PART I

Chapter 1

Tourism trends and policy priorities

This chapter covers recent trends in tourism and associated developments in government policy. It is based on responses to a policy and statistical survey of OECD member countries and partner economies. The chapter outlines the economic importance of tourism and sets out the role of government in promotion and product development, and in supporting a competitive and sustainable tourism industry. The effectiveness of governance structures and funding issues are considered. Tourism policy priorities, reforms and developments are analysed and examples of country practices highlighted.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

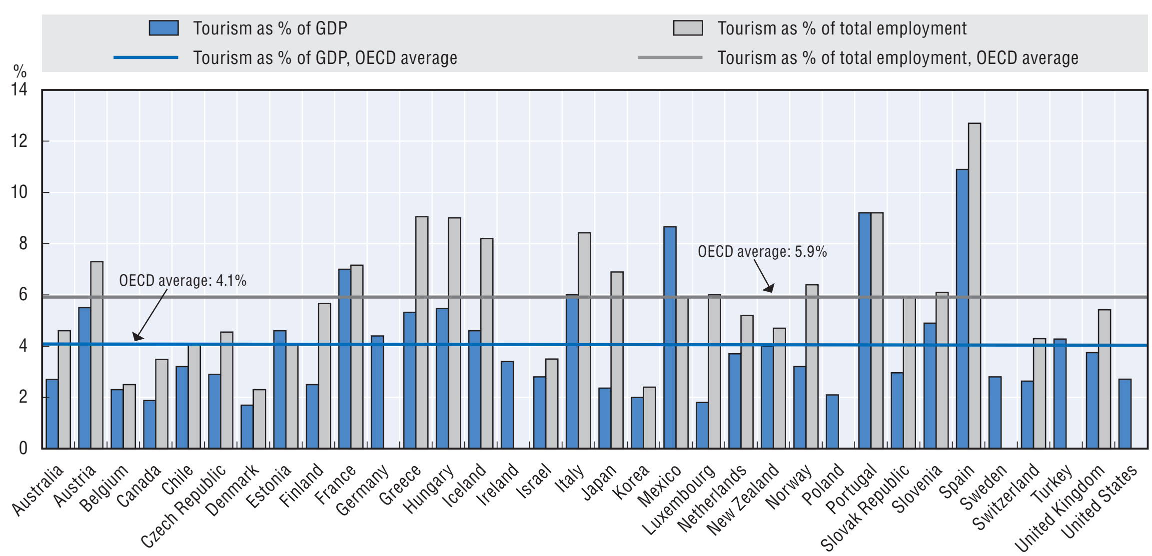
Tourism is an important economic sector in countries around the world and governments are developing active and innovative policies to build a competitive, inclusive and sustainable tourism development. Many countries consider an integrated whole of government approach to tourism as an essential component of a supportive government framework. These integrated strategies increase the policy coherence and the effectiveness of public and public/private actions in tourism. Governments at all levels have an important role to play in the delivery of the tourism product, and they need to work in close partnership with the private sector.

Recent trends

Tourism is playing a key role in global economic activity, job creation, export revenue and domestic value added. On average, tourism directly contributes 4.1% of GDP, 5.9% of employment and 21.3% of service exports to OECD economies (Figure 1.1). It is also estimated that around 80% of the tourism exports convert into domestic value added, which is higher than the average for the total economy.

Figure 1.1. **Direct contribution of tourism to OECD countries**

As percentage of GDP and employment, 2014 or latest year available



Notes: Data for Spain include indirect impacts.
GDP data for France refer to internal tourism consumption.
Employment data for Luxembourg include indirect impacts.
Source: *OECD Tourism Statistics* (Database).

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Globally, international tourist arrivals surpassed 1.1 billion in 2014, an increase of 4.2% on the previous year, having topped the 1 billion mark in 2012. This number is forecast to reach 1.8 billion by 2030, with international tourist arrivals in emerging economy destinations projected to grow at double the rate of that in advanced tourism economies (UNWTO, 2015).

OECD member countries play a prominent role in international tourism. International arrivals to OECD member countries accounted for 54% of global arrivals in 2014 (compared to 57% in 2012). Arrivals to the OECD increased at a faster rate than global arrivals, rising by 6.4% on average in 2014. This is substantially ahead of the 3.6% growth in arrivals to the OECD recorded in 2012. Five OECD countries recorded annual growth in excess of 20% in 2014 – Denmark (21.4%), Greece (23.0%), Iceland (23.6%), Japan (29.4%) and Mexico (21.5%). A breakdown of international tourist arrivals is provided in Table 1.1.

Table 1.1. **International tourist arrivals, 2010-14**

	Type of indicator	2014	Average annual growth rate 2010 to 2014	Growth rate 2013 to 2014
		Thousand	%	
Australia	Visitors	6 868	4.4	7.6
Austria	Tourists	25 291	3.5	1.9
Belgium	Tourists	6 389	2.6	2.6
Canada	Tourists	16 537	0.5	3.0
Chile	Tourists	3 674	7.0	2.7
Czech Republic	Tourists	10 709	5.5	4.0
Denmark	Tourists	10 267	5.6	21.4
Estonia	Tourists	2 918	5.3	1.6
Finland[1]	Tourists	4 085	2.7	-3.3
France	Tourists	83 767	2.2	0.2
Germany	Tourists	32 999	5.3	4.6
Greece	Visitors	22 033	10.1	23.0
Hungary	Tourists	10 158	5.6	12.4
Iceland	Tourists	998	19.5	23.6
Ireland	Tourists	6 824	4.6	6.7
Israel	Tourists	2 927	1.1	-1.2
Italy	Tourists	29 118	-0.4	0.2
Japan	Visitors	13 413	11.7	29.4
Korea	Visitors	14 202	12.7	16.6
Luxembourg	Tourists	1 038	6.6	9.8
Mexico	Tourists	29 346	5.9	21.5
Netherlands	Tourists	13 925	6.4	8.9
New Zealand	Tourists	2 772	3.1	5.4
Norway	..	..	..	..
Poland	Tourists	16 000	6.4	1.3
Portugal	Tourists	9 277	8.0	11.8
Slovak Republic	Tourists	1 475	2.7	-11.7
Slovenia	Tourists	2 411	6.6	6.7
Spain	Tourists	64 995	5.4	7.1
Sweden[2]	Tourists	10 750	-1.8	-3.5
Switzerland	Tourists	9 158	1.5	2.1
Turkey	Tourists	39 811	6.1	5.3
United Kingdom	Tourists	32 613	3.6	5.0
United States	Tourists	75 011	5.7	7.2
Brazil	Tourists	6 430	5.6	10.6
Bulgaria	Tourists	7 311	4.9	6.0
Colombia	Visitors	4 193	12.6	11.9
Costa Rica	Tourists	2 527	4.7	4.1
Croatia	Tourists	11 623	6.3	6.2
Egypt	Tourists	9 650	-8.9	4.8
Former Yugoslav Republic of Macedonia	Tourists	425	12.9	6.4
India	Tourists	7 679	7.4	10.2

Table 1.1. **International tourist arrivals, 2010-14** *(cont.)*

	Type of indicator	2014	Average annual growth rate 2010 to 2014	Growth rate 2013 to 2014
		Thousand	%	
Latvia	Tourists	1 843	7.6	20.0
Lithuania	Tourists	2 063	8.2	2.5
Malta	Tourists	1 690	6.0	6.8
Morocco	Tourists	10 283	2.6	2.4
Philippines	Tourists	4 833	8.2	3.2
Romania	Tourists	1 912	9.2	11.5
Russian Federation	Visitors	32 421	9.8	5.3
South Africa	Tourists	9 549	4.3	0.1
EU28			**4.0**	**4.4**
OECD members			**4.6**	**6.4**
World[3]		**1 133 000**	**4.5**	**4.2**

Notes: For more information, please see the country profiles.
Tourists: International tourist arrivals (excluding same-day visitors).
Visitors: International visitor arrivals (tourists and same-day visitors).
1. Growth rate 2013-14 refers to 2012-14.
2. Average annual growth rate refers to 2011-14.
3. UNWTO data (2015b).
Source: *OECD Tourism Statistics* (Database).

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International arrivals to OECD countries grew by on average 4.6% annually between 2010 and 2014, in line with global arrivals. This is a stronger performance by OECD countries compared with the previous reporting period (2008-12), when average annual growth in arrivals of 1.9% was recorded, below the global average. The longer-term trend however has been of a slowdown in arrivals to the OECD relative to tourism worldwide, resulting in a loss of market share.

Globally, international tourism receipts reached USD 1 249 billion in 2014, up from USD 1 198 billion in 2013. This equates to growth of 3.7% in real terms, taking into account exchange rate fluctuations and inflation (UNWTO, 2015). OECD countries accounted for 60.2% of global travel receipts (exports) and 52.3% of global travel expenditures (imports) in 2014 (compared to 59% and 54% respectively in 2012). Two thirds of OECD member countries recorded a positive travel balance in 2014. Table 1.2 provides a summary of international travel receipts, expenditure and the travel balance for OECD member countries and selected partner economies.

Table 1.2. **International travel receipts and expenditure, 2013-14**

Million USD

	Travel receipts		Travel expenditure		Travel balance	
	2013	2014	2013	2014	2013	2014
Australia	31 254	32 022	28 626	26 273	2 628	5 749
Austria	20 231	20 797	10 274	10 812	9 957	9 985
Belgium	13 498	14 298	21 802	23 778	-8 304	-9 480
Canada	17 674	17 445	35 115	33 587	-17 440	-16 142
Chile	2 181	2 252	1 867	2 136	313	117
Czech Republic	7 043	6 830	4 637	5 141	2 405	1 689
Denmark	7 028	7 632	10 072	10 184	-3 044	-2 552
Estonia	1 628	1 812	997	1 075	631	737

Table 1.2. **International travel receipts and expenditure, 2013-14** *(cont.)*

Million USD

	Travel receipts		Travel expenditure		Travel balance	
	2013	2014	2013	2014	2013	2014
Finland	4 048	3 590	5 291	5 279	-1 243	-1 689
France	56 556	57 359	42 967	48 635	13 589	8 723
Germany	41 285	43 269	91 318	93 252	-50 033	-49 983
Greece	16 135	17 769	2 436	2 754	13 698	15 015
Hungary	5 366	5 884	1 908	2 033	3 458	3 851
Iceland	1 070	1 362	847	973	224	389
Ireland	4 474	4 851	6 199	6 051	-1 725	-1 201
Israel	5 666	5 691	3 961	4 238	1 705	1 453
Italy	43 899	45 427	26 965	28 807	16 934	16 620
Japan	15 130	18 853	21 836	19 272	-6 706	-419
Korea	14 629	18 147	21 491	23 465	-6 862	-5 318
Luxembourg	4 848	5 354	3 801	3 870	1 047	1 484
Mexico	13 949	16 208	9 122	9 606	4 827	6 602
Netherlands	15 576	12 666	20 484	19 614	-4 909	-6 948
New Zealand	7 472	8 464	3 858	4 104	3 614	4 360
Norway	5 654	5 643	18 403	18 747	-12 749	-13 104
Poland	11 317	10 900	8 843	8 849	2 475	2 052
Portugal	12 282	13 790	4 143	4 402	8 139	9 388
Slovak Republic	2 555	2 575	2 366	2 467	189	107
Slovenia	2 708	2 729	923	971	1 785	1 758
Spain	62 550	65 099	16 411	18 148	46 139	46 950
Sweden	11 544	12 695	17 608	18 511	-6 064	-5 816
Switzerland	16 779	17 439	16 151	17 116	628	322
Turkey	27 997	29 552	4 817	5 072	23 180	24 480
United Kingdom	41 753	46 634	58 454	63 232	-16 701	-16 598
United States	172 901	177 241	104 107	110 787	68 794	66 454
Brazil	6 711	6 843	25 342	25 567	-18 631	-18 724
Bulgaria	4 051	3 967	1 525	1 202	2 526	2 764
Colombia	3 611	3 825	3 941	4 678	-330	-853
Costa Rica	2 665	2 864	440	461	2 225	2 403
Croatia	9 518	..	903	..	8 615	..
Egypt	6 042	7 208	3 014	3 139	3 028	4 069
Former Yugoslav Republic of Macedonia	267	295	131	149	136	146
India	18 445	20 236	11 570	14 596	6 875	5 640
Latvia	865	954	715	714	150	240
Lithuania	1 374	1 440	1 069	1 190	306	250
Malta	1 404	1 517	384	399	1 020	1 118
Morocco	7 071	7 223	1 317	1 429	5 754	5 794
Philippines	4 690	4 767	7 833	9 920	-3 143	-5 153
Romania	1 591	1 813	2 059	2 412	-468	-599
Russian Federation	11 988	11 759	53 453	50 428	-41 464	-38 669
South Africa	9 245	9 338	3 429	3 169	5 816	6 170
EU28	**407 702**	**414 537**	**365 839**	**385 019**		
OECD	**718 681**	**752 279**	**628 100**	**653 242**		
World	**1 198 000**	**1 249 000**	**1 198 000**	**1 249 000**		

Notes: For more information, please see the country profiles.

