

Introduction

The travel and tourism industry is one of the biggest and fastest growing industries in the UK. This unit will give you an introduction to the industry, providing a sound basis for further study. You will find out about the nature of the industry, its size and scale, and you will be introduced to the types of organisations that form its structure.

In addition you will investigate the development of the industry and the factors which have affected the growth of travel and tourism.

How you will be assessed

This unit is assessed through an external assessment set by Edexcel. A variety of exercises and activities is provided in this unit to help you develop your understanding of the industry and prepare for the external assessment.

After completing the unit you will achieve the following outcomes:

- * Understand the nature and characteristics of travel and tourism and the travel and tourism industry
- * Understand the development of the travel and tourism industry
- * Explain the structure of the travel and tourism industry
- * Explain the scale of the travel and tourism industry.

1.1 The nature and characteristics of travel and tourism and the travel and tourism industry

What is tourism?

Defining tourism is not a simple matter, as it is a complex industry made up of many different businesses, the common theme being that they provide products and services to tourists. The most usually accepted definition of tourism is that provided by the World Tourism Organisation:

'Tourism comprises the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes.'

This definition includes the word 'staying' and suggests that tourists stay at least one night. However, we must acknowledge that day visitors make a huge contribution to the tourist industry and some regions and organisations choose to include day visitors in statistics. Most UK statistics separate spending and volume of day visitors from overnight tourists.

According to the Department of Culture, Media and Sport, the total value of the tourism and travel sectors in 2002–2003 in the UK was £91.8 billion, most of which comes from domestic rather than overseas visitors.

It is acknowledged by the World Tourism Organisation that tourism is the fastest growing economic sector, bringing foreign exchange earnings to countries and creating jobs. Jobs are not only created directly in tourism but in related industries, for example in construction. Much tourism development occurs in developing countries, bringing economic opportunities to local communities.

Key term

Tourism The World Tourism Organisation provides the most commonly used definition of tourism:

'Tourism comprises the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes.'

Different types of tourism

For the purposes of statistics tourists are categorised as leisure, business or visiting friends and relatives (VFR) travellers. Thus, they are categorised by the purpose of their visit.

Leisure tourists (usually described as leisure travellers in statistics) are travelling for the purpose of leisure so they are likely to be on holiday or taking a short break.

Business tourists are travelling to go to a meeting, conference or event associated with their business. This is an important and growing market in the UK as more resorts and hotels provide conference facilities.

Visiting friends and relatives (VFR) tourists are visiting family or relatives and therefore they are unlikely to spend as much on tourism as they are not using accommodation facilities.

There are some other types of tourism that you should know about.

Incoming tourists or *inbound tourists* are those who visit a country which is not their country of residence for the purposes of tourism. If the tourist comes from France to the UK then they are outbound from France and incoming to the UK. Overseas visitors or incoming tourists to the UK spent about £11.9 billion in 2003.

Domestic tourists are those people who are travelling within their own country for tourism purposes.

We have already noted in the tourism definition that, strictly, people are only tourists if they stay in a place outside their usual environment. This means that people on day trips are not officially tourists, which statistics count as those who stay at least one night in a place. A day-tripper is also known as an excursionist.

Day-trippers spend money in the tourism sector and boost the economy, so it is important to measure the value of their spending. In the UK, this is measured in the Day Visits Survey. Day visits are defined as trips which last three hours or more and which are not taken on a regular basis. Day visitors spent almost £30 billion in 2003, even more than those on overnight stays, so they must be taken note of.

Outgoing tourists are those who leave their own country, in this case the UK, to visit another country. Thus, if you go on summer holiday to France or Spain, you are an outgoing tourist.

Adventure tourists are those who are participating in sports or adventurous activities

whilst on holiday, for example whitewater rafting. It is difficult to measure them statistically as there is no agreement on what actually constitutes 'adventure'. Many tour operators use the term loosely to attract certain types of customer.

Package holiday tourists are those who have booked a 'package' from a tour operator. This will include their holiday accommodation, transport and transfer to resort.

Independent tourists are those people who have arranged all their own transport and accommodation without using travel professionals. This group is increasing as the Internet becomes more widely used.

Skills practice

Study each of the examples below. What kind of tourists are they? Note that the examples might fit into more than one category.

Example	Type of tourist
Janine is taking a holiday in the UK. She lives in France.	
Salim is going on holiday to Brighton. He lives in Loughborough.	
Miguel and Jose are visiting Wales on holiday from Spain. They are going on a hang-gliding course. They booked the course, accommodation and flight with a Spanish tour operator.	
Maria and Ken are going to Spain for a weekend break. They live in Glasgow.	
Marguerite is a doctor. She has to attend a conference in Tenerife.	
The Patel family are going on holiday to Disney in Florida. They booked directly with Thomson in their home town of Swansea.	
Suzie is going to New York for two days and has booked a flight on the British Airways website. She also booked a hotel on the Novotel website.	
Peter goes to visit his sister in Ireland every Christmas.	
Miguel is visiting the UK to attend a language course for two weeks.	

Characteristics of the tourism industry

Types of business

Many of the businesses in tourism are very small. Government figures show that the tourism industry consists of 127,000 businesses and 80 per cent of these have a turnover of less than £250,000 per year. In spite of this, the industry is dominated by a few large companies. They have the greatest market shares and the most influence in shaping the industry. These are companies you will have heard of, such as Thomson, First Choice and Thomas Cook. They are tour operators but also have retail travel businesses with hundreds of outlets. In each sector the same situation occurs. There are thousands of small hotels and bed and breakfasts, but the major hotel groups, such as Holiday Inn and Accor, dominate. In the airline sector, British Airways is still a major player, although it is challenged by some low-cost operators like Ryanair.

Most organisations in the travel and tourism industry are privately owned. These organisations may be huge companies, such as British Airways, or small businesses. They usually aim to make a profit and are commercial companies. When they fail to make a profit over a period of time they are likely to cease trading. All theme parks, restaurants, tour operators and travel agents in the UK are privately owned. There are different types of private ownership, ranging from sole traders to public limited companies. Sole traders are small and run by one person, as the name suggests. A public limited company is listed on the stock market and is owned by its shareholders, who may buy and sell shares as they see fit.

Key term

Public limited company This is a business which is owned by shareholders. Its shares are bought and sold on the London Stock Exchange.

Do not confuse this type of business with one which is 'in the public sector'. It is not the same thing. A business in the public sector is owned and usually financed and run by national or local government.

Use of new technology

Early forms of technology in the travel and tourism industry were systems which linked tour operators to travel agencies via terminals and allowed travel agents to make bookings through the system. These were 'Viewdata' systems. By today's standards, Viewdata is unsophisticated and out-of-date technology, although it is still used.

Meanwhile, airlines developed computer reservation systems (CRS). Airlines started to use computers in the 1950s to store and change the huge amount of information they needed to access. The CRS was used internally by airlines, and agents would use the OAG publication to look up flight times etc., and then telephone the airline to make a booking. Today, travel agencies have direct access to the CRS systems.

Global distribution systems (GDS) were introduced to link up several CRS systems to make them accessible to the travel agent. With the latest of these products, the travel agent can make late availability searches and view brochures and destination information online. The product allows multi-operator searches, a feature which saves considerable time for the travel agent. Information is also available on coach, rail, air and sea travel, and currency conversion. Some global distribution services include fully integrated back office systems. This means that a travel agency's booking and accounting procedures can be automated.

The Internet is growing rapidly as a means of booking our holidays and flights. It is estimated that the British book between 5 per cent and 10 per cent of their holidays and trips on the Internet. In America, this figure is about 30 per cent. The growth in Internet booking for flights can be attributed to the low-cost airlines, which have educated passengers in how to book quickly and easily via the Internet, and offered discounts for doing so. Travel agents and tour operators are also using the Internet to present their products and services and many, but not all, accept bookings online.

Here are some other examples of the use of new technology.

Self check-in at airports Where this service is available, passengers can save time by checking in at a kiosk where they can choose their seat and

print their own boarding pass. From there they can go to a 'fast bag drop' and leave their hold baggage. Passengers without baggage can go straight to the boarding gate.

Online check-in for airlines This is an alternative where passengers can check in without even being at the airport. From home or the office they go online and follow instructions to check in,

choosing their seat and printing their boarding pass. It is not offered by all airlines.

Online brochures Kuoni (a tour operator) has been one of the first to present online brochures, as well as providing traditional ones. The customer can browse the brochure at home online and Kuoni saves money on printing and distributing brochures.

CASE STUDY

Air France

'To enhance customer comfort and security and to assess the impact of new technologies on the fluidity of airport border crossings, Air France is trialling an experimental automated security screening system dubbed PEGASE (Programme d'Expérimentation d'une Gestion Automatisée et Sécurisée). It is based on a **biometric fingerprint identification technology** developed by Sagem and is to be tested on volunteer customers for a six-month period at Paris-Charles de Gaulle airport's Terminal 2F.

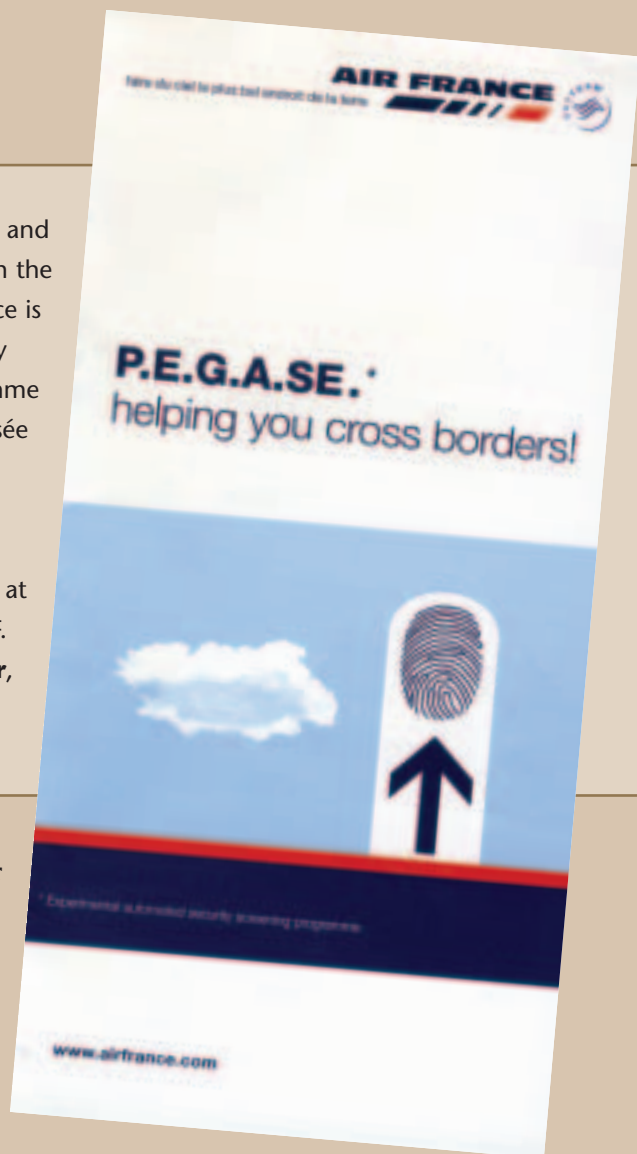
Click on our website **www.airfrance.fr**, section **e-services**, for the exact dates.'

The extract shows information about a border control system trialled by Air France. Participants, who are volunteers at the moment, have prints taken of their index fingers which are filed along with their personal data. When going through immigration control at Charles de Gaulle airport in Paris, a passenger is authenticated by placing their fingers on a scanner.

