

Temi d'intervento dei relatori

I SESSIONE - PROMUOVERE E COMUNICARE LO STILE ITALIANO NEL MONDO

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THE ROLE OF HOSPITALITY COMPANIES IN TOURISM

Good morning, ladies and gentlemen. And thank you for inviting me to this conference today at what is a most difficult time for our industry, and indeed all businesses.

In 2009, after many years of growth in both the corporate and leisure sectors, world tourism will feel the shockwaves of the current economic climate in both visitor arrivals and visitor spend. For this year and next year we must expect fewer people to travel. And they will spend less.

It's a time when the economic recession is posing the greatest-ever challenge to the modern tourism industry. It affects operators throughout the world, not just in Europe, so it's a challenge for us all.

This downturn has come at a time when tourism is a major industry for many countries. Europe accounts for 54 per cent of all the world's 900 million world tourist arrivals. For many countries, tourism has become a key economic driver. For some countries, tourism is *the* most important industry. So the recession will hit all countries but it will hit some countries harder than others. Jobs will be lost, revenues will be reduced, and investment is likely to be abandoned, if only in the short-term.

In the last decade, we have become accustomed to annual growth in tourism numbers and spend. We must now prepare for – at best – stagnation; more likely, a decline. This decline could last for some time.

Even in Britain, where the high value of the Euro and the low value of sterling are likely to work in our favour in 2009, hotel occupancies have been declining since October. Room yields are following this trend. London hotels are currently being hit by a downturn in corporate business; so are hotels in the provinces. In an attempt by hoteliers to generate business, British newspapers are full of advertisements by hotel groups making special offers and discounting room rates.

So it's at times like this, when the future of tourism - certainly in the immediate future - is so uncertain that we should look at our structures. How can companies and state tourism organisations best co-operate? What is the role of the independent company vis-à-vis the public corporation? What role does government play? How can government, tourism agencies and private enterprise benefit from each other's knowledge and resources? What is required of each sector?

Now, I know that in Italy, you have recently introduced a new governance for the state tourism organisation. And from what I read, it seems to be working well.

Of course, private enterprise will always criticise some of the actions and decisions of the state organisation - and vice versa. That will always be the case. Hoteliers throughout the world tend to have very definite and strongly held views about the role and function of their national tourism agency. And vice versa.

But, irrespective of the success of the new agency in Italy, the changes that have been made emphasise one fact of life – namely, that tourism is a dynamic industry. It is changing and developing all the time. That being so, tourism structures must also be up-dated in order to satisfactorily meet the new challenges which appear from, time to time.

Of course, these changes demand an understanding of the dynamics of tourism. If I may use Britain as an example for a moment, we, too, have had our upheavals in policies and structure. Our state tourism promotion organisation has undergone numerous name changes in the last 50 years, much revision of responsibilities and – unfortunately – most recently, reduced levels of public funding. Not all of these changes have been beneficial.

This year the UK government introduced a new body just to promote England, called VisitEngland. VisitBritain will continue to promote Britain overseas but VisitEngland will promote only England both at home and overseas.

It will do this in conjunction with VisitBritain and *eight* English Regional Development Agencies, all of which also have the responsibility for promoting their individual region, as well as some local tourism agencies. We also have separate tourism organisations for Scotland, Wales and Northern Ireland.

This, I suggest, is a rather complicated structure and shows that sometimes, the solutions to some problems are likely to pose more problems than they solve.

Clearly, the danger in this example is that unless there is very close collaboration between all these various bodies – as well as with the private sector – the scope for confusion is immense, with even greater scope for costly, wasted effort and duplication of resources.

In the UK, we shall have to see how well this collaboration works.

Although my example was from one individual country, I do not doubt that there are similar situations in other countries where divided responsibilities for national, regional and local promotion are only too obvious. Most, if not all of these agencies are funded by public money. It is unhelpful, and wasteful, when these agencies compete against each other just at the time when co-operation and collaboration, with common objectives, is urgently required and would be far more beneficial.

This brings me to my first point. Almost every country has its official, state-supported tourist promotion agency or agencies. The question is, how well can their work be integrated with the work of individual hospitality and tourism companies? How well can national and regional tourism agencies work together?

