

## TOURISM POLICY

Technological progress which is lowering the costs of international transportation, and the globalization of information which is turning the earth into a “global village” are just two of many reasons that make tourism one of the most important industries in the world.

It is expected that in the 21<sup>st</sup> century the global economy will be driven by three major service industries: information technology, telecommunication and tourism.

According to the estimations of the World Travel and Tourism Council (WTTC),<sup>1</sup> the global travel and tourism industry (businesses producing goods and services directly for visitors) gross domestic product (GDP) will reach 2,492.3 billion USD in year 2010, that is 4.3% of total global GDP at that time; and, at the same year the total travel and tourism economy (goods and services produced for visitors and other activities strongly dependent on travel and tourism spending) GDP will reach 6,771.3 billion USD, that is 11.6% of estimated global GDP in year 2010. The WTTC estimates that about 86.4 million people will be working in travel and tourism industry, with 253.7 million people working in travel and tourism economy in 2010.

Those two simple examples show the importance of tourism’s impact on the economy. Certainly, tourism also affects other areas: the socio-cultural, environmental and political. This overall impact demonstrates the necessity of establishing a kind of public policy to guide, direct, or even control the development of tourism, in order to minimize its negative impact and maximize its benefits.

Tourism Policy –Policy refers to an overall, high-level plan that includes goals and procedures. Policies are generally found in formal statements such as laws and official documents and statements. Tourism Policy is generally considered to be an area of a nation’s overall economic policy. It is a “public policy designed to achieve specific objectives relevant to tourism established at the municipal, state or federal level”.<sup>2</sup>

More generally, tourism policy should reflect the overall development policy of the country or region so that tourism is well integrated with it. Policy also evolves from the survey and analysis of present tourism development patterns and infrastructure, tourist attractions and activities, and the tourist market.

The above-mentioned definition raises questions about:

- Who formulates tourism policy?

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<sup>1</sup> WTTC, *Travel and Tourism Impact*, Passim.

<sup>2</sup> Y. Chuck (Ed.), *International Tourism: a Global Perspective*, p. 390.

- What are the objectives of tourism policy?
- How are those objectives achieved?

## 1. Who Formulates Tourism Policy?

Defining tourism policy as a “public policy...” means that it is formulated by the public sector, which comprises “central government and local authorities (general government), together with the nationalized industries or public corporations”.<sup>3</sup> And although tourism is an activity sustained mainly by private initiative, governments have traditionally played an essential role in its development and in the promotion of their countries as a tourist destination through the activities of National Tourism Administrations (NTAs).

### 1.1. National Tourism Administrations (NTAs):

Tourism is typified by its multidisciplinary nature and, hence, by the need of interministeriality in its official organization. The economic importance of the tourism industry would obviously justify the existence of a strong and structured administration, similar to that of transport, agriculture, foreign affairs, etc. This structure is known as National Tourism Administration (also referred to as National Tourism Office NTO), and can be defined as follows:<sup>4</sup>

- A central government body with administrative responsibility for tourism at the highest level or, Central Government body with powers to intervene directly in the tourism sector.
- All administrative bodies of national government with powers to intervene in the tourism sector.

### 1.2. The Need of NTAs:

The use for NTA does appear through the need to:<sup>5</sup>

- Coordinate many national policies that are vital for tourism (taxation, consumer protection, social and labour legislation, environmental policy, general education policy, etc.)
- Maintain a close link between tourism development policy and promotion abroad.
- Avoid the over-supply of private or public facilities (marinas, hotels, etc.) which leads to the proliferation of competing projects and which results in lower occupancy rates and smaller profits.
- Provide backing for certain innovations (new tourism product policy) so as to facilitate their distribution nationally and their placement on the market.

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<sup>3</sup> Bannock, Baxter and Davis, *Penguin Dictionary of Economics*, p. 339.

<sup>4</sup> *Budgets of National Tourism Administrations*, WTO, p. 126.

<sup>5</sup> *Tourism Development and the Responsibility of the State*, WTO, p. 21F.

- Gather statistics and monitor economic activity nationally for purposes of international comparison and domestic comparison with other sectors and, if need be, for directing policies in the right direction.
- Deal with and manage tourism crises (of either human or natural origin).
- Represent its country in trade and consume shows and expositions.