The conversion from national currency to US dollars has been calculated using OECD and IMF annual average exchange rates for the corresponding year.

Source: *OECD Tourism Statistics* (Database) and IMF (2015b).

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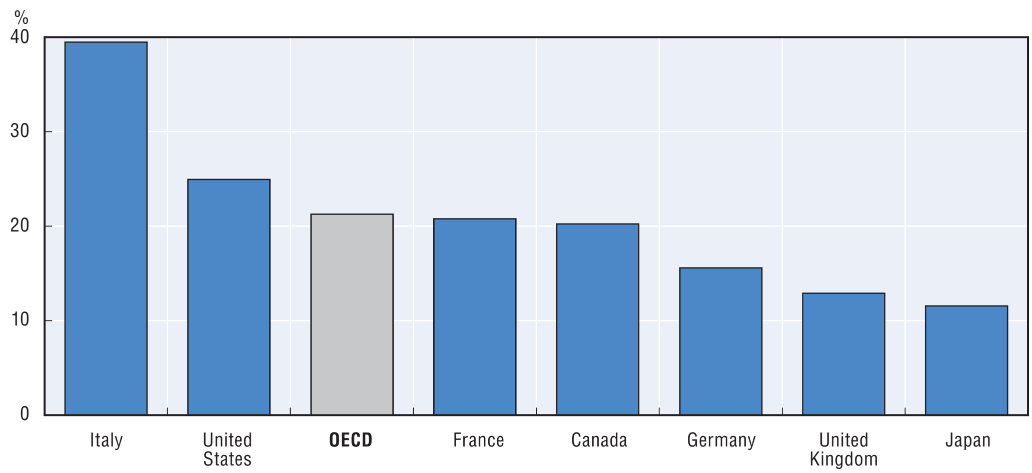
Tourism's share of trade in services is significant. International tourism receipts represent 21.3% of service exports in the OECD, on average. This share varies by country – tourism accounts for 39.5% of service exports in Italy for example. This compares with 12.9% in the United Kingdom (Figure 1.2).

Figure 1.2. **Contribution of tourism to services exports, selected OECD countries, 2014**



Source: *OECD Tourism Statistics* (Database) and IMF (2015b).

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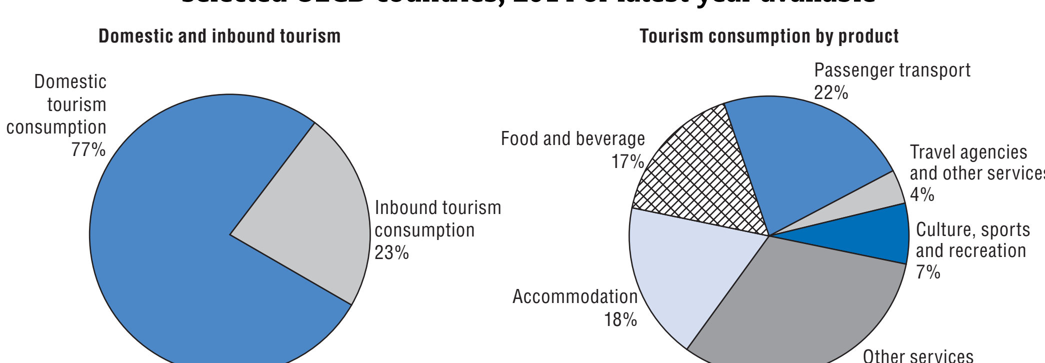
Tourism exports are economically important as they contribute to the value added of the economy. While not all tourism exports result in increases in domestic value added, initial figures from the Trade in Value-Added (TiVA) initiative indicate that tourism receipts generate more than average value-added for receiving economies, and have significant upstream effects both in the recipient country as well as in other countries. According to TiVA estimates, approximately 80% of tourism exports generate domestic value added in OECD economies on average; the remaining 20% result in value created in other countries (imports). It is also estimated that EUR 1 of value added in tourism creates 56 cents of value added in upstream industries.

Figure 1.3. **Internal tourism consumption by type of tourism and product, selected OECD countries, 2014 or latest year available**



Source: *OECD Tourism Statistics* (Database).

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Considerable variation in the significance of domestic tourism is evident at country level. Domestic tourism is particularly significant in Canada, Germany, Japan, Mexico, the United Kingdom and the United States, where it represents over 80% of internal tourism consumption. In contrast, inbound tourism is more important in countries like Estonia, Iceland and Poland. Table 1.3 provides an analysis of internal (domestic and inbound) tourism consumption for selected OECD member countries.

Table 1.3. **Internal tourism consumption, 2014 or latest year available**

	Reference year	Internal tourism consumption (ITC)	Domestic tourism consumption	Inbound tourism consumption
		Million USD, current prices	as % of ITC	
Australia	2014	102 169	76	24
Austria	2014	47 591	54	46
Belgium	..	..	..	..
Canada	2014	80 013	81	19
Chile	..	..	..	..
Czech Republic	2013	11 969	40	60
Denmark	2013	16 366	60	40
Estonia	2010	1 730	14	86
Finland	2012	18 195	70	30
France	2013	199 683	67	33
Germany	2010	341 520	86	14
Greece	..	..	..	..
Hungary	2011	7 070	40	60
Iceland	2013	2 258	35	65
Ireland	2007	9 930	46	54
Israel	2012	10 473	52	48
Italy	2010	149 103	74	26
Japan	2013	237 254	93	7
Korea	..	..	..	..
Luxembourg	..	..	..	..
Mexico	2013	159 675	90	10
Netherlands	2010	38 758	77	23
New Zealand	2014	18 248	56	44
Norway	2011	22 932	73	27
Poland	2012	14 788	32	68
Portugal	2008	21 933	41	59
Slovak Republic	2012	5 171	47	53
Slovenia	2009	4 532	36	64
Spain	2008	177 081	51	49
Sweden	2013	39 208	66	34
Switzerland	2011	39 330	61	39
Turkey	..	..	..	..
United Kingdom	2012	202 798	83	17
United States	2012	863 617	81	19
OECD average			**77**	**23**

Notes: For more information, please see the country profiles.
The conversion from national currency to US dollars has been calculated using OECD annual average exchange rates for the corresponding year.
Source: *OECD Tourism Statistics* (Database).

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The global tourism economy continues to demonstrate remarkable strength in the face of challenges posed by the economic crisis and bumpy recovery, geopolitical events, natural disasters and other external shocks. Tourism is more vulnerable to such developments than many other sectors of the economy and tourism demand closely tracks economic conditions. However, tourism globally has registered moderate year-on-year growth since the downturn in 2009 and this positive trend is expected to continue. International tourist arrivals worldwide are forecast to increase by an average of 3.3% annually over the period 2010-30, although the growth rate will gradually slow as base numbers rise (UNWTO, 2015).

Global economic growth prospects have clouded recently, easing to around 3% in 2015, well below the long-run average. A further sharp slowdown in emerging market economies is weighing on global activity and trade and subdued investment and productivity growth is checking the momentum of the recovery in advanced economies. The OECD (2015a) expects global growth to strengthen slowly in 2016 and 2017 to an annual 3.3% and 3.6% respectively, supported by macroeconomic policies and lower commodity prices, including oil prices which have declined since mid-2014. But a clear pick-up in activity requires a smooth rebalancing of activity in China and more robust investment in advanced economies.

OECD labour market conditions are expected to improve slowly, with OECD-wide unemployment projected to decline to reach 6.5% in the last quarter of 2016. However, recovery from the recent economic crisis is very uneven across countries and unemployment remains comparatively high in the euro area (OECD, 2015b). Tourism is highly labour intensive and a significant source of employment in OECD countries. The sector offers strong potential to support job-rich growth; employment in hotels and restaurants grew on average by 1.4% per year in OECD countries over the period 2009-13, compared with growth of 0.7% in the economy as a whole. The sector creates jobs for people of different ages and skill levels and provides opportunities to enter the labour market, gain experience, develop skills and move into higher level, better paid jobs.

Europe remains the world's most visited region and continues to lead growth in absolute terms. However, the pace of tourism growth in many emerging economies is outstripping growth in advanced economies. In the long term, this trend is set to continue, led primarily by the Asia Pacific region. UNWTO forecasts indicate that arrivals in emerging economies will exceed those in advanced economies by 2020. This is reshaping tourism on a global scale, changing the nature of inbound and outbound tourism flows, shifting the balance of market share and relative size of tourism economies and altering the competitive environment for advanced tourism economies.

Even with the recent economic slowdown in emerging markets, these economies continue to drive the growth and evolution of global tourism demand. China, for example, is the number one outbound market in terms of both number of trips and expenditures, having grown exponentially over the past decade. Only 5% of China's population hold a passport (The Economist, 2014). Given the increasing affluence and expansion of the middle class in China, combined with an increased propensity to travel and reduced travel restrictions, the growth prospects from China alone are immense, notwithstanding the recent economic slowdown.

Demographic and social trends are contributing to these changes. Rapid population growth in emerging economies is expanding the size of the potential outbound market, while the populations of many advanced economies are aging, with a growing proportion of people aged over 50. As a result, travellers from many established outbound markets are getting older. Multigenerational travel is also becoming more common, where three generations of a family holiday together. Immigration flows are on the rise in most OECD countries and many societies are becoming more multi-cultural. Europe is facing a historical moment with one of the worst refugee crises in decades.

Consumer trends are also changing the tourism landscape. Trips are becoming shorter and people are searching for more unique, personalised experiences in alternative destinations. The growing demand for unusual tourism experiences extends to tourism services. Peer-to-peer exchanges are helping to facilitate these types of experiences and offer an alternative to more traditional tourism services. Chapter 3 considers what the growth of the sharing economy means for tourism and assesses some of the key policy implications.

Many of these developments are facilitated by technology. Tourism is both a major adopter of, and is heavily influenced by, technological developments. Mobile technology is now mainstreamed, enhancing connectivity and enabling real-time information provision. Digital technology, social media and online distribution platforms are changing the relationship between consumers and producers, supporting co-creation and facilitating the more personalised experiences sought by consumers. The next digital revolution is expected to come from the growth of the Internet of Things and the rise of embedded and wearable devices (Pew Research Center, 2014).

Safety and security remain important concerns for international travellers. This has implications for mobility and the movement of people, with repercussions at destination level, as well as for outbound flows. Countries are co-operating closely to facilitate legitimate travellers and reduce avoidable barriers to travel. Chapter 2 examines the vital role of transport in moving tourists to and around a destination, supporting mobility and enhancing the experience of tourists.

Climate change is a challenge the tourism sector cannot ignore. Tourism contributes to and is affected by climate change. Strategies to anticipate and mitigate the impact of tourist travel and adapt to existing and expected impacts on tourism are urgently needed. OECD (2015d) analysis on the economic consequences of climate change underscores the need for an optimal mix of adaptation and mitigation policies to minimise the future costs of climate change. The analysis indicates that changes in local climate conditions make destinations more or less attractive and induce changes in both domestic and international tourist flows and expenditures.