In attempting to answer this, perhaps it would be helpful to outline what government's responsibility is towards the tourism industry.

Primarily, government is responsible for a country's main tourist infrastructure. It is responsible for the transport infrastructure - airports and sea ports which enable visitors to travel in and out of a country. It is also responsible for establishing convenient air, road and rail transport systems to enable visitors to get about the country.

In addition, government must maintain and preserve the country's heritage – its scenic attractions like beaches and countryside, and its cultural and historic attractions such as buildings, museums and art galleries. On a wider basis, it is also responsible for law and order, security and what I term the public realm – that is, all the public services that are expected of a modern, developed state.

Cultural and historic attractions, of course, are particularly important – especially so in a country such as Italy, where they are heavily promoted.

In Britain the iconic image of the red bus, Big Ben, soldiers wearing bearskin hats, the Queen, thatched cottages and pubs have become recognised – if old-fashioned - symbols of Britain. It is these – rather than Britain's more modern attractions - that the visitor wants to see and experience.

Every country needs to preserve and promote these symbolic images because they are the key ingredients in a country's attraction as a tourist destination and they must be preserved – even enhanced - if that attraction is to survive.

But government has a further responsibility. Because of the cost of international marketing, most governments are also committed to funding their tourism promotional agencies – some more generously than others. This is really out of necessity rather than generosity.

The reason for this is because the tourism industry of most countries is typically made up of a large number of small, independent businesses. They cannot, individually, afford the cost of extensive overseas promotion. If government did not step in to fund national tourism agencies and overseas promotion no promotion would ever take place. That's because these small businesses could not afford to finance these marketing activities on the scale necessary for them to have any worldwide impact.

Now, in most countries, all these responsibilities are divided up among various government departments and different government agencies. As I've hinted in the example of the UK, this division of responsibilities might not be ideal as it clearly provides plenty of scope for misunderstanding, aggravation and waste. But at least these agencies, if they are set up, show that government recognises the need for them. And they show that government is taking tourism seriously – even if, in many people's opinion, that support is not serious enough..

If we know what government's primary responsibilities are, what is private enterprise responsible for?

Private enterprise has to create the tourism package that attracts the visitor in the first place, and enables him or her to have a satisfying, value for money visit. So private enterprise has to provide the right quality and

quantity of accommodation, the right attractions, the right food and the right overall visitor experience. In this, value for money, rather than price, is the key element.

As we've already seen, in the private sector are many hotel owners and operators, attractions, restaurants, theatres, cinemas – in fact, a whole host of enterprises, each independent but each trying to take its slice of the total tourist cake.

How do we get the public sector and these many individual businesses in the private sector to work together – as they surely must if success is to be achieved? And how best can government encourage private enterprise to improve its product – as it surely must – so that a country can keep up with the growing international competition?

Here, government has a further role to play.

What defines a successful private business is the level of investment that it makes. That is, investment in its buildings and facilities, in the people it employs and in the marketing that it undertakes. Buildings need to be constantly upgraded and modernised to meet rising consumer demands. Staff must be trained and developed so that they can reach their full potential – and thus provide better and better customer service. And marketing has to be maintained – and expanded – so that business opportunities are maximised.

Government can directly and indirectly influence these levels of private investment.

It can do this by establishing a sympathetic tax and fiscal regime that encourages the construction of new buildings and improved facilities, develops better training programme and introduces more effective marketing. In extreme circumstances, it can even encourage the development of new facilities through public grants and loans.

Tax breaks for capital expenditure incentivise entrepreneurs to get on with developing their business. They encourage new hotel construction. They encourage the refurbishment of existing premises. They encourage private operators to invest their own money at little cost to the tax payer or the public purse.

They are, in other words, very efficient vehicles that, eventually, by increasing visitor numbers, raise government tax and duty revenues.

It is true that there are some major, extremely large, international hotel companies that have access to high levels of funding in normal times, but in the UK, for example, there are over 50,000 hotels and guest houses, the vast majority privately owned and operated. Most European countries – and the USA – have a similar small business structure.

