

WORLD  
TRAVEL &  
TOURISM  
COUNCIL

# CHINA, CHINA HONG KONG SAR AND CHINA MACAU SAR

THE IMPACT OF TRAVEL & TOURISM  
ON JOBS AND THE ECONOMY



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# WORLD TRAVEL & TOURISM COUNCIL

THE WORLD TRAVEL & TOURISM COUNCIL (WTTC) IS THE BUSINESS LEADER'S FORUM FOR TRAVEL & TOURISM, WORKING WITH GOVERNMENTS TO RAISE AWARENESS OF THE IMPORTANCE OF THE WORLD'S LARGEST GENERATOR OF WEALTH AND JOBS.

With chief executives of more than 100 of the World's leading companies in membership, WTTC has a unique mandate and overview on all matters related to the success of Travel & Tourism.

WTTC is delighted to present this report, which provides the most comprehensive analysis of the Tourism Satellite Account and Travel & Tourism policy situation for The People's Republic of China, Hong Kong SAR and Macau SAR ever undertaken.

This study, undertaken by WTTC together with our research partners, Oxford Economic Forecasting, quantifies all aspects of Travel & Tourism demand in the form of the Tourism Satellite Account (TSA) forecasts. The TSA model spans personal consumption to business purchases, capital investment, government spending and exports. It then translates this information into economic concepts, such as gross production and employment, which can be compared with other industries and the economy as a whole to provide credible statistical information that will assist in policy and business decision-making.

WTTC is delighted to have collaborated with a broad cross section of leaders from and China's, Hong Kong's and Macau's tourism industries and public sector to produce this report which comes in the form of an update two and a half years after our initial focus on China and the SARs' tourism economies.

The growth we are witnessing in China, 8.7 per cent per annum in real terms between 2007 and 2016 makes China the second fastest growing Travel & Tourism Economy in the world. At the same time Macau and Hong Kong rank 9th and 12th respectively among the worlds fastest growing Travel & Tourism economies. Employment forecasts are also encouraging, in that sustained policy and investment attention are

expected to generate 17.4 million jobs in 2006 and grow to more than 20.4 million by 2016, constituting 2.5 per cent of overall employment in China.

This report provides a set of policy recommendations that we believe will help optimize the potential benefits of Travel & Tourism in China, Hong Kong and Macau. Putting such recommendations into play should ensure long-term sustainable development and can help to spread the benefits across all levels of the economy and the country. China, Hong Kong and Macau can put themselves in a position to exceed the baseline forecast if certain elements are ensured - a genuine public-private sector partnership, a climate that is conducive to business investment, sustained and effective marketing promotion and policies that respect the environment and local cultures.

The World Travel & Tourism Council would like to express its sincere gratitude to the many individuals and organizations that contributed their knowledge, insight and data/information to the policy review effort, especially the Department of Hotel and Tourism Management at the Hong Kong Polytechnic University, which opened its Research Centre to the authors. A complete list of contributors can be found on the back inside cover. Special thanks are also due to the Tourism Research Centre, Chinese Academy of Social Sciences, which made a significant contribution to the section entitled China's Travel & Tourism: Overview of Recent Trends and Developments.



Jean-Claude Baumgarten  
President, World Travel & Tourism Council





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# EXECUTIVE SUMMARY

ONLY THREE YEARS AFTER RELEASING ITS GROUND-BREAKING REPORT ON TRAVEL & TOURISM IN CHINA AND HONG KONG SAR, WTTC HAS FOUND IT NECESSARY TO FOLLOW UP THAT WORK AND PRODUCE AN UPDATE FOR ONE SIMPLE AND COMPELLING REASON – WITHIN TEN YEARS TIME, CHINA WILL BECOME THE SECOND LARGEST TRAVEL & TOURISM ECONOMY IN THE WORLD.

According to research conducted for the purpose of this report, China has the potential to become one of the world's great tourism economies – in terms of inbound, domestic and outbound travel. This follows the opening of its markets to the outside world and its entry into mainstream economic and political circles such as the World Trade Organization. Although the vision for China's ascension is extraordinary and bold, and historical experience has clearly demonstrated the Chinese Government's ability to deliver on its promises, the scope and depth of effort necessary for China to build a world-class tourism economy are staggering.

The future prospects for Travel & Tourism in China remain extraordinary. There is widespread speculation – mostly underestimated – as to Travel & Tourism's current and likely future contribution to the national economy and, more importantly, the difficult structural factors that still constrain its true potential.

In truth, the Chinese Government has moved quickly and decisively to transform itself in only a few short years, implementing a policy of opening up the country to the outside world, moving to a market-based economy and, in the process, achieving massive growth and development.

However, what the World Travel & Tourism Council (WTTC) and Oxford Economic Forecasting research makes clear is that, despite its success to date, the industry requires a new vision of openness, collaboration and cooperation between the public and private sectors. This will ensure that China's Travel & Tourism moves to the next level of development and sophistication, on track to becoming a world tourism power.

In Hong Kong, the primary focus is tactical, focused on the creation and development of a leading Asian aviation transport hub and on restarting the destination's lifecycle by broadening and deepening its tourism product base. Both are vital to spreading tourism growth beyond the Chinese market and assuring Hong Kong's position within Asia's Travel & Tourism.

In Macau, the focus is completely revolutionary, focused on the creation and development of a world class tourism destination by reconstituting a small time gaming operation into a mega-entertainment and tourism destination, redefining and redeveloping the product and market from top to bottom.

There are still significant structural barriers in that will inhibit the growth of Travel & Tourism in China, Hong Kong and Macau. While some of these issues are already on the respective governments' agendas, others have yet to be included, and yet other issues are vying for attention. Although not everything can be programmed for immediate action, WTTC calls on the Chinese and SAR authorities to focus even greater attention to these issues and work with the private sector to establish immediate and long-term priorities to meet the challenges head on.

Travel & Tourism offers enormous potential as a catalyst for future economic and social development across the whole of China, Hong Kong and Macau. Measures already undertaken by government augur well for the sustainable development of Travel & Tourism – achieving a healthy balance between business imperatives, the protection of cultural heritage and environment, and the well-being of local communities. Additional measures recommended in this report set the stage to help ensure the larger rewards that Travel & Tourism can bring.



# FUTURE PROSPECTS

THE BASELINE FORECASTS FOR CHINA ARE STAGGERING. OVER THE NEXT TEN YEARS, THE GROWTH OF TRAVEL & TOURISM DEMAND IN CHINA IS EXPECTED TO MAKE IT THE SECOND LARGEST TRAVEL & TOURISM ECONOMY IN THE WORLD.

The expected annualized rates of growth for personal consumption of domestic and outbound tourism, as well as visitor exports (inbound tourism), suggest that China's most difficult challenge will be to manage the projected growth. It needs to focus its financial, human and intellectual resources on supporting, facilitating, enabling, managing and directing this growth rather than – as is the challenge most other nations face – trying to stimulate growth. WTTC maintains that the extraordinarily high level of expected growth will require China to anticipate any weaknesses likely to be exposed under this intense pressure and prepare plans, structures and systems to help ensure that Travel & Tourism reaches its potential.

## TOURISM MANAGEMENT

China's Central Government needs to show tourism leadership by re-orientating, clearly defining and communicating the structure, organization, portfolio and funding of the China National Tourism Administration (CNTA).

The newly designed CNTA should provide planning and policy-making, tourism development and management, as well as co-ordinating, facilitating and, thereby, driving the country's new market economy-based approach to Travel & Tourism. To ensure this happens properly, it will be necessary to elevate tourism to a ministerial portfolio with responsibility for overseeing collateral government agencies/ departments that have a direct or indirect link to tourism.

## NATIONAL TOURISM ORGANIZATION

To ensure that China competes effectively with the world's leading tourism destinations, it should spin off and adequately fund the marketing and promotional responsibility of CNTA



into a newly created public-private sector managed China Tourism Board (CTB).

It is envisaged that this national body will spearhead the tourism marketing and development initiative, including a major focus on domestic tourism. In addition, the new CTB should serve as a fully fledged national convention bureau and assume a coordinating role with the provinces/cities, as well as producing and disseminating Travel & Tourism research, market intelligence and information management. Finally, the CTB should follow international best-case practice and operate with a diverse and broad-based board of directors who reflects the collective wisdom and experience of key public and private sector leaders.

## PUBLIC-PRIVATE SECTOR PARTNERSHIP

In order for China to achieve its aggressive development and employment objectives to create 40 million Travel & Tourism jobs over the next decade, it will need to create a true working partnership with the private sector in all aspects of tourism planning and operation.

This will involve the re-orientation of existing trade associations into independent contributing bodies. Their input might emulate that of the Shanghai Mayor's Round-Table forum where the private sector provides briefings, exchanges views and initiates discussion about new trends and issues that have an impact on the Travel & Tourism industry.

The establishment of the Chamber of Tourism (TCC) who's mission is to build a network of nationwide non-state-owned tourism and related companies is an important development that signifies the start of a new era for public private sector cooperation in China.

## TOURISM PLANNING

China's National Tourism Policy, "Building a World Tourism Power and Developing a New Mainstay Industry – The Compendium for China Tourism Development in the Early 21st Century", is a visionary tourism plan.

However, 'building a world tourism power' may require even greater attention to the free-market re-orientation of the tourism business environment in China and to more comprehensive strategy and operational plans as to how

this vision is to be achieved. CNTA must divest itself of all ownership interests and management responsibilities and instead focus on developing strategy and providing guidance, making and directing long-term plans for the industry, and removing unreasonable barriers to growth. It should advocate standards and service levels. It should clearly communicate its roles and responsibilities and provide transparency.

## MARKETING AND PROMOTION

Major industry players have suggested that interest in China as an inbound tourism destination has not been matched by sufficient marketing and communications resources in primary feeder countries.

China should consider placing expert media-trained professionals in originating markets to actively promote and facilitate tourism to China. CNTA should also consider input/expertise from outside China for marketing and promotion to increase the quality of communications that is produced for prospective Western visitors.

## INDUSTRY MEASUREMENT AND RESEARCH

Industry information currently available in China, Hong Kong and Macau is insufficient under current high-growth conditions to formulate intelligent, well-considered short- or long-term business and policy decisions. Tourism research (academic and professional) should be encouraged by government.

A national tourism research organization could be a useful tool to help ensure the credibility of historical results and future demand forecasts, as well as generating marketing intelligence information and assessing the economic contribution of Travel & Tourism. In particular, there is a critical and immediate need to accurately measure and monitor the traffic between mainland China, Hong Kong and Macau to better understand the flow of tourism and its implications for policy and business decisions.

Tourism satellite accounting (TSA) must be established independently in China, Hong Kong and Macau and updated on an annual basis to ensure that adequate data are available to factor Travel & Tourism into economic and employment strategies.



## DOMESTIC TOURISM

The extreme seasonality of the Golden Week national holidays will increasingly cause an unmanageable strain on existing tourism resources and infrastructure, and may result in the abandonment of the original policy objective to encourage domestic tourism consumption.

To lessen the burden on these periods, China should move swiftly to supplement the three Golden Weeks with two weeks paid vacation, which can be taken throughout the year, at the discretion of consumers and businesses. This policy will spread holiday-taking throughout the year, reducing seasonality and creating a more stable and sustainable Travel & Tourism industry.

## OUTBOUND TOURISM

To achieve the full potential of Travel & Tourism, the Chinese Government must treat outbound tourism as a strategic priority on a par with inbound tourism.