Governance, funding and strategic development

Many countries now have multi-year policies and plans in place to develop the tourism sector and to give direction and focus to government policy at national and sub-national level. Perhaps not surprisingly, there are many similarities in the content and areas of policy attention across countries, with a common emphasis on marketing and promotion, product development and investment, workforce training, quality and innovation and a more integrated approach across government. Other areas where government actions can impact upon tourism include:

- providing supporting infrastructure,
- regulating markets and access, and facilitating travel,
- ensuring the sustainable development of natural and cultural resources,
- stimulating inclusive and sustainable tourism growth,
- setting standards (e.g. safety and security, quality, training, environmental),
- responding to crises and disasters affecting the industry.

In recent years, many tourism policies and plans have either been updated or re-oriented (Australia, Japan) or new plans have been developed (Chile, Czech Republic, Denmark, Finland, France, Greece, Iceland, Italy, Japan, Latvia, Lithuania, Poland, Switzerland, and the United Kingdom) to take account of changes in the global marketplace or to reflect new government priorities. The role of central government in developing cohesive, effective tourism policy is vital, but governments face numerous challenges in crafting this policy. This is due in part to the fragmented nature of tourism which requires multiple central government ministries and levels of government to undertake various roles in response to political, social, environmental and technological trends affecting tourism. In addition, in many countries, there is an added level of complexity in that the full competence for tourism does not lie with central government. As such, there is often a significant role to be played in tourism governance at the subnational level.

Effective structures evolve

Due to its cross-cutting and fragmented nature, tourism requires co-ordination of government, both horizontal and vertical, as well as private sector businesses. Governments are involved in tourism in a variety of capacities including, border security; the regulation of markets such as aviation; controlling or managing tourism attractions such as national parks; skills development; and funding the development of roads and other infrastructure. While tourism services are primarily provided by micro, small and medium-sized operators (often most effectively represented by industry associations), some sectors, such as aviation and online travel agents, are dominated by multi-national businesses operating at a global scale. Unless policy makers and industry work together effectively, this complex system is unlikely to function optimally.

Tourism as an area of government policy is subject to a high level of departmental change/ministry reconfiguration. In the period covered by this report the recognition of tourism's capacity to create jobs, promote regional development and generate foreign revenue has increased. This is reflected in many countries through the realignment of departmental/ministerial responsibility for tourism in order to deliver closer integration into national economic plans. While there are several countries (Brazil, Bulgaria, Costa Rica, Croatia, Egypt, India, Israel, Malta, Mexico, Morocco, Philippines and South Africa) with dedicated tourism ministries, increasingly, the tourism portfolio resides within economics ministries (business, industry, commerce and trade) of countries (Austria, Canada, Chile, Colombia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Latvia, Lithuania, Luxembourg, FYR of Macedonia, Netherlands, New Zealand, Norway, Portugal, Romania, Spain, Sweden, Switzerland, and the United States). However, in some other countries it is grouped with transport (Ireland, Japan and Slovak Republic), culture (Italy, Korea, Russian Federation, Turkey, and United Kingdom), sport (Poland), or a combination of these or other portfolios.

The potential role of tourism as a tool for economic diplomacy has been identified by some countries as a priority policy area, perhaps best reflected by the incorporation of the tourism portfolio within ministries responsible for foreign affairs (Australia, France). In 2014, responsibility for the government's tourism strategy in France shifted to both the Ministry in charge of the Economy, which monitors tourism professionals, standards and access to holidays, and the Ministry of Foreign Affairs, which promotes France as a tourist destination. In Australia, tourism sits within the Foreign Affairs and Trade portfolio, facilitating the strengthening of bilateral tourism relationships with major source countries, and gaining benefit from multilateral tourism forums (Box 1.1).

Box 1.1. **Tourism as a tool for economic diplomacy in Australia**

Tourism is a key driver of growth in Australia and other Asia Pacific countries. Australia's Economic diplomacy uses international diplomatic assets to advance Australia's prosperity and global prosperity. It is guided by four key pillars: **trade, growth, investment and business**. The multi-faceted nature of the tourism industry means that it reaches across all four pillars of economic diplomacy.

Free Trade agreements are central to Australia's economic diplomacy achievements. The recently concluded China-Australia Free Trade Agreement (ChAFTA) will support increased Chinese investment in Australia's tourism industry through higher screening thresholds for private Chinese investment. Innovative new Investment Facilitation Arrangements will also encourage investment in tourism infrastructure. This investment will help meet the demands of the 1.5 million Chinese who are expected to visit Australia by 2022-23.

Under ChAFTA, China has guaranteed that Australian service suppliers will be able to construct and operate wholly Australian-owned hotels and restaurants in China. It has also guaranteed that Australian travel agencies and tour operators will be able to establish subsidiaries and provide travel services, tours and hotel accommodation directly to domestic and foreign travellers in China. ChAFTA's support for business and education links with China, is likely to see business and study-related travel grow strongly, in both directions. In addition, Australia has recently agreed with China to allow 5 000 Chinese Work and Holiday Makers into Australia annually, increasing demand for tourism services and supporting the development of the sector – particularly in rural Australia where the number of Chinese tourists is substantially growing.

Australia's economic diplomacy efforts extend to supporting developing countries to create jobs, investment and opportunities for women. For example, the Australian Government supported the transformation of the historic Portuguese era fort in the town of Balibo in western Timor-Leste into an international standard hotel. Australian tourists and expats living in Dili are the main target market for the hotel.

In general, however, the complexity of institutional structures for tourism in many countries highlights the considerable scope to further rationalise governance frameworks to maximise policy coherence and effectiveness within and between levels of government.

Active co-operation with the destinations

OECD countries and partner economies are at varying stages of economic and tourism development, with unique environmental, cultural and historical characteristics. As a country develops its tourism industry, the focus of tourism policy tends to progress from the primary use of promotional instruments to maximise visitor numbers and tourism receipts, to creating the necessary conditions for competitive tourism enterprises and regions.

As such, the role of government in tourism is continually evolving and in a majority of countries there is an increasing focus on product development in addition to marketing and promotion. Improvements in the supply-side are focused on enhancing the competitiveness of the tourism industry by increasing productivity and quality, and encouraging innovation. These initiatives may target specific market development, such as rural tourism in Germany (Box 1.2); improvements in infrastructure; building the capacity of tourism businesses to capitalise on the impact of ICT and global value chains; skills development; and reducing negative social and environmental impacts (OECD, 2012).

Box 1.2. **Strengthening rural tourism in Germany**

A central goal of the Federal Government's tourism policy is to boost the performance and competitiveness of the tourism industry. The focus is on supporting tourism SMEs to develop their competitive position and fully unlock potential for growth and employment, particularly in the rural areas, which account for 60% of Germany's territory and 32% of holiday accommodation capacity, but only 12% of tourism value added. They are structurally weak in terms of providing employment and income, but opportunities exist for rural enterprises to gain business from the growing tourism sector.

In response, the "Tourism Prospects in Rural Areas" initiative aims to strengthen tourism in regional areas. Outcomes have included a practical guide and ten complementary detailed short reports presented at 20 local events in 2015, as part of a nationwide roadshow. Key players from the tourism industry, public tourism professionals and representatives from the political and administrative arena have discussed and improved upon the project results in workshop sessions.

Cultural tourism is a trademark for Germany as a travel destination but to date has predominantly benefited the larger cities. Building on the experience gained from the Tourism Prospects in Rural Areas project, the Federal Ministry commissioned a new project in August 2015 entitled "The destination as a stage: How does cultural tourism make rural regions successful?" The project is exploring the potential to use culture to generate tourism in rural areas. It is looking at how the various actors can be better networked, and what impact the marketing of natural landscapes and regional cultural assets – including cuisine and crafts – can have. For example, the 500th anniversary of the Reformation, "Luther 2017" (commemorating Martin Luther nailing his 95 theses to the door of the Castle Church in Wittenberg) is a significant cultural event, with the potential to promote rural tourism in Germany.

The great majority of countries are searching for new and effective ways to structure their tourism sector, for example taking steps to synchronise national and regional policy and marketing as much as possible (Australia, Austria, Bulgaria, Colombia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Iceland, Ireland, South Africa). For instance, France is developing "destination contracts" to bring together relevant stakeholders to promote current and/or new destinations with strong identities in order to establish new tourist offerings catering to specific demands – touring holidays, industrial heritage tourism, urban tourism, memorial tourism, etc. (Box 1.3).

Funding the development of tourism

At a time when the global economic recovery remains fragile, many countries continue to face a fiscal consolidation challenge, requiring action on both the revenue and spending sides; often necessitating trade-offs against policy objectives, including short- and long-term growth and equity.

This has led to increased pressure not only on tourism and supporting infrastructure, but also on the budgets with responsibility for: i) marketing and promotion; ii) providing the necessary services and facilities to cater for tourists; iii) ensuring visitor safety and security; and iv) maintaining the natural environments that often attract them.

Budgetary pressure has resulted in a reduction in funding for tourism in some countries, with cuts in core tourism budgets (Austria, Canada, Czech Republic, Denmark, Ireland, Italy,

Box 1.3. **Destination Contracts – supporting attractive brands in France**

Destination contracts rally public and private partners to establish or enhance an attractive destination brand with international appeal. The idea is to set out a consistent, highly visible tourism offering in line with the expectations of foreign markets or market segments. Twenty destination contracts have been selected in 2014-15. This new initiative will boost the promotion of France as a destination country by improving:

- Clarity – the destination contract aims to rally all signatories around a few brands with strong potential, to be the main routes for foreign tourists to the great diversity of the national tourism offering;
- Co-operation – the destination contract sets out the responsibilities of public and private tourist professionals in a shared promotional strategy, delivered by actions that improve the clarity and visibility of the offering, quality of tourist services and communication to target markets. The strategy is implemented through annual action plans that pool technical and financial resources, with the collaboration of *Atout France*;
- Selectivity – the selection criteria for the destination contracts ensure that they are in line with the government's tourism strategy to boost the economic impact of tourism in France.

Examples of destination contracts include:

- The Mont-Saint-Michel – raising the quality of services and facilities up to the standard required of a UNESCO World Heritage site, and targeting outbound tourists from emerging markets,
- The Loire Valley – supporting pioneering (particularly digital) initiatives in this established destination, which recently created its own Loire Valley brand,
- The Champagne region – building on its reputation for winemaking, through investment in development and marketing,
- The Louvre-Lens region – developing management tools and guidance for tourist professionals in this newly created destination with its mining heritage and UNESCO designation.

Source: Directorate-general for Enterprise.

Mexico, Netherlands, Norway). This has led to a greater emphasis on accountability and performance evaluation, a tighter focus on target source markets or niches, and identifying co-operative funding mechanisms to support tourism development (Austria, Slovak Republic). Examples of country approaches to funding the development of tourism are outlined in Box 1.4.

In most countries the great majority of funding for the development of tourism comes from central government budgets (with exceptions including Costa Rica and Portugal) and for some European countries, EU Structural Funds (Bulgaria, Czech Republic, Estonia, Italy, Lithuania, Poland, Portugal, Romania). In addition, a range of tourism-related taxes, fees and charges (falling under the broad category headings of: i) arrival and departure; ii) air travel; iii) hotel and accommodation; iv) reduced rates of consumption tax; v) environment; and vi) incentives), provide governments with additional revenue to help support public investment for tourism development. In general, the revenue raised from such tourism-related taxes is not dedicated to providing tourism specific infrastructure, services, or protecting the natural environment upon which it largely depends. Tourism-related tax incentives are used as a mechanism to subsidise investment that would not occur in the

Box 1.4. **Funding the development of tourism: Country approaches**

Austria – There is a strong public-private partnership between the Ministry and the Austrian Bank for Tourism Development, which handles SME funding programmes. The main objectives of these programmes are to encourage investment and innovation, to improve the quality and grow the size of tourism enterprises, and to encourage new business start-ups. Initiatives include debt support from the Ministry or *Länder* to young entrepreneurs taking over and investing in their family business, and an agreement between the European Investment Bank and the Austrian Bank for Tourism Development for up to EUR 250 million to be used to provide tourism SMEs with loans at reduced interest rates.