Even where world-wide branded names appear in cities, their development is often the result of a franchise arrangement with a national or local independent developer. This is a worldwide trend. Major hotel brands are quitting asset ownership in favour of asset management. Their own investment in hotel buildings is quite different to what it was 20 years ago when hotel ownership was the normal path to expansion.

Government needs to recognise this. Government certainly needs to recognise that maintaining the quality of any country's tourist offer depends largely on investment decisions made by independent operators, many with limited financial resources. This is why sympathetic fiscal policies are so important.

Again, taking the UK as an example, these tax breaks have been a critically important factor in the development of the hotel industry. A favourable tax regime with appropriate capital allowances has led to more than 200 new hotels opening every year in the UK in each of the last five years, representing an investment of over £5bn a year in new-build projects and refurbishments. This decade has seen the biggest hotel expansion in the country's history

However, governments can unwittingly damage an industry as well as help it.

Without notice or discussion, these tax allowances for hospitality businesses in the UK have now been withdrawn – a baffling move for a government that claims to support the expansion of UK tourism. Their withdrawal will inevitably mean less investment in the future, particularly in the present economic recession – how much, we have yet to find out.

And in a similar negative move, the government is also reducing its funding for VisitBritain by 18 per cent in the next three years.

So governments, through their actions (or inactions), can both encourage and discourage private enterprise. These two examples show the damage that can be inflicted on an industry's prospects through lack of thought on the part of government, lack of knowledge, lack of understanding, and lack of clear purpose.

What these examples also highlight, however, is that success in developing tourism depends on co-operation, collaboration and mutual understanding between government and private enterprise, as well as between different sectors of the industry.

Worldwide competition is forcing every country, and every tourism business, to improve the standard and quality of its tourism offer. Operators recognise that standards of hotels, restaurants and attractions need to keep pace with rising consumer expectations. Do governments recognise this as well?

Do governments recognise that higher standards, better facilities, better value for money have become increasingly important factors in visitor choice? New hotels, new attractions, new restaurants are an integral part of any country's tourism offer. Do governments realise that they have a key role to play in encouraging higher standards in these businesses?

In the present economic circumstances, many hotels and tourist products are discounting their prices in order to generate new revenue streams. Marketeers will always argue about the effectiveness of discounting in providing a short-term solution to declining demand. But everyone would – or should - agree that providing greater value for money is the only key to success in the long-term. In this, investment is fundamentally important. And in this, benign government tax and fiscal policies are key to encouraging this investment.

So we come full circle. Government support remains critical to private enterprise in the good times as well as the bad. Government support not only encourages new investment, it creates jobs. It leads to higher levels of visitor spend, which, in turn, boosts the visitor economy and increases the country's tax revenues.

So governments need to understand how tourism works, and they need to take it seriously. As we all know, tourism is big business, worth almost \$1trillion a year worldwide. Yet many politicians fail to appreciate the size of the worldwide industry, nor its recent growth. Nor its potential growth. Tourism can bring prosperity to regions of a country that would otherwise be impoverished. It is a major job creator. It is a major tax-generator. But you wouldn't think so by the actions of some governments.

Both government and private enterprise must recognise that the preservation – indeed, the enhancement – of a country's infrastructure as well as its scenic, cultural and historic assets is critically important. Promoting these assets to the world at large demands inspired marketing prowess from industry and adequate supportive funding from government.

So clearly, government and private enterprise are inextricably linked in the tourism effort. In the current economic downturn, collaboration becomes even more important because new business is so much more difficult to generate.

Government and private enterprise each have a role to play. Government must promote tourism through supportive fiscal and tax policies; private operators must recognise that continuous investment and re-investment is the key to providing value for money products that attract both overseas and domestic visitors.

Both government and private enterprise must understand their complementary roles. Without this mutual understanding and co-operation, the benefits of tourism to any country – which are significant - will never be fully realised. The danger we face is that other countries will follow the path of the UK government in cutting back support for their tourism industry just at a time when that support is critically important. I would hope that articulating this danger is one of the key messages that emerges from this conference.