following:

Table 12

DCMS allocation for tourism, 2003-04

£ million

VisitBritain grant-in-aid	
Overseas promotion	35.5
Domestic promotion	10.4
Transition funds for reform	2.0
Total	47.9
Other	
RDAs	3.6
London	1.9
EnglandNet (Invest to Save)	1.2
Tourism total	54.6

Source: HC Deb 17 July 2003 c567w

In other words, domestic promotion or spending on marketing England is some £10 million. To split this down once more, RDA funding for England is split between the regional tourist boards (RTBs) as follows:

Table 13

Amounts for RDAs to pass to regional tourist boards, 2003-04

	Amount (£'000)	% total	Tourist board
East of England Development Agency	543	15%	Covering East of England RTB
Advantage West Midlands	252	7%	50% contribution to Visit Heart of England RTB
East Midlands Development Agency	252	7%	50% contribution to Visit Heart of England RTB
One North East	333	9%	Covering Northumbria RTB
South East England Development Agency	744	21%	Covering Southern and South East RTB
South West England RDA	403	11%	Covering South West RTB
Yorkshire Forward	360	10%	Covering Yorkshire Tourist Board
North West RDA	713	20%	337,000 for Cumbria RTB & 376,000 for North West RTB
Total	3,600	100%	

Source: HC Deb 21 May 2003 c827-8W

Government funding for the RTBs, to be distributed via the RDAs' single pot for three years from 2003-04, is guaranteed for three years at the same level as in 2002-03. It does not take into account local authority spending on tourism, which may include membership subscriptions to RTBs. For London, the DCMS funds the Greater London Authority (GLA) which then passes money to the London Development Agency, and thence to the London Tourist Board.[50]

Not only the CMS Committee but the Tourism Alliance itself is critical of government funding for tourism. The latter says that while government funding remains woefully low, too often the Government seeks to justify this by pointing to indirect funding streams such as local authorities and the need to co-ordinate these with private sector funding. But the Alliance concludes that this is unlikely to happen given that delivery has been devolved to regional bodies, each of which will fight its own corner.[51]

When asked how the UK tourism would be promoted while respecting the distinct identities of Scotland, England and Wales, the government replied:[52]

> Dr. Howells: On 31 October we announced plans to develop a lead Government body for inbound tourism to Britain and the marketing of England within Britain. This will create a more coherent marketing focus across Britain, one that ensures that England, Scotland and Wales retain and develop strong separate brand identities to attract both domestic and overseas holidaymakers.

3. Wales

A Winning Wales, the Welsh economic development strategy[53] stressed the need to implement the ten year plan *Achieving Our Potential – A National Tourism Strategy for Wales*. It advocated sustainable and environmentally friendly tourism, to help boost the rural economy, and an increase in tourism expenditure in Wales by an average of at least 6% per year. The Wales Tourist Board (WTB) provides ten top facts on Welsh tourism:[54]

- Tourism contributes over £6 million a day to the Welsh economy
- This amounts to more than £2.5 billion a year
- Our baseline budget at the Wales Tourist Board for 2002/2003 is £22 million.
- Tourism represents 7% of the Welsh GDP and is therefore one of the most important industries in Wales
- 100,000 people in Wales are employed in tourism. This represents 10% of the workforce
- There are up to 10,000 private sector businesses in Wales. The average size of a hotel in Wales is 6 bedrooms and the average number of employees is 10 per business
- The UK accounts for 93% of tourism trips to Wales

[50] HC Deb 21 May 2003 c827w
[51] *Priorities for Tourism - First Year Review*
[52] HC Deb 13 February 2003 c896w
[53] Welsh Assembly Government, January 2002
[54] www.wtbonline.gov.uk/

- Overseas tourism accounts for 7% of tourism trips to Wales
- 50% of tourism revenue is in rural Wales
- The Wales Tourist Board has stimulated over £50 million total investment during the past five years in coastal resorts and historic towns