1 What do you think are the benefits of the system?

2 Are there any drawbacks?

3 Find out more at www.airfrance.fr in the e-services section.



External pressures

Currency fluctuation

Tourism is an invisible export. This means that if tourists spend their money in the UK it brings the same benefit to our economy as if they buy goods in their own country that have been exported from the UK. By the same token, when we travel abroad we spend our money in another country and this equates to buying imported goods of that country in the UK. The government would prefer us to spend our money in our own country and take our holidays here rather than go abroad, so it promotes domestic tourism. It also wishes to encourage more overseas visitors to come to the UK.

The value of one currency against another currency is known as the exchange rate. The value of the pound, or sterling, against another currency affects the cost of coming here for inbound tourists. Our appeal to them will increase when sterling is weak, as they will get more pounds for their money. Conversely, if sterling is strong, overseas visitors get less pounds in exchange for their money and are less likely to want to come here. In recent years sterling has been very strong against the dollar, or the dollar has been weak against sterling – which amounts to the same thing. This has meant that it has been relatively cheap for UK-outbound tourists to visit the United States and more expensive for Americans to come to the UK.

The fluctuation in currency rates can affect tourism in other ways. Tour operators will find that the fees they have agreed with hoteliers and transporters in other countries will increase or decrease in line with currency movements. Fuel prices are similarly affected. These problems can be mitigated by tourism businesses if they 'hedge', that is, agree a price at a fixed rate of exchange for hotels or fuel in advance. This would be done through their banks.

Skills practice

Track sterling against the euro for a month. Imagine you are changing £1000. Draw a graph showing how many euros you would get on each day.

Legislation

The following are some of the legislation which has specifically impacted on travel and tourism.

Development of Tourism Act 1969

This established a British Tourist Authority and tourist boards for England, Scotland and Wales. The British Tourist Authority (BTA) and the English Tourism Council (ETC) have now been merged to form VisitBritain. The Act's aim was to co-ordinate all the organisations that make up the tourism industry and provide it with a single voice.

Transport Acts 1980 and 1985

The 1980 Act ended licensing regulations affecting express coach routes and tours of over 30 miles. It led to competition between National Bus (then a public company) and private companies. The 1985 Act brought about wholesale de-regulation. This meant private companies could operate on any route.

Package Travel, Package Holidays and Package Tours Regulations 1992

As a result of an EC Directive, since 1992 all UK tour operators offering package holidays have been subject to the Package Travel Regulations. The regulations set out the tour operators' responsibilities to their customers and what those customers can do if the regulations are breached. If there is a breach, the customer has a case against the tour operator not each individual supplier.

More recent legislation will impact on the tourism industry in the UK, including changes to licensing laws and bans on smoking in public places.

Think it over ...

What impact will the changes in licensing laws have on tourism?

Climate

Climatic disasters have a devastating impact on destinations and on their tourist industry. Recent examples include the hurricane which hit Grenada badly in 2003 and the tsunami which devastated South East Asia in late 2004. The tsunami resulted

in the deaths of hundreds of thousands of people across twelve countries. Apart from the appalling human toll, the livelihood of the survivors is threatened because of the devastation of the infrastructure and the reluctance of many tourists to return to the area.

Even minor climate change affects tourism. If there is a particularly hot summer in the UK there is usually an increase in domestic tourism and a corresponding decrease in outbound tourism the next year.

Terrorist attacks

The devastating terrorist attacks on New York's World Trade Centre on 11 September 2001 also had an impact on the UK and the worldwide tourism industry, as people were afraid to fly, particularly American tourists. The result was a decline in visitors to Britain and a decline in worldwide travel for leisure and for business.

In October 2002 terrorists bombed a resort in Bali, killing over 200 people. The tourism industry in Bali was ruined at the time and only began to pick up again two years later.

There have also been terrorist bombings in Istanbul, in Kenya and in Madrid in the past few years. Each of these events results in loss of tourism for the area affected, until travellers begin to feel safe to travel to these areas again.

Economic climate

The economic health of a country has an impact on the travel and tourism industry. A country that has a strong economy can afford to invest in tourism, in terms of new infrastructure, supporting the industry through the public sector, and mounting promotional campaigns such as those organised by VisitBritain. However, the strength of the economy will result in a strong currency and therefore, as we saw earlier, impact on the affordability of a destination for visitors.

Impact on host environment

The impacts of travel and tourism on a host environment can be both positive and negative. It is vital to the future of the travel and tourism industry that positive impacts are maximised and negative impacts are minimised. The impacts can be economic, environmental, social and cultural.

Positive economic impacts include:

- * Tourists bring increased income with their spending on travel, accommodation, etc. The government also benefits from increased revenue as it receives taxes from businesses earning revenue from tourism and in VAT from goods and services bought by tourists.
- * Tourism creates jobs both directly and indirectly in related industries.
- * Development may also bring about improved infrastructure which can be used by tourists and local people alike.

The *negative economic impacts* can include:

- * Leakage. This is when economic benefits are lost due to high imports of goods and services used in tourism, for example if food and drink for hotels are imported rather than bought locally. Similarly, if materials and workers for construction projects are imported, then the local economy does not benefit as it would if local materials and workers were used.

Key term

Leakage This is the term used for the amounts of taxes, the money spent on imports, wages paid outside the region and company profits, subtracted from direct tourism expenditure in an area.

- * Economic distortion can occur when one region of a country is highly developed for tourism while other areas have no development.

The *positive environmental impacts* include:

- * The conservation and preservation of historic sites and properties.
- * National parks and other conservation bodies providing information and education for tourists to increase their environmental awareness.
- * The regeneration of the environment. Both the built and natural environment benefit from upgrading and regeneration when a tourist opportunity is uncovered by local and national government.

The *negative environmental impacts* include:

- * Traffic congestion where there is a high concentration of popular tourist attractions, for example the Lake District.
- * Pollution from noise and petrol fumes, for example jet skis and motor boats in coastal resorts. Pollution may disturb or destroy the normal activities or habitats of wildlife, as in the case of marine life in coastal areas.
- * The influx of tourists pressuring scarce resources. An example is the use of water, which is a scarce resource in many places, which is made worse where there are tourists, who tend to use more water than local people. In locations with golf courses and gardens even more water is used.

The *positive social impacts* include:

- * The introduction of community facilities and services, primarily to cater for tourists, but which are also of benefit to locals, in time. For example, where sport and leisure facilities are introduced to cater for tourists, the standard of living for the host community may generally improve.
- * The education and training of local people to enable them to take up jobs in tourism.

The *negative social impacts* include:

- * Conflict between tourists and the host community may occur. Tourists sometimes cause irritation and offence by failing to respect the customs and traditions of the host country. Also, the host population may resent the perceived wealth of the incoming tourists.
- * When tourism is regionalised in a country people may leave their homes and communities to take up jobs in tourism. This is known as displacement.

The *positive cultural impacts* include:

- * Reinforcement of cultural identity if visitors are interested in the host culture.
- * Traditional customs and crafts can be sustained by tourist interest and purchase of local goods.

The *negative cultural impacts* include:

- * Changes in cultural tradition when traditional events and dances are degraded through use as entertainment for tourists.

- * Destinations can lose some of their cultural identity as tourists demand products and services they are accustomed to at home, for example the insistence on having a English breakfast every morning and drinking in 'British pubs'.

Skills practice

Choose three organisations, one from each of the following categories:

- Tour operator or travel agency
- Transport principal or accommodation provider
- Public sector organisation such as Visit Britain.

Carry out research into your chosen organisations and find out the following:

- Ownership of the organisation
- Use of new technology by the organisation
- External pressures currently affecting the organisation
- Impact of the organisation on the environment.

Present your findings in a comparative report.

1.2 The development of the travel and tourism industry

Key stages in the development of the travel and tourism industry

Early tourism

In ancient times people travelled for the purpose of war, religious pilgrimage and trading. From the third century the ancient Greeks, for example, travelled to visit the sites of their gods and to visit the temples and the Parthenon in Athens.

During the Roman Empire, citizens of Rome travelled freely to those countries their armies had conquered, using their own currency and not having to worry about border restrictions. The Romans built long straight roads along which their armies could march and goods could be

transported. In countries they conquered, the Romans established trade and created leisure facilities such as spas – the most famous example in this country is the Roman spa in Bath. Those who could afford to travel to newly conquered countries and to visit their friends and relatives. With the fall of the Roman Empire around 400AD, and for a period after, only the most adventurous or those involved in international trade travelled abroad. In the Middle Ages people seldom travelled, apart from going on pilgrimage, however there were holidays, or rather ‘holy’ days. These were days on which a religious festival was celebrated. Many of the UK’s traditional fairs can be traced to this period.

CASE STUDY

Nottingham Goose Fair

The Goose Fair was first mentioned in the Nottingham Borough Records of 1541. There, in the Chamberlain’s accounts, is a reference to an allowance of 1s 10d for 22 stalls taken by the city’s two sheriffs on Goose Fair Day. No one knows for how many centuries the fair existed before these references were made. The Charter of King Edward I, the first charter to refer to the city fairs, makes it clear that a fair on the Feast of St Matthew was already established in Nottingham in 1284. It is possible this occasion has come down through the ages to be today’s Goose Fair, particularly as, until 1752, it was always held on St Matthew’s Day (21 September). On that day there was worship at what was then the tiny church of St Mary.

- 1 **Use the Internet to find out when the Nottingham Goose Fair is held. Find out what happens at the Fair.**
- 2 **Research the history of local fairs in your own area. Do they have religious origins? Present your findings visually with explanatory notes. You could produce a poster or a leaflet.**

During the Middle Ages most transport was by foot or on horseback, though some people could afford a wagon. In the early 1600s the sprung coach was introduced. This was more comfortable but could only be afforded by the very rich. In the early seventeenth century wealthy young men were travelling across Europe on the Grand Tour, spending as long as a year visiting the capitals of Europe, as part of their education. Another development in travel at this time was the taking of ‘a cure’ by the wealthy, who visited the various spa towns to take the waters, which were reputed to provide a cure for a range of ailments. These resorts became very popular, and there are still spas today at Buxton, Bath and Harrogate. By 1815, tarmac had been developed for use as a road surface, which led to further developments in the road system in the UK and to an increase in the movement of people and vehicles.

The development of the railways increased the opportunity for travel. With the opening of the first rail services in 1825, people could travel longer distances for excursions to the seaside, for example. Steamships increased sea travel, particularly between England and France on the Dover–Calais route. People had a strong desire for travel to escape the dreary working and living conditions of the factories and towns that emerged during the industrial revolution of the nineteenth century. The development of transport made this possible. However, whatever holidays factory workers took, they were not paid during them. Paid holidays were not introduced until 1938.