Like the third leg of a tripod, Travel & Tourism is not balanced and is not sustainable without a strong outbound market. This will require the rapid elimination of approved destination status (ADS) requirements, allowing for unlimited access to the Chinese market by foreign tour operators and national tourism organizations, and removing limits on travel agency outbound sales. At the same time, the travel industry needs to ensure the quality of the products and services it sells by promoting transparent consumer rights, self-regulating price and quality, and developing a sound legal operating framework. Encouraging Chinese tourism investment abroad will also serve to build the competence and reach of China's Travel & Tourism industry around the world.

## INBOUND TOURISM

As inbound visitor numbers approach 120 million, realizing the full potential of this traffic will require segmenting and customized servicing to satisfy and address the specific needs and objectives of the various markets (budget, mid-class or luxury).

Old fashioned and highly structured tourist products no longer suit the demands of contemporary international

tourists who are seeking more independence and greater flexibility of choice.

In order to accommodate the growing number of international visitors, China must expand its English language capacity building and make it a required course of study for all Travel & Tourism programs and new hire employees.

## PRODUCT DEVELOPMENT

China is in the process of developing a mass tourism economy unlike any the world has ever seen.

The Chinese Government needs to prepare the groundwork for this explosive new consumer demand carefully and expeditiously. This will include facilitating the development of transport networks and infrastructure, tourism destination planning and construction. In addition, it needs to institute marketing and promotion campaigns and establish the appropriate legal, regulatory and financial system required for free-market forces to absorb the enormous demand as quickly as possible.

On the software side, China must ensure that quality service is delivered and that Chinese companies aspire to the international standards practiced by multi-national operators.

Hong Kong also needs to focus on product development, but its situation is different in that its focus should be on extending, broadening and deepening its already excellent product base, and increasing average length of stay and yield, through initiatives such as Hong Kong Disneyland. Macau needs to support the new tourism hardware (infrastructure and product) with professional worldclass software (service standards, employee education and training) that is necessary to delivery a well-rounded quality tourism experience.

## BUDGET HOTELS

International experts believe that urgent measures must be undertaken by the Chinese Government – both in terms of policy decisions and practical measures – to facilitate development of the budget hotel sector, thereby helping to unlock the potential of domestic tourism.

Many believe that the creation of hotel chains in China needs to start with the reform of the ownership system, including the separation of hotel management and hotel ownership.

The segment must be restructured, reorganized and refocused so that it provides low-cost, quality accommodation for the growing domestic travel market. WTTC firmly believes that the Chinese authorities should work even harder to facilitate the consolidation of state-owned enterprises into profitable hotel groups and management companies. This process can be expedited by classifying them as an 'encouraged category' of industry, as well as by developing a domestic capital market, which will allow the free movement of assets.

There is also significant concern over two specific policy areas: first, policies that favor foreign firms over Chinese companies from other regions for investment opportunities; second, policies that discourage offshore investment and hamper hotel franchising opportunities.

## THE MICE MARKET

China should raise the level of its meetings, incentives, conferences and exhibition (MICE) business to that of an important economic contributor.

National, provincial and municipal efforts to conduct convention bureau operations should be reorganized and restructured under a National Convention Bureau (NCB) with city/destination chapters to tap the potential of this enormous market. The NCB should ensure complete coordination and synergy between all stakeholders for the promotion of China's MICE business, should position China in the international marketplace as a leading destination, and serve as an initial/focal point of contact, distributing leads and allocating business transparently.

The NCB should also help to rationalize and organize the development and construction of convention and exhibition facilities throughout China so over capacity and undesirable development does not take place.

## TIMESHARE

It is imperative for China to draw up sound regulations for timeshare that protect the consumer and allows legitimate developers to grow their businesses.

Cornerstones of these regulations should be a cooling-off period to allow the consumer time to think things over before a sale becomes final. Additional mechanisms that protect the consumer's use rights over the life of

the 'right to use' programme must also be instituted. China should look to international best-case examples of regulatory law in developing its timeshare structure.

## MACAU

The transformation of Macau from a sleepy Portuguese colony to mega world class tourism entertainment destination is staggering in its vision and scope.

While there are significant strengths and opportunities in Macau to achieve its potential, there are also a host of weaknesses and threats including direct air access from source markets, customer needs analysis to guide policy formulation, lacking co-ordination between gaming and tourism, provision of quality service standards as well as increased competition from other upcoming gaming destinations that might pose a challenge. The PATA Task force has made a series of recommendations that should serve to address these issues and assist Macau in this massive tourism development venture.

## HONG KONG

In December 2002, the Joint Council of the Travel Industry of Hong Kong submitted a proposal to the Chief Executive on the future development of the Travel & Tourism industry.

Although the proposal is now 3 years old, much of what was proposed is still valid today. According to the proposal, significant focus must be placed on developing a long-term tourism policy; increasing air routes and frequencies through a progressive liberalisation policy; improving and expanding tourism infrastructure on land, sea and air; improving Hong Kong's business environment and competitiveness; providing great product and service support to industry players and visitors thru a broad-range of government services; and communicating and working together with the industry to develop a stronger brand for Hong Kong.

## PAN PEARL RIVER DELTA

The Closer Economic Partnership Arrangements (CEPAs) between Hong Kong and Macau Special Administrative Regions (SARs) and the mainland have delivered positive tourism results.

The agreement should be implemented, expanded,



and enhanced to help the “9+2” realize their collective objective in building an international tourist belt in Pan-PRD and turning it into the first “barrier-free” tourist zone in China.

## DEVELOPMENT OF WESTERN CHINA

The economic business model for western China’s tourism must be sustainable – otherwise China will be forced to provide onerous investment and ongoing subsidies.

For western China, it is critical that tourism infrastructure, strategic plans and objectives be followed by detailed action plans for tourism marketing and promotion, training and education, and sustainable development.

WTTC also encourages CNTA to adopt Pro-Poor Tourism (PPT) policy – as defined by the United Nations Commission for Sustainable Development – which encourages local residents to set up tourism-related enterprises by providing them with tax preferences,

financial preference in relation to obtaining loans from domestic banks, management and technical training.

## HUMAN CAPITAL

The Chinese Government must make a firm commitment to furthering employment opportunities in the tourism industry in China by exempting the industry from permanent residence requirements, so that human resources can be effectively mobilized and encouraged to stay in Travel & Tourism.

In the short term, China may need to open its doors wider to external expertise in order to tap the international pool of seasoned Travel & Tourism professionals to assist in accelerating information and technology transfer to the resident Travel & Tourism community. In the longer term, China must ensure an equitable distribution of jobs, skills, income and ownership of capital in the industry, through initiatives entailing tourism and human capacity development, business development, opportunities for management,



community development and ownership. China would be well served to establish programmes that focus on the transition of workers from closed state-owned enterprises, agriculture, rural areas and western regions into Travel & Tourism jobs, professions and ownership.

## FINANCIAL SERVICES

China must focus greater attention on establishing transparent financial services policies in close collaboration with key stakeholders who provide for the convenient conduct of consumption associated with Travel & Tourism.

Unless financial services can keep pace with demand for Travel & Tourism, China's reliance on cash-based transactions will severely limit its ability to fully exploit the economic potential of this sector.

## AVIATION

The tremendous growth of China's aviation sector as a result of necessary service improvements, free international trade, and reduced airline fares, also presents serious operational issues.

Among the many challenges facing the government and, more specifically, Civil Aviation Administration of China are the limited capacity of air traffic control systems and the need for the rationalization of air space authority between military and civilian aviation. In addition, China's reservation system is currently incompatible with major systems in use in the rest of the world, the country suffers from a shortage of qualified aviation personnel, and controls on ticket pricing and revenue flows need to be lifted. If these issues can be addressed – and resolved – China will be the largest commercial aviation market outside the USA over the next 20 years with air traffic growing at 7.6 per cent per annum.

## OPEN SKIES

WTTC believes that, when all the liberalization and 'open skies' factors are considered, aviation must be seen as the driver of Travel & Tourism development and greater job creation.

China, Hong Kong and Macau should make even greater efforts to open air transport markets to attract more air transport services and improve regional networks. They

should continue to liberalize aviation agreements and provide for greater commercial incentives and viability, paying particular attention to routes on which capacity is limited and capacity growth lags behind the growth in traffic demand. They should continue to pursue managed liberalization and the relaxation of aviation regulations.

The Central and SAR governments should establish an Aviation Unit within their tourism policy organizations to coordinate and implement actions to increase the number of airlines and passengers. Finally, Hong Kong should develop as an aviation hub for the region with at least one Hong Kong-based carrier without national or Special Administrative Region (SAR) policy protection devised to keep any particular entity in place. In Hong Kong, ownership and control rules should be loosened so that economic viability and ongoing service are determined by the market and the expertise and delivery of the aviation entity.

## LOW COST CARRIERS

China's first privately-owned carriers have begun operations in an attempt to open the Chinese aviation market to a broader market potential and expand the various service options to the flying public.

Although the CAAC has relaxed the establishment of carriers, it still has not yet liberalized the domestic fuel market, service offerings, flight fares or the import of aircraft that are necessary for the operational economies of a low cost carrier.

Without properly addressing these issues, it will be difficult to effectively establish a low-cost low-frills air sector that will take China's Travel & Tourism forward to the next level.

## INFRASTRUCTURE

Infrastructure remains a critical component in Travel & Tourism development if the full potential of employment generation, export earnings and regional development effects are to be achieved.

China must still increase the number of airports and improve capacity at others to meet the demand of its rapidly expanding aviation market.

Although great strides have been taken and made to upgrade and expand China's surface and rail transportation, the system remains heavily burdened.

## CAPITAL MARKETS

Continued efforts need to be made, through the development of capital market structures, to attract sustained capital investment in China's Travel & Tourism industry from domestic and foreign sources.

China must still increase the number of airports and improve capacity at others to meet the demand of its rapidly expanding aviation market.

The lack of effective domestic financing options limits the potential for Travel & Tourism companies to expand, make acquisitions, merge with other companies, spin off bad assets, exchange property rights, restructure assets and consolidate.

