

8th EUROPEAN TOURISM FORUM

Brussels - Belgium 9th October 2009

“EU Tourism and the Economic Downturn: new Opportunities for a Sustainable Prosperous Future?”

The 8th European Tourism Forum was organised by the Tourism Unit of the European Commission on 9th October 2009 in Brussels, Belgium.

The Forum focused on the impacts of the recent financial and economic crisis on the European tourism. It considered the resulting changes in the behaviour of the consumer, the employer-employee relations issues, the regulatory framework in tourism and a longer term vision of European Tourism in 2020.

The Forum was held at a time of continued uncertainty due to the economic downturn and the resulting effect on tourism in 2010 and beyond. This evolving situation, coupled with a decline in Europe’s market share of international tourism arrivals in recent years, calls for further flexible, dynamic and creative approach to product formulation and promotion. It was also a good time to look to the long term future of tourism in Europe, ensuring that, in addition to being economically successful, tourism will also enhance the wellbeing of the environment and communities on which its success depends.

Keynote Speech:

The Vice President of the European Commission, Günter Verheugen, emphasised that the European tourism has experienced a downturn following a shrinking of the economy. It is predicted that the sector will experience mergers of companies, buy outs and businesses closing. Public debt will also be influenced and so will the rapidly changing demographics. Therefore; the European Union and the Members States will have to sett a high priority on reducing public debt, if Europe is to avoid further economic problems in the future. The challenge for tourism will be to address both competitiveness and sustainability and to improve quality, including quality of service and the development of Brand Europe

The Lisbon Treaty, after ratification, will give the Union the competence to carry out actions to support, coordinate or supplement the actions of the Member States in the tourism sector, particularly by promoting the competitiveness of EU undertakings in tourism, as it has real potential and great opportunities for growth.

Please find his key note speech at:

<http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/09/459&format=HTML&aged=0&language=EN&guiLanguage=en>

The following topics were selected for debate during the Forum:

a. *Current Position of tourism in the World and Europe*

Latest data from UNWTO was presented; in 2009 to July, we have seen a 7% decline on 2008 in worldwide tourism, whereas Europe has seen a 9% decline.

The UNWTO Resilience Committee is focussing on three main areas: market intelligence, stimulus measures and the green economy. It was noted that the downturn has identified the underlying weaknesses and threats which should be tackled, if we are to ensure the long term competitiveness of tourism in Europe. In particular, we need to undertake work on product development, sustainability and to increase the marketing of tourism towards Europe.

The Travel and Tourism Competitiveness Index was presented. The index enables countries to compare and benchmark their tourism conditions and framework with peer countries and facilitates the preparation of SWOT analysis to assist in the strategic planning.

Results from a recent study on the “Competitiveness of the EU Tourism Industry”, carried out by Ecorys & Idea Consult on behalf of the European Commission and officially launched on the day of the European Tourism Forum, were presented. The presentation emphasised, particularly, six important challenges which are faced by the tourism industry in Europe:

- Reinforce the EU tourism industry as a high quality service sector;
- Better positioning of the EU as the n°1 tourism destination in an increasingly competitive world market, via a “Brand Europe” initiative;
- Actively support entrepreneurship and innovation;
- Ensure a sustainable development for tourism in the EU;
- Improve the collaboration among stakeholders in order to increase the value of our natural and cultural resources;
- Ensure favourable financial and regulatory framework conditions for EU tourism enterprises.

The conclusion was that it was the time to look forward, plan and take action to strengthen tourism in Europe.

b. Consumer Behaviour vis à vis Sustainability and the Economic Downturn

The topic of “what are the consumer trends we face in the current recession” was discussed and it was stressed that the European tourism market is not homogenous and that there have and will be significant variations in the impact of the downturn, with the worst hit so far being Eastern Europe and the Baltic States. There had also been a noticeable shift from long haul to short haul destinations and consumers “down shifted” to 3 star from 4 star accommodation or to camping from hotels. However, consumers in Europe will not give up their holidays, especially their main holidays, but they are reducing the number of short breaks that they take each year. They will continue to spend on holidays, even if that means that they have to delay other investments etc – holidays are now an essential part of the European culture.

The Information provided on the Dutch market conditions mirrored the overall trends such as, fewer long haul destinations, choosing cheaper destinations, responding to changes in exchange rates with the highest criteria for consumers being:

- Safety
- Weather
- Quality of accommodation
- Natural beauty.

A lower concern of Dutch consumers is environmental sustainability (14th out of 19 criteria, but still with a reasonable score).

In the German market, there have been a number of longer term underlying issues that are having a significant impact, such as demographic changes, i.e. a decreasing and aging population. There will be no growth in the near future, but a shift within the market and there will be winners and losers.