Chile – Chilean Government has recently allocated USD 100 million to a fund for the period 2014-18 to be implemented by way of a National Plan for Sustainable Tourism Development. The Plan aims to give a substantial boost to the sector and create quality jobs through more effective national and international promotion; destination development; greater diversification of experiences; and improving the quality of human capital.

Costa Rica – The Costa Rica Tourist Board's budget is independent from the national budget, with 2 primary sources. The first is a USD 15 charge on air fares to Costa Rica and the second, a 5% fee on flights departing from Costa Rica. In 2015 the budget is close to USD 55 million.

Germany – The funds available to the Federal Ministry for Economic Affairs and Energy for tourism are concentrated on two main areas: i) Institutional support for the German National Tourist Board (GNTB): increased from EUR 1.6 million to around EUR 30.6 million in 2015, with the additional funds channelled into targeting the China and Brazil markets, and; ii) Promotion of projects to enhance the performance of the tourism sector: EUR 1.6 million in 2015.

Morocco – The budget for the Ministry of Tourism budget for 2015 is MAD 723.6 million, 63% of which is earmarked for investment in the following areas: central administration (23%); training schools under the Ministry's responsibility (11%); the National Tourism Office of Morocco (55%); the Moroccan Society for Tourism Engineering (11%). The other primary source of funding for the Ministry is the tourism promotion tax, which is paid by tourists and levied on overnight stays in classified accommodation, which varies between MAD 1 and 15 per night, depending on the category of establishment.

New Zealand – In addition to the 2015/16 government budget appropriation related to tourism of NZD 139.8 million, a passenger security charge is levied on airlines for departing international and domestic passengers to fund the Aviation Security Service, which undertakes aviation screening activities. Furthermore, the government announced in 2015 that a border clearance levy for arriving and departing passengers will be introduced from 2016 to meet the costs of border clearance activities conducted by New Zealand customs and biosecurity authorities.

Slovak Republic – The government facilitates the creation and operation of local and regional tourism organisations responsible for the development of tourism within their defined territories. These voluntary public-private partnerships are funded by membership fees and matching subsidies from the national budget. In 2014, the Ministry provided EUR 3.7 million to 33 tourism organisations, of which 29 were local and 4 regional, for product development, media campaigns, building and maintaining tourist infrastructure.

South Africa – The 2015/16 budget for the Department of Tourism is ZAR 1.8 billion, of which ZAR 977 million is directed to South African Tourism. The Department also has a Social Responsibility Implementation Fund of ZAR 253 million which is set for skills development and community-based programmes and to assist tourism development initiatives at municipal level. The Department launched the Tourism Incentive Programme with a budget of ZAR 180 million in 2015/16, which aims to advance i) market access for new entrants; ii) sector transformation; iii) enterprise growth, and; iv) destination development.

absence of tax relief (Australia, Denmark, France, Greece, Hungary, Iceland, Ireland, Israel, Japan [Box 1.5], Portugal, and South Africa). For example, promoting increased/additional investment in tourism enterprises (e.g. hotels), and/or increased spending by those undertaking tourism-related activities (e.g. reduced VAT/GST or refund schemes).

Box 1.5. **Tax-free initiatives to stimulate international tourism spending in Japan**

Following a revision to the tax system in 2014, all items purchased by international visitors are now exempt from tax, including consumables (food, beverages, medicines, cosmetics and other consumables) which had previously been outside the scope of tax-free sales. Further growth in travel consumption is expected in the regions now that regional specialties such as local *sake* and sweets have also become subject to tax exemption. Moreover, in order to stimulate retail spending and improve the convenience of the tax-free system, a new initiative has been established which approves the setting up of tax-free counters in shopping streets. Here, combined tax-free procedures can be carried out for items purchased in different shops. This system aims to expand travel consumption by international visitors in the regions and revitalise the local economy. With the expansion of the tax exemption system, the number of tax-free shops expanded from 5 777 in April 2014 to 29 047 in October 2015.

The net effect of any reduction in funding for tourism development remains unclear, however, some countries have indicated that many potential negative effects have been offset by efficiency savings, achieved through the use of new technologies, greater focus of activities, and rationalising governance frameworks and delivery mechanisms.

Tourism, part of a broader policy agenda

Tourism policy development is increasingly complex, with longer time-scales and a wider scope than in the past. Addressing the major and multi-faceted challenges faced by the tourism industry demands an integrated approach to policy development across many government departments, at different levels of government and with the close involvement of the private sector.

The OECD "Review of effective policies for tourism growth" notes that in order for tourism policy-makers to valorise tourism and support the integration of tourism issues into other policy areas, a whole-of-government approach is required. Such an approach requires stable platforms to co-ordinate actions, leadership from policy-makers at the highest level (in both tourism and related policy areas) and a focus on policies with a medium- to long-term perspective. Within this framework, specific considerations for tourism policy makers might include:

- a better understanding of the unique inter-linkages, synergies and trade-offs between tourism and related policy areas,
- a more effective demonstration of the value of tourism to decision makers in related policy areas,
- implementing institutional arrangements to establish and leverage policy synergies,
- providing an environment to support the creation and growth of small-scale businesses in both urban and rural areas.

Coherence and consistency are therefore essential in the design and application of policies between all levels of government to ensure that tourism policies are effective in boosting tourism and economic growth. With policies such as innovation, transportation, taxation, service quality and visas influencing destination competitiveness and customer choice, many countries have adopted a whole-of-government approach to tourism policy (Australia, Canada, Chile, Czech Republic, Denmark, Finland, France, Iceland, Ireland, Japan, Mexico, New Zealand, Poland, Portugal, United Kingdom [Box 1.6], the United States).

Box 1.6. **New Inter-Ministerial Group to facilitate tourism growth in the United Kingdom**

In July 2015, the Department of Culture, Media and Sport published a document entitled Backing the Tourism Sector: a Five Point Plan, which sets out to boost tourism right across the United Kingdom, spread the benefits of one of the fastest growing sectors beyond the capital and help to create jobs and rebalance the economy.

A new Inter-Ministerial Group has been formed to co-ordinate and align action across government to ensure that there is the right infrastructure in place to make it easy for visitors to discover the best of what the country has to offer. Headed by the Secretary of State for Culture, Media and Sport and including Ministers from across the Government, this Group will focus on five key areas:

- a better co-ordinated sector: addressing fragmentation in the sector, with local attractions and tourism organisations collaborating to grow the sector for everyone, rather than competing,
- skills and jobs: driving and retaining talent in the sector to encourage growth,
- common sense regulation: reforming regulation sensibly to drive competition and improve the tourism offer for visitors,
- transport: forging innovative links between the transport and tourism sectors to help visitors travel outside of the capital,
- An improved welcome: delivering a world class welcome at the border.

An integrated governmental approach also requires effective links to regional policies and to government priorities and actions at sub-national level. One of the main challenges of vertical policy integration is co-ordination between central and subnational levels of government (Box 1.7). Further, since tourism is a constantly evolving sector, governments face the difficulty and costly task of regularly monitoring the marketplace to ensure that policies are effective and fit for purpose.

Long-term strategies are important

Effective development of supply-side policies requires a longer-term planning perspective compared to that required for the promotion of tourism products, which tends to be more dynamic and often reactive in nature. Developing the necessary tourism and related infrastructure to meet expected future demand requires an integrated approach across departments and levels of government, with input and support from industry.

A common mechanism to support a whole-of-government approach across ministries and public agencies is the development of a long-term tourism strategy approved at the highest level of government (Australia, Canada, Chile, Czech Republic, Denmark, Finland

Box 1.7. **Roadmap for Tourism in Iceland 2015-20**

In recent years the rise in the number of tourists visiting Iceland has far exceeded forecasts and the sector is expected to continue to experience strong growth. In order to support the successful development of tourism in Iceland, the Minister of Industries and Commerce, who is also the Minister of Tourism, joined forces with the Icelandic Travel Industry Association to shape a long-term tourism strategy with an emphasis on sustainable development.

Work on strategy development revealed weakness in relation to the reliability and comparability of data, uncertainty over responsibilities, an overly complex legal framework, while organisation of the sector was unclear. In response and in order to lay solid foundations for the successful and sustainable development of tourism in Iceland, the decision was taken to focus on activities that support:

- co-ordinated management of tourism,
- positive visitor experience,
- reliable data,
- nature conservation,
- skills and quality,
- increased profitability,
- better distribution of tourists.

Based on an agreement between the Icelandic government, the Icelandic Association of Local Authorities, and the Icelandic Travel Industry Association, a Tourism Task Force (TTF) has been established to operate until the end of 2020. The TTF board will be appointed by the Prime Minister and chaired by the Minister of Industries and Innovation (also the Minister responsible for tourism). Other members will include the Minister of Finance and Economic Affairs, the Minister for the Environment and Natural Resources, and the Minister of the Interior, along with four representatives from the Icelandic Travel Industry Association and two representatives from the Icelandic Association of Local Authorities.

The integrated, whole-of-government approach of the TTF will ensure that the next five years are used to address key issues necessary to lay the foundations for a prosperous Icelandic tourism industry. By 2030, the vision for the tourism sector in Iceland is one which is sustainable and profitable, contributing stable foreign exchange earnings to the economy, and increasing the prosperity and quality of life in Iceland.

[Box 1.8], Iceland, Ireland [Box 1.9], Japan, Mexico, New Zealand, Poland, Portugal, United Kingdom, the United States). Such strategies can play a key role in engaging government, industry, destination communities and other stakeholders in order to identify a vision, direction and goals for sustainable tourism development, and in order to set the necessary priorities, actions, and responsibilities to deliver a co-ordinated vision for the sector.

A longer-term approach fosters the development of the industry, rather than simply seeking to stabilise, adjust or re-orientate to new market opportunities. It is necessary in order to secure the longevity of tourism as an economic and social force by focusing on environmental sustainability, establishing industry diversity and securing innovation and strategic improvements to productivity.

Box 1.8. **Roadmap for growth and renewal in Finnish tourism for 2015-25**

In 2014, new ways to accelerate growth and secure a competitive operating environment were sought in the Finnish Tourism Industry Top Project. In addition to material gathered in seminars, workshops and surveys, they produced 42 project proposals for review by the Ministry of Employment and the Economy. A prerequisite for growth is the ability of different players to work together in creating and offering well packaged high-quality experiences that exceed the customers' expectations. Another important target is to make finding and buying the Finnish travel services easy by enhancing sales and marketing in this area. A result of the Tourism Industry Top Project was the emergence of the Roadmap for Growth and Renewal in Finnish Tourism for 2015-25. All relevant ministries have committed themselves to this new tourism policy.

The theme for the roadmap is "Achieving more together" and its strategic focus areas are:

1. collaboration and partnerships: strengthening the theme-based collaboration of tourism centres and networks of tourism related companies, as well as new openings in product development, sales, and marketing,
2. interesting offering: developing competitive and versatile offerings from the interfaces of tourism and other fields,
3. increasing the effectiveness of marketing activities and making the travel services offering easier to buy,
4. a competitive operational environment for tourism that supports growth and renewal,
5. accessibility and functioning travel chains to support growth in tourism.

Box 1.9. **"People, Place and Policy: Growing Tourism to 2025" in Ireland**

Launched in March 2015, "People, Place and Policy: Growing Tourism to 2025" sets out policies which will enable Ireland's key attractions of "People" and "Place" to combine effectively in order to maximise the economic, social, and environmental benefits of tourism. A series of policy objectives are designed to ensure the sustainable growth of Irish tourism in the period to 2025. The primary focus is on growing overseas revenue and hence exports. The Tourism Policy Statement reiterates the critical importance of competitiveness, in terms of quality, value and cost, recognising the importance of value and innovation in achieving this.

Three headline targets have been set, to be achieved by 2025:

- revenue from overseas tourism, in real terms and excluding air fares and ferry charges, to grow to EUR 5 billion per year in 2025 from EUR 3.5 billion in 2014,
- 250 000 people to be employed in tourism, increasing from current estimate of 200 000,
- 10 million overseas visits to Ireland, compared to 7.6 million in 2014.