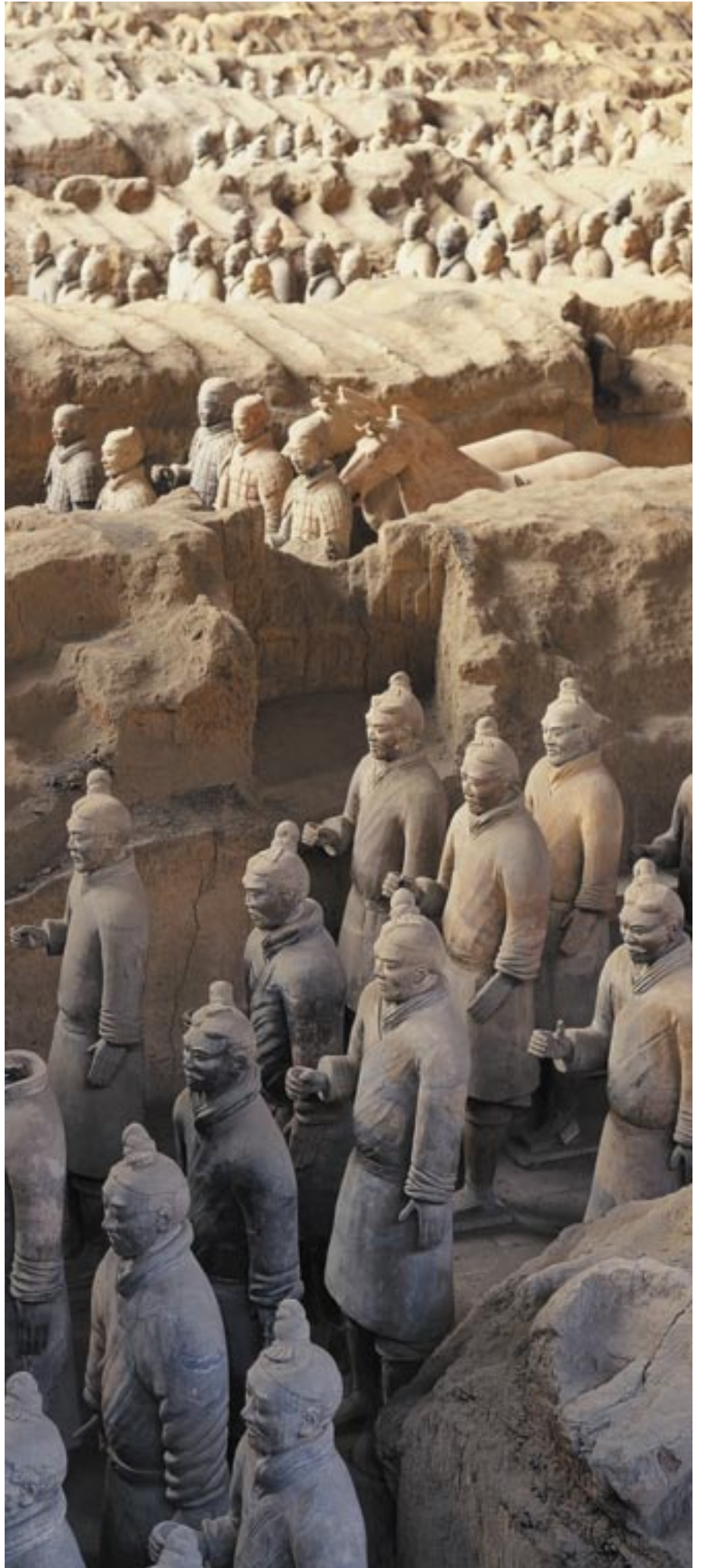
If China is to realize its vision of becoming a 'tourism power' it should create legislation that categorizes the investment of certain types of hotels and tour operators as an 'encouraged' type of industry. It should also introduce a specific promotion law for small and medium-sized enterprises (SMEs), aimed at encouraging local governments, private entrepreneurs and financial institutions to invest in SMEs associated with Travel & Tourism, among which much of the industry's growth is expected to occur.

China must also make greater efforts to clarify new laws or regulations, clarify land ownership issues and communicate the central, provincial and local governments role in Travel & Tourism to provide the transparency and confidence needed by the private sector to make even greater investment. Finally, if China wants to achieve its "tourism power" vision, it must provide for and legislate the necessary repatriation of revenues by international companies.

## ENVIRONMENT

It has been widely recognized that sustainability has to be at the core of all policy-making and development planning.

WTTC recommends that China adopt the principles of ecological preservation as outlined in Agenda 21, developed for the Travel & Tourism industry after the 1992 Rio Earth Summit by WTTC, the World Tourism Organization and the Earth Council.



# ECONOMIC IMPACT

IN 2006, CHINA'S TRAVEL & TOURISM IS EXPECTED TO GENERATE RMB2,770.3 BN (US\$353.7 BN) OF ECONOMIC ACTIVITY (TOTAL DEMAND). THE INDUSTRY'S DIRECT IMPACT INCLUDES:

**17,383,150**

jobs representing 2.3% of total  
EMPLOYMENT.

Rmb **496.8** bn

(US\$63.4 bn) of  
GROSS DOMESTIC PRODUCT (GDP)  
equivalent to 2.9% of total GDP.

HOWEVER, SINCE TRAVEL & TOURISM TOUCHES ALL SECTORS OF THE ECONOMY, ITS REAL IMPACT IS EVEN GREATER. CHINA'S TRAVEL & TOURISM ECONOMY DIRECTLY AND INDIRECTLY ACCOUNTS FOR:

**77,600,480**

jobs representing 10.2% of total  
EMPLOYMENT.

Rmb **2,358.9** bn

(US\$301.2 bn) of  
GROSS DOMESTIC PRODUCT  
(GDP) equivalent to 13.7% of total GDP.

Rmb **588.2** bn

(US\$75.1 bn) of  
EXPORTS, SERVICES & MERCHANDISE  
or 7.4% of total Exports.

Rmb **1,058.2** bn

(US\$135.1 bn) of  
CAPITAL INVESTMENT  
or 9.9% of total Investment.

Rmb **72.4** bn

(US\$9.2 bn) of  
GOVERNMENT EXPENDITURES  
or a 3.8% share.



# GROWTH

IN 2006 TRAVEL & TOURISM IN CHINA IS FORECAST TO SEE REAL GROWTH (REAL DECLINE) OF 14.0% IN TOTAL TRAVEL & TOURISM DEMAND TO RMB2,770.3 BN (US\$353.7 BN) AND

## 10.3%

in TRAVEL & TOURISM INDUSTRY GDP to Rmb496.8 bn (US\$63.4 bn) for the industry directly and 14.9% to Rmb2,358.9 bn (US\$301.2 bn) for the Travel & Tourism Economy overall (direct and indirect expenditures).

## 4.6%

in TRAVEL & TOURISM INDUSTRY EMPLOYMENT (direct impact only), to 17,383,150 jobs, and 7.4% to 77,600,480 jobs in the Travel & Tourism Economy overall (direct and indirect).

OVER THE NEXT TEN YEARS, CHINA'S TRAVEL & TOURISM IS EXPECTED TO ACHIEVE ANNUALIZED REAL GROWTH (REAL DECLINE) OF:

## 8.7%

in total TRAVEL & TOURISM DEMAND to Rmb9,096.0 bn (US\$1,299.4 bn) in 2016.

## 8.7%

in total TRAVEL & TOURISM GDP, to Rmb1,629.7 bn (US\$232.8 bn) in 2016 for the industry directly and to Rmb7,537.0 bn (US\$1,076.7 bn) for the Travel & Tourism Economy overall.

## 1.6%

in TRAVEL & TOURISM EMPLOYMENT, to 20,444,870 jobs directly in the industry, and 1.5% to 89,990,270 jobs in the Travel & Tourism Economy overall in 2016.

## 5.4%

in VISITOR EXPORTS, rising to Rmb693.6 bn (US\$99.1 bn) by 2016.

## 8.3%

in terms of CAPITAL INVESTMENT, increasing to Rmb3,329.4 bn (US\$475.6 bn) in 2016.

## 4.9%

in terms of GOVERNMENT EXPENDITURES to Rmb166.9 bn (US\$23.8 bn) in 2016.







# CHINA'S TRAVEL & TOURISM

## AN OVERVIEW OF RECENT TRENDS AND DEVELOPMENTS



### CLIMBING THE WORLD TOURISM RANKS

Since 2002 China has risen from fifth to fourth place in the World Tourism Organization's (UNWTO) rankings of top tourism destinations across the world, judged on the basis of international tourist arrivals and tourism receipts (excluding payments for transport). According to Shao Qiwei, Chairman of the China National Tourism Administration (CNTA), by 2010 China should have progressed to third position, receiving 64 million tourist arrivals annually.

The Special Administrative Regions (SARs) are listed separately in this ranking. In 2004 Hong Kong climbed to seventh place from fourteenth place in 2002. This goes to prove how, while SARS had a very significant short-term impact on the region and particularly on travel to and from China and Hong Kong, both Hong Kong and China were quick to rebound. They have not only recovered their global

positioning within the industry from before the SARS pandemic but have considerably improved on their 2002 performance.

GDP per capita in China has now exceeded US\$1,000 which was previously deemed the 'watershed' by CNTA; that is to say, the point at which Travel & Tourism would become a major 'lifestyle essential'. As wealth has developed so attitudes have evolved and the Chinese with the top and middle incomes consider travel to be something they are entitled to, a birthright.

While the UNWTO tourism measures, intended for comparative purposes, and now worked out with the support of CNTA – measures overnight tourist arrivals, are not strictly comparable to those used in this report, or indeed those reported by the respective national authorities, (China, Hong Kong and Macau include same-day visitor arrivals in their count)– due to a difference in methodology, the high rankings do indeed reflect the enormous growth that continues to be registered by China's Travel & Tourism industry over the past decade.



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## HONG KONG SAR AND MACAU SAR

Both Hong Kong and Macau – Special Administrative Regions (SARs) of China – have recorded continued double-digit growth over the past few years. Macau suffered least from the negative impact of SARS and sustained its growth through 2003. This translates into a 74.4 per cent growth of tourism receipts over the two years 2002-2004. In Hong Kong, the market being more mature and much more central to the SARS pandemic, growth over the same two-year period was at 19.4 per cent. As regards arrivals, the landscape is a little different; Hong Kong's growth in arrivals for 2002-2004 increased by 31.7 per cent whereas in Macau the increase was lower at 26.8 per cent. This suggests, as will be examined in more detail towards the end of this report, that Macau claims a higher yield per capita of its visitors than Hong Kong as a result of the gaming industry's dominance in the destination's attraction.

## CHINA'S INBOUND TOURISM

Inbound tourism has become a valuable contributor to China's national economy. Inbound international arrivals in 2004 totalled almost 42 million, a 26.7 per cent increase on 2003's arrivals, and, if more fairly compared, given the negative impact of SARS in 2003 in the interim, a substantial 13.5 per cent increase on 2002's figures. These statistics do not include inbound arrivals from the SARs. If both Hong Kong and Macau are included, the figure rises to 109 million arrivals, showing that China is still to a greater extent dependent on expatriate ties to generate a considerable proportion of its inbound tourism. According to the Chinese National Bureau of Statistics (CNTA), Hong Kong contributed 66.5 million arrivals and Macau 21.9 million arrivals. The 109 million tourists received in 2004 contrast starkly when comparing with previous decades – 10.5 million arrivals in 1990 and 31.2 million arrivals in 2000.

CNTA has released figures for the period from January to October 2005. The total number of inbound tourists was 100.2 million, increased by 11.6 per cent. Inbound tourists for this period can be broken down in the following table:

### China's Inbound Tourism, January to October 2005

Market	Total arrivals (mn) Date	% annual increase
Foreign	16.9628	22.56
Hong Kong	58.1350	5.64
Macau	21.5691	20.96
Taiwan	3.5139	13.82

Note: Arrivals are by nationality or passport, NOT by residence

Source: China National Tourism Administration (CNTA)

For the same period, the total number of overnight stays was 39.0719 million, an increase of 13.64 per cent. The following table shows the breakdown by origin:

### Arrivals by origin in Mainland China, January to October 2005

Market	Total arrivals (mn) Date	% annual increase
Foreign	13.7635	23.28
Hong Kong	18.7103	6.14
Macau	3.5346	21.84
Taiwan	3.0634	13.84

Source: CNTA

From January to October 2005 inbound tourist arrivals increased more than 20 per cent from all continents. All 16 main source countries achieved double-digit growth except Japan:

### Percentage increase in source market, January to October 2005

Rank	Market <sup>a</sup>	% annual increase
1	France	35.27
2	Australia	32.12
3	Thailand	31.44
4	South Korea	28.50
5	Malaysia	26.66
6	Germany	26.60
7	Russia	26.25
8	Canada	24.19
9	Singapore	24.18
10	Philippines	22.42
11	UK	19.53
12	USA	19.52
13	Mongolia	19.48
14	India	15.60
15	Indonesia	13.71
16	Japan	-3.56

<sup>a</sup> By nationality/passport

Source: CNTA

Inbound tourism has become a valuable contributor to China's national economy.

This can be further broken down by receiving city within China to develop a picture of the concentration of inbound tourists and the areas which have more development potential.