Twentieth and twenty-first century developments

- | | |
|----------------|-------------------------------------------------------------------------------------------------------|
| 1908 | Ford introduced the motor car |
| 1919 | Commercial air services began |
| 1936 | First Butlins holiday camp opened |
| 1938 | Holidays with Pay Act |
| 1939–45 | Second World War |
| 1949 | First package tour was organised by Vladimir Raitz – to Corsica with 32 passengers on a DC3 aeroplane |
| 1949 | First British fully jet-powered passenger aircraft – the de Havilland Comet |

1954	de Havilland air service suspended after two early models crashed
1954	Boeing 707 passenger aircraft introduced
1959	Boeing 707 goes into commercial service
1963	Boeing 727 introduced
1969	Boeing 747 Jumbo jet introduced, capable of seating 500 passengers
1969	Development of Tourism Act established tourist boards in the UK
1976	Collaboration between Air France and British Airways produced Concorde
1979	Exchange control restrictions lifted, allowing holidaymakers to take more money out of the country
1986	Anglo-French Channel Tunnel Treaty signed
1993	Deregulation of European skies allowed low-cost airlines to develop
1994	Channel Tunnel opened
2001	First non-stop flight around the world without refuelling
2003	Concorde taken out of service
2004	EU accession – now 25 states
2005	Introduction of the Airbus A380, capable of carrying up to 800 passengers

Think it over ...

After the Second World War the commercial aviation industry in the UK quickly expanded. Wartime pilots were available to fly commercial airlines and the technological advances made during the war were being applied to commercial services. What effect do you think these developments in the aviation industry had on the travel and tourism industry after the Second World War?

Key term

Deregulation of European skies With deregulation of the air travel industry, the airlines of the European Union could establish themselves in any member state and obtain an operating licence. All routes within the EU are available to all EU carriers.

Think it over ...

The Channel Tunnel opened in 1994. Its original budget was £4.8 billion, but its final cost exceeded £10 billion. Do you think the cost was worth it in terms of the impact the Channel Tunnel has had on travel and tourism between the UK and Europe?

Skills practice

Choose three of the developments illustrated in the timeline. Research them in more depth. Then produce a set of notes explaining the development and impact on travel and tourism at the time, and the residual effect today.

Factors leading to the growth of the UK tourism industry

Motivating factors

Why do people travel? One view is that there are two basic reasons for travel: 'wanderlust' and 'sunlust'. Many young people have the desire to travel and see other cultures and experience how other people live; this is wanderlust. Other people want to go somewhere warm and escape from our climate for a while; this is sunlust.

There are other motivating factors. These include:

- * Relaxation
- * Escape from a boring job/family/home
- * Socialisation with friends – e.g. hen/stag parties
- * Rest
- * Prestige.

These motivating factors have not really changed over the years. However, the ways we are able to indulge them have changed, as *enabling* factors have changed.

Think it over ...

What were your motivating factors last time you went on holiday? Discuss them with a colleague.

Enabling factors

You might have motivators for wanting to go on holiday, but there are reasons why you cannot go. The obvious ones are time and money. If you can't afford it you can't go. Having enough money and time are examples of *enabling* factors.

Other enabling factors include:

- * Availability of travel – e.g. flights to different locations, the Channel Tunnel, low-cost flights
- * Suitable products – e.g. a range of different holidays
- * Owning a car – to travel more easily
- * Marketing of a destination – bringing it to your attention
- * Ease of booking.

These enabling factors allow us to act on our motivators. You will find more examples of enabling factors throughout this section as we investigate changes in consumer needs and in society.

Socio-economic changes

Car ownership and use

Figure 1.1 shows the car use figures in the UK from 1992/1994 to 2003.

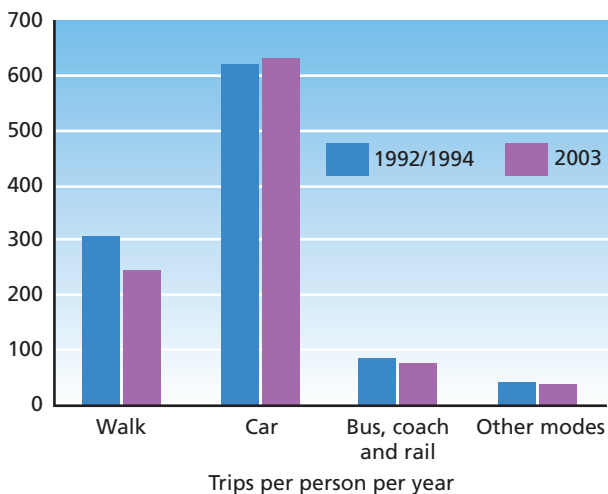


Figure 1.1 Car use in the UK, 1992/1994–2003

Car ownership in the UK has increased considerably in recent decades: today it is not uncommon for a household to own two or more cars. Only 27 per cent of households in the UK did

not have access to a car in 2003, compared with 33 per cent 10 years previously.

Car ownership has a strong impact on travel and tourism. The car is used to drive to domestic destinations and to drive to airports to pick up flights abroad. The Channel Tunnel and car ferries allow outbound tourists to use their cars for travelling to destinations in Europe.

Income

The UK economy is one of the strongest in Europe, levels of disposable income and consumer credit are rising and expenditure on leisure is growing at around 6 per cent.

Key term

Disposable income This is the income you have left after tax, national insurance and pension contributions are deducted from pay.

As a nation we are wealthier now than we have ever been, and have higher expectations of travel and tourism. Most people today will have travelled abroad and expect to take at least one holiday a year. We are also better educated than ever before, leading to increased personal income. The more educated we are the more we are aware of the world and its possibilities; we are curious about different cultures and languages and keen to experience them. As we live in a multicultural society and are more familiar with different religions, foods and cultures, we are less anxious about travelling to new places.

The grey market

One of the most important markets in travel and tourism is the 'grey' market. This is made up of older people who are fit and healthy, have plenty of time and available funds, and want to travel. Having contributed to private pension schemes over their working years has given many older people a good income in retirement.

Technological factors

We have already discussed the use of technology in the travel and tourism industry (see pages 4–5). The main impact of new technology on consumers has been the Internet, which has given people the opportunity to be more independent and make

their own travel and holiday plans and arrangements. The long-term effects of these developments on the industry are yet to be seen.

Technological developments have also led to new transport products, some examples of which are given in the next section.

Product development and innovation

Holiday products are developed to meet changing consumer needs and expectations. The demand for shorter, more frequent holidays, for example, has led to city-break products. The more aware consumers become about the dangers of sunbathing on a beach holiday, the greater the demand for activity or adventure holidays. Those seeking safety and reasonable cost, can choose an all-inclusive holiday.

The 'spa' holiday is another area of growth. Activities such as yoga are included and guests have massage and treatments included in the price of the holiday. Many hotels are now described as 'spa hotels'.

The increase in car ownership led to more people choosing to drive to their destination rather than take a train or a coach. It also led to a demand for car use on holidays, given that people are accustomed to the convenience of using cars in their daily lives, so why not on holiday. This led to huge growth in the car-hire industry, which became international. In response, tour operators developed 'fly-drive' holidays to give customers flexibility.

Developments in the commercial aviation industry have led to larger planes carrying more passengers to destinations around the world. The latest is the Airbus A380, which was introduced in 2005, though at present it has still to make its first commercial flight. It can seat between 555 and 800 passengers and will provide a range of facilities, including jacuzzis!

High-speed train routes, such as France's extensive TGV network, have helped maintain the



The Airbus A380

success of the railways in some countries. The TGV is operated by SNCF, the French nationally-owned and subsidised rail company, and travels at speeds of over 300 km/hour (186 mph).

The European high-speed rail network has been extended, with TGV services now running direct from Paris, the Channel Tunnel and Brussels to German destinations. The Belgian high-speed trains are known as Thalys. Remember, enabling trains to travel at these high speeds involves substantial investment in suitable new tracks.

Changing consumer needs and expectations

Changes in consumer needs and the developments in travel and tourism are inextricably intertwined. The more products consumers demand the more pressure there is on tourism professionals to make them available. The more products and destinations on offer, the more consumers expect, and the quicker they tire of the old and search for the new.

Technological advances in transport and communication have made the world more accessible to more people, and aroused the desire to experience more of it. Greater incomes in the western world and increased leisure time contribute to demand. As other countries develop, the desire for travel and tourism grows among their people. China and Eastern Europe are examples of the development of the freedom and means to travel not available even ten years ago.

Skills practice

- 1 Try to remember the holidays you have been on. List them. Then, note the types of activities you did while on those holidays.
- 2 Now, talk to two older people, one much older, such as a grandparent, and one of middle age, such as a parent. Interview these two people and make notes on their holiday experiences up until they were the same age as you are now. Some of the questions you may ask are:
 - Did you have holidays and day trips?
 - Where to?
 - How did you travel?
 - Who did you go with?
 - Where did you stay?
 - How many holidays a year did you have?
 - What did you do on holiday?
- 3 Make a chart or poster comparing the three sets of experience.

1.3 The structure of the UK travel and tourism industry

In this section we will examine the different sectors that make up the travel and tourism industry. You will carry out research to find out about key organisations in each sector, what their products and services are, and you will describe their objectives and values.

We will examine the function of each sector and its roles and responsibilities. You will develop an understanding of the interrelationships and interdependencies within the industry and how horizontal and vertical integration apply in the industry.

Transport

The function of the transport sector is summarised in this quote from Sir Michael Bishop, chairman of bmi: 'Transport is the backbone of a sustainable economy; it brings people together, facilitates trade and sustains tourism.'



Figure 1.2 Sectors of the travel and tourism industry

Principals in the transport sector include airlines and airports, ferry and cruise companies, car-hire businesses, coach operators, Network Rail and train-operating companies. Each of them has a role to play in the travel and tourism industry.

Air travel

Airports

The British Airports Authority (BAA) is the major organisation in airport ownership in the UK. It owns:

- * London Heathrow
- * London Gatwick
- * London Stansted
- * Glasgow
- * Edinburgh
- * Aberdeen
- * Southampton.

BAA also has management contracts or stakes in ten other airports outside the UK, plus retail management contracts at two airports in the USA. Nearly 200 million passengers travel through BAA airports every year. Other major UK airports are Birmingham, Manchester and London Luton, all owned by different consortia.

Manchester airport is in public ownership, whereas BAA is a public limited company and therefore in the private sector. Manchester airport is part of the Manchester Airports Group Plc (MAG), which is the second largest airport operator in the UK and comprises the airports of Manchester, Nottingham East Midlands, Bournemouth and Humberside.

MAG is wholly owned by the ten local authorities of Greater Manchester:

- * The Council of the City of Manchester – 55%
- * The Borough Council of Bolton – 5%
- * The Borough Council of Bury – 5%
- * The Oldham Borough Council – 5%
- * The Rochdale Borough Council – 5%
- * The Council of the City of Salford – 5%
- * The Metropolitan Borough Council of Stockport – 5%
- * The Tameside Metropolitan Borough Council – 5%
- * The Trafford Borough Council – 5%
- * The Wigan Borough Council – 5%

Think it over ...

What difference do you think public or private sector ownership makes to the running of an airport? Think about the impact on airlines, passengers and the local community.

Running an airport is a complex, lucrative operation. An airport provides products and services to various groups of people and businesses:

- * Airlines are provided with the infrastructure and services to operate their flights
- * Customers are provided with facilities, such as restaurants, toilets and shops
- * Other businesses get a location in which to operate their business, for example car hire, retailing, ground handling.

An airport receives revenue from all these sources but also has to work at keeping all its groups of customers happy.

CASE STUDY

Ambitious Kent airport expansion outlined

Plans have been unveiled to expand a little used UK airport to handle two million passengers a year by 2014.

Lydd airport in Kent (renamed London Ashford airport) – part of a Middle East-based company, FAL Holdings – plans a new terminal and extended runway to handle flights to European and North African holiday destinations.

The owner of Lydd airport expects to create up to 4000 jobs on its Romney Marsh location in nine years time if the plans receive official approval. A 75-room hotel is part of the planned expansion.