The WTB is an Assembly Sponsored Public Body and the Welsh Assembly Government approves its corporate plan. Under the *Tourism (Overseas Promotion) (Wales) Act 1992*, it is able to undertake overseas marketing to supplement the work of VisitBritain. As well as its core funding, the WTB receives European Objective 1 funding:

Table 14
Wales tourist board funding
£'000

	2002/03	2003/04	2004/05
Assembly core funding			
Programme spending	14,586	13,736	13,736
Capital spending	3,150	3,150	3,150
Running costs	4,912	4,700	4,700
Total grant in aid	**22,648**	**21,586**	**21,586**
EU funding	4,773	6,390	4,849
Match funding- pathway to prosperity	6,934	4,932	1,200
Rural recovery fund	1,270		
Commercial revenue	1,413	1,289	1,289
Total	**37,038**	**34,197**	**28,924**

Source: Quinquinnial review of the WTB Stage Two Report December 2002 p.15

4. Scotland

The Scottish Executive says that tourism is Scotland's biggest business sector, accounting for nearly 200,000 jobs across the country, many in rural areas where tourism is the leading employer. Total visitor expenditure of £4.5 billion in 2002 was an 8% increase on 2001.[55]

In 2000 the Scottish Executive announced its *New Strategy for Scottish Tourism*, which said that Scotland had the assets to become a 'world class tourism destination'. Chairing a meeting of the Tourism Framework for Action Steering Group in September 2003, the minister for tourism Frank McAveety said:[56]

> Earlier this year the Executive published the first annual report under our **Tourism Framework For Action**. Since then, it has become clear that tourism has proved enormously resilient, recovering strongly last year from the shocks of 2001 caused by foot and mouth disease and September 11. And the indications we have so far for this year are most promising.

[55] VisitScotland Annual Report and Accounts 2002/03
[56] *Tourism steering group meets* Scottish Executive News Release: SET216/2003 02/09/2003

> "In the first 4 months of 2003, estimated expenditure by UK tourists in Scotland was £980 million, which represents a 5% increase on 2002 against a 1% decrease for the UK as a whole.
> "First quarter overseas visitor figures for Scotland show an 8% increase, with a 37% increase from EU countries. And since then the record breaking Edinburgh Festivals have clearly helped to attract many tourists this summer.
> "Overall the performance of the sector is ahead of last year in economic terms, with Scotland outperforming the rest of the UK. That has not happened by accident, it is the result of a lot of very hard work by people across the entire sector."

The March 2002 *Tourism Framework For Action 2002-2005* is available on-line.[57] In January 2003 the Scottish Parliament's Enterprise and Lifelong Learning Committee published *The Future of Tourism in Scotland*.[58] This acknowledged, *inter alia*, the importance of new air links in attracting visitors, and also recommended that VisitBritain be monitored, to ensure that there was no decline in Scotland's promotion. VisitScotland's planned allocation of resources for the coming years is as follows:

Table 15

Planned allocation of resources, VisitScotland

£'000

	2002/3 Budget	2003/4 Budget	2004/5 Indicative	2005/6 Indicative
Programme budgets				
Marketing activities	24,017	17,934	19,847	20,857
Industry development/support	7,064	6,999	6,116	6,116
Total programme	*31,081*	*24,933*	*25,963*	*26,973*
Total running costs	4,068	4,126	4,096	4,086
Total	35,149	29,059	30,059	31,059

Source: VisitScotland Business Plan 2003-2006

5. Northern Ireland

Tourism in Northern Ireland is characterised by VFR (47% of 1.7 million visitors in 2002) and business trips (30%) rather than pure holidays. Over two thirds of visitors came from Great Britain in 2002. Visitors spent some £274 million in 2002, a 5% fall on 2001, even though the total number of visits was up 4% on the year. [59]

The Northern Ireland Tourist Board (NITB) is an NDPB sponsored by DETI, the Department of Enterprise, Trade and Investment. The marketing company Tourism Ireland was established in 2002 under the framework of the Good Friday Agreement to promote tourism in both North and South, and is a limited company jointly funded by the two governments on a 2:1 South/North ratio.