#### Breakdown of international tourist arrivals in selected cities in China by source, 2004 (%)

City	Foreigners	Expatriate Chinese <sup>a</sup>
Tianjin	90.7	9.3
Dalian	87.7	12.3
Qingdao	87.7	12.3
Beijing	84.9	15.1
Shanghai	82.9	17.1
Xi'an	81.1	18.9
Chongqing	78.1	21.9
Nanjing	65.6	34.4
Wuxi	65.1	34.9
Chengdu	64.3	35.7
Hangzhou	64.2	35.8
Kunming	60.6	39.4
Guilin	57.0	43.0
Xiamen	53.0	47.0
Guangzhou	31.8	68.2
Shenzhen	18.8	81.2
Zhuhai	14.4	85.5

<sup>a</sup> from Hong Kong, Macau and Taiwan

Source: CNTA

As regards tourism receipts, China's performance has seen a tremendously accelerated growth over the past two years, growing from US\$20,385 million in 2002 to US\$25,739 in 2004 which equates to a percentage change of 26.3 per cent. If we compare with 2003, of course, the comparison is much more glaring because of SARS skewing the figures, resulting in a 47.9 per cent increase. Visa Asia Pacific announced in December 2005 that inbound tourism spend figures for China were subject to the highest growth rates in the region at 29 per cent year on year. US\$704 million was spent by tourists in China alone in the third quarter of 2005.

Marketing strategies such as the China in France and subsequently reciprocated France in China from 2003 to 2005, which are being copied in the UK, specifically London, and Italy in 2006, promise to raise the profile of Chinese culture and boost curiosity to visit China.

## DOMESTIC TOURISM

China domestic tourists, in correlation with both increased disposable income and leisure time, took 1.1 billion domestic trips in 2004. With the Travel & Tourism industry in its relative infancy, the vast majority of Chinese tourists are visiting destinations which are closer to home. In this respect the domestic market can be seen as the feeder market for future outbound travel, whetting the appetite for more adventurous and exotic destinations.

This is particularly well illustrated by CNTA's statistics on domestic and international travel ratio as shown below. Between 2004 and 2013 the number of urban households earning between US\$4,800 and US\$9,600

per year is forecast to grow by 10.2 per cent per annum and those earning in excess of US\$9,600 will increase by 16.1 per cent. It is the residents of China's cities who are most likely to travel and most noteworthy are the residents of Beijing, Shanghai and the cities of Guangdong province, such as Shenzhen and Guangzhou.

#### Domestic versus international travel, 1990, 1995 and 2000-2003

Year	Domestic ('000 trips)	International ('000 trips)	Ratio Domestic:International
1990	280,000	620	452:1
1995	629,000	4,521	139:1
2000	744,000	10,473	71:1
2001	784,000	12,133	65:1
2002	878,000	16,602	53:1
2003	870,000	20,222	43:1
2004	1,102,000	28,85038:1	

Source: CNTA

Since 1999 China has functioned on the 'three golden weeks' vacation system including Chinese New Year in January or February, International Labour Day at the beginning of May and the National holiday at the beginning of October. As a result, public holidays are concentrated during those three weeks of the calendar resulting in a huge blockage of tourism infrastructure, naturally overstressing the transport system; rail network, roads and domestic flights.

Despite the scheduling of many more flights in order to cater for these peak domestic tourism periods, market intelligence suggests that the Chinese are already tiring of the bad service and stressful crowded conditions induced by this 'mass exodus'. The customers' general dissatisfaction runs the risk of dampening the desire to travel; it is widely agreed that prices rise disproportionately and levels of service are often unsatisfactory during these times. Nevertheless, abolishing the golden weeks has been viewed an unpopular option in that it has been a generator of wealth thus far, earning Rmb429.2 billion in tourism revenues over the seven years that the system has been running.

However, the trend for paid holidays is starting to become more widespread so people are gradually taking more leisure time outside the traditional holiday periods. As this becomes more and more commonplace, holiday entitlement will probably rise to a maximum of two weeks per year. The five-day working week, established in 1999 which has enabled travel to short-haul destinations for a weekend, hence a large volume of traffic to Hong Kong and Macau and to a lesser extent to South Korea and Thailand.

Western China has been developed in recent years following an initiative by central government to provide a cash injection into the provinces of Xinjiang, Gansu, Qinghai, Inner Mongolia and Tibet. With this investment, western China looks set to attract domestic tourism over the coming years and to provide a hitherto relatively neglected but exotic alternative without needing to leave the country.

Initiatives such as that driven forward by the United Nations Development Programme have led to a coalition of 20 mayors from cities

along what has been termed the new Silk Road signing a Memorandum of Co-operation. This bodes well for the co-ordinated development of this prime historical and cultural corridor. The New Silk Road, also known as the New Asia-Europe Continent Bridge spanning from eastern coastal cities in China across to European countries as far west as Belgium, together with the recently agreed co-operation, aims to provide more friendly, transparent and efficient services to tourists, investors and enterprises from around the world. The initiative also encourages tourism companies from these cities to form co-operative relations, further promoting tourism and opening up their own tourism markets.

## OUTBOUND TOURISM

Outbound tourism growth in China has outrun that of the burgeoning domestic and inbound sectors. Between 2001 and 2004, outbound tourism from China rose by an average of 29.3 per cent per year to total some 28.8 million trips abroad in 2004. The future for outbound tourism according to the World Tourism Organization is looking bright with a prediction of 100 million outbound travellers by 2020, calculated on an assumed 12.8 per cent average annual growth and consequently cornering a 6.4 per cent global market share.

As far as geographic distribution of the tourists coming out of China is concerned, they are mostly destined for other Asian countries (89 per cent), with Russia ranking sixth and the USA seventh choice destinations. As a market, Oceania is growing fastest with the Chinese tourist exploring further afield, while growth for the European market is comparatively lagging.

Within Asia, Hong Kong and Macau dominate the China outbound market with travel stemming from family members visiting relatives. In 2004 Hong Kong claimed 42.5 per cent of the China outbound market whilst Macau attracted 33 per cent of outbound trips taken.

In 2004 outside the SARs, international destinations rank as follows for Chinese visitors:

- 1 Japan
- 2 Russia
- 3 South Korea
- 4 Thailand
- 5 USA

Most of these countries have earned their place through their importance as a business or education/study destination for the Chinese (apart from Thailand, which is mainly a leisure destination and Russia constitutes mainly land-border crossings). Once abroad the Chinese preference seems to be for an urban holiday, visiting one or more cities. According to IPK's China Travel Monitor, 45 per cent of outbound tourists from China go to cities compared with 25 per cent to rural destinations and 17 per cent on beach holidays.

Reflecting the trend of the Japanese outbound tourism market over 15 years ago, the Chinese spend a lot once abroad, on average a little over US\$1,000 per day. China's tourism expenditure in 2003 reached US\$15.2 billion, placing China as tenth largest spender in the world, when approximately only two per cent of Chinese are currently taking trips and travelling outside China, making this the tip of the iceberg.

Their preference seems to be for a competitively priced package of flight and accommodation but once in the destination country, shopping (71 per cent), entertainment (13 per cent) and sightseeing (11.6 per cent) claim the vast proportion of Chinese currency spent abroad.

A demographic breakdown of China's outbound tourists reveals that both women and the under 30s constitute the majority of this demographic, explaining in part the interests and goods which Chinese tourists spend money on whilst abroad. Cosmetics and clothes are amongst the most popular products, showing the fashion conscious nature of the average Chinese outbound traveller.

The way cash flow is managed is evolving. Foreign exchange controls have been eased and Chinese outbound tourists are now able to take more cash out of the country on a leisure trip; US\$3,000-\$5,000 is now allowed as opposed to US\$2,000 before October 2003. Furthermore, they no longer have to use a travel agency to obtain foreign currency but are free to buy foreign currency directly. The Chinese government allowed the renminbi (Rmb), to appreciate 2.1 per cent against the dollar on July 21, 2005 and at the same time said it would allow moves of 0.3 per cent per day. Therefore the Chinese tourist now has more purchasing power when abroad, which should encourage travel.

The Approved Destination Status system (ADS) is still in operation as a means of approving which countries can receive groups of Chinese leisure tourists on a bilateral basis between governments. On the Chinese side of this agreement, three government departments are involved; the Ministries of Foreign Affairs and Public Security and CNTA.

ADS has been granted to many more countries since the publication of our first China report in 2003 and the speed with which the status is being granted has accelerated considerably, with the number of ADS countries standing at 117 in December 2005 although ADS is only fully operational in 76 of these countries – ie this means they are already receiving Chinese leisure tour groups. Being granted ADS is the start of a complex process in the destination country involving the selection of tour operators, approved on the side of both the host country and China, to receive and organize incoming Chinese leisure visitors. Tour operators who, once selected, fail to meet recognized criteria and standards can be blacklisted by the Chinese Government and have their licence to operate tours for Chinese tourists revoked.

The tour operator certification process can be lengthy. Australia, the first country to acquire ADS in 1997, has the most accumulated experience of receiving Chinese tourists and also has the smallest number of designated tour operators assigned to receive Chinese tourists. This method of restricting operators who qualify for the Chinese segment of the market works towards ensuring a better suited and more specialized tour operator to the incoming Chinese visitor, rather than unnecessarily providing choice but not quality in that field.

Tourism Australia's Tourism Forecasting Committee anticipates that China will become Australia's largest source market by 2014, accounting for 13 per cent of all tourist accommodation. In contrast in Europe, in Germany, France and Spain for example, many tour operators have received the licence but may not have the requisite specialist knowledge to meet the needs of the Chinese. In 2004 Australia and New Zealand have held talks with the Chinese government and industry figures



to adjust the way in which ADS is managed in these countries. The subsequent revisions meant that the agreement was expanded to include nine provinces and regions. Twinned with aggressive marketing campaigns this adjustment resulted in a 44 per cent increase in tourist arrivals to Australia. Now, tourist visas for Australia can be granted to Chinese citizens from all provinces across China, and Australia is currently the only country with ADS in operation all across China.

In relation to ADS, problems still remain in that much planning time is required for outbound tourists ahead of their trip as the visa application process is lengthy. Furthermore, as a measure to prevent illegal immigration, Chinese tourists are required to leave a bond of approximately US\$5,000 in order to ensure that they return to China after their trip. As the market liberalizes, emigration is growing less prevalent and is therefore less of a concern. This trend in itself may lead to the early eradication of the bond. The USA is also stalling the agreement on ADS as it perceives tourism to be part of a wider trade issue. In order to prevent Chinese tourists from crossing the border into the USA from Canada, Canada has foregone the ADS thus far also.

The Chinese outbound tourism sector is still experiencing growing pains as can be expected with such rapid growth and this can be attributed to the following reasons:

- So-called zero-cost tours capitalize on the consumers' instinct to find a very competitively priced tour. The customer is sold this tour unaware of the heavy commission incentive which the tour organizer is subject to. This practice has meant that many Chinese tourists have found themselves forced into a shopping situation where they

feel obliged to buy at inflated prices so that the tour operators can recover the cost of the tour. The propagation of this practice has led to Chinese tourists' trust being undermined and eroded and the business integrity and reputation of a particular destination being damaged. For example, Malaysia has taken steps to counteract the pernicious effect of zero-cost tours by introducing various improvements to the visa application process to smooth the way for Chinese tourists in the future, by way of reparation.