More than £7 million has been spent on improving the existing runway and infrastructure, including a 13-acre aircraft parking apron and a VIP terminal for executive jet users.

The airport owners believe Lydd would provide an ‘environmentally friendly’ solution to runway and airspace congestion in the south-east of England.

The company claims that air travellers in Kent, Surrey and Sussex are being forced to drive north to Luton or Stansted due to constraints at Heathrow and Gatwick, resulting in added vehicle emissions and environmental pollution.

Chief consultant Jonathan Gordon said: ‘The problem is that Gatwick is now at the limit of its runway capacity and with the dominance of scheduled services, it no longer offers room to grow for the leisure sector.

‘Lydd is the closest UK airport to the popular European and North African holiday destinations and we are currently developing excellent facilities for the leisure sector.’

Source: Report by Phil Davies www.travelmole.com
30 June 2005

- 1 What is the relationship between FAL Holdings and Lydd (London Ashford) airport?
- 2 Do research and find out more about FAL Holdings.
- 3 What kind of arguments could be made against the expansion?

Airlines

British Airways, one of the world's most famous airlines, is the largest airline in the UK and the second-largest international airline. It flies to more than 200 destinations around the world. In the year to March 2004, more than 36 million people chose to fly with the airline. British Airways' main bases are at the London airports of Heathrow and Gatwick. The airline's products include four different types of cabin service, ranging from economy to Club World. It is owned entirely by private investors. It also fully owns subsidiaries such as British Airways CitiExpress.

Skills practice

Find out what products and services are available to British Airways customers. Compare the economy service with Club World and make a table charting your comparison. This information is available at www.ba.com

All UK airlines are privately owned. Other major UK airlines include British Midland and Virgin Atlantic, which are scheduled airlines. The UK also has many charter airlines, such as Monarch and Britannia Airways. Hundreds of other airlines from all over the world fly in and out of UK airports, paying for the services they use.

Key terms

Scheduled airline service These run to a regular timetable that is changed only for the winter and summer season. They must depart on schedule even if not all the seats are booked.

Charter airline service These are usually contracted for a specific holiday season and run to a timetable set by the operator. For example, each major tour operator will need seats for its summer passengers flying to the Mediterranean. They fill every seat on the contracted aircraft and each seat forms part of the holiday package.

The distinction between scheduled and charter services is becoming less clear as airlines move into different markets. For example, major tour operators often own their own charter airlines and some have ventured into the low-cost (scheduled) market. An example is My Travel, a tour operator which has two airlines, My Travel and My Travelite. Similarly, Monarch, also a charter operator, has begun scheduled services.

Low-cost airlines The principle behind the operation of a low-cost airline is to keep costs as low as possible with few or no 'extras' offered to the customer without extra charge. In this way the low-cost operators are able to offer very cheap fares. They practise a system known as 'yield management', which means that bookings are constantly monitored and prices adjusted accordingly. This means that in periods of high demand, such as school holidays or weekends, prices will be higher, and can be more expensive than traditional airlines.

One of the most successful low-cost airlines is Irish-based Ryanair, which reported net profits of 268 million euros in 2005. The low-cost airlines are scheduled airlines. They follow a business model where costs are kept as low as possible and any 'extra' services are charged to the passenger.

Airport charges These charges are paid per passenger and vary depending on who owns the airport and the deal negotiated by the airline. Low-cost airlines often fly to regional airports because of lower charges.

Aircraft Low-cost airlines usually have a fleet of aircraft, all of the same type, often Boeing 737s. This gives flexibility as the planes can be moved to any route as needed; it also means that maintenance is simpler.

There is no business class on a low-cost flight, which means more seats can be added to the plane. Ryanair's new planes do not have reclining seats or pockets for magazines, which enable it to make further savings.

Advertising The airlines rely on heavy newspaper advertising, which is costly, however they do carry advertising for other companies on their websites and on their seatback covers, giving an extra source of revenue.

Ancillary services The airlines charge the customer – and steeply – for food, drink, paying by credit card, and even lottery tickets on board some flights. The airlines also sell hotel rooms, car hire and insurance for commission.

Skills practice

Visit the website of a low-cost airline and find out what products and services are on offer at an extra charge. Try to determine which products bring direct revenue to the airline and which pay a commission.

Support services for the airline sector

The Civil Aviation Authority (CAA) regulates the UK aviation sector. The CAA is an independent statutory body; its responsibilities are outlined below:

- * It ensures that UK civil aviation standards are set and achieved
- * It regulates airlines, airports and national air traffic services economic activities and encourages a diverse and competitive industry
- * It manages the UK's principal travel protection scheme, the Air Travel Organisers' Licensing (ATOL) scheme, licenses UK airlines and manages consumer issues
- * It brings civil and military interests together to ensure that the airspace needs of all users are met as equitably as possible.

The CAA also advises the government on aviation issues. It receives no government funding but is funded by the charges it makes for its services.

The Air Transport Users Council (AUC) is the UK's consumer council for air travellers and receives its funding from the CAA. It acts as the independent representative of air passengers and aims to complement and assist the CAA in its duties to further the reasonable interests of passengers.

National Air Traffic Services (NATS) is the organisation responsible for air traffic control. It is a public/private partnership owned by the government, a consortium of seven airlines, and NATS staff. It looks after UK airspace and the eastern part of the North Atlantic. NATS handles more than two million flights a year, carrying over 180 million passengers.

The major air traffic control centres are at Swanwick in Hampshire, West Drayton in

Middlesex and Prestwick in Scotland. There are also air traffic control services at the country's major airports.

Sea travel

Ferry travel

The main mode of transport to the continent is traditionally by sea travel across the English Channel. When the Channel Tunnel opened in 1993 it was expected that ferry services across the Channel would be threatened. The tunnel did take about 50 per cent of the market, but passenger ferries have also been severely hit by low-cost airlines offering cheap fares to Europe. It is often cheaper to fly and drive rather than take your own car. In 1997, 21 million passengers passed through Dover, which is the busiest port in Britain. By 2003 numbers had declined to less than 15 million. However, the ferry companies work hard to remain competitive on price and many passengers prefer the sea trip to the tunnel.

DOVER FERRY PASSENGERS	
1990	15,532,585
1991	15,989,318
1992	17,941,400
1993	18,458,557
1994	19,123,743
1995	17,872,712
1996	18,979,719
1997	21,463,570
1998	19,441,608
1999	18,276,988
2000	16,232,191
2001	16,002,464
2002	16,442,680
2003	14,681,003
2004	14,333,633

Source: Dover Harbour Board

Figure 1.3 Dover ferry passenger numbers, 2004

Skills practice

Here you will participate in a class discussion. The topic is whether the Channel Tunnel encourages more tourists to come to the UK or more UK tourists to go abroad.

Points to consider:

- Statistics for use of the tunnel (Eurostar and the Shuttle)
- Whether the tunnel creates new business
- Competition with air and sea routes
- Services and facilities built up around the terminals.

The Channel Tunnel and low-cost flights are not the only competition faced by the ferry operators, there are also high-speed catamarans operated by newcomer SpeedFerries, which is offering low fares to attract customers.

Other operators in the Channel include Hoverspeed, Norfolk Line and Trans Europa, which sails from Ramsgate to Ostend. Brittany ferries operate on longer routes to France and Spain, for example Poole to Cherbourg, Plymouth to Santander and Portsmouth to Caen, St Malo or Cherbourg.

CASE STUDY

Ferry travel

Not all ferry travel is across the Channel. Here are some examples of other important routes:

- | | |
|-----------------------------|-----------------|
| • Stranraer to Belfast | } Stena Line |
| • Fleetwood to Larne | |
| • Fishguard to Rosslare | |
| • Holyhead to Dublin Port | |
| • Holyhead to Dun Laoghaire | |
| • Hull to Zeebrugge | } P&O Ferries |
| • Hull to Rotterdam | |
| • Holyhead to Dublin | } Irish Ferries |
| • Pembroke to Rosslare | |

- 1 Check all these ports on a map and make sure you know the location and the country.
- 2 Choose one route and produce an information sheet detailing the services provided and extra products available on that route. A ferry brochure will help you.

In the event of business failure, the Passenger Shipping Association provides financial protection to the customers of some tour operators who offer cruise and ferry-based holidays.

The cruise market

The cruise sector has enjoyed steady growth over the past decade or more. The growth is accounted for by greater demand for cruises, but also by increase in capacity. Many new ships, including the *Queen Mary 2*, were launched in 2003–2004, five are set for delivery in 2005, and many more are scheduled for delivery in 2006. There were 1.14 million people from this country who went on a cruise in 2004, an increase of 8 per cent on 2003. Cruise companies are doing their utmost to reach new markets, such as families and younger people, rather than just the older groups who traditionally take cruises.

Most cruises take place on the sea and most passengers from the UK take fly-cruises. This means they fly to their cruising starting point rather than start at the UK coast. The Mediterranean and the Caribbean are very popular cruise destinations. Those looking for a difference might take a cruise to a colder place, such as the Arctic, to experience the beautiful scenery and the wildlife.

Not all cruises take place in the sea. River cruises are also growing in popularity and the destinations include rivers such as the Rhine, Moselle, Danube and the Nile.

Major cruise companies are P & O, Cunard, Royal Caribbean and Princess Cruises.

Skills practice

Got to a local travel agent and choose a cruise brochure. Go through the brochure and outline all the facilities and services included in the price of the cruise.

Road travel

The private car dominates road travel, and most domestic holidays and day trips in the UK are taken by car. In addition, many people choose to hire a car when abroad, which has led to the growth of the car-hire sector.

Car hire

Major car-hire groups in the UK include Hertz, Avis and Europcar. All have international operations. Their products and services have become very sophisticated, making car hire very easy and convenient for customers. They offer the following:

- * Online or telephone pre-booking
- * Airport pick-up or drop-off
- * Wide range of choice of vehicles
- * All insurances included in fixed prices
- * One-way rentals – i.e. you don't have to return the car to the same pick-up point.

One of the largest companies in car hire is Holiday Autos, which claims to be the world's largest car rental service with access to over 750,000 cars worldwide. Holiday Autos is part of the Lastminute.com group.

Coaches

Coach operators have adapted their products to meet consumers' changing needs and coaches today are very luxurious. Fly/coach holidays are offered so that customers do not have a lengthy initial journey, but have the benefits of coach travel for touring, as on tours in California, for example.

Rail travel

Network Rail owns and operates the national rail network in the UK. Its role is to maintain the infrastructure and renew tracks as necessary. In addition, there are train operating companies (TOCs) who lease trains from rolling stock companies. There are 25 train operating companies in the UK and they compete for franchises to run each service.

The Strategic Rail Authority issues the franchises. This body also monitors the train operating companies to make sure the interests of rail passengers are protected. They are able to fine the TOCs if they fail to meet agreed standards. The TOCs are commercial companies and aim to make a profit but they do receive government grants. Examples of TOCs are Virgin Trains and Central Trains. The National Express Group, a British-owned transport group, owns Central Trains.

Other important aspects of the rail system are the London Underground, Docklands Light Rail and Eurostar.

Eurostar is the passenger train service for the Channel Tunnel. It operates from London Waterloo and Ashford in Kent to Paris, Lille and Brussels. Eurostar is owned by London and Continental Railways and run by a management company.

Skills practice

- 1 Visit the website of Network Rail at www.networkrail.co.uk. Make notes on the following. Ensure that the notes are in your own words.
 - Company objectives
 - Company ownership
 - Summary of services.
- 2 Choose a train operating company and research:
 - Its role and responsibilities
 - Its products and services
 - Its relationship with Network Rail.
- 3 Analyse the interrelationship between the two companies.
- 4 Produce your findings as a short report or information sheet.