In order to ensure that the ambitious targets are met, "People, Place and Policy" commits to a whole-of-government approach, reaffirming the vital role of Government in supporting tourism across policy areas and departments, including taxation, environment, and enterprise policy.

Making destinations distinctive in the global tourism market

A number of new and revised tourism policies and plans have focused on identifying niche market areas of comparative advantage in order to enhance attractiveness and competitiveness, promote a more diversified and inclusive offer and maximise investment in marketing and product development (Australia, Belgium, Bulgaria, Egypt, Estonia, France, Germany, Hungary, Iceland, Latvia, Mexico, Netherlands, New Zealand, United States).

Policies at national, regional and local level increasingly focus on identifying, nurturing and investing in product development experiences that emphasise unique selling points for particular destinations. A favoured policy approach is to help spread the benefits of tourism more widely in countries by active regional dispersal measures focused on identifying and promoting new tourism centres and niche products, and extending the tourism season.

Product development

Strategies to enhance attractiveness focus on products with a strong potential for development. For example, countries are consolidating successful products (e.g. Belgium-Flanders emphasising the Flemmish Masters), and rejuvenating/developing unique heritage products, such as Mexico with the promotion of the so called Magical Towns (Box 1.10) or France's destination contracts (e.g. the Mont-Saint-Michel site).

Box 1.10. **Product diversification for sustainable long-term growth: Magical Towns in Mexico**

The aim of the Magical Towns Programme is to develop local infrastructure, promote local development, preserve culture and identity, foster domestic tourism and complement the beach offer. The designated towns receive a combination of federal, state and municipal funding and support, involving a range of players. A local committee with community stakeholders co-ordinates and manages the programme, which starts with a diagnosis of local needs.

By 2012, 83 towns had been designated and supported through the programme, with each required to have a feature that makes them culturally special, a destination plan, and an annual programme to evaluate economic impact (including regional impact). Work focussed on reconstruction of historic sites, enhancement of infrastructure and signage, undergrounding of electrical wiring, development of tourism attractions and facilities, reorganisation of the tourism trade, and provision of training. Specific challenges have included the regular change in local government, lack of support for marketing and packaging the product, and limited capacity for delivery.

In 2013, an analysis of the program concluded that changes were required to maintain its prestige and value. A more strategic approach was adopted, and in September 2014, the Guidelines for the Program Incorporation and Permanence were renewed aiming at providing clear, transparent and measurable rules to give certainty to aspiring towns and those wishing to remain a part of the programme.

As a result, from the 180 towns that have applied for registration in 2015, 28 additional municipalities were successful, making a total of 111 unique Magical Towns.

Mature destinations are repositioning themselves with a view to remain attractive, better respond to the needs of the international market and attract high yield visitors. For instance, Spain is rejuvenating some of its traditional beach tourism destinations. In doing so, destinations are also aiming at upgrading the quality and the sustainability of their products. This process creates added value for tourists and for destinations. The attention of the tourists is caught with the single well known item (e.g. beach), and then they get connected with the larger country or region (e.g. culture). Tourists can get the experience of a broader based holiday by, for example, going on a city trip followed by a couple of days in the nature nearby. Japan has a strategy that involves tourism collaborating with peripheral industries such as food services and other unique Japanese products and services. Several countries provide funds for rejuvenation and innovation for demand-led products (France, New Zealand, Portugal, Spain). Transnational tourism products are also being developed (Danube region, Cultural routes) to provide a combined, more attractive tourism offer.

The diversification of tourism is another important driver for product development. Many countries are broadening the product base, and developing and promoting new niche markets (for example, food tourism: Belgium Flanders, France, Greece, Italy, Korea, Portugal, and United Kingdom). Global tourism trends for well-being and demand for nature stimulate markets such as nature (Chile, Finland), sports and health tourism (Latvia, Turkey). The hosting of major cultural, trade or sports events remains a particular target market (Brazil, Ireland, Netherlands, United Kingdom-Wales) and is often used as a tool to diversify tourism outside capitals and large urban cities, while niches such as route tourism (Ireland, Norway) or cycling roads (France, New Zealand, and Slovak Republic) are popular, generating added value throughout the territory and stimulating rural tourism; Germany and Spain have developed specific rural tourism promotion plans. Shopping tourism is, especially for long-distance markets (Brazil, China, Russia) and countries with high spending power, a rapidly growing niche market with fierce competition among countries. Countries are developing promotion plans (Spain), new regulations (e.g. tourist zones in France) and new services (e.g. language facilities) to attract these tourists.

Much of what is happening in product development is also driven by the competitive conditions. Many OECD countries are concerned with the price-quality ratio of their tourism products and how they compare with other destinations in the global market place. Digital platforms to rent private accommodation (Airbnb) or to connect people (Uber) are challenging traditional operators in their development and operations. On the one hand, countries are looking at products that can stimulate revenue rather than visitor numbers. High value tourism products such as health and wellness, culture, nature and adventure, business and green/eco-tourism are promoted by many countries. For example, Malta is developing a highly profitable niche market related to language schools. On the other hand, countries and the industry are developing low price offers to maintain and attract (new) clientele. This evolution is particularly vibrant in the area of transportation. Air travel products have been driven by the search for lower fares, and this is changing the structure of all airlines and new air transport products. The sharing economy is also forcing traditional players to adjust their offer; for example in France new products such as OUIGO or OUIBUS (offering low-cost train and bus tickets) have been developed by the national railway operator SNCF to compete with long distance ridesharing services like BlaBlaCar. Similarly a number of countries are developing low cost alternative tourism products (Israel) to complement their main offer.

Effective promotion and marketing programmes

Policies for promotion and marketing in tourism are not immune to the downward pressure on public funding in many countries and continue to be challenged by a very competitive global tourism market, new governance arrangements, and developments in social media platforms. New models for tourism marketing are being sought to relieve pressure on government funding and many countries are seeking to encourage a higher level of co-operative or industry participation (Austria, Croatia, France, Iceland, Netherlands, New Zealand, Portugal, Slovak Republic, Spain, Sweden, the United Kingdom, and the United States). For example in the United Kingdom, VisitBritain is funded through a grant-in-aid funding settlement. In 2015/16 this amounted to GBP 19.6 million and included funding for VisitBritain's core international marketing and public relations activities, which is provided on the basis that it is match-funded by the private sector. In the United States, the Visa Waiver Program provides funding to match qualified private sector contributions for marketing and promotion activities in key markets (Box 1.11).

Box 1.11. **Promoting the United States as a destination – Brand USA**

The Corporation for Travel Promotion, formed in 2010 and operating as Brand USA, is a non-profit corporation that promotes the United States as a premier travel destination and communicates changes and enhancements to entry/exit policies and processes for international visitors. The National Travel and Tourism Office is the official government liaison to Brand USA.

Brand USA is supported by a portion of the fees charged for the Electronic System for Travel Authorization, paid by international travellers coming to the United States from countries participating in the Visa Waiver Program. Up to USD 100 million is made available each year to Brand USA to match qualified private sector contributions.

Brand USA operations have funding through to 2020. Brand USA is driving positive awareness and perceptions of the United States as a travel destination through the first-ever direct-to-consumer marketing campaigns for the United States in key markets, including Australia, Brazil, Canada, China, Germany, Japan, Mexico, Korea, Chinese Taipei and the United Kingdom. These 10 markets represent 75% of inbound travel to the United States. Brand USA is working closely with Federal Government partners on the communication of United States entry policy, as well as on the implementation of the National Travel and Tourism Strategy.

In an effort to optimise the value and impact of international marketing activities, some countries have integrated national marketing agencies across economic areas such as trade, tourism and enterprise (Finland, Iceland, and Slovenia). Other countries have adopted a tighter focus on target source markets or niches (France, Germany, Greece, Hungary, Mexico, Netherlands, New Zealand, and Spain), and most have a greater focus on digital strategies (Egypt, Finland, Italy, Portugal, Slovenia, Turkey, United Kingdom).

National and regional tourism organisations and administrations have to adjust to these developments and challenges to put in place co-ordinated policies and programmes that will efficiently and effectively drive demand (Box 1.12).

Box 1.12. **Common public-private marketing strategies for priority target markets in Estonia**

The Estonian Tourist Board undertakes international and domestic marketing and engages in product development. It also carries out market research in priority target markets, develops and administers the national tourist information system, and participates in the work of international organisations.

In 2014 the Estonian Tourist Board, in co-operation with the tourism industry and regional tourism organisations, developed common marketing strategies for those target markets with the highest tourism revenue potential, determined the roles of the various actors, and planned joint activities and the funding commitments/budgets for a two year period. The strategies were informed by research on target markets, the product offering, and Estonia's image as a tourist destination. Strategies include an action plan for managing demand in target markets, while representing the interests of the state, destinations and operators. Market based strategies are drawn up on the precondition that there are enough organisations and operators interested in marketing activities in the target markets.

The digitalisation of tourism

The growing importance of digital technology and social media in tourism creates challenges and opportunities for national and regional tourism organisations and tourism enterprises. Tourists are increasingly connected to the internet, utilising any number of tourism-related mobile apps; accessing real-time news, transport and online booking platforms (e.g. travel agents, airlines, trains, rental cars, Uber), and; utilising social networks to review, assess and book accommodation (e.g. Airbnb, Trip Advisor), restaurants (e.g. thefork, MyTable, OpenTable), and other tourism services; just to name a few. These trends in consumer behaviour and expectations in relation to the digital economy are necessitating a major shift towards digital marketing and promotion, but also in relation to capacity building and product development.

A variety of policy responses are being developed to address these issues as they emerge. For example, several countries highlighted a focus on digital and social media campaigns (utilising online or mobile channels), to strengthen international tourism promotion, and to more effectively target key source markets, and streamline visa processes (Australia, Egypt, France, Greece, Italy, New Zealand, Portugal, Slovenia, Turkey, the United Kingdom). In 2014, the Italian Ministry of Culture and Tourism created a policy to help bridge the digital divide within the Italian tourism industry (Box 1.13).

Box 1.13. **Italian digital strategy for the tourism sector**

The Ministry of Culture and Tourism policy to encourage the tourism sector to embrace new technologies and maximise the benefits associated with the digital economy, consists of three key interventions: 1) the launch of think tank with the aim of developing a digital strategy for the tourism sector together with key stakeholders; 2) the establishment of a tax credit measure to support investments in digital tourism; and 3) the development by ENIT of national digital communication and marketing plans to promote Italian tourism.

1. Laboratory for Digital Tourism (TDLAB) – The TDLAB was tasked with identifying key issues and necessary steps to bridge the digital gap of the Italian tourism industry and integrate multiple layers of digital public administration. The TDLAB was composed of representatives of the Touring Club of Italy, the Italian Digital Agency, the Italian Tourism Board (ENIT), the Automobile Club of Italy (ACI), Expo 2015, TrentoRise and other experts in the field of tourism and digital innovation from academia and industry.

   In October 2014, the TDLAB delivered a national strategy for digital tourism that addressed three key areas of interventions (interoperability and big data; digital development and promotion, and; commercialisation), and identified twenty-seven priority actions. The proposed priority actions included, for example, the set-up of a national register of tourism facilities, the mapping of Italian cultural and tourism sites, the access to big data and support for vocational training, the creation of a common corporate identity for all tourism public administrations, and the development a digital brand reputation.

2. "Art Bonus" tax credit – The Art Bonus tax credit provides for urgent measures and incentives to help fund the restoration of public cultural patrimony, including digital tourism activities. In practice, it allows a 30% tax credit for the costs incurred in modernisation and digitisation of tourism services in the years 2014-18, including expenditure on i) web sites and web portals; ii) programs to be integrated into websites and social media; iii) programs to automate the process of booking and direct selling of online tourism services; iv) communication, advertising, and marketing services to generate visibility and business opportunities on the web, on social media, and in virtual communities, and; v) the development of apps for the promotion of tourism services, as well as specialised websites.

3. Digital Tourism and a new mandate for ENIT – ENIT is now tasked with developing digital communication and marketing plans as part of its activities to promote Italian tourism (e.g. culture, food products, wine, and arts and crafts).

