

Discussion Paper – Work in Progress

ON RE-SHAPING TOURISM GROWTH – Towards a SMART Alternative

Anna Pollock, CEO DestiCorp and The Icarus Foundation

This paper is based on an initial ten minute presentation given to the PATA CEO Summit on Climate Change in Bangkok, April 2008. The author has taken the opportunity to append more thoughts and publishes it as “a work in progress” simply to encourage debate.

We’re present at a strategic crossroads in the history of tourism facing at least three paths forward into our future:

- Path A equates to “business as usual” or more of the same and assumes that tourism will continue to grow exponentially based on a confident belief that the forces driving the UNWTO’s rosy projections upwards will continue;
- Path B that could be characterized as “fasten your seatbelts” assumes that those forces that have grown tourism in the past are now imploding, first regionally and then globally, and that the excess capacity caused by our blind optimism could result in yet another bust cycle;
- Path C is the star trekker route that goes where none have ventured before. It assumes that we simply don’t know what forces and shocks might affect us so it pays to develop an adaptive, resilient capacity. Choosing this path creates an opportunity to determine what kind of tourism we wish to create in and for our communities and to focus on yield rather than volume.

Let’s have a quick re-cap of Path A – how it’s brought us this far, and where it might take us. The key enabling drivers that have supported tourism’s growth since the last war are cheap oil and cheap credit. They, combined with access to unspoiled, pristine landscapes, diverse and robust ecosystems, healthy and culturally rich communities, the relatively free movement of peoples across international borders and huge amounts of innovation and entrepreneurialism, have generated today’s movement of some 800 million people across international boundaries for business and leisureⁱ.

During its phenomenal expansion since the 1950s, tourism didn’t even need to create a new business model. Tourism was able to re-cycle an industrial, production-consumption model that had been developed by the manufacturing sector. Profits were obtained by targeting a consumer, drastically cutting costs, pushing “unique value propositions” at a relatively limited set of market segments, and by applying economies of scale and vertical integration. Over the past 60 odd years, tourism has spread to virtually every nook and cranny of this planet and, most recently, has claimed space as its new frontierⁱⁱ.

The results speak for themselves. Between 1990 and 2006, international arrivals doubled and tourism became so pervasive in the western world that the majority of the middle classes now assume it to be a “right” rather than a

privilege or luxury. Destinations loved it for the jobs and tax revenues it created, and the capital and foreign exchange it attracted. And, generally speaking but with the exception of the airline sector, investors have enjoyed acceptable return on capital.

But it hasn't all been plain sailing. International tourism has demonstrated both vulnerability and resilience to external events that have knocked back demand to varying degrees. The combination of the terrorist attacks in 2001 and the outbreak of SARS caused a major dip in the upward demand trajectory and both airlines and hotel chains are notorious for their periodic boom and bust cycles.

Looking into the future, prospects for continued growth look great – well on the surface at any rate. Current levels of market penetration globally are still quite low. Today's international travelers represent less than 8% of the potential global market in terms of population. Our globalized economy, supported by ubiquitous and increasingly powerful and diverse communications has become now utterly dependent on the free movement of people from one economy, and one sector to another. Economies of scale combined with relentless cost and frill cutting mean that, in real terms, a major cost component – air travel - is three times cheaper (as a percentage of disposable income) than it was 30 years ago.

But success brings its problems too. Travel and tourism depend heavily on the consumption of fossil fuels to transport visitors from their homes to the point of consumption. This fuel consumption is a major and growing source of greenhouse gases that contribute to global warming. Emitting that gas now has a cost associated with it that is expected to rise both quickly and substantially. While the global contribution of CO₂ emissions associated with aviation may average just 2-3% today, aviation's contribution varies enormously regionally. The City of London recently measured the emissions associated with its five airports and all their incoming and outgoing flights and discovered that aviation's contribution to the city total was closer to 34% and this proportion could double by 2020ⁱⁱⁱ.