Tour operators

The role of tour operators is to put together all the different components that make up a holiday and sell them as packages to the consumer. They make contracts with hoteliers, airlines and other transport companies to put the package together. All the holiday details are incorporated into a brochure which is distributed either to travel agents or directly to customers. There are three main types of tour operators catering for the different types of tourism:

- * Outbound
- * Inbound
- * Domestic.

Four major tour operators dominate the outbound market. These are often referred to as the 'Big Four': TUI, My Travel, First Choice and Thomas

Cook. TUI UK is the UK's largest holiday company and includes the leading UK brands of Thomson Holidays. Thomson Holidays has its head office in London and about 3000 people are employed, although most of them work overseas in resorts. The parent company, World of TUI, is the largest travel group in the world.

MyTravel is a major player in the market for air-inclusive holidays and other leisure travel services. It also has travel agents, hotels and airlines in its group.

First Choice has a major travel agent in its portfolio and an airline. It offers destinations such as Majorca, Menorca, the Canaries, Spain, Turkey, Greece and the Caribbean. Snow destinations include France, Austria, Italy, Andorra, Bulgaria and Switzerland.

German-owned Thomas Cook also has travel agencies, airlines and hotels, as well as tour operator brands, including JMC, Thomas Cook Holidays, and Club 18–30.

These companies produce an astonishing range of different holidays, packaged in brochures according to type of holiday or type of customer. As the tour operators use many different brands it is not always evident to the customer which tour operator group they are booking with.

There are many other tour operators in the market, some specialising in particular destinations, for example Simply Spain, or in a product, for example diving holidays.

Cosmos is the UK's largest independent tour operator and part of the Globus group of companies, a family-run organisation established in 1928, which encompasses Cosmos Tourama, Avro, Monarch Airlines and Archers Direct, along with Cosmos.

Key term

Air Travel Organisers' Licensing (ATOL) The ATOL protects air travellers and package holidaymakers from losing money or being stranded abroad if air travel firms go out of business. When a tourist books a holiday the cost of the financial protection is included in the price. Any package firm that includes a flight should by law hold a licence. ATOL is managed by the Civil Aviation Authority.

Inbound tour operators

Inbound tour operators cater for the needs of overseas visitors to the UK. An example is British Tours Ltd, which claims to be the longest established inbound operator. It offers tours for different sizes of groups and has a wide variety of products, including a Harry Potter tour. The tours are available in many languages.

Domestic tour operators

Domestic tour operators package holidays in the UK for UK residents. Some of them are coach companies who place advertisements in the local newspapers. Like outbound operators, they offer beach, city, touring and special interest holidays.

Support services for tour operators

UK Inbound is the trade body which represents tour operators and tourism suppliers to the UK. It was founded in 1977 to represent the commercial and political interests of incoming tour operators and suppliers to the British inbound tourism industry. It is a non-profit-making body governed by an elected council and funded by subscriptions from its members and from revenue-generating activities.

The Association of Independent Tour Operators (AITO) is an organisation which represents about 160 of Britain's specialist tour operators. AITO members are independent companies, most of them owner-managed, specialising in particular destinations or types of holiday.

The Federation of Tour Operators (FTO) is an organisation for outbound tour operators. It aims to ensure the long-term success of the air-inclusive holiday by influencing governments and opinion formers on the benefits to consumers of air-inclusive holidays compared to other types of holiday. Members pay an annual subscription based on the size of their organisation. All current members are also members of the Association of British Travel Agents (ABTA) and the two organisations work very closely together. In fact, it is likely that the two organisations will merge eventually.

Travel agents

The role of travel agents is to give advice and information and sell and administer bookings for a number of tour operators. They also sell flights, ferry bookings, car hire, insurance and accommodation as separate products. Thus, they are distributors of products. Many have a bureau de change. Increasingly, travel agents also do a little tour operating, for example putting together a holiday for a group. This is known as 'tailor-making' holidays. Some industry professionals believe that the role of the travel agent is in decline as many people are booking their own holidays and travel on the Internet or by telephone directly to tour operators.

Think it over ...

Last time you or your family went away on holiday, did you use a travel agent? Did you go on a package holiday? If so, why? If not, why not? Discuss the advantages and disadvantages of package holidays and making independent arrangements. Draw on your own experience where possible.

Types of travel agent

It is estimated that there are about 6500 travel agency shops, ranging in size from the multiples, with several hundred outlets each, to the individual shop. Most travel agents are part of a *multiple* chain. Examples you will be familiar with are Thomas Cook, Thomson and Going Places. These particular chains are linked to tour operators and may try to prioritise their own company's products. There has been a slight reduction in the number of branches of multiple chains in the last few years as customers choose to buy travel and tourism products through other means.

Miniples are small chains of travel agents, covering a region of the country.

Independent travel agents are usually run by their owner and a small team. There may be only one or two outlets. There are also independent chains. An example is Travelcare, which is the UK's largest independent travel chain with branches nationwide and sales in excess of £430 million per year. This company is part of the Co-operative group.

Implants are located within another business. They set up office within a company so that they are on hand to deal with the travel requirements of the company personnel.

Business travel agents specialise in the business market.

The Association of British Travel Agents is the body representing this sector. It also has tour operators as members.

CASE STUDY

ABTA in annual decline

The number of ABTA agencies has decreased by 100 every year since 1991 and this year will be no exception, according to ABTA chief executive Ian Reynolds.

He told delegates at the Abtech conference in London that there were 2800 agency members in 1991, compared with only 1500 this year. Reynolds attributed part of this fall to the consolidation within the industry as the Big Four bought up chains in the mid-1990s, and again more recently when the miniples followed suit.

'But aside from this, we are seeing an overall decline in retail outlets,' he said. 'It peaked in 1999 at more than 7000, but this has fallen by around 700 since then.'

'This is natural rebalancing by the big vertically integrated groups as they drive new distribution channels such as the Internet and call centres.'

1 Explain the following terms:

- The Big Four
- Distribution channel
- Miniples
- Call centres.

2 Explain in your own words the reasons for the decline in numbers of retail travel agents.

Call centres

Call centres are widely used by banks and insurance companies as well as in the travel and tourism industry. It seems that customers

increasingly prefer to book travel by telephone or the Internet rather than by visiting a travel agent.

Call centres are often located in out-of-town locations where rents, rates and labour are cheaper. TUI UK, a tour operator, has a call centre operating out of Newcastle under its Team Lincoln brand. Team Lincoln sells holidays. Some call centres are operator or airline owned and sell on behalf of that company exclusively, others are specialist call centres and handle calls and bookings for many companies.

Call centres rely on high staff productivity to be successful. They motivate staff through incentives such as bonuses on sales targets reached. Call answering time, call durations, sales and complaints ratios are carefully monitored.

Websites

Websites are the most recent means of distributing travel and tourism products and services.

Attractions

A survey of visits to visitor attractions is conducted annually by the national tourist boards of England, Northern Ireland, Scotland and Wales to monitor visitor and other trends. According to the survey, there are an estimated 6400 visitor attractions in the United Kingdom.

Attractions appeal to the domestic tourism market and the inbound tourism market. There are, of course, hundreds of different types of attractions but we can broadly divide them as follows:

- * *Natural attractions* These include beautiful beaches, lakes and landscapes. In order to protect them, some are designated areas of outstanding beauty, national parks or heritage coasts.
- * *Man-made attractions* Man-made attractions may still be historic; in the UK we have a wealth of historic houses, often cared for by the National Trust or English Heritage. We also have museums and galleries such as the Tate and the Tate Modern, the Victoria and Albert Museum and the Museum of Moving Image. These examples are in London, however there



The Colossus ride at Thorpe Park theme park

are museums throughout the country.

Favourite man-made attractions are theme parks, for example Thorpe Park.

Events

Events such as the Edinburgh Festival or the Notting Hill Carnival attract many visitors. There are many events in the business tourism sector too, such as the World Travel Market.

Another way of categorising attractions is as paying and non-paying attractions. Museums, for example, are usually free, on the principle that we should all be able to view the nation's heritage. It is usually difficult to charge visitors to natural attractions as it means creating barriers to access. Non-paying attractions are still important for tourism as they attract visitors to an area and they will spend money on food, accommodation and shopping. Blackpool Pleasure Beach is the most popular free attraction, with an estimated 6.5 million visits each year. However, this is misleading, as although it is free to enter the Pleasure Beach, you have to pay to go on a ride.

CASE STUDY

Top attractions

The charts below show the top ten paid admission and free admission attractions in the UK.

Table 1.1 Top 10 paid admission attractions

ATTRACTION	REGION	2000	2001	2002	2003	% 02/03
British Airways London Eye	LON	3,300,000*	3,850,000*	4,100,000	3,700,000	-9.8
Tower of London	LON	2,303,167	2,019,183	1,940,856	1,972,263	1.6
Eden Project	SW	498,000	1,700,000	1,832,482*	1,404,372	-23.4
Flamingo Land Theme Park & Zoo	Y&H	1,301,000*	1,322,000*	1,393,300*	1,398,800*	0.4
Windermere Lake Cruises	NW	1,172,219	1,241,918	1,266,027	1,337,879	5.7
Legoland Windsor	SE	1,490,000	1,632,000	1,453,000	1,321,128	-9.1
New MetroLand	NE	650,000*	650,000*	810,000*	1,200,000*	48.2
Chester Zoo	NW	1,118,000	1,060,433	1,134,949	1,160,234	2.2
Kew Gardens	LON	860,340	989,352	987,266	1,079,424	9.3
Canterbury Cathedral	SE	1,263,140*	1,151,099*	1,110,529*	1,060,166*	-4.5

Table 1.2 Top 10 free admission attractions

ATTRACTION	REGION	2000	2001	2002	2003	% 02/03
Blackpool Pleasure Beach	NW	6,800,000	6,500,000	6,200,000	6,200,000	0.0
British Museum	LON	5,466,246*	4,800,938	4,607,311	4,584,000	-0.5
National Gallery	LON	4,897,690*	4,918,985*	4,130,973*	4,360,461*	5.6
Tate Modern	LON	3,873,887	3,551,885	4,661,449	3,895,746*	-16.4
Natural History Museum	LON	1,576,048	1,696,176	2,957,501	2,894,005	-2.2
Science Museum	LON	1,337,432	1,352,649	2,722,154	2,886,850	6.1
Victoria & Albert Museum	LON	933,150	1,060,235	2,210,302	2,257,325	2.1
Pleasure Theme Park	NW	2,100,000*	2,000,000*	2,000,000*	2,100,000*	5.0
Eastbourne Pier	SE	NK	2,000,000	1,900,000*	1,600,000*	-15.8
Pleasure Beach	EAST	1,500,000*	1,500,000*	1,500,000*	1,500,000*	0.0

* = estimate

- 1 Study the tables and pick out the attractions with the biggest percentage change between 2002 and 2003.
- 2 How do you account for the increases or decreases?
You might need to research the individual websites of the attractions to find the relevant information.
- 3 Discuss your findings with your group.

Skills practice

To improve your knowledge of the UK visitor attractions sector, fill in the table below. Use your local TIC and the VisitBritain website to help you. Check your answers with your tutor.