- Lack of understanding of Chinese culture and customs and therefore ignorance of Chinese tourists' needs and requirements when receiving them in the destination. This often translates to badly adapted tour itineraries which do not reflect the tourists' interests. As illustrated by Chinese tourists who are likely to soon overtake the Japanese in how much they spend per day whilst abroad for leisure travel, a major Chinese pastime is shopping, particularly when abroad as they are able to purchase goods they would otherwise not be able to buy. Despite this fact, tours for Chinese visitors are often tailored to the type of tour the destination deems appropriate using their own interests as the criteria for formulating the tour.
- The importance of providing Chinese food for most meals and a guide with a fluent level of Mandarin Chinese can also be overlooked.

Events over the world which have a potential impact on Chinese tourists have been shown to stifle outbound tourism. For example, according to the China International Travel Service (CITS) office in Beijing, CNTA's warning in the wake of the attacks in Britain and Egypt



in July 2005 reduced tourism to these areas. CITS reported that it had to cancel several group tours to the Mediterranean during this period. Furthermore, once potential tourists had taken stock of the warnings, trips setting out in October were also severely affected. However, the World Travel & Tourism Council (WTTC) amongst other organizations has predicted that the attacks would have only a short-lived effect on tourism as people come to accept higher levels of uncertainty than before.

## THE SPECTRUM OF TOURISM ATTRACTIONS

With an effective back-log of tourists and pent up curiosity to discover the diversity in terms of culture, historical monuments and natural scenic attractions, China has a wealth of marketing tools at its immediate disposal for its many varied tourism products. The CNTA recognizes the pull that various previously under-developed aspects of Chinese culture and customs can exert over the potential tourist, in terms of both marketing and product development.

In the CNTA's five-year tourism development strategy each year has been assigned a theme of tourism on which to concentrate for the 12 months. Over the past five years these have been Health & Fitness - China 2001, Folk Arts - China 2002, Culinary Kingdom - China 2003, Catch the Lifestyle-China 2004, Visit China - 2005 and New Countryside, New Travel, New Experience and New Fashion - 2006. This has helped diversify and specialize the tourism products covered by the themes by giving them their 'year in the limelight'. Awareness has been improved and markets, particularly within the domestic markets, are being carved out.

**China's vast terrain and varied climate make it the sixth most biologically diverse nation on the planet but in the speed that tourism is developing across the board, not enough standards or control systems are in place yet to protect this diversity and natural beauty.**

Environmental issues cannot be overlooked. According to the Nature Conservancy, China's vast terrain and varied climate make it the sixth most biologically diverse nation on the planet but in the speed that tourism is developing across the board, not enough standards or control systems are in place yet to protect this diversity and natural beauty. The Nature Conservancy and the Chinese Government have embarked on a partnership to address this shortfall. A Conservation Blueprint has been put forward which has a three-pronged approach:

1. Identify the most biologically diverse areas for conservation management;
2. Help redesign and expand China's nature reserve system; and,
3. Build strong partnerships between conservation groups, government, and universities

With this partnership underway, ecotourism should soon be in CNTA's agenda and next five-year plan and showcase.

Golf resorts and ski resorts are getting more and more widespread and established. This brings with it a continued improvement in the service given and the experience offered but as these leisure activities are still in their relative infancy, they are priced similarly or are more expensive than in western countries.

## TOURISM INFRASTRUCTURE Transport

The aviation industry is booming in China at the moment. Compared to 15,000 flights per week in and out of Chinese airports in 2000, in 2005 Chinese airports have seen 36,000 flights per week transit, over double the amount of five years ago. Furthermore, Chinese Government plans aim to allow airports in Western China to receive international air traffic. These plans would entail investment increasing the current 32 airports in the Western region to 60 by 2020. Both Airbus and Boeing are vying for a share of what is being touted as the market of the future which will be catering for over 20 per cent of the world population's travel needs. Certainly with a population of these proportions, the market is suited to larger aircraft such as Airbus' vision of 'mass travel' solutions such as the A380 or the Boeing 787 Dreamliner.

Boeing estimates that China's aviation industry will be running a fleet of approximately 22,000 passenger aircraft by 2019 which would constitute ten per cent of the world's total. Airlines in China are being set up at an astounding rate whereby, after the CAAC instigated mergers of 2003, leaving Air China, China Southern and China Eastern as the major players in the sector, many airlines sprang up to fill the gaps left. The major airlines however, are continuing to grow and are operating routes originating from hubs other than their own, such as China Eastern's Beijing-Tokyo route.

Open skies agreements are being signed following on from the first signed by China with the Thai Government in 2004. Many airlines are eager to sign with more and more destinations opening up with in China. Air transport agreements have been signed with 82 different countries across the world the most recent of which, signed over the course of the last two years are Argentina, Ethiopia, Iceland, Luxembourg, Mexico and Nepal.

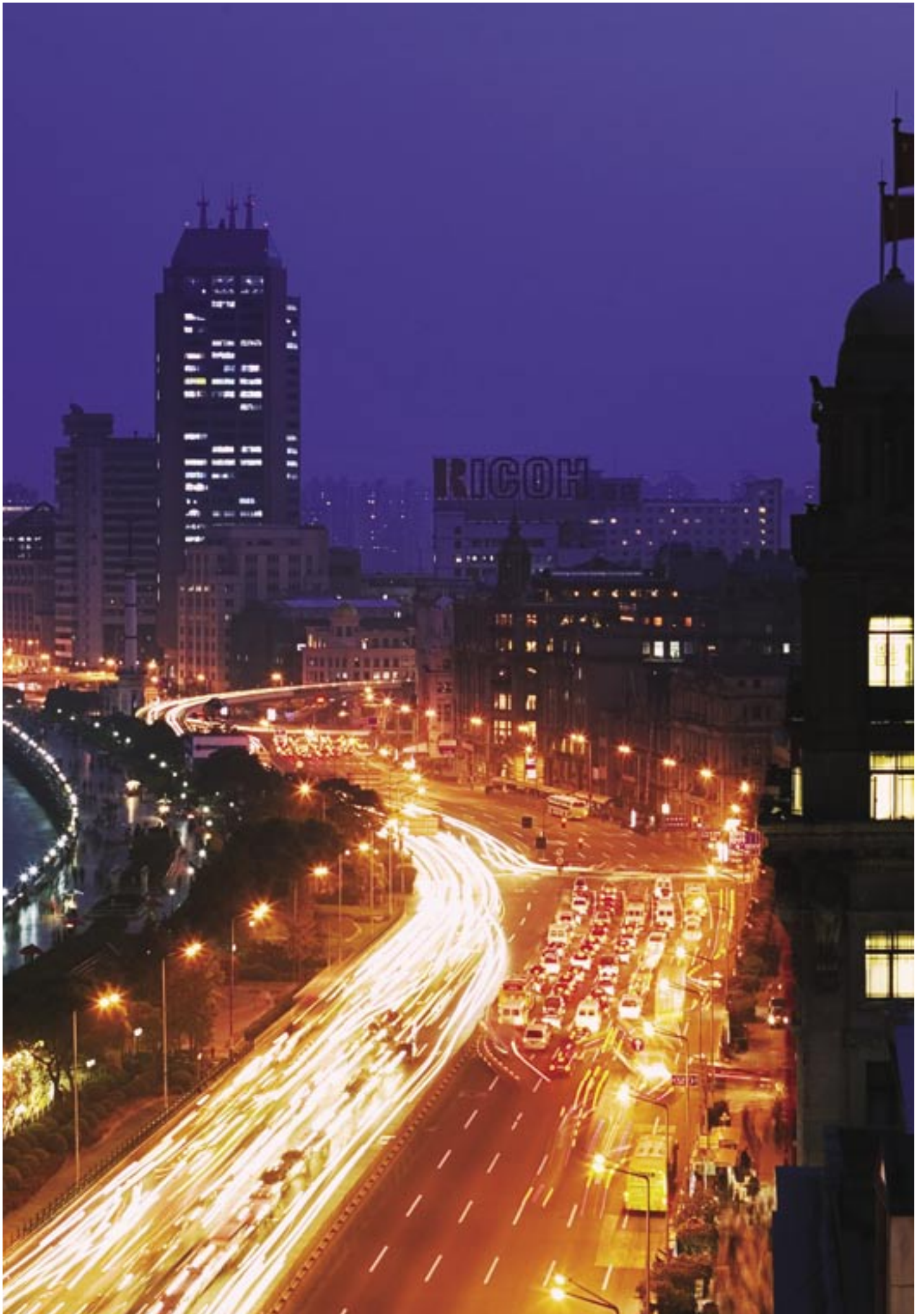
International airlines, whilst trying to expand the frequency of their flights and routes are taking it upon themselves to provide incentives to Chinese outbound travellers such as Virgin's initiative to refund the Rmb1,000 visa application fee and to keep the airfare between China and Britain low at 4000 000.

Budget and private airlines are having a tentative and troubled outset in China due to regulations which have been lobbied for by the major Chinese airlines. For example, OK Airways, Spring Airlines and Hong Kong Express all set up business in 2005 having been given permission to do so as private enterprises by CAAC.

### ■ OK Airways

The first private airline company in China, OK made its maiden





flight on March 11, 2005. Based in Beijing, it currently offers two routes: Tianjin to Kunming with a stopover in Changsha, and Tianjin to Zhangjiajie in Hunan province. OK has leased two Boeing 737-900 aircraft from Korean Air with initial plans to expand to six aeroplanes.

#### ■ United Eagle Airlines

Chengdu-based United Eagle Airlines made its maiden flight on July 26, 2005. It has leased an Airbus A320-200 to operate its two routes: Chengdu to Shenzhen and Chengdu to Hangzhou with a stopover in Changsha.

#### ■ Spring Airlines

The first discount-fare airline in China. Shanghai-based Spring Airlines made its first flight in July 2005. Owned by Shanghai Spring International Travel Service, the carrier now has four routes: Shanghai to Yantai, Mianyang in Sichuan province, Nanchang and Guilin. The airline is operating all routes with one Airbus A320-200 jet, leased from GPA Leasing in Ireland.

#### ■ Hong Kong Express

A Hong Kong-based airline targeting business travellers, made its first route on September 8, 2005, with four daily round trips to Guangzhou and three daily flights to Hangzhou. The airline currently has a leased 76-seat Embraer 170 aircraft, and plans to lease a total of four of the twinjets.

These airlines have until now been restricted on which routes they are able to operate which may not be those which are historically most profitable. They have also been subject to regulations on the minimum fare they are allowed to advertise which may eliminate the price differential between these airlines and their state-owned competitors, reducing their competitive edge. However, CAAC has announced that at some point in 2006 this restriction will be lifted and there will be no minimum price in order to allow fair competition. CAAC will continue to manage maximum pricing. Despite the fact that in 2004 the Chinese aviation industry proved itself to be highly profitable, reaping US\$1.07 billion collectively, equivalent profits of the past ten years combined, OK Airways has been losing money since its first flight.

## The aviation industry poses a huge potential for job creation but the speed at which pilots are being trained risks impinging on this potential.

Air Asia, based in Malaysia is also looking to move into the China aviation market with services already running between Kuala Lumpur and Macau and Kuala Lumpur and Xiamen. Other exponents of the low-cost carrier boom in the region are Golden Dragon and Macau Eagle. Golden Dragon, under the same ownership as Hong Kong Express will serve Chinese cities from Macau starting in late 2006. Macau Eagle will officially launch in April or May 2006. However, the business model for Macau Eagle focuses on long-haul and does not intend to serve China, nor does it intend to have major operations in South East Asia.

Human resources is a further concern for this sector as there is a

distinct lack of pilots to meet the demand. Furthermore, pilots are trained mostly by the military or overseas in Australia. The aviation industry poses a huge potential for job creation but the speed at which pilots are being trained risks impinging on this potential.

## Travel Services

Travel service provision is currently undergoing a vast expansion in China. For example, Ctrip is planning a new call centre in Shanghai which will be ready for operation in 2007, becoming the largest call centre in Asia, servicing 100,000 customers a day.