Increasingly, Path A is fraught with danger – much of itself inflicted. While tourism has been a success story in aggregate, it's plagued by three core features - perishability, commodification, and homogenization that have kept margins paper thin, ensured an addiction to volume growth and essentially destroyed the very romance and allure of travel that kick started its expansion some sixty years ago. One could argue that built within the fruits of its success are the very seeds own future destruction. I think it's fair to say that 80% of leisure travel has been sold on price and subsidized by business travel. The front of the bus has subsidized the back. But what happens when the front of the bus kicks back? What happens when environmental, financial and social pressures dictate a major reduction in business travel and substitution by electronic means? ^{iv}

Thin margins can only be compensated for by volume growth and expansion. But volume growth generates increasingly visible environmental and social costs at a time when society insists such costs be paid for and at a time when the growth drivers that lifted tourism upwards and forwards are losing their potency.

Then there's the issue of managing success. Let's have another closer look at the rosy projections and stop to think about what they mean --- a doubling of international tourism over the next 12 years; 3.2 billion feet walking under a security screen and through passport control in 2020. Include domestic travel, which is growing even faster than international tourism in the as yet untapped emerging BRIC markets, and think about your experience getting to this conference. Imagine trebling demand; trebling the infrastructure needed to support that demand, trebling the labour force to cater to that demand, trebling the waste generated and trebling the time it takes to get to and from your nearest airport in just one decade? Imagine margins and real return on capital – be it social, financial or

environmental in nature – shrinking year on year during this great expansion. Is this future feasible? Is this future desirable? A minority but growing number of vociferous commentators from the entire spectrum of society no longer thinks so.^v

You see, we're facing a real conundrum – based on our current model, if we don't continue to grow in volume, we can't generate the returns demanded by investors and destination stakeholders. If we do meet these growth targets, we'll incur significantly expanding costs – costs we haven't had to pay until now that are associated with building and maintaining the necessary infrastructure and managing our waste. Over the next decade, every major input, except perhaps telecommunications, will become harder to source and more expensive be it energy, labour, water, other raw materials, food, security, credit, and waste management. All aspects of society will experience this squeeze to varying degrees such that steady, year on year increases in GDP – the primary determinant of tourism's growth – cannot be relied upon.

The truth is, ladies and gentlemen, that Path A never was sustainable and the further down that path we proceed the less sustainable it becomes. Some form of course correction is desperately needed. The question is – will you as captains at the helm of tourism – make those choices or will they be made for you?

So let's look at Path B in which it is assumed that a host of change drivers might converge to undermine the rosy growth projections. On the surface, all looks rosy. Whether you live in London, Vancouver, Bangkok or many cities of the world, the pattern is the same. All around the downtown core, in the air conditioned pathways that link one shopping mall from another, we see evidence of wealth and prosperity. Clearly wealth is being spent there!. But more than just a few blocks away, another reality also exists. Every year that GDP rises, wealth is concentrated in few and fewer hands while those who are being left behind also have the means to view this growing disparity, and many feel increasingly alienated and impotent to change their situation. Despite increases in averages, it is the widening gap between the "haves" and "have nots" that has the potential to undermine the free movement of peoples so necessary for tourism's success.

Furthermore, there is growing evidence that global demand for energy in general and liquid fuels in particular is about to exceed supply and that crude at \$100 a barrel represents the low end of a price curve that could easily treble by 2020. Climate change is but one of several forces that will change the operating environment in many direct and indirect ways. The very recent and dramatic rise in food prices is one example. If climatic patterns continue to shift unpredictably and water shortages and or floods persist, then food scarcities will become more common place and lead to mass migration and serious security and possibly health issues. The impact of such a rise in input costs will inevitably depress disposable income and GDP – the primary determinants of tourism demand. Even in booming emerging markets, the public funds needed to support infrastructure expansion will be competing with projects designed to mitigate and adapt to growing environmental hazards, sustain food production and maintain public health.

The irony is that our global economy has never been so inter-connected and so fragile at the same time. The more connected we are, the more complex our systems and societies become. And with complexity comes more fragility and diminishing returns. In short, the resilience of the system plummets– small events can have very large, pervasive and unforeseen effects. Companies and institutions move from managing risk to coping with mammoth uncertainty. In these circumstances, the focus shifts from growth and business as usual to the development of resilience – the adaptive capacity needed to withstand external shocks. Why should tourism believe it is immune from such realities?