Name of attraction	Two national examples	A local example
Historic house		
Garden		
Museum		
Art gallery		
Wildlife attraction		
Theme park		
Historic monument		
Religious building		

Whatever the visitor attraction, the main reason for the visit is the primary product or service. If you visit a gallery it is to see an exhibition of art, if you go to a stately home it is to admire the beauty of the architecture and learn about our history. When we go to theme parks it is to have fun on the various rides.

The primary product or service can change from time to time but rarely changes completely. If it were always exactly the same then there would be little reason for visitors to come back again. So, museums hold temporary exhibitions to attract people back again and theme parks introduce new rides regularly to entice us back. The primary product and service serves to attract visitors but is not always the main source of revenue.

Support services for the attractions sector

The *British Association of Leisure Parks, Piers and Attractions (BALPPA)* was founded in 1936. It is non-profit making and its role is to represent the interests of owners, managers, suppliers and developers in the UK's commercial leisure parks, piers, zoos and static attractions sector. It has about 300 members.

The *International Association of Amusement Parks and Attractions (IAAPA)* is a similar organisation to BALPPA, but is an international association and

has members all over the world. The mission of the association is to promote safe operations, global development, professional growth and commercial success in the amusement industry.

Accommodation

Types of accommodation

There are many different types of accommodation available in the travel and tourism industry. They include:

- * Hotels
- * Guest accommodation
- * Holiday parks and campsites
- * Self-catering
- * Youth hostels
- * Campus.

According to the British Hospitality Association, there are approximately 22,000 hotels and guesthouses registered with the tourist boards, with an additional 16,000 bed-and-breakfasts. In addition there are thousands of unregistered establishments.

Hotels are in private ownership, with a large number of them having owner-operators, the average size being about 20 rooms. As with tour operations, the major groups have most influence in the industry.

An example of a major hotel group in the UK is the Moat House Group. There are over 30 Moat House hotels across the UK, from Glasgow in Scotland to Plymouth in the West Country. Moat House hotels are of three- or four-star standard and offer a range of good quality conference, meeting and business facilities to the corporate traveller. All hotels also offer a range of leisure breaks, which are featured on the website and within the Escapes brochure.

The major chains tend to be more impersonal, however they do provide consistency of quality throughout the world. For example, if you were to stay in a Mercure hotel in London or in Paris, the room would offer exactly the same facilities, and even the layout is often the same.

Many hotels are owned by international groups who encompass several chains within them, aiming at different types of customers. Examples are:

- * Hilton
- * Radisson
- * Holiday Inn
- * Accor.

Skills practice

- 1 Choose one of the above groups and conduct Internet research to find out the following:
 - How they operate – fully owned or franchise
 - How many hotels there are in the group
 - Examples of country locations
 - Products and services offered for the business market
 - Examples of costs.
- 2 Compile your findings into an information sheet.

Hotels offer many products and services catering for different customers, and the prestigious and more expensive hotels like the Sofitel brand offer greater luxury. In addition, hotels cater for both business and leisure customers, so they need to have a range of products to suit each type. Conference customers may just come for the day and will need different services to residents.

Guest accommodation includes bed-and-breakfasts, guesthouses and farmhouses.

Homeowners who wish to capitalise on any extra space they have available in their homes often run this type of accommodation. Many tourists find staying in a home environment charming and an opportunity to experience local culture. This type of accommodation is very popular in France where gîtes are rented out for holidays.

Holiday parks and campsites are popular with British tourists holidaying in France and Spain, although camping is probably less popular in the UK due to our inclement weather. Holiday parks, however, offer chalets and mobile homes so that tourists do not have to worry as much about the weather.

Self-catering accommodation may be on holiday parks or in rented apartments or houses. Cooking facilities are provided.

The Youth Hostel Association (YHA), which is a charity serving the needs of young people, runs *youth hostels* in the UK. However, you do not have to be a young person to be a member. It is very cheap to join the YHA and some of the hostels are of a very high standard, almost as good as hotels. There are 226 youth hostels in both city and rural locations. The original aim of the YHA was to promote love, care and understanding of the countryside in principle and in practice. There is also an International Youth Hostel federation with 5000 hostels in 60 countries. The YHA does not only provide accommodation but also a range of activity holidays.

Universities are keen to rent out their halls of residence outside term time. They encourage conference trade as they can also offer meeting rooms and catering facilities. This is an excellent means of using empty rooms and increasing revenue during students' holidays.

Grading standards

VisitBritain has created quality standards for a wide sector of accommodation in England. Scotland, Wales and Northern Ireland have their own schemes. Trained assessors determine the gradings.

Hotels are given a rating from one to five stars. The more stars the higher the quality and the greater the range of facilities and level of service provided.

Guest accommodation is rated from one to five diamonds. The more diamonds the higher the overall quality in areas such as cleanliness, service and hospitality, bedrooms, bathrooms and food.

Self-catering accommodation is also star rated from one to five. The more stars awarded to an establishment, the higher the level of quality. Establishments at higher rating levels also have to meet some additional requirement for facilities.

Holiday parks and campsites are also assessed using stars. One star denotes acceptable quality, five stars denotes exceptional quality.

The aim of the grading system is to make it easier for tourists to compare the quality of visitor accommodation offered around the country. However, as the Scottish and Welsh tourist boards use different systems and the English system uses a diamond system and a star system, it is still confusing.

When you travel abroad, you will find that there is no standard system. The star grading system is more or less accepted in Europe but cannot wholly be relied on. Tour operators tend to use their own grading standards so that they can indicate a level of quality to their customers. An example is the 'T' system adopted by Thomson.

Ancillary services

Most of the support or ancillary services for tourism are in the public sector. We have already discussed some of the public support and some of the voluntary support bodies in each sector.

The Department for Culture, Media and Sport (DCMS) is responsible for supporting the tourism industry at national level. In 1999 the government's overall strategy for the development of tourism was published in 'Tomorrow's Tourism'. This policy was reviewed and updated in 2004 and a new statement of the roles and responsibilities in tourism of the DCMS, VisitBritain, regional development agencies, local government and the Tourism Alliance was issued, covering the following areas for action:

- * Marketing and e-tourism
- * Product quality – introducing common standards for accommodation grading schemes

- * Workforce skills, supporting People1st, the sector skills council
- * Improved data and statistics.

Tourism Review and Implementation Group (TRIG)

This group was established in 2004. It has members from industry, the public sector and from education. Its role is to consider the wider issues affecting tourism and to monitor progress in the areas outlined above.

Tourism Alliance

This body was established in 2001 to represent the tourism sector. Its members are leading trade associations. It is a Confederation of British Industry (CBI) supported initiative. The CBI provides the secretariat and research capacity for the Alliance. Its purpose is to present the industry's views and concerns more effectively to the government and to the EU.

Other government departments have responsibilities for areas of tourism. The Department for Transport looks after aviation, railways, roads, and the London Underground. The Department for Education and Skills has responsibility for sector skills councils and training organisations. The Department for the Environment, Food and Rural Affairs (DEFRA) is responsible for issues affecting the countryside, wildlife and waterways, among others.

Another government department of importance to tourism is the Foreign and Commonwealth Office (FCO). The FCO provides a consular service around the world whose function is to help British nationals in trouble, and of course to promote Britain.

National tourist boards

The United Kingdom has four tourist boards: VisitBritain, VisitScotland, the Northern Ireland Tourist Board and the Wales Tourist Board.

VisitBritain reports to the Department for Culture, Media and Sport (DCMS). The Wales Tourist Board reports to the National Assembly for Wales and VisitScotland reports to the Scottish Executive.

VisitBritain

The role of VisitBritain is to market Britain to the rest of the world and England to the British. Formed by the merger of the British Tourist Authority and the English Tourism Council, its mission is to build the value of tourism by creating world-class destination brands and marketing campaigns. It also aims to build partnerships with other organisations which have a stake in British and English tourism. These organisations include the British Council, UK Inbound, the British Hospitality Association and the UK Immigration Service.

Skills practice

You will use the VisitBritain website many times during your studies as it is an invaluable tourism resource. For this activity access the website www.visitbritain.com to find out the objectives of the organisation. Make a note of them and ensure you understand the terminology used. You should be able to answer the following questions:

- What is a domestic tourist?
- What are the national tourist boards?
- What is meant by impartial tourist information?
- Who funds VisitBritain?
- What is the current grant given to VisitBritain?
- What are regional development agencies?
- Where are VisitBritain's overseas offices?

Part of VisitBritain's role is to advise the government and other bodies on issues that might affect the British tourism industry. The aim is to provide advice that reflects the needs of both the tourism industry and the tourist, and to recommend courses of action to the government.

The overseas offices work closely with British diplomatic and cultural staff, the local travel trade and media to stimulate interest in Britain.

Another example of the role of VisitBritain is its campaign to persuade high-spending tourists to come to the UK. There is no point in having lots of inbound tourists if they don't spend their money and boost our economy. VisitBritain launched a magazine called *So British* aimed

chiefly at high-spending US tourists but also at emerging markets like Russia. The magazine features luxury British brands like Harrods, Barbour and Wedgewood, and carries articles on destinations in Britain.

VisitBritain owns the VB-grading scheme, which is administered by the regional tourist boards. This was covered earlier (pages 24–25).

Regional development agencies and regional tourist boards

Regional development agencies (RDAs) have responsibility for tourism in their regions and usually work closely with regional tourist boards.

Between 2003 and 2006, the RDAs are to receive £3.6 million per annum from the DCMS, specifically for tourism. This money is to be passed on to the regional tourist boards until the end of 2005. The RDAs will determine what objectives and targets the RTBs should meet in return for the funds. After this the money will still be earmarked for tourism but not necessarily through the tourist boards. This is because there has been overlap between the role of RDAs in tourism and the tourist boards.

Therefore, in some regions the regional tourist boards have disappeared as separate bodies and have been subsumed under the RDAs. In other regions the role of the tourist board has been altered to that of 'Destination Management Organisation' set up and monitored by the RDAs.

Below are some examples of the regional organisations:

- * Tourism South East (www.seeda.org.uk)
- * VisitLondon (www.londontouristboard.com)
- * North West Tourist Board (www.northwesttourism.net)
- * The Mersey Partnership (www.visitliverpool.com)
- * Marketing Manchester (www.destinationmanchester.com)

The organisations are not totally dependent on government funding. Funds can be raised from business membership fees and from the provision of training courses to tourism organisations and employees.

Skills practice

Choose one of the example organisations listed and visit its website. Find out:

- Who runs the organisation?
- Who are the partner organisations?
- How does it raise funds?
- What is the primary role of the organisation?

Local authority tourism departments

Local authorities have an important role in supporting the tourism industry because of their statutory duties and because they recognise that tourism is a major contributor towards the economy, so they have tourism departments and plans. Most towns also have a tourist information centre (TIC). These are run independently, and most are subsidised by the local council. They all rely heavily on generating income to ensure their financial viability.

Tourist information centres provide a full information service for both residents and visitors. They give information on visitor attractions and on accommodation. They usually provide a booking service for accommodation. The TIC often incorporates a shop selling locally made crafts and gifts as well as books on local interests. The shop is more than a service for visitors; it is an important means of generating funds.

Skills practice

Visit your local tourist information centre. Your tutor may wish to organise a group visit. Find out what services it offers. Try to determine how many of its services generate revenue for the TIC. Discuss your findings with the group when you return.

Support networks

The travel and tourism industry is made up of diverse businesses of all different sizes and locations. It is essential that there are means by which these disparate organisations work together. In each sector of the industry the regulatory and trade bodies advise their members

and represent them, particularly to the government. In addition, the role of the public sector is one of supporting and guiding different businesses so that everyone – tourists, employees and management – can benefit from tourism, whilst minimising problems and issues.