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[57] http://www.scotland.gov.uk/library3/tourism/tfar-00.asp

[58] SP Paper 740 Session 1 (2003) First Report *Report on the Future of Tourism in Scotland* 29 January 2003

[59] *Visitor Tourism Performance 2002* NITB research at http://www.nitb.com/research/

In 2002/03 the NITB budget allocation was as follows: around £3.7 million for operating costs, £3.8 million for marketing support initiatives and £1.7 million for amenity and attraction capital development. In addition, the NITB helps administer the International Fund for Ireland Tourism Programme, worth some £5 million in 2002. A further £15 million is available via the EU Peace II Programme (2000-2004) for event, marketing and physical development support.[60]

V World tourism

France was the world's top destination in terms of arrivals in 2002, although the United States ranks highest in terms of receipts.

Table 16
World's Top Tourism Destinations

	International tourist arrivals					International tourist receipts		
	Rank	2001 (millions)	Growth rate 2000-2001 (%)	Est. 2002 (millions)	Market share (%)	Rank	2001 (bn euro)	Market share (%)
France	1	75.2	2.0	76.7	10.7	3	33.5	4.7
Spain	2	50.1	3.3	51.7	7.2	2	36.7	5.1
United States	3	45.5	-0.1	45.4	6.4	1	80.7	11.3
Italy	4	39.1	1.0	n/a	n/a	4	29.0	4.1
China	5	33.2	11.0	36.8	5.1	5	19.9	2.8

Source: World Tourism Organisation, data collected January 2003

Although the UK does not appear in this ranking, provisional WTO data from another source place it sixth in terms of arrivals in 2001, and seventh in terms of receipts, after the above countries and Germany.[61]

Europe receives almost 60% of the world's tourist arrivals (see the following table and chart). Eight million people are employed in the EU tourism sector, and it is estimated that travel and tourism jobs within the Union will increase by two million during the next 10 years. The Commission says that European tourism is dominated by small and medium-sized enterprises (SMEs). Over 99% of firms employ fewer than 250 individuals. In 1997, tourism SMEs accounted for 7.4% of all SMEs in Europe and 6.5 % of turnover of European SMEs.[62] Tourism supplies an estimated 5% of total employment and of GDP in the EU, and 30% of total external trade in services. Together with employment and GDP indicated in other sectors, such as transport or distributive trade, these figures rise to 20 million jobs and to roughly 12% of GDP.[63]

[60] NITB Corporate Plan 2002-2005, http://www.nitb.com/Corporate%20Affairs/corporate_plan.pdf
[61] VisitBritain, http://www.visitbritain.com/corporate/links/visitbritain/tips.htm
[62] *Structure, performance and competitiveness of European tourism and its enterprises* European Commission, October 2002
[63] http://www.europa.eu.int/comm/enterprise/services/tourism/tourismeu.htm

The WTO forecasts 717 million cross-border tourist arrivals in Europe by 2020, with higher growth in Central and Eastern Europe than Western Europe. Europe's popularity is partly due to that fact that it comprises many relatively small countries, which stimulates cross border intra-European travel. Three quarters of Europeans travelling abroad do so within Europe. The chart and table illustrate worldwide tourism patterns.