As regards payment for travel services, the number of credit card holders in China is continually rising but for the time being many of these cards are enabled for payment in China alone. Credit cards which are accepted the world over are growing in popularity for this reason. According to Visa, Chinese card holders ranked second worldwide for biggest individual spend, at US\$207 per transaction, less than Russians but more than Norwegians. According to CNTA, in 2004 some US\$30.8 billion was spent on tourism or tourism related activities in China. US\$1.2 billion was spent using Visa cards issued in China, a 39 per cent year on year increase.

China UnionPay (CUP), based in Shanghai and licensed by the Peoples Bank of China, is China's only national payment network and was jointly established in March 2002 by more than 80 financial institutions in China. China Union Pay has announced its partnership with JCB, Asia's only international payment brand which shall allow Chinese outbound travellers access to 6,000 ATMs in Japan from March 2005 and this will be extended to a further 26,000 ATMs by May 2006, making access to funds vastly easier for Chinese travellers. In September 2004 Ctrip joined forces with China Merchants Bank to launch China's first dual currency (Rmb and US\$) travel credit card aimed at business travellers. In this way more payment products are becoming available to the Chinese market and the door is being opened to more customers.

## Accommodation and the Hotel Sector

In 2004 the average room rate in Shanghai where the most expensive hotel rooms in China can be found, reached a high of US\$150. The situation in cities outside Beijing and Shanghai is very different; for example, the average rate per night in cities like Nanjing, Chongqing and Wuxi is substantially lower at US\$50. This highlights how the majority of China is still lagging behind the government and commercial centres stretched out across the eastern coastal region.

According to Horwath Asia Pacific's China Hotel Industry Study 2005 the average room rate in the five-star band of hotels has increased most considerably since 2003 with a nine per cent increase. Four-star hotels attained a more modest increase in revenue per room at 3.2 per cent on 2003's figures whereas three-star hotels actually registered a decrease of 3.7 per cent. We could attribute this at the higher echelons to increased demand in five-star luxury hotels by business people, from both within and outside of China, allowing the market to stand higher room prices. With continued economic growth, particularly around the Bohai and Yangtze River deltas this can be expected to continue in an upward curve.



The lower end of the spectrum may be currently experiencing a flood in room supply or is simply adjusting itself and its pricing structure to the burgeoning budget market. Occupancy by the end of 2004 had recovered its levels in 2002 post-SARS across three- to five-star rated hotels. A large differential remains between the hotel rate per room which can be charged in Beijing in comparison with Shanghai for example, and these two cities and cities across the rest of the country. In 2004 Shanghai's average room rate stood at 1,198 Rmb whereas in Beijing the average room rate reached 831 Rmb.

Currently managed hotels are reaping a greater return on their investment. There are more managed hotels than owned hotels in China at the moment because of complex laws regarding land ownership. However, because of this large swathe of managed hotels over the past few years, price competitiveness of management fees is growing therefore profit margins are now being squeezed. A review of the laws concerning the property rights system would allow a smoother development of the hotel sector. Scott Hetherington, Managing Director Asia of Jones Lang LaSalle Hotels noted that there has been increased hotel investment activity across Asia Pacific and particularly in Japan, "In China, some transactions are occurring about the process is slow in comparison to other countries around Asia." Therefore the Chinese Government's commitment to developing and supporting a healthy climate for Travel & Tourism investment is key to building momentum in this sector.

The budget hotel sector has very recently come to the fore and is showing signs of success to come. Super 8, JinJiang, Beijing Tourism Group's (BTG) Jianguo Inn and Accor's Ibis brand have ambitious expansion plans in place for the very near future in order to meet demand. Following the business model of the budget airlines in Europe, these hotels are initially pitching for business travellers, and the leisure market is expected to follow. Each brand approaches the market in a different way. However, they are united in choosing city locations and have tapped into the market denominator that price competitiveness breeds brand loyalty in China. In addition, the domestic market is more inclined to stay loyal to a Chinese brand; for example, over 50 per cent of business in the BTG Jianguo and JinJiang hotels is domestic. Nevertheless, factors such as land price and ownership complexities look set to slow down any large scale expansion in the short term.

As regards the top end of the sector, growth and investment is healthy and the outlook bullish. For example, in 2006 The Shanghai Westin from Starwood's range of hotels will be upgraded to a six-star rated hotel following a cash injection of US\$10 million. Further hotels in Beijing and Ningbo are being considered for similar transformations. However, Shanghai seems to be the hub of such activity as it attracts a large margin of business travel to China. The percentage growth of revenue per available room (RevPAR) within the luxury hotel segment of the industry outdoes that of any other segment within the sector and can be said to be a very resilient segment. China-based luxury hotel brands are also proving a successful export to the West with Mandarin Oriental Hotel Group, Shangri-La Hotels & Resorts and Peninsula Hotels all exporting successfully abroad

The hotel sector outside of China, which will increasingly receive Chinese tourists, is starting to adapt. An appreciation and knowledge of

Chinese culture and customs can deliver a better service for the Chinese guest. Efforts to make the Chinese feel welcome come down to small but important details; these may include not assigning a room on the fourth floor to a Chinese guest as four is considered an unlucky number (eight is considered lucky), providing Chinese cuisine and having an understanding of dates of importance in the Chinese calendar.

## Ski Resorts

China has seen an astronomical increase in its ski resort industry over the past decade following the trend in South Korea. From nothing ten years ago, 200 resorts have been built to cater for what is seen as a boom in this particular market. From a sport which was limited to the elite and athletes, skiing has now become accessible to the Chinese middle class. It is estimated that some 5 million Chinese visited ski resorts in China in 2005. Resorts, such as Nanshan, 80km outside of Beijing, are not all endowed with natural snow but those closer to the cities for convenient weekend ski breaks for city dwellers will often have to depend on machines to provide artificial snow. Such exposure to skiing as a leisure activity bodes well for farther flung destinations marketing their ski resorts to a Chinese market in the future.

Nevertheless in a bid to restrict the environmental impact of resorts which are sprouting up in urban suburbs, in December 2004 Beijing Municipal Council announced possible restrictions on additional resorts and stricter supervision of already existing resorts to check that they adhere to environmental standards and are not in breach of legislation that is due to be passed protecting 'mountain ecotourism areas' and restricting deforestation.

## Timeshare/Vacation Ownership

Currently in China the vacation ownership industry is in its embryonic stages with around 7,500 vacation home owners across the country and it has emerged, as have many segments of the Travel & Tourism industry, as a result of increased dominance of the middle classes on consumer behaviour and trends.

Various factors are limiting the sector's immediate growth in China such as a lack of legislation, the underdevelopment of high-level vacation products (only eight per cent of hotels and resorts which have been granted a rating in China have achieved four- or five-star status according to Euromonitor), the shortfall of distinct destinations and for vacationing, the misperception and therefore lack of trust in the vacation ownership industry and the immaturity of the credit card system in China.

RCI (Resorts and Condominiums International) has set out a White Paper on how it plans to build China's timeshare industry. It outlines the following key objectives and company aims which it singles out as crucial to the growth of the Timeshare market in China:

- Educate and inform all stakeholders about the value proposition and unique benefits of vacation ownership
- Develop a superior product and service proposition to both Chinese consumers and the China travel industry
- Support the industry, CNTA and licensed developers to promote this new form of vacationing within China, and

- Support the development of industry best practice and a regulatory framework that provides appropriate protection for Chinese consumers and clear guidelines for developers and government ministries to grow this new industry responsibly and effectively.

There are a range of ways in which vacation ownership could potentially meet the needs of the middle-classes in China, which is estimated by the National Bureau for Statistics to total some 75 million people, divided between 24.5 million households by the end of 2005, as far as a new tourism product is concerned. It would provide a more tailored vacation as the Chinese middle class (like a middle class anywhere else) is demonstrating a desire to mark out its individuality and veer away from group travel. It could at least in part meet the demand for high end accommodation in hotels or resorts while on vacation (as opposed to business hotels in cities).

Furthermore, it also minimises the stress associated with going to a destination with which one is not familiar. Having had a previous good experience at a particular resort would reduce if not eliminate anxiety on return visits. With vacation ownership having reached maturity in other markets throughout the world, much of what has been learnt about product success and product failures can be applied immediately to the Chinese market to avoid some of the 'growing pains'. Therefore the Chinese market would have the benefit of what has been developed as a 'points system' whereby the vacation owner can be flexible from year to year regarding time used and where they are spent, shifting point allocation back or forwards a year depending on personal preference and circumstances.

Before such benefits can be felt and the 7,500 current owners can be built up, the vacation ownership industry is suffering from a negative public image and brand in the Chinese market. It is essential to counter any harmful impact which has been caused by unscrupulous salesmen, earning the sector a bad reputation.

As regards the domestic market, certainly during the initial phases of vacation ownership growth, the sector will act in a supportive and buttressing role towards domestic tourism as owners will be more have more of an incentive to take holiday each year having already made a financial commitment to do so. Furthermore, it will encourage greater lead and planning times as owners will be more likely to plan their vacation time further in advance. The owner will feel relaxed and secure in the knowledge that having made such a financial commitment he or she can be assured of a vacation during the traditionally peak 'golden week' periods. Yield management technologies inherent in global exchange companies would further work towards balancing the supply and demand of holiday accommodations.

Working in harmony with other sectors, the emerging low-cost carrier sector in the Asia Pacific region and within China itself, can act as a feeder into the vacation ownership market, stimulating independent travel and inbound travel for China. Furthermore, once integrated into a global exchange system, the opportunity for overseas owners to exchange into China would be very likely to stimulate China's inbound tourism further.

In the long term, the vacation ownership industry could be seen as a catalyst to the outbound tourism industry in China if the sector were to

align China's vacation ownership hotels and resorts to already hotels and resorts outside China. Therefore, Chinese vacation home owners could be linked into a global exchange network allowing them to vary their vacation location from year to year.

## MICE Market and Business Travel

Conference and exhibition centres are receiving investment of enormous proportions. At the close of 2004 China was home to 118 formally registered exhibition and conference venues. These centres follow the general existing trends in concentration of wealth and economic activity in the Travel & Tourism industry in China and can therefore be found clustered along the eastern coastal cities and also around the other larger and influential cities. 36 per cent of the venues were to be found in the East, 23 per cent in the mid-southern region and 18 per cent in northern China. In 2004 Tourism and Hotels as an exhibition theme ranked eighth most popular exhibition industry.

Trends suggest that as technology takes an ever-increasing role in business, so business travel may be reduced as people find technological rather than human solutions for their businesses. Nevertheless, despite the overall drop in share, from over 45 per cent in 2000 to 20 per cent in 2004 according to CNTA, the overall absolute volume of business travel to China is still growing. The Shanghai International Travel Service (SITS) expects that the demand for business travel will continue to grow as the Chinese further their reach into the international market and increase their contacts. Visa application processes for business travellers are being simplified, further smoothing the way for business travel into the future.

## FOCUS ON BEIJING AND SHANGHAI

Beijing and Shanghai, the current driving powers behind China fill two complementary roles, governmental and commercial respectively. Therefore Shanghai is the greatest source market of outbound and official business travel. Those living in Shanghai may be considered more cosmopolitan and more likely to have the means to travel. Furthermore, as a logical consequence of being home to many consulates, foreign financial institutions and offices of over 5,000 multinational and foreign corporations, Shanghai is steadily forging its role as the gateway to the rest of the world in terms of business relationships.