### 1.3. The Structure of NTAs:

NTAs vary in terms of their structure and relationship to other branches of government. The three basic forms of a NTA are:<sup>6</sup>

- The state tourism secretariat, which is a high-level office either on its own or within a ministry, with representation at, and access to, the highest executive levels of the government. For example, the Lebanese Ministry of Tourism.
- The government agency or bureau located within a department (such as a department of commerce or economic development), and reporting to that department. The Taiwan Tourism Bureau, for example, is located within the Ministry of Transportation and Communication.
- The quasi-public tourism authority or corporation, which often includes representation of members of the private sector and receives private funding and which is run more independently of the government than the other types of NTAs. The Canadian Tourism Commission is an example.

In addition, there is also a type of governmental entity that, while not an NTA, fulfills a role similar to that of a NTA. This is a centralized coordinating body which is comprised of representatives of other departments, and acts as a forum in which the major departments involved with a nation's tourism industry can address issues that affect them.

However, the types of NTA structure must be adapted to the particular circumstances in each country or region. The types of structures may also be changed through time as situations change. Before deciding on organizational structure, a basic decision to be made is determining the respective roles of government and the private sector in the development and management of Tourism.<sup>7</sup>

## **2. What are the Objectives of Tourism Policy?**

Tourism affects many areas – the economic, socio-cultural and environmental. This is the principal reason for governments' involvement in tourism development.

- Various **economic** reasons may induce the public sector to foster tourism

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<sup>6</sup> Y. Chuck (Ed.), op. cit., p. 297.

<sup>7</sup> *National and Regional Tourism Planning*, WTO, p. 39.

development. Among them:<sup>8</sup>

- Improved balance of payment situation.
  - Regional development.
  - Diversification of the economy.
  - Increased income levels and state revenues.
  - New employment opportunities.
  - Stimulation of non-tourism investment.
- Social considerations are another important reason. Governments participate in tourism development in order to maximize the **socio-cultural** benefits of tourism (such as: cultural exchange, revival of traditional crafts and ceremonies, rural development, etc.) The state may also have a general responsibility to protect the social well being of individuals by minimizing tourism's adverse socio-cultural effects (such as: deterioration of important historic and archeological sites, social degradation, overcrowding by tourists, loss of convenience for local residents, etc.)
  - Another reason is the need for controlling the **environmental** impact of tourism, such as pollution and other environmental hazards and land use problems resulting from poor planning, setting and engineering of tourist attractions and facilities.

Besides the above-mentioned reasons, government may encourage the development of tourism to further **political objectives**. It was suggested that the Franco regime in Spain had encouraged tourism development among other things in order to broaden the regime's political acceptance.

### 3. How are the Objectives of Tourism Policy Achieved?

In order to achieve the policy objectives, NTAs are involved in many activities aiming to coordinate or encourage tourism development.

Clearly, a significant number of countries around the world are still in an early stage of tourism development, particularly in developing countries and in countries where tourism is in a transition stage. But the European Union, North America and significant parts of East Asia and the Pacific countries have reached an advanced stage of tourism development. Thus, the degree of government involvement in the tourism sector differs from country to country, and so do the reasons of this involvement.

#### 3.1. Planning:<sup>9</sup>

Fulfilling the requirements of tourism policy, minimizing its negative impacts, and reaping the rewards, are the primary goals of **Tourism Planning**.

Planning is particularly important for tourism development because of two characteristics of the tourism industry. First, tourism is a complex industry that

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<sup>8</sup> D. Pearce, *Tourist Development*, p. 40F.

<sup>9</sup> See Y. Chuck (Ed.), *op. cit.*, p. 286.

stretches across many different sectors and businesses (therefore, it affects a wide-range of areas); second, tourism development usually requires both the public and private sectors to undertake major capital investment projects (hotel accommodations, public works infrastructure, transportation links). Because of these two characteristics, a lack of planning can result in mistakes that cannot be corrected (or are extremely costly to rectify), and which the host community will have to endure for many years.

### 3.2. Legislation and Regulation:

Legislation, stipulating regulations and terms under which activities related to tourism take place, is a state responsibility. Tourism legislation includes the basic tourism law. This law typically sets forth the policy for developing tourism and establishes the functions, structure and sources of funding of the national tourism organizations (or regional tourism office).

Various specific regulations are necessary for the protection and preservation of tourist facilities and the natural, historical, and cultural, resources of the country. These regulations can take many forms, including:<sup>10</sup>

- Consumer protection laws and rules that require travel agencies to place their customers, advance booking deposits in a trust account, to ensure that the money will be used for the purpose of securing their reservations.
- Fire safety laws that mandate the minimum number of exit and emergency lights on each floor of a hotel, in case of fire.
- Health and food safety regulations that require catering establishments to maintain minimum standards of safety and sanitation.
- Air regulations (air regulations and air services,) in general, are dependent upon the bilateral agreement between countries that govern all aspects of air transportation between them.