Market share- international tourist arrivals 2002

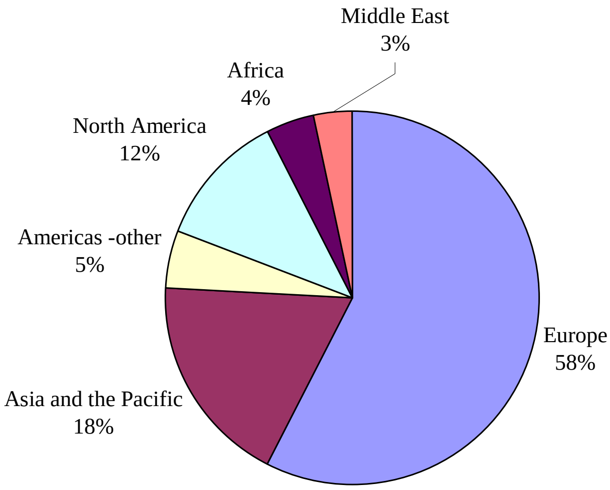

Table 17
International Tourist Arrivals by sub-region

	International tourist arrivals (millions)					Market share (%)		Growth rate (%)			Average annual growth (%)
	1990	1995	2000	2001	2002*	1995	2002*	00/99	01/00	02*/01	1990-2000
World	**456.8**	**551.7**	**696.1**	**692.9**	**714.6**	**100.0**	**100.0**	**6.8**	**-0.5**	**3.1**	**4.3**
Europe	**282.2**	**324.2**	**402.8**	**401.4**	**411.0**	**58.8**	**57.5**	**6.8**	**-3.0**	**2.4**	**3.6**
Northern Europe	29.1	37.6	44.1	41.5	42.5	6.8	5.9	1.2	-5.9	2.3	4.3
Western Europe	113.8	116.7	141.2	138.9	141.4	21.2	19.8	4.0	-1.6	1.8	2.2
Central/Eastem Europe	43.8	67.1	76.8	78.0	81.1	12.2	11.3	4.1	1.6	3.9	5.8
South Mediterranean Europe	95.5	102.7	140.7	143.0	146.1	18.6	20.4	10.4	1.6	2.2	4.0
Asia and the Pacific	**57.7**	**85.6**	**115.3**	**121.0**	**130.6**	**15.5**	**18.3**	**12.3**	**5.0**	**7.9**	**7.2**
North-East Asia	28.0	44.1	62.5	65.6	73.4	8.0	10.3	13.2	5.0	11.9	8.4
South-East Asia	21.5	29.2	37.0	40.1	41.7	5.3	5.8	13.0	8.3	3.9	5.6
Oceania	5.2	8.1	9.6	9.4	9.6	1.5	1.3	8.7	-2.1	1.1	6.5
South Asia	3.2	4.2	6.1	5.8	5.9	0.8	0.8	5.4	-4.5	2.0	6.8
Americas	**92.9**	**108.9**	**128.3**	**121.0**	**120.2**	**19.7**	**16.8**	**5.0**	**-5.7**	**-0.6**	**3.3**
North America	71.7	80.5	91.2	85.0	85.3	14.6	11.9	4.9	-6.8	0.4	2.4
Caribbean	11.4	14.0	17.2	16.9	16.4	2.5	2.3	6.9	-1.9	-3.0	4.2
Central America	1.8	2.6	4.3	4.4	4.8	0.5	0.7	8.9	1.6	9.7	9.0
South America	7.9	11.8	15.5	14.7	13.6	2.1	1.9	2.4	-5.1	-7.0	7.0
Africa	**15.0**	**20.0**	**27.0**	**27.7**	**28.7**	**3.6**	**4.0**	**3.2**	**2.5**	**3.7**	**6.1**
North Africa	8.4	7.3	10.1	10.6	10.1	1.3	1.4	6.8	4.8	-4.0	1.8
Subsaharan Africa	6.6	12.7	17.0	17.1	18.6	2.3	2.6	1.2	1.0	8.5	10.0
Middle East	**9.0**	**13.1**	**22.7**	**21.8**	**24.1**	**2.4**	**3.4**	**0.0**	**-3.9**	**10.6**	**9.7**

Source: World Tourism Organisation data collected January 2003 (provisional)*

A. Events of 2001

Table 17 above shows quite clearly the slump in many regions' growth from 2000 to 2001.

The World Tourism Organisation's (WTO's) 2002 overview[64] called 2001 the worst year for tourism in living memory. It was only the second year since records began in 1951 in which tourism had declined. (The other year, 1982, saw the Falklands War, martial law in Poland, the second oil crisis and conflict in Lebanon.)

Nevertheless, in both of these years the decline which occurred was under 1%. In 2001, the 693 million international tourist arrivals were a fall of only 0.6% or 4 million from 2000's total of 697 million. The WTO called this an impressive tribute to tourism's intrinsic resilience and natural growth potential.