Which brings us to Path C. It's my contention that climate change actually brings both threats and opportunities to tourism. Ironically it provides the single biggest window of opportunity in which tourism can break out of the downward "commodification" spiral; break free from endless boom and bust cycles and loosen the shackles imposed by paper thin margins. The issue now is not growth in volume terms but value and yield. Climate change is making us become more ecologically literate and causing us to assume our responsibility for stewarding and protecting the physical environments and social communities on which we depend. To do that tourism suppliers and their destinations simply have to stop selling themselves short.

I believe that while we've done incredibly well over the past fifty years we've also been selling off our precious jewels at discount prices and there's been no shortage of takers. That has been an easy and a lazy way out. If we want support from a broader social and business community; if we want positive media; if we want to attract the brightest and best graduates from business schools to join our management teams, then we'd better learn to get a lot smarter or be left out in the cold. Climate change has provided us with a sharp stimulus to re-think the rules. We'd be foolish to miss that opportunity not just for our own sake but for that of the planet simply because we lacked the imagination or will.

Actively pursuing a responsible, sustainable agenda will not be a moral choice but a business imperative. Reducing your costs AND finding multiple ways of increasing prices and yield is simply very good business. But to move into this space, the tourism community has to re-shape its entire self concept; develop real confidence, work much harder and smarter. Leadership has to come from the top – from association leaders, from Destination Marketing Organisations and from innovative, visionary CEOs who demonstrate that a high yield vision is the only responsible future. Support will need to be garnered from the public, and from allies in the environmental NGOs that have been perceived as enemies in the past.

Dispelling the Myths of High Yield Tourism

Proponents of higher yield tourism are inevitably accused of elitism and as wanting to deprive developing nations of the benefits that have been enjoyed by developed tourism economies located mostly in the northern hemisphere. Conversely, proponents of "business as usual" in western economies are now positioning tourism as some amazing, philanthropic force that is responsible for spreading wealth from north to south.

There are truths and mistruths in all these generalizations. Let's be more rigorous in our thinking.....

Re-framing growth does not mean less benefit, less foreign exchange, lower profits, fewer jobs and a focus on the richest market segments. It does and should mean lower costs; higher yield; less leakage; more and better paid jobs for local people; less harmful, disruptive boom and bust cycles; more integration with national business/social development and investment strategies, and more satisfied guests who refer, return and stay engaged with their hosts long after their departure. The real question is HOW do we get there? We'll discuss that after we've tackled the issues of net benefit, elitism and growth.

1. **Net Benefit:** Tourism's traditional focus on arrivals, spending and economic impact has diverted attention away from the total environmental and social costs associated with its own activity. For example, the tourism community has not had to pay the economic consequences of community disruption and

migration when large resorts expand in coastal areas and fishermen are forced to move inland; when golf courses use precious water resources and pollute local streams with pesticides and herbicides; when guests take part of the coral reef home as souvenirs etc etc. There is no desire or intent to be emotive here as there is no shortage of well documented accounts of the costs associated with poorly developed tourism^{vi}. But there is an intent and desire to remind ourselves that we have not developed accurate and complete mechanisms for measuring the total and true costs of tourism development. Until we do, we cannot really talk about its economic impact with any credibility. Re-framing growth means ensuring that the revenue growth we aim for and measure in the future is NET of cost. It will be increasingly incumbent upon destinations to develop the tools that can be used locally and nationally to assess net benefit. (Note: if we don't develop and apply these tools internally, you can bet that NGOs and governments will soon pressure us so to do).

2. **Elitism:** The issue of net benefit has, unfortunately, been associated the concept of elitism. So-called "rich" tourists staying at 4-5 star resorts appear to be more desirable on a yield basis than poorer visitors such as backpackers. But until we have data on the total environmental, social and economic cost of supplying a four star resort experience relative to the price charged and, until we address those thorny issues of leakage and externality, we simply will not know which of these two market extremes (luxury versus budget) ultimately generates positive (a community benefit) or negative (a community cost) results for a host destination.