Countries also recognise the need to develop the capacity of tourism service providers, and particularly SMEs, and are developing policies to facilitate the uptake and effectiveness of digital marketing and the use of social media/networks (e.g. Italy, Finland, Greece, and New Zealand). For example, Greece has established an online platform to provide entrepreneurs with the information necessary to start their own business (including information on funding and legal frameworks). The platform utilises social media to bring people, ideas, corporations, universities and organisations together, and promotes creative partnerships and investment opportunities (*www.startupgreece.gov.gr*; *www.startupper.gr*).

To maximise the potential of these developments will also require continued progress by governments on reduced data-roaming charges worldwide or alternative mechanisms to facilitate local Internet access at modest cost such as providing free wifi (e.g. Croatia, France). In Croatia, the Ministry of Tourism implemented a HOT-SPOT programme to support free internet access in tourist destinations. The programme aims to improve the competitiveness of Croatian tourism by providing free Wi-Fi at the most popular tourist areas and stimulate additional tourism expenditure.

The results of a 2014 public consultation on the future of European tourism indicated that the framework governing tech-enabled transactions is not always adequate, in terms of clarity, scope and approach, to meet the requirements of e- and m-tourism. Continuous in-depth stakeholder discussions are necessary to keep pace with areas such as cross-border e-transactions, the sharing economy and big data analysis. Moreover, greater dialogue is needed between the relevant digital and traditional tourism stakeholders in order to create a common understanding over digital developments and their implications for the tourism sector.

The European Commission is taking steps to raise the profile of digital tourism by i) strengthening the digital skills base of tourism SMEs; ii) including small businesses in the digital value chain, and; iii) boosting the ICT-driven innovation potential of tourism SMEs and empowering tourism entrepreneurs in online marketing (Box 1.14).

Supporting a competitive and sustainable tourism industry

All countries put competitiveness at the heart of their policy agenda. Key areas of competitiveness such as tourism prices, visa policy rules, connectivity, or tourism regulations are addressed with a view to increasing the attractiveness of the destination for consumers, and to lifting the burden on tourism enterprises and enabling markets to function more effectively.

The impact of the global economic and social crisis has also made many countries more aware of the significant value and unique contribution of domestic tourism in their national economies, leading to re-focussed efforts on stimulating domestic holidays. Domestic tourism represents about 80% of internal (inbound and domestic) tourism consumption in the OECD area.

In response, countries are developing and implementing a mix of policies to support a competitive tourism industry. These policies are not always directly presented as tourism support due to their broader scope and include, for example, labour costs, rules and regulations, taxation, infrastructure, accessibility and connectivity. In other words, countries can create a competitive advantage with different policy mixes as there are a range of factors impacting upon their competitiveness as both a destination and a place to do business.

Box 1.14. Raising the profile of digital tourism in the European Union

The European Commission has implemented several actions to boost the competitiveness of small businesses in the European tourism sector, integrate them into global digital value chains, and improve their ability to create more jobs. Actions include a:

- Pilot series of webinars providing support, insight and guidance on digital issues for tourism SMEs. Led by industry experts, the webinars examine recent trends in tourists' use of technology to discover, plan and share their travel experiences. Topics including digital marketing strategies, online reputation and the use of social media, and m-tourism (the use of smartphones throughout the entire customer experience);
- Digital Tourism Network, comprising representatives from the industry and EU countries to discuss how to boost the innovation capacity of tourism entrepreneurs, especially SMEs. The network will serve as a forum to brainstorm on challenges and opportunities for digital tourism businesses, and help shape new actions designed to increase the uptake of digital technologies by the tourism sector and improve SMEs' inclusion in the global digital value chain; and
- Tourism Business Portal designed as a one-stop-shop to improve the establishment, management, promotion, and expansion of businesses and including articles, tutorials, online tools, and links to best practices to help tourism SMEs.

Source: www.ec.europa.eu/growth/sectors/tourism/support-business/digital/index_en.htm.

Seamless transport and travel facilitation

Transport is a key enabler of tourism and plays a vital role in moving tourists from their place of residence to their final destination and on to various attractions. As outlined in Chapter 2 on *Seamless Transport to Enhance the Visitor Experience*, the location, capacity, efficiency and connectivity of transport play an important role in how destinations develop (Box 2.5), and significantly influence the mobility of visitors and the connectivity of tourist experiences within destinations. At the same time the growing number of tourists creates numerous challenges in terms of transport infrastructure, capacity and intermodality (Box 2.1), including border crossings, information provision (Box 2.8), accessibility and seamless connections between the various transport service providers (Box 2.11). As a result, all governments are taking steps to address the linkages between these policy areas (Australia, Ireland, Japan, New Zealand, Norway, Slovenia, Switzerland, and the United States).

In light of the rapidly evolving geo-political situation, which is placing even greater pressure on existing visa and immigration policies, countries, more than ever, recognise the importance of striking a balance between security and adequate border protection on the one hand, and ensuring ease of travel, a positive welcome, and a safe environment for legitimate travellers on the other. This is particularly the case in an increasingly competitive global market, where the visitor experience and perceptions of a destination are influenced by the convenience, cost and efficiency of any necessary visa application process, and the passenger processing experience and sense of welcome at their point of arrival; all before the tourist even steps foot outside the airport, train station or port.

In response, many countries are simplifying visa procedures (including the provision of online or e-visas) and modifying entry processes to enhance the passenger experience while maintaining or improving security at borders. In 2015, the US Department of

Commerce and Homeland Security launched a new national goal to provide a best-in-class international arrivals experience, working closely with industry to identify the key factors that drive a traveller's perception of the international arrivals experience, and including the development and implementation of action plans at 17 of the largest international airports (Box 2.7). In 2016, Canada will introduce an Electronic Travel Authorization (eTA) for visa-exempt foreign nationals who fly to or transit through Canada (Box 1.15).

Box 1.15. **Facilitating access and movement for travellers to Canada**

Canada's Federal Tourism Strategy was launched in October 2011, with one of the four priority areas being to facilitate the ease of access and movement of travellers while ensuring the safety and integrity of Canada's borders. As of December 2014, Canada had concluded new or expanded air transport agreements covering more than 85 countries. Enhanced border infrastructure and processes help to facilitate access for travellers to Canada, including the introduction of a streamlined and simplified border clearance process for cruise ships; the online posting of forecast border wait times for the 26 busiest land border crossings; and the Canada-United States trusted travellers program, NEXUS, which has more than one million members, is growing in popularity.

In March 2016, Canada will introduce a new entry requirement, known as the Electronic Travel Authorization (eTA) for visa-exempt foreign nationals who fly to or transit through Canada. Exceptions include United States citizens and travellers with a valid visa. The eTA will allow Canada to screen travellers before they arrive, similar to the Electronic System for Travel Authorization (ESTA) in the United States.

Australia and New Zealand are addressing the issue of travel facilitation through the introduction and expansion of the joint SmartGate initiative; an automated passenger clearance system, which is available to eligible ePassport holders from a variety of countries (Box 2.7). In 2015, the Australian and New Zealand governments also offered, for the first time, a joint visa for visitors to both countries for the Cricket World Cup; an initiative that has the potential to lead to a more permanent arrangement.

In other countries, Mexico has signed bilateral air transport agreements with an increasing number of countries and taken actions to simplify visa procedures, modernising and streamlining entry processes at the same time. Greece has introduced a pilot scheme to improve visa facilitation for visitors from Turkey to seven Greek islands in the Aegean. While Japan, is enhancing immigration procedures with the aim of reducing waiting times at airports to 20 minutes or less.

Governments also continue to align their marketing strategies, visa and aviation policies to stimulate growth from China and other emerging tourism economies, including Brazil, the Russian Federation, and India (e.g. Australia, Bulgaria, Egypt, Germany, Hungary, Korea, Netherlands, New Zealand, Poland, Romania, Sweden, Switzerland, and the United States). In 2016, the Republic of Korea will introduce an e-visa service for Chinese group tourists enabling them to complete the visa application online without visiting the embassy in person. Australia has introduced a three-year multiple entry visa for visitors from China as the standard visitor product, and will trial a 10 year validity visitor visa for eligible applicants in China in late 2016 (and has committed to providing all nationalities with access to an online visa product by the end of 2017), and signed an agreement with China to effectively triple the gateway capacity between the two countries by the end of 2016.

While in 2014, the United States and the People's Republic of China concluded a reciprocal visa validity arrangement to strengthen the economic and people-to-people ties between the two countries.

Encouraging SME financing, innovation and entrepreneurship

Many tourism entrepreneurs face difficulties in accessing the finance necessary to set up new businesses and support day-to-day operations and business development, to stimulate innovation and the creation of new products and services, and provide the training and workforce development necessary to ensure a consistent and quality level of service. In response, a number of countries are developing new policy frameworks and introducing specific initiatives and programmes to help tourism SMEs to meet their financing requirements, promote innovation, build workforce and entrepreneurial capacity, and better access global value chains.

While initiatives to improve access to finance for SMEs are not targeted at the sectoral level in many countries, tourism SMEs are able to access public support to improve access to finance for SMEs in general. However, some financing options are better aligned to the needs of tourism SMEs than others (e.g. Austria, Brazil, Colombia, Croatia, Mexico, Portugal). For example, Austria and Switzerland (Box 1.16) are two countries with long-standing, publicly funded financial institutions that play an important role in providing financial assistance to SMEs in the hospitality sector. These institutions focus on mid-to-long-term investment financing projects aimed at strengthening and improving the quality of tourism infrastructure (including accommodation), rather than day-to-day business financing. They provide subsidised loans, grants and government guarantees tailored to the needs of tourism SMEs. In Mexico, the Ministry of Tourism has recently created a unit dedicated to providing financial assistance to tourism SMEs, including start-up, business development and innovation financing and training. While in Croatia, the Croatian Bank for Reconstruction and Development has three targeted loan programmes to support the tourism industry.

Information is also a key issue for many SMEs. In order to avoid information asymmetry and provide SMEs with a greater ability to compete at both domestic and international levels, awareness-raising and information dissemination are potentially important considerations for policy-makers. Similarly, skills are an issue that continue to attract significant attention, particularly as the tourism sector is often associated with low levels of education and limited entrepreneurial and management ability. Building workforce, innovation and entrepreneurial capacity in tourism SMEs is a challenge, but one that countries are taking steps to address, particularly considering the potential benefits associated with enhancing competitiveness, productivity, and promoting sustainable and inclusive growth (Austria, Belgium, Brazil, Iceland, Ireland, Israel, Netherlands, New Zealand, Norway, Poland, Portugal, Russia, Slovenia, Spain, Switzerland).

For example, Greece is encouraging research, technology development and innovation within tourism businesses by promoting co-operation with universities, creating clusters, and encouraging specialisation. Belgium-Wallonia has a working group to enhance the performance of its major attractions and share good practices. In Mexico, "innovation, competitiveness and product development" is one of eight Tourism Cabinet working groups covering key policy priority areas, while the Netherlands has developed action agendas to promote innovation and human capital. Access to finance, entrepreneurship and innovation are priority considerations as part of Portugal's ongoing revision of its

Box 1.16. **Revising policy and regulations for the accommodation sector in Switzerland**

The Swiss Tourism Report from 2013 showed that there was a need for the Confederation to take action to increase support for accommodation. Therefore in 2015 the Federal Government revised the regulations on the promotion of the accommodation sector and the statutes and rules of procedure for the Swiss Society for Hotel Credit (SGH) to optimise accommodation development. The revisions mean that opportunities to support the accommodation sector have become much more flexible. In addition, the implementing provisions have been expanded and clarified. The main reforms are as follows:

- The concept of accommodation has been updated and has become more flexible. In the future, the SGH can participate in the financing of hotels, structured accommodation business as well as any land, buildings, premises, installations and facilities (e.g. health and spa facilities) belonging to them.
- The geographical area of operation of the SGH has been extended beyond the alpine region.
- The maximum loan amount has been increased to CHF 6 million (previously CHF 2 million) and to 40% of the earnings value (previously, 33%). In exceptional cases, higher loan amounts are also possible. This will ensure that the SGH can be more effective in addressing funding gaps faced by the accommodation sector in the future.