The downturn was due to the worldwide economic recession as well as to 11 September. Even before the attacks, an average growth rate of around 4% during the 1990s looked set to fall to under 3%, mirroring the fall in world GDP growth from 2000 to 2001. In Northern Europe, the WTO notes that FMD had already hit bookings, too. Between January and June 2001 there had already been a switching from business and first class air travel towards economy. However, the immediate effects of 11 September were drastic. US air traffic fell by a third and there were high numbers of cancellations: a quarter of a million in the Japanese market alone.

Travellers' initial reactions were to get and stay home, and not fly long haul. The decline in long-haul travel was not expected to last, but 11 September accelerated other trends which the WTO characterises as 'money rich-time poor' travel leading to short and city breaks, last minute and DIY (internet) bookings, and price sensitivity.

There have been a number of special assessments looking specifically at the effects of the events of 2001. The European Commission concludes, essentially, that tourism in the EU is stable and was relatively unaffected, but there were short term, destination and sector-specific effects - the UK fared worst of all.

A European Commission report on the effects of 11 September on tourism soon after the event noted that things were not as bad as might have been expected[65]

> Europe, with the greatest diversity and density of tourist attractions, is the most visited tourist region in the world. Two million tourism enterprises in the

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[64] *Tourism market trends World Overview and Tourism Topics* 2002 edition WTO 2002

[65] *Follow-up of the European Council of 21 September: the situation in the European tourism sector* COM(2001) 668 final European Commission 13 November 2001 see http://www.europa.eu.int/eur-lex/en/com/rpt/2001/com2001_0668en01.pdf

> European Union account for about 5 % of both GDP and employment, i.e. more than 8 million jobs. Tourism also generates a considerable amount of activity in other sectors.
>
> An impact simulation carried out immediately after 11 September forecasted dramatic losses in tourism, with severe effects on GDP and employment world-wide. The simulation also included alarming figures for Europe. The Commission, based on wide consultation of European stakeholders, did not find confirmation for these results. It believes that the information available does not yet allow the release of precise figures on the short-term, nor medium to long-term impact of the 11 September attacks.
>
> The European Commission therefore largely agrees with the analysis and conclusions issued by the World Tourism Organisation: that is that, from an economic viewpoint, the impact on tourism in Europe can be expected to be rather limited in scope and time, provided that no new dramatic events take place. No doubt, as further explained below, the short-term impact is significant in particular for certain forms of tourism, destination types and specific sectors.
>
> It is, however, conceivable that there will be no measurable impact on EU tourism in the medium to long term. In addition, the effect on overall EU economic growth and employment could also be mitigated to some extent by the fact that short-term cuts in consumers' tourism expenditure could lead to reallocation to other goods and services.

Nevertheless, since a fear of travel had primarily affected high-spending tourists from America, Japan and the Middle East, Ireland and the UK which traditionally rely on an above-average share of American visitors were more affected than other EU countries.

By August 2002 the Commission was able to state that trends in tourism had remained stable in 2001 overall in the EU, even after 11 September.[66] However, the UK had seen the sharpest drop in total overnight stays compared to 2000 (-6.4%). While in several countries increases in overnight stays by domestic residents substituted for falls from overseas visitors, this was not the case for the UK.

The World Tourism Organisation (WTO) produced at least two reports on 11 September. In the second[67] it said there had been a re-distribution of traffic, and destinations still suffering from the downturn included those heavily dependent on US traffic and those dependent on long-haul air traffic. Countries close to their ‘generating markets’ still did well: Spain showed a growth rate (in international tourist arrivals) of 3.4% in 2001 and France of 1.2%. But the US and countries such as Italy did less well. Of course it is another matter attributing all of these changes in growth rates purely to 11 September. The WTO considered that there had already been a decline in growth before 11

[66] *Stability of tourism flows in the European Union*, Eurostat *Statistics in Focus* Theme 4 28/2002 August 2002

[67] April 2002 Special report number 20 *The impact of the September 11th attacks on tourism: the light at the end of the tunnel*

September and to some extent the attacks exacerbated trends that were already appearing (greater cost consciousness and internet bookings, for instance).