In general, regulatory actions arise from a concern for a tourist destination's environmental and cultural resources. For example, certain protective regulations restrict activities on or, access to vulnerable environmental areas. Another type of law might limit the serving of alcohol or the performance of certain cultural displays to certain days to minimize negative effects upon local customs.

However, the most important aspect is the **enforcement of regulations**-The State, through public mechanisms, has the duty to ascertain that all regulations which deal with tourism and tourist services offered to the consumer – whether he is a foreign citizen or a national of the country – are followed, and to impose the appropriate sanctions in case of breach of the regulations in order to ensure proper protection of consumers.<sup>11</sup>

### 3.3. Facilitation of Tourism Development:

Where national and regional authorities offer a policy of supporting

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<sup>10</sup> Y. Chuck (Ed.), op. cit., p. 290F.

<sup>11</sup> *Tourism Development and the Responsibility...*, op. cit., p. 51.

the development of tourism as an income-contributing sector of the economy, this normally entails some form of government expenditure to help with the commercial provision of services. This is especially important in tourism destinations that are in a development stage. Not only may government provide the funds required to ensure the viability of marginal projects, but overt political support can be an element which psychologically reinforces decisions to invest.<sup>12</sup>

Table (1) lists the main methods by which governments use their spending to facilitate development:

**Tab. 1. Public Spending Methods in Tourism Development**

<b>Direct expenditure:</b>
Grants and subsidies
Long-term low-interest loans
State participation in equity
Interest rebates
Financing research assistance
Financing vocational training.
<b>Reduction of commercial liability:</b>
Tax exemption or reduction
Duty-free importation of materials
Preferential terms for sale or concession of state land
<b>Guarantees:</b>
Surety bonds on commercial borrowing
Guaranteed work permits to foreign workers

Source: adopted from: A. Bull, *The Economics of Travel and Tourism*, Longman Addison Wesley Australia, 2<sup>nd</sup> edition, S. Melbourne 1997, p. 216.

Governments also facilitate tourism development by providing the necessary infrastructure. In relation to travel and tourism, infrastructure involves fixed passenger transportation investment, destination services such as power, water, sewerage, hygiene and health, fixed communication investment, and so on. (It is important to notice that very little infrastructure is used solely for tourism unless it is part of an enclave development. Roads, airports and terminals are likely to have multiple users in most places, and services generally support residents as well as visitors).

#### 3.4. Tourism Taxation:

In recent years, governments around the world have become increasingly sophisticated in the invention and the imposition of taxation instruments. Forty years ago international tourism was effectively free of taxation, but taxes

<sup>12</sup> See A. Bull, *The Economics of Travel and Tourism*, p. 4-10.

on the tourism industry are now increasing in number and impact. This trend in tourism taxation has resulted largely from the growth in tourism, which governments are increasingly recognizing as a potential source of additional tax revenue, sometimes to fund expenditures within the sector and sometimes as a contribution to general revenue. Furthermore, tourism taxes are often seen as easy to collect as they generally affect travelers rather than those who might otherwise complain, namely voters of the country concerned.<sup>13</sup>

There are a large number of taxes. As for tourism, the most important types of taxes are:<sup>14</sup>

- Taxes on commercial tourism products.
- Taxes imposed on consumers in the act of being tourists.

Taxes on commercial tourism products are a simple example of consumption (sales, value-added or purchase) taxes. They are normally levied on producers, who must then decide if it is possible to pass the incident of taxation on the consuming tourist. This depends on the price elasticity of demand facing each producer. Favorite targets of this type of taxation are accommodation, meals, car rentals and fuel.

However, to avoid the undesirable effect of the above-mentioned type of taxing on residents, many governments impose specific taxes directly on tourists regardless the type of goods and services purchased. These are generally levied on international tourists and collected at gateways (such as arrival taxes or departure taxes).

Some writers (such as BULL 1997) put ‘user pays charges’ as taxes. BULL argues that “there is no clear distinction between these charges as the price of a tourism facility purchased and as a tax on the use of the facility.” Obviously, the distinction is a narrow one. For example, exit and entry visa charges are likely to be part of central revenue funds, yet might be said to include a small user charge element, covering the cost of immigration and security. Nevertheless, this doesn’t mean that there are no differences. “Tax is a compulsory transfer of money from private individuals, institutions or groups to the government, but user charges are a legitimate payment for a particular good or service which the payer enjoys.”<sup>15</sup> However, the user pays charges element is usually small, and international organizations such as the World Tourism Organization (WTO) exclude users pays charges while studying tourism taxation.