Furthermore, we delude ourselves if we think that international tourism of any kind is anything but an elitist activity. The millions of international leisure tourists, who can afford to travel beyond their own national boundaries and leave their work behind to explore the world while relaxing, already constitute the elite of the world^{vii}. International tourism - be it practiced by student backpackers or millionaires and all income groups in between is, from a global perspective, an elitist activity. I'm all for enabling more people to have the means to explore this exquisite planet we call home and meet a greater variety of the fascinating human family, but believe that the only sustainable way of doing that is to raise living standards - not discount the offering and avoid paying the true costs associated with delivering that offering.

Tourism has never shied away from elitism in the past – you get what you pay for! Five star resorts are very rarely offered at discount prices and I know of no reservation manager who negotiates a room rate based on the would-be guest's ability to pay. It wouldn't be good business!

The irony is that we haven't kept up with what our guests value! At the Responsible Tourism Conference in Kerala held just four weeks before the PATA Summit, we heard countless stories of guests being willing to pay thousands of dollars a night for the opportunity simply to be in a pristine, wild, untouched natural setting without most of the amenities normally associated with luxury^{viii}. Pure wildness is now as precious as a rare diamond. In that context, we need to take a leaf out of de Beers' book – they stockpile and withdraw precious stones from the market when the price falls...In the same situation, the tourism community, by comparison, often panics and promotes yet another special offer!

3. **Positive Growth.** Growth does not have to mean more, it can and should mean better. In nature, growth may be "natural" but no growth continues indefinitely without being checked. Expansion in quantity morphs into development i.e., more complexity, order, and beauty. A caterpillar ends a period of rapid

growth and voracious consumption by falling into a slumber within a cocoon – a process that results in its dissolution and the transformative emergence of a butterfly, an infinitely more complex, capable and beautiful life form than the caterpillar. Children grow and develop from conception, first as pre-birth embryos and then during childhood but there comes a time when, thankfully, growth in size stops and growth in maturity starts. Tourism must obey these natural laws or nature’s necessity for balance will be applied.

“Young” destinations will grow faster than their older counterparts but that does not provide an excuse for irresponsible growth. Ignorance or indifference regarding the environmental and social costs of that growth is no longer acceptable in any destination – young or old. The tourism community *as a whole* must find a way of ensuring that tourism pays the full and true cost associated with its activity and demonstrably minimizes its environmental footprint.

4. **Tourism as a Philanthropic Endeavour.** Many tourism leaders whose traditional mantra has been that business is in the business of business have recently switched their tune to argue that tourism should be allowed to grow unfettered because tourism is a major contributor towards wealth re-distribution between rich and poor countries. Yes, it is true that many less developed countries have now become utterly dependent on tourism as a source of foreign exchange^x. But ownership and investment patterns, plus tourist’s requirements for amenity levels not usually available and associated with these hosts destinations, result in high amounts of economic leakage. There is the potential for tourism to become “a force for good” but only if it is practiced responsibly with high levels of local ownership and control and with attention paid to scale, integration and pace.

What Might SMARTER, High Yield Tourism Look Like?

Within the tourism family, a desire for more responsible, sustainable tourism forms has been expressed more eloquently and stridently than me by many other associations and businesses be they described as responsible, sustainable, eco or even adventure^x. They are often dismissed as well meaning but relatively fringe groups whose meetings rarely attract mainstream corporate participation and sponsorship^{xi}. This has to stop – the two communities have to mix, mingle and help one another. Responsible tourism has to recognize the business case and develop a strong business argument and mainstream tourism must become more responsible.

Re-framing growth is about smarter growth; it means shifting our emphasis from growth as expansion to growth as development and maturity; it means better rather than more; quality rather than quantity. It means paying the true and total cost associated with what we enjoy and value. Since every visitor experience is utterly unique in space and time, it should never be treated as a replaceable commodity. Smart growth will deliver a healthy tourism community whose activities don’t cost the earth but are priced at a level that reflects the value to the customer and the total cost of provision.