3) *Employer-Employee Relations in Tourism*

Tourism is a major job generator and it provides routes for many to enter the labour market and especially in regions and areas where alternative job generation is difficult. The current downturn has resulted in the reduction of the business personnel, for example in Lithuania 20% percent job losses have occurred. But there are also examples of good practice, such as Malta where surplus staff are given training rather than being made unemployed.

However, there are still skill shortages and a common interest in working together to minimise the impact of the downturn. HOTREC is working to help with short-term measures in order to retain employment in the sector. It was stressed that it was important that, in these difficult times, the EC should undertake detailed impact assessments and enhance its dialogue with the industry bodies, before implementing new regulations.

Another result of the downturn has been a reduction in labour mobility. In this respect, the example of the skills passport was presented, where employers, employees and employee representatives are working together with training providers to pilot a skills passport which will help with employee mobility, as well as employers being able to establish on-line that a potential employee does have the skills needed for the new job.

An example of excellent practice was presented regarding a hotel in the Austrian Alps. It is a family hotel, with 100 employees for 100 rooms, 80% repeat customers and 90% occupancy rate. Their approach to staff was to consider them as part of a golden triangle relationship of "Guest – Employees - Owners". All three parties have to be satisfied and staff is treated as partners to the business. They are considered to be "internal guests" and the owners use the same techniques they use with guests. Staff has access to and can use all services and facilities offered. Their opinion and suggestions for improvements are important input for the owner. The result is staff turnover of only 10% with 90% of staff coming from the local community with many being employed for decades with the hotel.

4) *The Regulatory Framework in Tourism*

Regulations require resources and for many small businesses this is a very significant burden. An example is the proposed food labelling and its impact on small traditional restaurants and cafes, which, apparently, leaves no option for the businesses but to standardise menus and "buy in" prepared foods/meals, which would work against the desire to maintain distinctiveness and individuality. Therefore, HOTREC proposed that the regulation on the provision of food information to consumers should not be applied to restaurants and cafes. The European Commission (Ms. Jacqueline Minor, Director for Consumer Affairs, Directorate General "Health and Consumers") responded that the proposed legislation should, in effect, allow each Member State to decide on the way of its implementation.

The position on VAT rates varying in Member States was discussed. It was pointed out that the issue of VAT rates across the EU was a very complex one, with newer Member States being allowed to maintain lower rates until 2010. The issue of variable rates within a Member State for different economic sectors was raised and HOTREC were proposing that a lower rate should apply to the hospitality sector, as for example in Portugal, where the argument that labour intensive industries should have the lower rate applied to their services had been accepted. Another example was France where the rate for restaurants has been reduced to 5.5% on the understanding that this would generate at least 40,000 jobs.

The third topic regarding better regulation focused on the package travel directive. In this respect, the need was stressed for a harmonised approach across Europe to ensure no market distortion: the existing problems are arising in the variable implementation in different Member States. It was therefore suggested to include dynamic packages within the framework of the directive and to ensure higher flexibility with regard to updating prices.

5) A 2020 Perspective: Promoting Competitive and Sustainable Tourism

There were three key topics emphasised: firstly, Europe has a tremendous diversity of products, secondly, the profile of Europe in many of the emerging markets (Europe is a Brand) and finally, it should be recognised that Europe is losing market share in regard to global tourism. The example of the opportunities from the Chinese market was highlighted. It was pointed out that marketing represents a key aspect and it was suggested that a greater focus should be put on this aspect in the future, especially, on maximising the benefit of the EDEN destinations and the opportunities arising from "VisitEurope.com". However, it was remarked that this would request an adequate marketing budget.

It was emphasised that changes in demand are happening and will still happen (e.g. increasing transactions on-line etc.) and that the general regulatory framework and conditions will need to be kept updated accordingly.

The question "how can Europe's thematic destinations become even more appealing to the Europeans" was then discussed. In this regard, the conclusions focused on consumer expectations and the changes in consumer desires such as increasing interest and demand for activity holidays, for example.

With increasing costs for European holidays, the consumers will and should feel that they get value for their money and something extra that lower priced products do not offer. Destinations need to make the most of their assets and differentiate themselves from the competition and, in particular, in satisfying the search for authenticity. Consumers will also increasingly want more information about the destination, especially regarding sustainability and, in particular, environmental impact. Similarly, the whole topic of climate change will rise far higher on the agenda and in the minds of consumers. Climate change will be starting to become a real issue, with destinations and businesses having to make adaptation changes in response to changes in the climate and the associated variances in weather patterns and extreme weather events.

The future will provide many challenges, but also opportunities and we will all have to learn to adapt and act to respond in such a way as to ensure the increasing competitiveness and sustainability of tourism in Europe