Both Beijing and Shanghai have major events on their calendars for the next five years, culminating in the 2008 Beijing Olympic Games and the 2010 Shanghai World Expo which will showcase the two cities for the duration of these events and will leave a legacy once the event is concluded.

With this in its sights, Shanghai is planning a major extension of the older Hongqiao airport in order to increase passenger capacity to 100 million divided between Pudong and Hongqiao by 2015. The World Expo and its visitors will of course see a substantial part of the benefit of this.

Beijing in 2004 alone received over 3 million overseas visitors and 100 million domestic visitors creating a total income value of 130 billion Rmb or over US\$16 billion. According to the Beijing Tourism Bureau's estimates, the incoming tourists will increase by seven to eight per cent

from 2005 to 2007 and the percentage growth will climb to 13 per cent in 2008 bringing an expected 4.4 million overseas and 150 million domestic tourists.

Beijing is considering ways of broadening and diversifying its hotel sector and accommodation provision with the Olympics in mind but which is likely to have a long-term effect on how accommodation is managed for tourists in the future. For example, bed and breakfast schemes are being tested ahead of the Olympic Games in the Chaoyang District of Beijing which will boost the availability of budget accommodation on offer to visitors for the Olympics. 50 residences have been granted a license to operate a Bed and Breakfast at the time of going to print but possible problems may arise regarding insufficient levels of English or the establishment of businesses without the requisite licence in place. Within the four- and five-star rated hotel sector some 170 more hotels have been promised to the International Olympic Committee (IOC) which will be achieved by new-build and reconstruction.

Aside from the improving what the hotels of Beijing have to offer, the Tourism Bureau is also spearheading a concerted effort to raise the level of English spoken and general service orientation by staff who will be the interface with visitors to the city come 2008. Infrastructure investment is considerable with four underground lines being added to the current network for completion before the games in 2008.

## TECHNOLOGY AND ITS IMPACT ON TRAVEL & TOURISM IN CHINA

Internet usage is growing at such a speed and access to internet increasing so quickly that the number of users has been doubling year on year between 2001 and 2004.

Online travel distribution is still in its infancy due in part to a relative lack of consumer confidence in security in online payment systems and in part to China's cash-based economy. However, the sector is growing gradually and in 2004 China Southern airlines announced that its annual online ticket sales had surpassed 2 billion Rmb (US\$241 million). Meanwhile Air China has plans to launch its e-ticket sales fully in 2006 as it is seen as a way of off-setting expenditure incurred by rising fuel costs and paper ticketing. Air China has seen e-ticket sales rise some 20 per cent since July 2003 when e-ticketing was initially launched at the airline for some of its flights.

IPK International's China Travel Monitor 2004 suggested that 13 per cent of outbound travel (excluding Hong Kong and Macau) could be related back to the internet. This can be broken down into three per cent of bookings actually made online and ten per cent using the internet as a means of research and comparison.

Cendant Travel Distribution Services' latest market survey shows that there is a 30 per cent failure to pay rate of online hotel reservations as a result of the growing pains and lack of online security measures in place.



Online service providers in China tend not to have adequate measures in place to ensure final payment for booked or cancelled reservations and therefore 30 per cent slip through the net and are not fulfilled. Further stunting the growth of this sector of the industry is the decline in commission offered by airlines for selling on their flights as they establish their own e-ticket sales from their own websites with increasing success and popularity.

## HUMAN RESOURCES

Human resources is becoming more and more challenging in China and increasingly within the Travel & Tourism industry a skills deficit is being unearthed. Many Chinese universities have been forging alliances with international counterparts to bring world level education to China's students. However, such partnerships often target the very top level of the potential work force destined for management roles. This leaves a skills and training gap with key workers such as the 'front-line' staff in hotels missing out on essential training. The final service delivered risks suffering as a result.

Many within the industry recognize the need to tackle the high attrition rate of the industry's employees as they transfer into other industries, possibly because of the incentive of better remuneration in other industries. Currently there are some 4.3 million hotels and restaurants in China employing some 33 million people. Nevertheless there is a lack of regulated service standards which may in part cause the high turnover of staff which stood at 22 to 25 per cent; equal to 6 to 7 million employees in 2004, constituting a loss of investment in human resources for the industry.

Placements abroad for students prove popular and are a great boost to the individual student's understanding of the industry and a different cultural environment to their own. Placements abroad bring with them different approaches and techniques in the work place that can then enrich the student's contribution to the industry on their return to China.

With China set to become the top incoming tourism destination by 2020, and with more Chinese travelling abroad and further afield once abroad, the future Travel & Tourism consumer in China looks set to be discerning and therefore measures and methods of ensuring an adequately trained workforce should be taken now.

## HONG KONG'S TRAVEL & TOURISM

Hong Kong rebounded remarkably from the depression in the Travel & Tourism industry created by SARS in 2003. Hotel occupancy and room rates recovered to attain levels much higher than pre-SARS figures, an average of 88 per cent occupancy across all hotel categories and an average daily room rate of US\$803, 13 per cent higher than in 2002.

Hong Kong, like Macau has benefited extraordinarily from the launch of the Individual Visitors Scheme (IVS) which has boosted visits from the mainland enormously. 34.8 per cent of the total of mainland visitors arrived in Hong Kong through the IVS scheme, demonstrating exactly how much positive impact this has had on Hong Kong's Travel & Tourism industry. Arrivals from the mainland hit 12.25 million in 2004. Nevertheless, Hong Kong is finding itself in a situation where it needs to

adapt to different travel behaviour patterns of those travelling on the IVS as they stay for less time. 2004 also recorded record arrivals from the USA, Canada, Australia, South Korea, Singapore, Malaysia and India.

To reinforce Hong Kong's focus on the indispensable Chinese mainland market, a Travel Consulting Center has been set up by the Hong Kong Tourism Board in Beijing for Hong Kong Tourism Year in 2006 in China. The main objective will of course be to encourage Beijing residents to visit Hong Kong.

Spend associated with inbound tourism is also looking healthy. Spend reached HK\$91.85 billion (related to Destination Consumption) and HK\$22.29 billion (related to international passenger transportation).

In September 2005, Hong Kong Disneyland was launched in Lantau, signalling the dawn of an era of sophisticated theme parks in China, the mainland and SARs alike. This created competition for the 28-year old Ocean Park in Aberdeen, which previously ranked as the second most popular tourist attraction in Hong Kong before the arrival of Disneyland, and it is now destined for redevelopment. The investment required for this project is approximately HK\$5.55 billion which stands to benefit the surrounding area of Aberdeen, and it should yield net profits of HK\$40-\$48 billion over the next 40 years. Its theme will remain 'Ocean' and 'Animal Encounter', therefore complementing Disneyland and will generate 2,600 to 4,000 full-time jobs from 2008-2009, which is likely to increase to between 11,300 to 12,800 from 2021 to 2022.

In 2005 Macau and Hong Kong have taken steps to strengthen their standing in Travel & Tourism by forging stronger links. Both depend to some extent on the other as a source market and are working together to complement each other's product. In a different way, following the SARS crisis, Hong Kong and Macau have joined forces to formulate a crisis management strategy should a similar epidemic disaster happen in the future.

**In 2005 Macau and Hong Kong have taken steps to strengthen their standing in Travel & Tourism by forging stronger links. Both depend to some extent on the other as a source market and are working together to complement each other's product.**

Hong Kong took a stand on promoting much more widespread purchase of travel insurance by travellers in the SAR. A publicity campaign was launched jointly supported by the Tourism Commission, the Insurance Commission and the Travel Industry Council of Hong Kong. The campaign communicated through websites, advertisements on television and radio had the message "For your peace of mind, take out travel insurance before you travel" at its heart.

Hong Kong's strategy looking forward in the short term is to target family visitors and business travellers who accounted for approximately a quarter of overnight stays in 2004 and is still strongly focused on marketing itself as Asia's world city.



## MACAU'S TRAVEL & TOURISM

Macau's name has become synonymous with gaming over recent years, since the liberalization of concessions for the gaming industry in 2000 and in 2004, revenue from gaming in Macau surpassed that of Las Vegas, Nevada, totalling US\$5.3 billion. The Las Vegas Sands Corporation is investing US\$6 billion in the first phase of development of the Cotai Strip which reflects the famous Las Vegas Strip. Development is expected to take three years, completing in 2007 with 10,000 rooms, entertainment, business facilities and concert and sporting event areas. The Strip will be an umbrella for such brands as Four Seasons, Starwood, Marriott International, Hilton, Regal, The Dorsett Hotel Group, InterContinental Hotels, and Las Vegas Sands. Wynn Resorts Limited is also building the Wynn Macau due to open in 2006. Rivalling the Cotai Strip is Fisherman's Wharf which is a US dollar 321 million project combining entertainment, retail, food and convention facilities against a backdrop of diverse architectural influences spanning Tang Dynasty, Roman and European styles.

### Total gaming revenue (US\$mn)

Year	2000	2001	2002	2003	2004
	2,133	2,441	2,853	3,681	5,284

Source: UBS Warburg

In 2004 there was a dramatic increase in betting tables supply per player which could signal a cooling off of the revenue on play per table as the play is less intense. The estimated total supply of table games in Macau by 2008 is approximately 4,000 rising from 1,092 at the end of 2004. Tables have been demonstrably more popular culturally in Macau and little demand has been shown for slot machines in relative terms. However, as the industry grows, staffing may become a greater barrier to sustaining the dominance of tables in the casinos, giving rise to a shift towards more slot machines. The added supply is already showing signs of a dilution of the market in 2005.

Massive increases in visitors coming from China have spurred growth. 2004 saw 16.7 million visitors from mainland China, up 40 per cent on 2003. This was due to the Individual Visit Scheme (IVS), initiated on July 28, 2003, which allows mainland Chinese to visit Macau and Hong Kong on an individual basis. Previously visitors would have been part of a group tour or a business delegation.

The initial stage of the IVS applied only to Beijing, Shanghai and eight cities in Guangdong province; Dongguan, Foshan, Guangzhou, Hongshan, Huizhou, Jiangmen, Shenzhen and Zhuhai. Since then, all 21 Guangdong cities have been added, as well as Chengdu, Jinan, Shenyang, Dalian, Tianjin, Chongqing and nine cities within the provinces of Jiangsu, Zhejiang and Fujian. Visas for use under this scheme are valid for seven days at a time. After one visit, the visitor is free to reapply for a further visa after return from the SARs. Approximately 75 per cent of visa applicants under this scheme are successful and the only requirements are to be employed, pay a small fee and to meet minimum income requirements.

In 2004, 57 per cent of visitors to Macau came from mainland China (30 per cent from Hong Kong). This was a 66 per cent growth on 2003's numbers. Many of these visitors were day visitors, as day trips accounted for 50 per cent of all arrivals. Hotels at both ends of the ranking spectrum have noted considerable increases, two stars the most remarkable at 68 per cent on 2003 and five stars slightly more modest at 41 per cent increase. From outside of China, the largest visitor markets are Japan, growing by 43 per cent in 2004, followed by the USA, Philippines and South Korea. According to Deloitte's HotelBenchmark Survey revPAR increased by 35 per cent driven by improvements in occupancy and average room rate.

### Visitor arrivals in Macau by mode of transport<sup>a</sup>, 2004

Market	Sea	Land	Air
Mainland China	2,045	7,330	155
Hong Kong	3,684	1,345	21
Taiwan	52	618	616
Japan	92	25	5
USA	65	23	7
Philippines	32	34	11
South Korea	44	11	11
Malaysia	27	16	5
Singapore	30	12	3
UK	37	5	1
Thailand	20	9	13
Canada	23	13	2
<b>Total</b>	<b>6,305</b>	<b>9,506</b>	<b>862</b>

<sup>a</sup> All visitors including same-day travellers

Source: Macau Government Tourist Office (MGTO)

A factor affecting Macau is that currency flow is still controlled out of China and officially only 20,000 Rmb can be taken out of China (US\$2,400) plus a further US\$5,000 (in US\$).