Smart tourism will not be viewed as an industry but as a catalyst for change that occurs when participants undertake truly **Sustainable, Meaningful, Actions** that lead to **Responsible Trips**.

SMART growth will require behavioral changes from visitors, host suppliers and host destinations. It will also require greater interaction between practitioners of so-called “mainstream,” industrial tourism and the

community of individuals and agencies actively involved in promoting responsible, sustainable, eco alternatives. This paper is designed to help that meeting because these two groups no longer need to pass like ships in the night. The CEO Summit in Bangkok, for example, showed a growing appetite by the mainstream to develop more responsible practices. CSR now is the “new cool”.^{xii}

SMART Tourism in Action

Hopefully this paper will result in readers saying, OK but what can I do about it? A huge body of work is needed to provide comprehensive and relevant answers to that question. Fortunately, there is no shortage of material – a rich foundation has been dug by unsung labourers who laid the stones long before “corporate responsibility” became fashionable in business circles.^{xiii}

Visitors’ Responsibility

A number of international and local agencies have been developing codes of conduct for visitors but few are actively communicated by the host to the guest^{xiv}. In the context of this paper, SMART actions could include:

1. Slow down, stay longer, experience more, consume less
2. Leave home behind – don’t expect high cost western amenities at the destination; live more like a local; eat local food; eat slowly!
3. Pay the true cost of travel: offset the carbon generated getting to the destination; contribute to environmental stewardship; contribute to the protection of vulnerable vanishing cultural resources
4. Get engaged – don’t view the destination as a scenic backdrop simply to tune out but endeavour to find out more about your hosts and the unique relationship they have developed with their unique geography and history.

Suppliers’ Responsibility

Most of tourism’s ecological footprint is associated with the task of transporting the guest to the point of consumption. According to the UNWTO some, 40% of carbon emissions associated with global tourism are associated with transport. In some resort communities such as Whistler, Canada, that a). rely heavily on international guests; and b). have done much to curb emissions associated with resort operations, the proportion could be as high as 98%.^{xv}

Over the past year, the airline industry has shifted from a highly defensive position to actively engaging in a four-fold strategy designed to significantly reduce its impact. But as significant emissions reductions by aviation will take time, it is incumbent upon the rest of the tourism community to reduce its impact on the ground and undertake the following steps:

1. Move as quickly as possible to carbon neutrality following the ARROW Principle:
 - A**ssess existing use of non-renewable resources and waste (carbon)
 - R**educe generation of greenhouse gases and energy use
 - R**enew and Re-Cycle – switch to renewable energy forms, pursue zero waste programs
 - O**ffset the remaining balance of carbon generated

Win the hearts and minds of customers, employees and investors by committing to become an advocate and practitioner of responsible tourism

2. Wherever possible, source inputs locally from responsible local producers;
3. Conserve water – ensure you only use what nature can replenish;
4. Aim for zero waste
5. Introduce less energy intensive choices to food menus;
6. Encourage, respect and reward employees to act as hosts not servants – help them communicate more effectively about the destination, their home and communities;
7. Develop genuine CSR programs designed to improve the natural and social environment of the local community. Show case these programs to visitors. There are ways that visitors can be made aware of local issues without it impairing their vacation experience;
8. Work with suppliers in your value chain to reduce their footprint;
9. Only increase the size and number of new facilities when it can be done so without adding to the incremental generation of carbon and when the net benefits can be demonstrated to exceed all the environmental and social costs.

Host Destinations' Responsibility

Destinations have traditionally focused on marketing and promoting themselves and many have established Destination Marketing Organizations for this purpose. Governments, advocacy and consumer groups (NGOs) and even investors are going to require that these DMOs develop an ecological literacy and add the concept of "Destination Management" to their list of tasks and skills. It will not be long before destinations are graded not just on how livable or appealing they are but to the extent of their commitment to being SMART! An ability to demonstrate policies and actions that minimize environmental and social cost will become a key attribute of a destination brand.