The revision of the implementing provisions for the SGH makes a substantial contribution to overcoming the structural challenges of the accommodation sector, in particular those resulting from the discontinuation of the euro rate ceiling.

National Tourism Strategy for 2016-20, while Slovenia is encouraging SME networking to produce efficient and competitive tourist products, improving employee qualifications and skills, and encouraging innovation and diversification.

The Ministry of Business, Innovation and Employment in New Zealand established the Tourism Growth Partnership (TGP) in 2013 to boost innovation and to lift the productivity of the tourism sector. Under the TGP, the Government is making NZD 32 million available over four years to co-invest with industry in demand-led, commercially driven projects. TGP investment is focused on supporting: market development, growth in high-value and emerging visitor markets; improved visitor flows and regional spread; the restoration of visitor numbers to Christchurch and Canterbury and attracting investment to the region; an improved contribution by Maori, leveraging New Zealand’s unique cultural attractions; and investment in demand-led products.

Tourism policy-makers can support SMEs to integrate into global value chains by providing relevant infrastructure, improving environment and framework conditions, offering technical assistance, and even through support to other segments (upstream, downstream or even on other value chains). The particularity of the tourism sector is that the final segment is very much anchored at the local level and depends on the destination tourism offer. Starting from an analysis of needs and opportunities at the local level, it is possible to assess the potential of certain policy actions to foster competitiveness (Box 1.17), (OECD, 2015e).

Improving service quality

The improvement of service quality is a top policy priority in most countries’ tourism strategies. Service quality is recognised as a main factor for supporting a competitive,

Box 1.17. European Smart Specialisation (S3): An integrated approach to fostering competitiveness

The European Smart Specialization (S3) model is an example of an innovative approach based on the notions of ecosystems and global value chains, Smart Specialization consists of a set of principles and steps to be integrated into policy making. Though it is based on a regional perspective, it strongly encourages cross-border collaboration as well as transnational initiatives. Smart Specialization is considered a way to foster competitiveness through an integrated approach which incorporates SMEs from an ecosystem with related GVCs through participation and information flows as well as co-operation. Though they are usually applied at the regional level and focusing on economic development as a whole, S3 principles can also be used when designing and managing policies to support tourism SMEs.

Adopting the principles of the Smart Specialization model, tourism policy makers would firstly undertake an analysis of the regional context and the potential for innovation and competitiveness in tourism and related sectors. Such a diagnosis of the territory should be evidence-based and consider the relative strengths of the region in order to identify needs and development opportunities and further guide the policy making process. Policy makers should take stock of the existing policy framework, make the design and implementation of regional strategies inclusive and based on the participation of relevant stakeholders and the principle of ownership.

In principle, the design of any Smart Specialization strategy should be an "entrepreneurial discovery process" not limited to the involvement of companies but of all relevant actors from the ecosystem (region or destination). Along this process, a shared vision for the future of the region should be elaborated and held by the stakeholders, leading to the identification of priorities including specialisation niches that should be challenge-oriented. These niches can vary in nature and can be cross/multi-sectorial (tourism and creative industries, medical, agriculture, cuisine etc.).

Eventually, the process should result in the definition of a coherent policy mix as well as relevant roadmaps and a formalised (and realistic) action plan. Monitoring and evaluation mechanisms should also be integrated. One particularity of this approach is that the governance and process should be sustainable (the entrepreneurial discovery process should not stop). They should also be guided by public authorities who adopt the role of moderator. Another key feature of this approach is that it is knowledge-based, valuing existing know-how in the region, whatever its nature, as long as it can lead to the development or strengthening of a comparative advantage. The inclusive nature of the process and types of instruments fostered (such as networks and clusters) also opens the door to a better connection between GVCs and a better integration of SMEs.

Source: European Commission – *http://s3platform.jrc.ec.europa.eu/home.*

sustainable, inclusive and productive tourism economy. The rapid growth of tourism, the fragmentation of the industry and the small size of enterprises all represent challenges that destinations must overcome to deliver and maintain, in every location and at all times of year, high-quality tourism experiences for visitors.

Various streams of action are therefore underlined by countries. For instance, governments are promoting a culture of excellence in tourism through specific quality policies for tourism providers and destinations (Belgium-Wallonia, Colombia), introducing quality management in the system of apprenticeships (Austria), training employees and seasonally unemployed people (Greece), implementing standards, labels and quality controls to support high quality services (Czech Republic, Germany, Hungary, Iceland, Latvia, Slovak Republic), or undertaking industry-wide quality awareness campaigns (South Africa).

In addition, innovation and sustainability issues are increasingly associated with quality labels and certification (France, Iceland, Latvia). These programs aim to identify high quality service providers and to strengthen consumer awareness (Hungary). In Latvia, there is recognition that quality products must be sustainable, offer innovative solutions, be export-oriented with high quality and a high level of tourist involvement, and added value. Governments are also developing financial incentives to support quality product initiatives. Morocco has launched a quality programme for accommodation providers, including quality audits (Box 1.18).

Box 1.18. **Quality programme for tourist accommodation in Morocco**

In light of technological progress and changing customer expectations, especially in terms of sustainable development, safety and hygiene, the Ministry of Tourism has launched a quality programme in tourist accommodation establishments, which aims to:

- carry out a detailed assessment of service quality in the different kinds of tourist accommodation,
- suggest technical and/or financial measures to support tourist businesses,
- design a global system to improve quality, consisting partly of regulatory changes (mandatory classification with improved procedures and tools) and partly of voluntary quality certifications and labels that will guarantee increased differentiation between tourism establishments.

One of the main innovations is the introduction of the quality audit in the form of undercover visits by specialised inspectors, especially at the top end of the market (hotels, clubs, B&Bs, *riads* and *kasbahs* with three or more stars). A transitional phase has been planned to prepare the relevant parties for implementation of the new system. This phase includes: training a body of specialist inspectors; raising the awareness of all stakeholders in the quality of tourist accommodation in Morocco; carrying out mock audits to produce recommendations for quality improvement and prepare the market for the new classification system.

Simplifying regulations and adjusting to growth of the sharing economy

Many countries are taking specific steps to simplify the regulatory framework supporting tourism, in order to create a more favourable business environment (particularly for SMEs), reduce bureaucratic obstacles, and provide appropriate financial and other incentives (e.g. Austria, Bulgaria, Chile, France, Germany, Hungary, Malta, Mexico, the Netherlands, Poland [Box 1.19], Slovenia, South Africa, Spain, Switzerland, and the United Kingdom). Malta, for example, having accumulated a large number of regulations to govern tourism service providers such as accommodation, catering establishments, travel agents and tourist guides, identified the need to revisit the regulatory framework. In 2014/15 a major exercise was undertaken with the dual objective of:

- Simplifying the extensive regulatory framework by removing overlaps and narrowing the number of relevant legal notices to a more manageable and logical quantity.

- Changing the spirit of the law to ensure that the regulatory framework is better equipped to react and adapt to the rapid change prevailing in the industry rather than continue to act as a deterrent.

Box 1.19. **Deregulation of tour services in Poland**

In January 2014, the law was changed so that tour leaders, city and land guides no longer require a formal qualification or special license, previously issued by the head of the regional government. Instead, anyone working in these capacities has simply to meet a basic set of basic requirements (age 18 or over; completion of secondary-school education or higher; no record of any offence in connection with the profession of a tourist guide or a tour leader). The previous requirements for prior training and qualification were removed, as was the legislative framework for inspecting the work of training providers. These changes do not apply to mountain guides, however, due to their responsibility for the life and health of tourists in mountain areas.

In the time since the reform was introduced, a first attempt has been made to investigate the economic impact on the market for tour services. This preliminary assessment has identified both positive and negative effects for the industry. An accurate and reliable analysis will only be possible once the reform has been in place for a few years and patterns and trends in the market for the services of tourist guides and tour leaders have become more stable. Only then will it become possible to understand more fully the impacts of deregulation on aspects such as levels of employment, mobility, earnings and quality of service.

In an effort to boost skilled labour for the tourism industry, Germany regularly reviews and modernises vocational training regulations, with the help of experts from industry, trade associations, trade unions, and vocational schools in order to integrate new content and requirements. In Switzerland, the Federal Government has revised the regulations on the promotion of the accommodation sector and the statutes and rules of procedure for the Swiss Society for Hotel Credit (SGH).

Several countries have implemented initiatives to harmonise tourism-related regulations. Hungary has harmonised regulations in line with European Union directives, to eliminate administrative burdens encumbering tourism businesses and to simplify formalities for tourists arriving from non-European Union countries. In Spain, significant progress has been made over the past two years in the development of a national strategy to support harmonisation of regulations across seventeen regional authorities, the cities Ceuta and Melilla in North-Africa and seventeen activity subsectors. In addition, South Africa is conducting a study to investigate ways to harmonise tourist guide training standards with those in neighbouring countries, and tourism sustainability certification.

Similarly, some countries are implementing various generic deregulation measures to provide a more competitive business and investment environment, from which tourism businesses can benefit. In Slovenia, these include: reducing administrative barriers in term of taxes; speeding up the issue of construction licenses; reforming spatial planning; reinforcing activity in research and development; privatising state-owned enterprises; promoting the use of e-commerce and e-governance; and promoting the establishment of new SMEs. France has deregulated the market for long-distance buses/coaches, and relaxed the opening-hours for shops in main tourist areas.

While the great majority of regulatory reform has resulted in reduced regulation, there are exceptions, with Bulgaria being one example of a country strengthening regulations to combat excessive development in seaside and mountain resorts. Similarly, Greece has introduced or amended a range of laws and regulations to support the National Strategic Plan for Tourism 2014-20, including a law defining the criteria for agro tourism, to facilitate the provision of support for appropriate investment.

As outlined in Chapter 3, the rapid growth of peer-to-peer platforms, often referred to as the sharing economy, is creating new marketplaces in areas as diverse as transportation, accommodation, travel and dining experiences. These developments present opportunities for governments to determine how citizens can benefit from participating in the sharing economy, but also pose challenges for established operators, and raise broader policy questions in areas such as consumer protection, taxation and regulation. In a complex, fast-moving environment, it is imperative that tourism policy makers quickly grasp the key issues surrounding the sharing economy and position their jurisdictions for success. In response to the rise of the tourism sharing economy, most OECD country responses can be categorised as being either proactive, reactive, or non-responsive (Box 1.20).

Box 1.20. **Policy responses to the tourism sharing economy in OECD countries**

Proactive: Some policy makers are taking a proactive, welcoming response to the sharing economy by introducing or amending laws to accommodate the growth of new enterprises. Examples of this type of approach include loosening zoning and regulatory requirements to permit short-term rentals by homeowners without any formal registration and introducing legislation to create a new classification for ride-sharing platforms in cities. These responses typically involve a level of threshold and standard-setting that sharing economy enterprises must comply with, whether falling below a certain usage amount or abiding by particular taxation, insurance or inspection requirements, with the end result being a formally recognised, and endorsed, business activity.

Reactive: In other cases, policy makers are taking a more reactive stance against sharing economy enterprises. These responses have been seen most forcefully with ride-sharing companies like Uber, which has faced outright bans, fines and threats of criminal prosecution. This type of reaction has been common around the world, at both local level, as in Paris and the East Hamptons, and national level, as in Germany in relation to UberPOP. These responses have often been at the strong urging of existing operators, who see their livelihoods threatened by new competitors. In other instances they have been at the instigation of the authorities in order to protect the operability of the existing markets (e.g. taxi trade) as well as consumers, as was the case in Germany.

Non-response: Many governments have taken a hands-off role to date in regulating emerging sharing economy platforms, particularly those that operate at a community and local-level and are not as high-profile or contentious as the larger ride-sharing and accommodation platforms. In these cases, new platforms and service providers have been operating without restrictions, as their activities are viewed as either immaterial from a public policy perspective or as not requiring immediate attention from a regulatory perspective. As more information about the impacts of the sharing economy becomes available, it can be expected that non-responses may eventually shift into either proactive or reactive responses over time.