The WTO's 2002 *Tourism Market Trends* provided an overview of the situation through Europe. The message again seems to be that Britain - and Ireland - fared worse than most. For 2002, few countries were expecting a decrease but in Britain, heavily dependent on the US market, 'figures are still falling well short of 2000'.

Data collected by the WTO in September 2002 showed tourist arrivals down by 9.4% between 2000 and 2001 in the UK, and although Germany and Italy also showed decreases, France, Spain and Austria increased.[68] UK international tourism receipts fell by 16.7%, a greater decrease than for any other country in the top 15 destinations. Some of the WTO's summary publications are on line.[69]

FMD apparently not only impacted on Britain and the Netherlands but also nearby countries like Ireland that took precautionary measures.[70] Although there are figures for decreases in each country, it is impossible to say how much is attributable solely to FMD. The take home message is perhaps that 'some destinations in the north, especially the United Kingdom and Ireland, which suffered two major blows in the same year, will probably need three to four years to recover fully'. [71]

B. 2002

Despite the problems of 2001, in 2002 the number of world international tourist arrivals rose to almost 715 million, for the first time above 700 million and a 3.1% increase on 2001. Initial results for 2002 showed some changing patterns; Europe remained the top destination but Asia and the Pacific rose above the Americas: [72]

> More than 130 million international tourist arrivals were registered in Asia and the Pacific, which many regard as the "destination of the future". Northeast Asia led all subregions with almost 12 per cent growth, followed by Southeast Asia (a bit less than 4 per cent growth), Oceania (1 per cent growth) and South Asia (2 per cent increase). This means that the WTO predictions from some years ago -- namely China, together with Hong Kong and Macau, becoming an increasingly relevant tourism power -- have already started to become reality. India suffered a 6.6 per cent fall, while Iran, the Maldives and Sri Lanka are doing way above average, so it seems that their strategies work.
> The Americas was the only region to close 2002 in the red. But it should be noted that the decline from dramatic 2001 averages out to 0.6 per cent, with North

[68] WTO *World Overview and tourism topics 2002* p.32
[69] http://www.world-tourism.org/market_research/facts&figures/latest_data/Mje.%20Highlights%202002%20INGLES.pdf
[70] WTO World Overview and tourism topics 2002
[71] WTO Tourism Market Trends 2002 Edition: Europe p.18
[72] WTO press release. *World Tourism in 2002: better than expected*. WTO January 2003

> America (the United States, Canada and Mexico) increasing, thanks to positive results of Canada, 0.4 per cent on 2001, which -- with a fall of almost 7 per cent -- was painful enough. North America still holds a "decent" global market share of almost 12 per cent, but this is much lower than its 14.6 per cent share in 1995. The Caribbean islands experienced a decline for the second year in the row, with a 3 per cent drop -- much bigger than the 1.9 per cent decline the subregion suffered in 2001 -- probably as a side effect of the problems in the US airline industry. But the damage was small compared to the 7 per cent fall in international arrivals to South America, 1.9 percentage point worse than last year's 5.1 per cent decline. The only subregion to have enjoyed growth in Americas was Central America, almost 10 per cent, but on a rather low base compared to other subregions.
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> Africa offers a very different picture. While Northern Africa experienced a decrease of 4 per cent, Sub-Saharan Africa performed way above average, with an 8.5 per cent increase. The Middle East suffered an almost 4 per cent decrease in 2001, but performed extremely well, with an 11 per cent increase in 2002.
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> The post-September 11 syndrome has not yet been overcome, although the media sometimes tend to give it too much importance. The picture of US tourism would namely be much more favourable if the economy performed as desired and if some large airlines and tour operators didn't cautiously downplay capacities.