However, it is important to take into consideration that various organizations oppose the increasing number of taxes imposed on the tourism industry. Their opposition concern:<sup>16</sup>

- The increased cost of tourism operations because of the addition of taxes;
- Distortion in the competitive situation between one destination and another;
- The inefficient nature of tourism taxation, which because tourism is a highly

<sup>13</sup> *Tourism Taxation: Striking a Fair Deal*, WTO Business Council, p. 1.

<sup>14</sup> A. Bull, op. cit., p. 213F.

<sup>15</sup> *Tourism Taxation...*, op. cit., p.16.

<sup>16</sup> Ibidem.

price sensitive activity, can result in an overall loss of tax take rather than a gain in total tax revenue.

Finally, taxation is an essential element of the government role in tourism development. In addition, despite criticism, tourism industry practitioners welcome a taxation regime that **supports the ongoing growth of tourism**.

### 3.5. Education and Training:

Appropriate and thorough education and training for persons working in tourism are essential for the successful development and management of this sector. Government tourism officials need to understand tourism policy formulation, planning and marketing techniques, tourism statistics and management of tourism information system, tourism impact analysis, tourist information services, and other matters. Tourism industry employees need to be skilled in hotel and catering operations, tour and travel agency services, guiding tours, etc. Therefore, education and training are assuming growing importance for governments.

Despite the fact that educational institutions are increasingly in the hand of the private sector, or operate as a public-private sector partnership, governments still play a significant role either through establishing tourism training and education institutions, or by providing incentives (granting tax exemptions, for example) to companies who use the courses, and the curricula which are supervised by the national tourism administration (or the ministry of education).<sup>17</sup>

### 3.6. Marketing:

Marketing of tourism for a country or region is essential. Marketing informs prospective tourists about what the area has to offer and tries to induce them to visit it. Governments become involved in marketing first because the individual suppliers of inbound and domestic tourism products are unlikely to be able completely to subordinate competition to co-operative marketing programs – and they have a range of different interests. Secondly, a government may see a potential national economic benefit nationally from tourism which transcends those of private market suppliers. Thirdly, a centralized marketing authority can gain economies of scale in operation.

However, the role of governments in marketing includes several activities:<sup>18</sup>

- Establishing the marketing objectives, These objectives are expressed in terms of approximate numbers of tourist arrivals by type, average length of stay, countries or country regions of origin, and other characteristics. In already developed tourist destinations, the marketing objectives may also relate to changing the types of markets (such as aiming for higher quality or special interests markets).
- Formulating the marketing strategy, which may include, for example:

<sup>17</sup> N. Cockernell, *Towards New Forms of Public-Private Partnership*, p. 23.

<sup>18</sup> *National and Regional...*, op. cit., p. 45-48.

the general types of promotional techniques to be used, any particular obstacles to overcome, whether the marketing will be general or be selective and directed to specific types of tourists markets, etc...

- Preparing the promotion program, i.e.: the various methods used to sell tourism products and services, this include paid advertising in the media, brochures and other printed materials disseminated through travel professionals and information centers, presentations at trade and consumer shows, familiarization trips for writers, travel agents, and tour operators, etc...
- Providing tourist information services, such as general geographical, historical, and cultural background of the area; the attractions, facilities and services and their costs; location of embassies, and other specific information. It is also important to inform tourists about local customs, dress and behavior codes, security problems the should be aware of, etc...

### Final Remarks:

Governments are drawn into tourism because of the importance of the industry, because of its problems, and its at times controversial impact. Therefore, governments have to take into consideration many issues and principles in the formulation of tourism policy:<sup>19</sup>

- Effectiveness, the issue of effectiveness concerns the degree to which a specific policy undertaken by NTA is likely to meet the objectives of a developing tourism sector. Among related considerations are the certainty and relative speed that the policy will meet objectives, and its flexibility of response to changing circumstances.
- Analysis of the economic efficiency of different policy options. This involves comparing the cost involved with each option which is similarly effective in meeting policy objectives.
- Consideration needs to be given to whether a specific policy provides a continuing incentive to tourism businesses, visitors and host communities to behave in more sustainable ways.
- It is important to insure that a chosen policy is socially, politically and administratively acceptable. This requires respect for cultural differences, adopting the chosen policy by the appropriate authorities and ensuring the administrative workability of such a policy.

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