Fostering long-term investment

Another area where governments can strengthen strategic capacity and foresight to address multi-sectorial issues that affect tourism and improve overall competitiveness, is designing and implementing stable and predictable policies that aim to build business confidence and foster long-term private sector investment (both domestic and foreign). Country approaches include introducing mechanisms to improve the stability and reliability of processes necessary to obtain licences, permits, concessions and other requirements for the installation and operation of tourism enterprises (Brazil, Greece), and targeting and facilitating investment in accommodation and other tourism-related infrastructure (Croatia, France [Box 1.21], Israel, Switzerland).

Box 1.21. **Mobilising investment for tourism development in France**

In October 2015, France has implemented a new integrated initiative led by the group Caisse des Dépôts (the national long-term investment agency) whose ambition is to mobilise nearly EUR 1 billion over the next five years to support the tourism economy, with three main targets: 1) accommodation; 2) equipment and infrastructure; and 3) businesses. This new platform for investment dedicated to the development of the tourism sector in France is composed of three main actions, with distinct investment aims and targets:

1. Investment for accommodation – The creation of this real estate fund (Foncière de Paris), open to investors, aims to support capacity improvement and quality accommodation in tourism destinations. The fund will primarily invest in physical infrastructure for the construction or the renovation of hotels and tourist residences in destinations with a strong potential for development. A fundraising strategy will be launched targeting institutional investors with a target of EUR 500 million, with the Caisse des Dépôts participating in the initial investment.
2. Investment for equipment and infrastructure – Caisse des Dépôts capital will be mobilised for investment in tourism infrastructure facilities (marinas, exhibition centres, spas, cultural tourism attractions etc.) in all types of territories/destinations, including for accommodation that would not be targeted by the specific fund (see above). The funding will be close to EUR 400 million and investment will involve private co-investors in each case.
3. Investment for tourism SMEs – A capital development fund (France Tourism Investment) has been created by the public investment bank (Bpifrance) for tourism SMEs, with a proportion of investments earmarked to financing innovation and e-tourism. This fund will be open to third party contributors and fundraising of between EUR 80 million and EUR 100 million is expected with a commitment of Bpifrance for EUR 50 million.

Source: Ministry of Foreign Affairs and International Development, Bpifrance, Caisse des Dépôts.

In addition, Italy launched a government-controlled Tourism Investment Fund in 2014 as a bridge between public assets in need of development and the private real estate market, with the mission to invest in Italian tourist industry in primary locations. While the Australian Government is encouraging new investment and undertaking reforms to improve Australia's tourism competitive advantages in order to fully realise the opportunity presented by a growing Asian middle class and the strong global demand for unique tourism experiences (Box 1.22).

Other country initiatives include: Egypt – a Tourism Development Authority working primarily on setting and implementing regulations for tourism projects and investments,

Box 1.22. **Tourism investment attraction programme in Australia**

Tourism Australia and Austrade are working in partnership to deliver a tourism investment attraction programme. The partnership is delivering on its objective to generate strong international investment interest in tourism assets.

The Australian Government offers a range of services to assist foreign investors identify new investment opportunities in Australia's tourism sector (*www.tourisminvestment.com.au/*), including:

- initial co-ordination of all investment enquiries and assistance,
- identification of suitable investment locations and partners in Australia,
- market and industry intelligence and investment opportunities,
- advice on Australian government programs and approval processes,
- information on the Australian business and regulatory environment.

Through the Tourism Major Project Facilitation (TMPF) service, established in 2012, significant tourism projects are assigned a case manager to assist with navigating the Australian Government approvals process. TMPF case managers can provide potential investors with guidance on:

- identifying the range of federal approvals required and facilitating introductions and meetings with the relevant approving agencies,
- providing support and expertise on government programs and processes,
- assisting investors to access relevant Australian Government support programs,
- helping broker solutions to problems that arise during the course of obtaining approvals.

Once an investor has an interest in a specific site, location or opportunity, State and Territory Governments can assist by providing investors with:

- detailed intelligence on specific sites within the state,
- advice and assistance on planning approvals and preferential zoning,
- information on industry assistance programs, employment and training incentives.

Government and industry continue to work together to reduce investment barriers and streamline regulation in order to encourage investment interest and commitment to the Australian market.

by assisting with the provision of land and facilitating access to loans for developing infrastructure projects; Finland – the shutting down of the Finnish Tourism Board (FTB) as a separate agency and incorporated its functions into Finpro, the largely state-funded organisation responsible for supporting Finnish businesses in international markets and encouraging foreign direct investment; Mexico – the National Fund for Tourism Development (FONATUR) acts as a facilitating instrument for foreign investors, with the objectives to promote investment, create jobs, improve social welfare and encourage national and regional development. FONATUR's functions include conducting feasibility studies, developing destination master plans, project management, executing infrastructure projects and engagement with various forms of financing; Portugal – in its capacity as a financing agency with a network of partners (e.g. banks, venture capitalists, Business Angels), Turismo de Portugal is developing a new framework to support tourism start-ups, offering intervention when external experience and operational capacity can make a difference.

Stimulating domestic tourism

Many countries are developing actions to stimulate domestic demand (Colombia, Czech Republic, Greece, Hungary, Japan, Korea, Mexico, New Zealand, Portugal, South Africa). South Africa for instance is implementing a Domestic Tourism Growth Strategy to reduce its historical dependence on international arrivals. The objectives are to increase domestic tourism revenues and volumes, to improve measures aimed at addressing seasonality and equitable geographical spread, and to promote a culture of travel among South Africans. Korea is promoting a better work-life balance through the expansion of national leisure time and the reduction of the average number of working hours; a new holiday system including two tourism weeks associated with school vacations have been introduced, and people have been encouraged to take their paid holidays. New Colombia tourism clusters and Japan tourism regions support regional development and favour a better spread of domestic and inbound visitors.

Several European countries have active policies combatting seasonality and promoting "Tourism for all" (Czech Republic, France, Greece, Hungary) which are primarily targeting the domestic market. These policies should lead to higher occupancy rates and an extended tourism season, thus enhancing employment and improving the profitability of the industry. It includes the development of new products and support initiatives with regions and service providers. Infrastructure development (e.g. Mexico Magical towns), improvements in the measurement of domestic tourism expenditure (New Zealand) or industry enablement (Portugal) are other types of interesting initiatives to note. A number of countries (Belgium, France, Hungary, Italy) also implement programmes to reduce inequalities and support people with limited access to holidays and tourism. This include for instance holiday funding schemes or targeted actions for persons with reduced mobility.

Strengthening the long-term sustainability of destinations

Sustainability is a central element of the competitiveness of tourism destinations. Sustainable tourism development guidelines and management practices are applicable to all forms of tourism in all types of destinations, including mass tourism and the various niche tourism segments. Sustainability principles refer to the environmental, economic, and socio-cultural aspects of tourism development, and a suitable balance must be established between these three dimensions to ensure its long-term sustainability (UNEP and UNWTO, 2005).

A key policy issue for OECD member countries is to understand how they can strengthen the position of their tourism economies in response to current global economic challenges and remain competitive with emerging destinations, within a sustainable development context. Innovative approaches are required to identify emerging issues and trends, as well as to identify and deal with the unique trade-offs and synergies associated with developing and setting policies that address multiple policy objectives and promote the long-term sustainable growth of tourism.

In response, the great majority of countries are implementing initiatives to improve sustainability in individual sectors, and promote sustainable tourism development and/or growth more generally, such as the launch of a sustainable destination standard in Norway, which aims to develop a commercial concept of sustainable tourism (Box 1.23). In addition, several countries have developed tourism specific national strategies, such as Chile's National plan for sustainable tourism development 2014-18, Costa Rica's National Plan for Sustainable Tourism (Box 1.24), and Egypt's Sustainable Tourism Strategy 2020.

Box 1.23. **Sustainable destination standard for Norway**

The national tourism body, Innovation Norway, launched a "Sustainable Destination" standard in 2015. The standard includes 45 criteria and 108 indicators to be measured, registered and monitored. These cover nature, culture, environment, social values, community involvement and economic viability of destinations.

The development of the Sustainable Destination standard builds on work started in 2009, when four pilot destinations were identified (from 30 applicants) to represent the full range of tourism in Norway as part of a three year project. Their mandate had been to develop the commercial concept of sustainable tourism, to increase sustainable practise in the destination, and to involve and integrate their development in the work of the relevant destination management organisation.

In 2011, a decision was taken to work towards a common set of criteria and indicators to define a standard for a destination working towards sustainability. The clear goal has been to have the certification brand recognised by the Global Sustainable Tourism Council.

With the launch of the new label *Sustainable Destination*, Norway is taking a leading role in international efforts to promote sustainability in tourism and destination development. To be eligible to receive *Sustainable Destination* certification, destinations must demonstrate a consistent effort to plan for sustainable tourism, support and strengthen environmental programs over time, as well as working to preserve the destination's history, character and nature. In addition, certification places demands on the development of the destination's businesses and society, requiring adherence to the principles of sustainability.

Tourism operators and local authorities must co-operate to have a destination certified, and to date, each of the four pilot destinations have achieved the Sustainable Destination standard.

Source: www.visitnorway.com/uk/where-to-go-uk/eco-friendly-destinations-and-activities-in-norway/.

10YFP Sustainable Tourism Programme

The 10-Year Framework of Programmes on Sustainable Consumption and Production Patterns (10YFP) is an ambitious global framework of action to accelerate the shift towards sustainable consumption and production in both developed and developing countries. The programme will contribute to the 2030 Agenda for Sustainable Development. The 10YFP Sustainable Tourism Programme (STP) supports sustainable consumption and production practices in the tourism sector resulting in enhanced environmental and social outcomes, and improved economic performance.

While a number of governments are already taking steps to accelerate the shift towards sustainable consumption and production in tourism (Box 1.24), it can be expected that this trend will accelerate in line with the 2030 Agenda for Sustainable Development. Most countries have already integrated sustainability principles and actions in their tourism strategies (Bulgaria, Costa Rica, Croatia, Egypt, Estonia, Finland, Japan, Latvia, Lithuania, Malta, Morocco, Norway, Portugal, Romania, Spain, Switzerland and United States), but it remains difficult to assess to what extent some of these policies are actually implemented.

The most significant actions underlined include community-based tourism (Brazil, Israel), eco-tourism programmes (Chile, Costa Rica), quality and environmental certification and standards (Colombia, Iceland, Israel, Korea, Luxembourg, New Zealand, Norway, Spain), self-assessment tools for the industry (Canada), sustainable destination initiatives

(Finland, Spain, Sweden), social responsibility, measurement and monitoring (Morocco, Slovenia, Switzerland), alternative forms of tourism (France, Greece) and prioritisation of low carbon forms of tourism (Finland).

Box 1.24. **Enhancing patterns of sustainable consumption and production in tourism**

Korea – in conjunction with Ecotourism Korea, the Korean government has implemented a certification system for ecotourism enterprises and developed guidelines for environmentally friendly tourism. In addition, in an effort to reduce the greenhouse gas emission of international airlines that accounts for 30% of total carbon emission, the Korean government has developed a plan in co-operation with airlines and Airport Corporation, to improve fuel efficiency by 1.3% on average per annum, until 2025.

Morocco – is tracking sustainability through the use of indicators that are being rolled out nationwide. It also seeks to use tourism in the protection and promotion of ecological sites and has undertaken pilot projects on the impact of tourism on local residents.

New Zealand – Tourism New Zealand jointly owns Qualmark, which administers Qualmark Environmental – an official quality assurance system to evaluate the level of environmental sustainability of tourism businesses. Qualmark assesses its licence holders (tourism operators) against a set of environmental criteria that relate to practices including water conservation, energy efficiency, waste management, and environmental conservation and community support.

Slovenia – is currently undertaking pilot testing of sustainability indicators in selected destinations (in compliance with basic sustainability criteria of the EU Agenda of sustainable and competitive EU tourism). The results of the pilot project will be the base for further actions in this field to introduce permanent sustainability monitoring mechanism in all sustainable tourism destinations.

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