Skills practice

Match up the following businesses with the relevant support organisations.

Business	Support organisation
Travel agent starting up	AUC
Passenger wishing to complain about an airline	ABTA
Tour operator needing an operating licence	TIC
Guest accommodation wishing to be graded	ATOL
A traveller wanting information about crime in Turkey	FCO
A tour operator targeting US tourists	DCMS
A regional development agency needing more funding for tourism development	UK Inbound

If you cannot remember what all these initials mean, look at the information earlier, in each section.

Interrelationships and interdependencies

Horizontal and vertical integration

Having looked at all the different sectors of the travel and tourism industry, it is apparent that the various businesses cannot work in isolation. Each of them relies on others for its success. In this section we will examine how businesses work together and who needs whom.

The chain of distribution and integration

The chain of distribution is the means of getting the product to the consumer. It applies in any industry and traditionally takes this form.

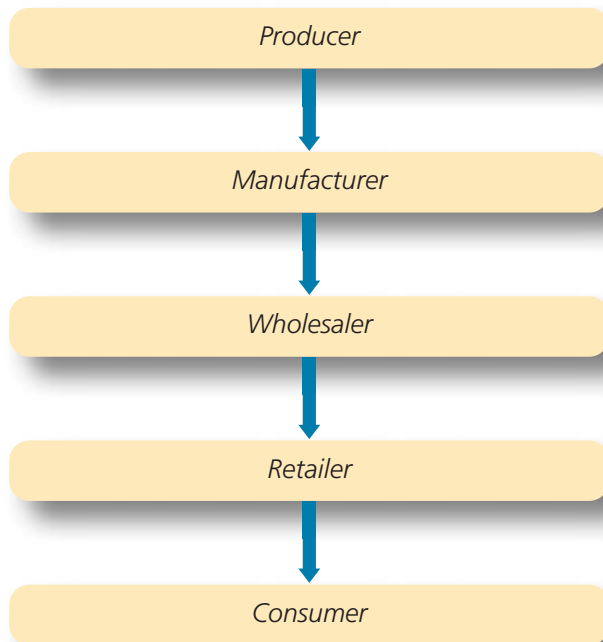


Figure 1.4 The traditional chain of distribution

In the travel and tourism industry there is also a traditional chain of distribution:

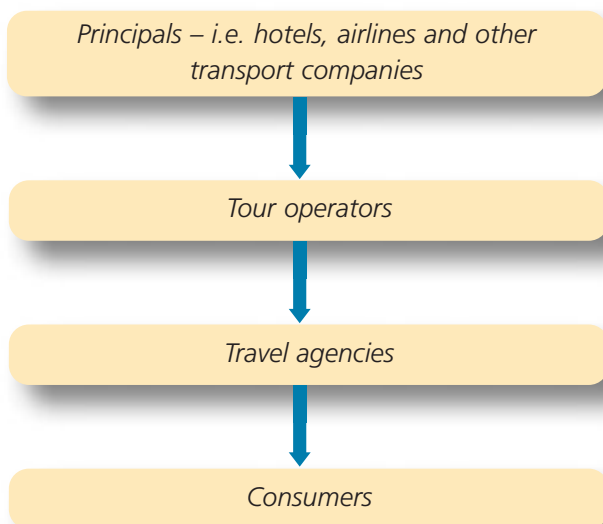


Figure 1.5 The traditional chain of distribution in the travel and tourism industry

In this traditional chain of distribution, businesses fit neatly into a category, for example travel agent, and perform the role of that business. However, the industry is much more complex than that, and in many cases the traditional chain has been shortened. Figure 1.6 gives some examples.

In addition to these permutations, companies do not stick rigidly to one line of business. They tend to buy or merge with other businesses, always striving for greater commercial success and market dominance. When companies do this it is known as vertical and horizontal integration. Tour operators have bought or created airlines, hotels and travel agencies. This means they own all the different components in the chain of distribution and are able to control the whole operation. They claim that this gives them economies of scale and allows them to offer better prices to customers. It can also mean that smaller operators are forced out of business.

Key term

Economies of scale These occur when a company is able to spread its costs over mass-produced goods or services. The economies can be achieved through discounts of bulk purchasing, rationalisation of administration systems and management, and lower production costs.

Integration takes two forms: vertical and horizontal. If a tour operator buys another tour operator at the same level in the chain of distribution, this is known as *horizontal integration*. In 2004, First Choice made 11 acquisitions at a cost of £28.3 million. The acquisitions included the Adventure Company, Let's Trek Australia, Trips Worldwide, StudentCity.com and the Adventure Center.

Skills practice

Take a closer look at First Choice. Go to the history page on its website. Find out which companies have been acquired and sold from 2000 onwards. What do you think are the reasons for these sales and acquisitions? Make notes and compare them with your group.

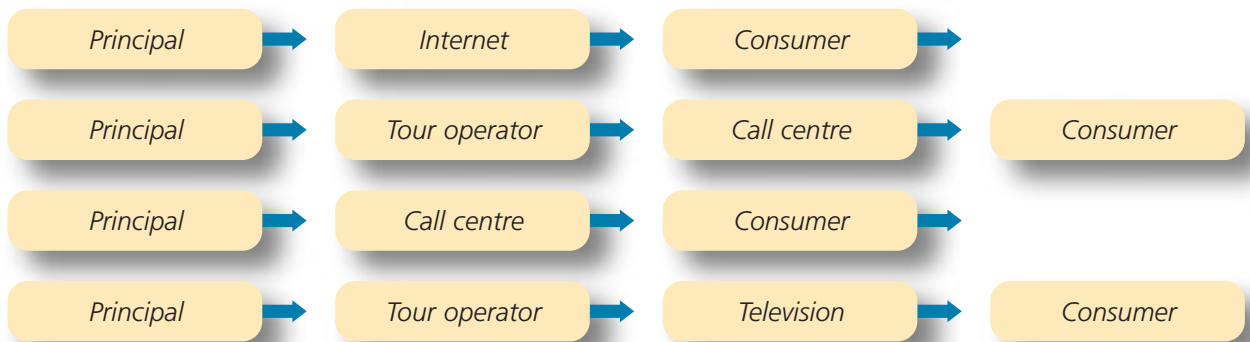


Figure 1.6 Shortened version of traditional chain of distribution

Vertical integration occurs when two companies at different levels in the chain of distribution merge or are bought. This may be backwards integration, for example a tour operator buys a hotel, or forward integration, for example a tour operator buys a travel agency.

All of the major tour operators in the UK are vertically and horizontally integrated, owning their own travel agencies, airlines and hotels, besides different tour operating businesses. In fact their operations are not limited to the UK; all are global operations.

There are those who think that vertical integration is no longer suitable for today's market. Capital is tied up in assets and is subject to risk.

Also, if customers do not want to buy from the high street agencies, then many of the chain stores will close as tour operators invest in other types of distribution.

Key term

Horizontal integration This occurs when companies are bought out or merged at the same level in the chain of distribution. Relevant examples are one travel agency buying out another one or a tour operator buying another one. Often original brand names are retained, so the general public are unaware of the takeover.

CASE STUDY

Holidaybreak

Overview

Holidaybreak is **the UK's leading operator of specialist holiday businesses**, all with high standards of service and product quality and market leading positions in the UK and other major European markets. In 2004 the Group provided 2.3m holidays in over 100 countries worldwide.

The business generates substantial cash, delivers double-digit margins and has proven resilient in the face of changing market conditions. The Group has the financial strength to respond to changing market trends and exploit opportunities for both organic and acquisition based growth whilst paying an attractive dividend.

History

1973: Eurocamp Travel founded
 1988: Management Buy Out
 1991: Eurocamp floated on the LSE
 1995: Acquisition of Superbreak
 1998: Acquisition of Keycamp
 1998: Holding company renamed Holidaybreak
 2000: Acquisition of Explore
 2004: Acquisition of Dutch on-line leisure business BRC
 2005: Acquisition of Dutch adventure business Djoser

Hotel Breaks

The Hotel Breaks division's core business specialises in UK and overseas leisure breaks. It is the principal provider of domestic short breaks to UK travel agents and has also been rapidly developing direct and internet distribution. The division continues to introduce new products and distribution channels to build on an outstanding record of success in recent years.

- 2004 Turnover: £120.9m
- 1.7m holidays sold in year to 30/9/04
- Strong relationship with 3000+ hotels, 250+ hotel suppliers
- Flexible cost base – no commitment to hotel room allocations
- Fixed selling margin
- Strongly cash generative – negative working capital
- Operates in a growth sector
- Acquired Dutch market leader in on-line leisure breaks Bookit (BRC) for £23.1m on 22 December, 2004

Adventure Holidays

Three businesses, Explore (UK), Djoser (Netherlands) and Regal Dive; market leaders in 'soft' adventure and scuba diving holidays. Explore offers a range of cycling, walking and trekking adventure short breaks and family adventures as well as the core worldwide, escorted tours programme. Explore adds genuine value to the customer experience, creating holidays which would be difficult or impossible for the DIY customer to replicate.

- 2004 Turnover: £37.4m
- 41,800 holidays sold in year to 30/9/04
- Increasing demand for active, special interest and unusual holidays
- Over 400 different tours to 107 countries
- Tight control of tour load factors underpins profitability
- Flexible cost base – Low commitment to flight seats
- Acquired Dutch market leader Djoser for £15.7m on 19 January 2005

Camping

The original part of the Holidaybreak group. Provides pre-sited mobile-home and canvas holidays on high-grade, third-party owned campsites throughout Europe. Customers are mainly families who book direct, attracted by good quality self-catering accommodation in desirable locations, with excellent leisure amenities. Flexibility, informality, independence and added value services all add to the appeal.

- 2004 Turnover: £123.2m
- 570,000 holidays sold in year to 30/9/04
- Market leading brands – Eurocamp and Keycamp
- Customers from nine different countries, mainly UK, Holland and Germany
- 9700 mobile-homes and 4500 tents on 212 campsites in France, Italy and seven other countries
- High levels of customer satisfaction and repeats

- 1 What is a management buy out?
- 2 Give examples of horizontal and vertical integration within Holidaybreak.
- 3 Why do you think Holidaybreak operates in the Dutch market?
- 4 Which was the most profitable division in 2004?
- 5 Which division is expected to achieve most growth in the near future? Why?
- 6 Find out what kind of adventure holidays are offered by Explore.

1.4 The scale of the UK travel and tourism industry

International tourism

Visitor numbers and spending

International tourist arrivals reached an all-time record of 760 million in 2004, according to data produced by the World Tourism Organisation. This is an amazing increase when you consider the setbacks international tourism has had to contend with over the last few years, including disasters such as the 9/11 terrorism attack, Sars and the Iraq war. However, 2004 figures do not reflect the impact of the tsunami disaster as it occurred in the last week of the year. The figures show an increase in international arrivals of 69 million.

Key terms

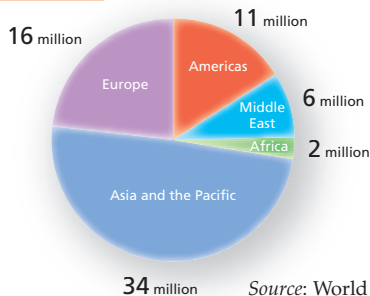
Arrivals The number of visitors to a destination.

International arrivals The total number of tourists visiting all destinations.

Receipts The amount of money spent by tourists in a destination.