Examining the effects of the Bali, Mombassa and Djerba bombings the WTO Secretary-General concludes that the world economic situation is a more powerful threat to international tourism arrivals than fear of terrorism, even though the media transmits those effects so widely, and even though “Wars and tourism are completely incompatible, just like fire and water”. This is largely because tourists are becoming ever more experienced and the industry is so resilient. However:[73]

> "The biggest problem in the current situation of world tourism is uncertainty", says Mr. Frangialli. In addition to that, the economic situation in the world is not improving as fast as desired, oil is expensive and the stock exchanges reached low points. The tourism industry, however, rapidly reacted to the important structural changes in the sector and to the new challenges in the relationship between supply and demand.

C. 2003

The WTO has recently started producing a World Tourism Barometer incorporating a panel of world tourism experts.[74] The first barometer threw light on the events in 2003; the SARS virus and the conflict in the Gulf. The first part of 2003 continued the trends of last minute and DIY (internet) bookings, and price sensitivity, and any economic recovery was delayed through uncertainty over the Iraq conflict. Growth in some destinations (the UK, Asia, Caribbean, South Africa) was relative to depressed conditions in 2002.

[73] ibid.
[74] WTO World Tourism Barometer, Volume 1, number 1 June 2003

When the Iraq conflict began there was an 'immediate plunge in demand' especially for air travel, interregional travel and travel in destinations close to the conflict. However, the WTO considered that national tourism boards, businesses and administrations were well geared to adapt to this. Because of this, the unexpected SARS outbreak disrupted destinations and businesses more severely.

Most European destinations showed declines in early 2003, accelerating with the start of the military intervention in March. In the Americas the United States, Canada, and Mexico showed the greatest falls in March. The emergence of SARS in the second half of March affected tourism in Asia in the first months of 2003, in the majority of the destinations in the region. Destinations in the Middle East and North Africa reflected the impact of the conflict in Iraq with many countries showing increases in January but sizeable drops by March. In April 2003 losses were more limited, with certain destinations posting modest increases. The WTO says:[75]

> The results of the new WTO World Tourism Barometer indicate that international tourism might be close to a turning point. Although the world economy is still rather weak, a change for the better is expected to take place in the second half of the year.
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> Initial data for 2003 clearly show the effects of the Iraq conflict and the SARS outbreak. Nevertheless, various destinations managed to post surprisingly good results, in particular, some of the recently most-afflicted destinations in the Caribbean, South America, and South Asia. With the uncertainty due to the geopolitical situation gradually falling away, the perspective is switching back towards economic prospects.

World Tourism Day will be held on 27 September 2003. The Secretary-General of the World Tourism Organisation wants to use this to stress the role that tourism can play in alleviating poverty:[76]

> Tourism is an important export for 83 per cent of developing countries and it is the main export for one third of them. In 2000, developing countries recorded 292.6 million international arrivals, an increase of nearly 95 per cent on the figures for 1990. Furthermore, in the least developed countries (LDCs), there has been a 75 per cent increase in international arrivals in the past decade. Tourism is the main source of foreign exchange earnings in the 49 LDCs, as listed by UNCTAD (United Nations Conference on Trade and Development).
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> There are a number of proven strategies that can be used to increase overall economic benefits, in ways that have a poverty reduction focus. These include attracting higher-yield market segments and increasing tourists' length of stay

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[75] WTO press release First WTO world tourism barometer shows steadily improving conditions for international tourism Madrid, 24 June 2003

[76] *WTD 2003 to highlight tourism's vital role in global plan for poverty alleviation* Madrid, 22 September 2003

plus visitor expenditure, developing complementary products, spreading the benefits of tourism geographically, enhancing local management of tourism and partnerships, reducing the seasonality of tourism and increasing employment and training.

"In a year shaken by political turmoil, environmental and natural disasters, international conflicts and new diseases that have affected tourist movements, we are more confident than ever that tourism has the capacity to successfully address some of the main issues which are at the root of such problems, especially extreme poverty and social harmony," says Mr. Frangialli in his message.

"We invite all tourism stakeholders, particularly national tourism administrations and the private tourism sector, to strengthen their activities with this new, poverty-reduction focus. We are convinced that they will find numerous ways to combine solidarity with profitability, national tourism growth with employment opportunities for the poor, and long-term business success with socioeconomic sustainability."