In this context, there are some key steps that a destination can take to demonstrate a commitment to SMART development, using a variation of the "ARROW" principle applied to the private sector and mentioned earlier..

1. Assess first the carbon and the overall ecological footprint of the destination^{xvi}.
2. Apply an existing series of **binding targets and indicators or develop your own**;
3. Introduce a "**carbon disclosure project**" that requires all tourism businesses that wish to participate in any province funded programs to disclose the carbon they generate and report on steps being taken to reduce that carbon
4. Develop other **policy instruments** that encourage the adoption of measures to:
 - eliminate waste (carbon and other)

- switch to renewable energy sources
 - offset the balance through credible, in-destination programs
5. develop well articulated **business cases** that are sub-sector specific (ie relates to accommodation, transportation, tours, meetings, food & beverage, airlines etc)and that can be used to help persuade suppliers to apply the ARROW principle
 6. develop an active, **well funded industry education program** that develops and delivers very practical tools to advise businesses how to do SMART tourism;
 7. develop or apply a tough, **destination-wide certification program** that involves an independent audit of businesses.
 8. Undertake active **research into and engagement with leading consumers, consumer groups and influencers** that have expressed support for the switch away from industrialized to low impact tourism .
 9. Develop a **visitor education program** that highlights the importance of travelling lightly – spending longer at one place, using public transportation, seeking out locally produced services and products; purchasing offsets.....
 10. Develop a **destination offset program** that can be used by visitors and suppliers alike to offset the carbon reductions they can't make by behavioral change.

CONCLUSION

If the majority of stakeholders in each destination play their part as described above, we would see the emergence of a highly responsible, stable and, most importantly, profitable, sustainable tourism community. Smart growth will deliver:

1. a higher quality of visitor experience and deeper, more lasting levels of visitor satisfaction by appealing to all aspects of the visitor's need: emotional, physical, intellectual and spiritual. Increasingly, sophisticated travelers seek meaning and purpose and are willing to pay for this most precious jewel of experience. They seek less to consume and more to engage. They are butterflies not caterpillars! But they wanted to be treated personally as individual beings (not as consuming machines) who increasingly seek meaning versus satiation.
2. Greater stability and a higher rate of return for the investor/operator and host destination. Smart growth smoothes out the roller coaster ride associated with tourism's boom and bust cycles and, over the long run, can return higher levels of return.
3. Higher rates of return for employees and the communities they live in.
4. Improvements to natural environment not just within the confines of each tourism facility but within the host community.
5. Enrichment and improvements to cultural heritage.

6. A deeper and more meaningful relationship between guest and host.
7. An ability to attract a high caliber of well educated, highly skilled workers at management and executive levels to help oversee the transition to a truly sustainable tourism sector
8. The recognition and respect tourism from the business community and government that tourism has often lacked.

Climate change could be interpreted as a threat to the viability of tourism or simply as a signal for transformation. What causes the caterpillar to cease its voracious chewing and embark on its process of transformation?

All members of the human family are guests of the natural environment and, as such, we should respect the wishes and rules of our host. In the travel and hospitality family, willful and excessive disrespect for the host is just cause for rejection and ejection after polite and increasingly firm warnings. How and whether we respond to the signals being sent to the human family by our environmental hosts will determine not just the future of tourism but the legacy we leave to our descendents.

ⁱ Summary of growth data UNWTO

ⁱⁱ References to pace tourism

ⁱⁱⁱ Reference City of London Carbon strategy

^{iv} Ref corporate reductions in business travel as part of carbon reduction efforts.

^v Consumer concerns – press headlines etc

^{vi} Refer to ICTRT and Kerala

^{vii} Definition of being rich....

^{viii} CGH experience

^{ix} UNWTO statistic – 40 LDCs utterly dependent on tourism

^x List these

^{xi} Kerala versus Bangkok

^{xii} References to growth and evolution of CSR

^{xiii} References to pioneering work: ICRT, Responsible Travel etc.

^{xiv} Responsible tourism – list agencies and sources

^{xv} Reference UNWTO and Joe Kelly's work.

^{xvi} Reference carbon footprinting and ecological footprinting