International receipts The total amount spent on tourism throughout the world.

Skills practice



Source: World Tourism Organisation (WTO)

Figure 1.7 Origin of international arrivals

Study Figure 1.7, showing the origin of the 'new' tourists, that is where the increases in international arrivals have originated.

Consider Europe and analyse the reasons for the increase in numbers of tourists. You should consider:

- Exchange rate fluctuations
- The increase in members of the EU (to 25 states)
- Emerging destinations
- Economic factors.

The world's top destination is France, as you can see in Table 1.3. However, when you study Table 1.4 you will note that although France receives the most visitors, it is the United States that makes the most in terms of receipts.

Table 1.3 World's top 10 tourist destinations

Rank	Series	International Tourist Arrivals (million)		
		2000	2001	2002
World		687	684	703
1 France	TF	77.2	75.2	77.0
2 Spain	TF	47.9	50.1	51.7
3 United States	TF	50.9	44.9	41.9
4 Italy	TF	41.2	39.6	39.8
5 China	TF	31.2	33.2	36.8
6 United Kingdom	VF	25.2	22.8	24.2
7 Canada	TF	19.6	19.7	20.1
8 Mexico	TF	20.6	19.8	19.7
9 Austria	TCE	18.0	18.2	18.6
10 Germany	TCE	19.0	17.9	18.0

Table 1.4 World's top 10 tourist earners

Rank	International Tourism Receipts (US\$ billion)		
	2000	2001	2002
World	473	459	474
1 United States	82.4	71.9	66.5
2 Spain	31.5	32.9	33.6
3 France	30.8	30.0	32.3
4 Italy	27.5	25.8	26.9
5 China	16.2	17.8	20.4
6 Germany	18.5	18.4	19.2
7 United Kingdom	19.5	16.3	17.6
8 Austria	9.9	10.1	11.2
9 Hong Kong (China)	7.9	8.3	10.1
10 Greece	9.2	9.4	9.7

Source: World Tourism Organisation (WTO)©
(Data as collected by WTO September 2003)

Skills practice

Study Tables 1.3 and 1.4 showing top destinations (receivers) and top earners.

- Why are these two charts not exactly the same?
- Give reasons for the appeal of the top three destinations to international tourists.
- Determine which destinations are undergoing a decline or increase in arrivals and analyse the reasons for the increase or decline. Present your findings in a brief report.

Visit www.world-tourism.org for further research. You will need to find the facts and figures page.

Levels of employment

According to the World Travel and Tourism Council, the travel and tourism industry worldwide will directly provide 74 million jobs in 2005. This represents 2.8 per cent of total employment. However, travel and tourism impacts on other industries and indirectly creates jobs in those industries. Examples include construction, which employs people to build roads and hotels, and agriculture, where farmers grow produce for tourists. When these jobs are added into the equation, the scale of employment is even greater, representing 221 million jobs or 8.3 per cent of total employment, worldwide.

UK tourism

Visitor spending

Tourism was worth £74.2 billion to the UK economy in 2003. Most of this expenditure is from domestic tourism, not from overseas visitors.

Table 1.5 Expenditure of overseas and domestic tourists

SPENDING BY OVERSEAS RESIDENTS	£ BILLION
Visits to the UK	11.9
Fares to the UK carriers	3.2

SPENDING BY DOMESTIC RESIDENTS	£ BILLION
Trips of 1+ nights	26.5
Day trips	31.8
Rent for second ownership	0.94

The figures are calculated using the new tourism satellite accounting (TSA) methodology, which measures all tourism-related expenditure. Tourism satellite accounting has been developed by the World Tourism Organisation, so that there is a common system which can be used internationally. It is described by WTO as

'a statistical instrument, a "satellite" revolving around the concepts, definitions and aggregates of the system of national accounts, that makes it possible to make valid comparisons with other industries, as well as between countries or groups of countries'.

The impact on the economy of incoming and outbound tourism is recorded in the Balance of Payments. Each sector of the economy is measured in terms of its imports and exports. Travel services have their own balance, which contributes to the overall Balance of Payments. Unfortunately, the travel services balance shows a deficit (£15.8 billion in 2003) and has done so for some years. This means that more money is spent by UK residents travelling overseas than by inbound tourists and domestic tourists. Transport is shown separately to travel services.

Key term

Balance of Payments This is one of the UK's key economic statistics. It measures the economic transactions between the UK and the rest of the world. It tells us the difference between spending on imports and exports.

Skills practice

Find out what the current travel balance is. You can find this in *The Pink Book*, a government publication, in your library or online. Look at the transport balance also. Is there a deficit or a surplus? Discuss your findings with your tutor.

Think it over ...

How do you think the travel services deficit could be overturned?

Visitor numbers

Incoming and outgoing tourists

In 2004 there was a record high of 27.7 million incoming tourism visits, an increase of 12 per cent on 2003. The value of this business to the economy was £13 billion. This represented a 10 per cent increase in spending from 2003 (from 11.9 billion).

Figure 1.8 shows overseas residents' visits to the UK and UK residents' visits abroad.

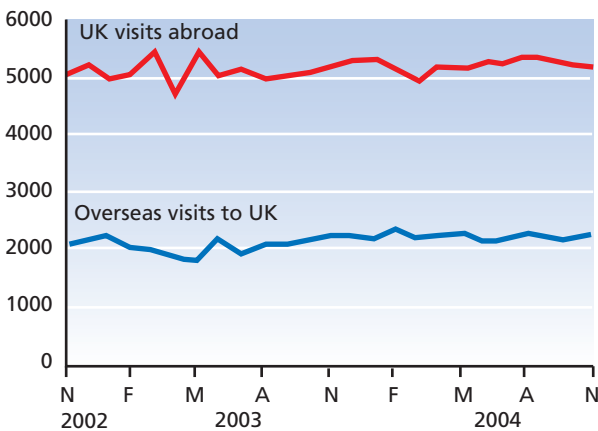


Figure 1.8 Overseas residents' visits to the UK and UK residents' visits abroad

In the same period, UK outgoing tourist visits also rose, to 63.5 million visits. The number of visits to Western Europe hardly changed, but visits to North America rose by 15 per cent, possibly reflecting the strength of the pound against the dollar.

Think it over ...

How do you think we know how many visitors come to the UK? The data is collected in the International Passenger Survey for the Office of National Statistics. Inbound visitors are questioned at airports and seaports, as are people travelling outbound. Around 250,000 interviews are carried out per year, representing 0.2 per cent of all travellers.

Visitor flow within the UK

Day visits represent the largest segment of domestic tourism with 60 per cent of expenditure.

Remember that these figures are recorded separately in the Day Visitors Survey.

Domestic tourism expenditure includes expenditure as a result of resident visitors travelling within their country and occurs en route, at the place visited, and in advance on spending for the trip.

In 2003 UK residents took:

- * 70.5 million holidays of one night or more, spending £13.7 billion
- * 22.3 million overnight business trips, spending £6.1 billion
- * 34.3 million overnight trips to friends and relatives, spending £3.4 billion.

The UK Tourism Survey is very detailed and shows information including number of tourist trips, number of tourist nights, spending, breakdown between England, Scotland and Wales, and purpose of trip. You can find the survey data at Star UK.

Skills practice

- 1 Are inbound tourists or domestic tourists more important to the UK economy? Find current statistics to support your argument.
- 2 What can be done to
 - encourage more domestic tourists
 - encourage more inbound tourists?

Levels of employment

There are an estimated 2.2 million jobs in tourism in Great Britain, some 7.7 per cent of all people in employment in the UK. There are more jobs in tourism than in construction or transport. Approximately 156,000 of these jobs are in self-employment.

Table 1.6 Employment in travel and tourism

	TOTAL (MILLIONS)	TOURISM-RELATED (MILLIONS)
Total employment	28.1	2.17
Employee jobs	24.4	2.01
Self-employment	3.6	0.16

Key UK destination regions

The distribution of domestic tourism is measured by tourist board region, with the South West of England attracting most tourists, closely followed by the South East. The North East attracts the least number of domestic tourists.

Table 1.7 shows the top cities/towns visited by inbound tourists in 2003. Table 1.8 shows the top cities/towns visited by inbound tourists in 2002.

Table 1.7 Top 10 cities/towns visited by inbound tourists in 2003

10 CITIES/TOWNS VISITED BY OVERSEAS RESIDENTS, 2003	
City/Town	Visits (000s)
London	11,700
Edinburgh	770
Manchester	740
Birmingham	720
Glasgow	420
Oxford	360
Cambridge	310
Bristol	290
Brighton/Hove	270
Liverpool	270

Table 1.8 Top 10 cities/towns visited by inbound tourists in 2002

10 CITIES/TOWNS VISITED BY OVERSEAS RESIDENTS, 2002	
City/Town	Visits (000s)
London	11,600
Edinburgh	850
Birmingham	670
Manchester	590
Glasgow	400
Oxford	390
Bristol	310
Cambridge	280
Cardiff	280
Newcastle-upon-Tyne	240

Skills practice

Visit the website for your own tourist board region. Find out how many visitors came to your region last year. Is there an increase or decrease in the number of tourists? How do you explain the increase or decrease?

Think it over ...

Why do you think the towns in the tables opposite are the most popular with inbound tourists? Are domestic tourists likely to visit the same towns?

Local tourism

CASE STUDY

Tourism in Cambridge – the overall picture

Approximately 4.1 million visitors visited Cambridge in 1999. This was higher than previously estimated, largely due to a revised definition of day visitors.

Fifteen per cent of the visitors stayed. Half of staying visitors were from overseas. In addition to the 4.1 million visitors to Cambridge City, 3.2 million visitors visited South Cambridgeshire; 10 per cent of these were staying visitors.

The number of visitors to Cambridge more than doubled from the mid-1970s to the late 1980s. Since then growth has levelled off, and the late 1990s saw a decline.

In 2000 there was a drop by 10 per cent in visitors to the tourist information centre (TIC), and a drop of 7 per cent in 2001.

The majority of visitors come during the peak season: 38 per cent came in June, July and August in 2001. However, this is not as true as it used to be. In 1975, 54 per cent of visitors came in the summer.

It is estimated that the overall value of tourism to Cambridge is over £260 million. It supports 5500 full-time jobs, about 8 per cent of the total, and an additional 2000 part-time and seasonal jobs.

- 1 Research tourism in your own area and try to find similar information to that above. You should research your town council website, your regional tourist board website and your local tourist information centre.
Try to find out:

- The amount of spending on tourism in your area
 - The numbers of inbound tourists
 - The numbers of domestic tourists
 - The number of jobs provided in tourism.
- 2 Compile a short report comparing your town with Cambridge.

Knowledge check

- 1 Give examples of three types of tourism.
- 2 What is the impact of the Internet on travel and tourism?
- 3 Explain what is meant by the exchange rate.
- 4 Give two examples of the positive economic impact of tourism.
- 5 Give two examples of the negative environmental impact of tourism.
- 6 How do low-cost airlines keep costs down?
- 7 Give three examples of motivating factors for tourism.
- 8 What is a scheduled airline?
- 9 What does ABTA do?
- 10 Who regulates airlines in the UK?
- 11 Name three types of accommodation.
- 12 Describe the traditional chain of distribution in travel and tourism.
- 13 An independent travel agent is bought out by a major travel agency chain. Is this an example of vertical integration or horizontal integration?
- 14 Give three examples of distribution methods that a tour operator could use.
- 15 Explain backwards integration.
- 16 Give examples of two tour operators who also own airlines.