Infrastructure is being built in order to cater for forecasted demand. For example the Hong Kong-Zhuhai-Macau bridge will span 29km and will cost US\$3 billion to construct, representative of the investment available. This will make Macau considerably easier and faster to access and should be open by 2008 or 2009. Macau further stands to benefit from its inclusion in and proximity to the mainland China side of the Pan-Pearl River Delta. Therefore many more roads are likely to be connecting to the Hong Kong-Zhuhai-Macau bridge. 22 superhighways are being planned across southern China with a total length of 30,000km, as well as a high-speed rail system with Guangzhou at its centre.

Air transport only accounted for five per cent of visitors to Macau in 2004 in line with most visitors coming from Hong Kong or mainland China by sea or land respectively. Macau International airport is also a relatively expensive airport to operate from or to, which makes flights dissuasively expensive.

# TRAVEL & TOURISM SATELLITE ACCOUNT

## TOURISM SATELLITE ACCOUNTING

THIS REPORT FOLLOWS THE CONCEPT OF SATELLITE ACCOUNTING DEFINED IN THE TOURISM SATELLITE ACCOUNT: RECOMMENDED METHODOLOGICAL FRAMEWORK (TSA:RMF), AND DEVELOPED UNDER THE AUSPICES OF THE WORLD TOURISM ORGANIZATION.

Over the last three decades, countries have estimated the economic impact of Travel & Tourism through a range of measures using a variety of definitions and methodologies. Such approaches have prevented meaningful comparisons among nations. Even for the same nation over different periods of time, they have frustrated business and government attempts to draw valid conclusions about the nature and course of Travel & Tourism demand in national economies. This regime has obscured the substantial, positive role the industry plays in national economies and has thwarted business and government attempts to optimize economic programmes and policies.

The World Travel & Tourism Council (WTTC) recognized the dearth of crucial Travel & Tourism intelligence from the time of its establishment in 1990 and it published the first detailed estimates of world tourism's economic impact that same year.

Since then WTTC has worked to improve its methodologies and to encourage individual countries to enhance their measurement and understanding of tourism's impact on their national economies. Furthermore, in the spirit of joining forces to enhance world comprehension of the role of Travel & Tourism in national economies, WTTC has strongly supported the programmes of the World Tourism Organization (UNWTO) to improve tourism statistics worldwide.

## WTTC'S RESEARCH

WTTC and its economic/research partners – Oxford Economic Forecasting, (OEF), since 1999, and Global Insight (previously known as DRI•WEFA), from 1990-1999 – have developed and published research on the economic contribution of Travel & Tourism to the world, regional and national economies.

Starting in 1990, WTTC's research team has been working to develop practical, real-world models to illustrate Travel & Tourism's economic contribution based on the needs of private sector leaders, public sector policy-makers and industry researchers, and on the interpretation of the system of national accounts. The research is now firmly anchored in the international standard for tourism satellite accounting that was developed by UNWTO, OECD and Eurostat, and approved by the United Nations Statistical Commission in 2000. It was launched at the TSA Conference held in Vancouver in May 2001 and published as the *Tourism Satellite Account: Recommended Methodological Framework* (TSA:RMF) in 2001.

Since 1999, WTTC's research has assumed the conceptual framework of the UN-approved standard with a number of discretionary extensions, and it combines the most sophisticated economic modelling and forecasts available with the most up-to-date, publicly available data to generate a comprehensive implementation of Travel & Tourism satellite accounting.

This simulated TSA has been prepared for the benefit of all stakeholders involved in the future of Travel & Tourism in China, Hong Kong and Macau from both the public and private sectors. In carrying out the work, OEF has drawn extensively on the methodology developed over the years by WTTC to develop TSAs as operational tools.

## WTTC'S APPROACH TO TOURISM SATELLITE ACCOUNTING

WTTC has endeavoured to implement and produce the most comprehensive TSA provided for within the TSA: RMF – by developing the narrow concept of the 'Travel & Tourism Industry' in addition to the broader concept of the 'Travel & Tourism Economy'. WTTC advocates full implementation of the TSA as defined in the TSA: RMF in order to achieve the highest level of benefits for industry and governments. These include:

- A wealth of customer and consumer information on tourism-related purchases (before, during and after trips – whether domestic or international, imported or exported – as well as services, durables and non-durables) that has never been identified until now;
- Comprehensive documentation and analysis of the full tourism-product service chain and government's ability to deliver quality and timely service to visitors;
- Linkages between Travel & Tourism and other sectors of the economy such as agriculture and manufacturing to illustrate the flow-through of spending;
- Complete outlook for public works that benefit visitors and Travel & Tourism companies in order to leverage public sector plans and priorities for growth;
- Focused opportunities for domestic production, as well as incentives from the public sector, to aid in

the growth of businesses that help alleviate trade balance issues;

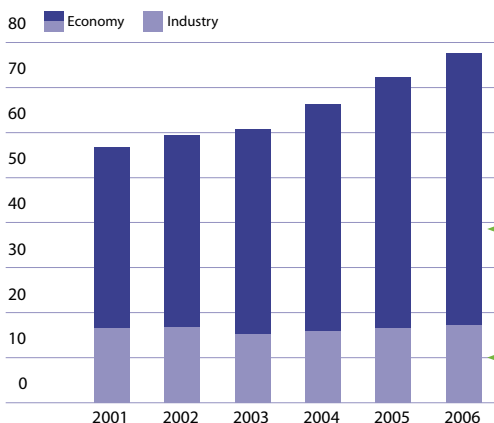
- Demand- and supply-side information on employment that allows for human resource planning and development.

WTTC has worked towards developing a comprehensive TSA – not because it is eager to exaggerate the size of Travel & Tourism's impact, but because the information that can be garnered from the exercise by governments and industry is crucial for making intelligent and informed policy and business decisions. WTTC believes that history will document its pioneering implementation of the simulated TSA as one of the most important turning points for Travel & Tourism's long overdue economic recognition.

In the WTTC research, no country receives special treatment or favours. WTTC uses internationally available data sources and the same scope of tourism satellite accounting for all countries, as well as the same basic assumptions through the same system of models. WTTC's TSA research utilizes a universal and internally consistent modelling framework and generates harmonized results and forecasts for 175 countries around the world. Details of the methodology used by WTTC/OEF in its TSA research are available on WTTC's website ([www.wttc.org](http://www.wttc.org)).

## CHINA

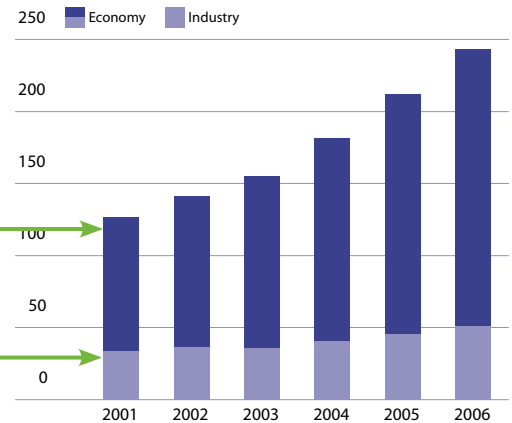
**Travel & Tourism Employment  
(mn Jobs)**



**T&T ECONOMY**  
Direct and indirect impact of visitor activities, capital investment, exports and government services

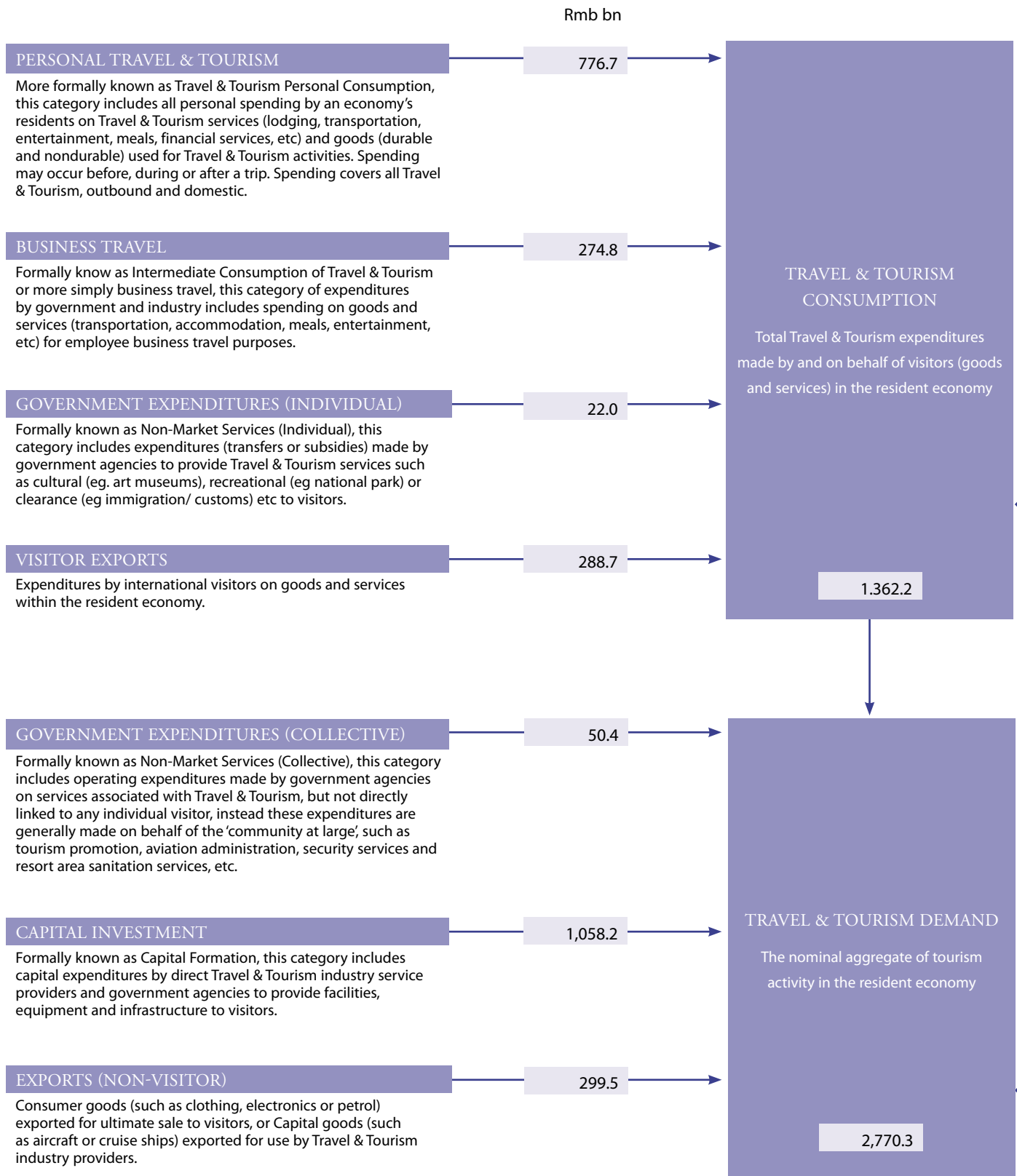
**T&T INDUSTRY**  
Direct impact of visitor activity (transportation, accommodation, food and beverage, recreation, entertainment and travel services)

**Travel & Tourism Gross Domestic Product  
(2000 Constant US\$ bn)**



# TSA CONCEPTS & STRUCTURE

## Demand Side Accounts

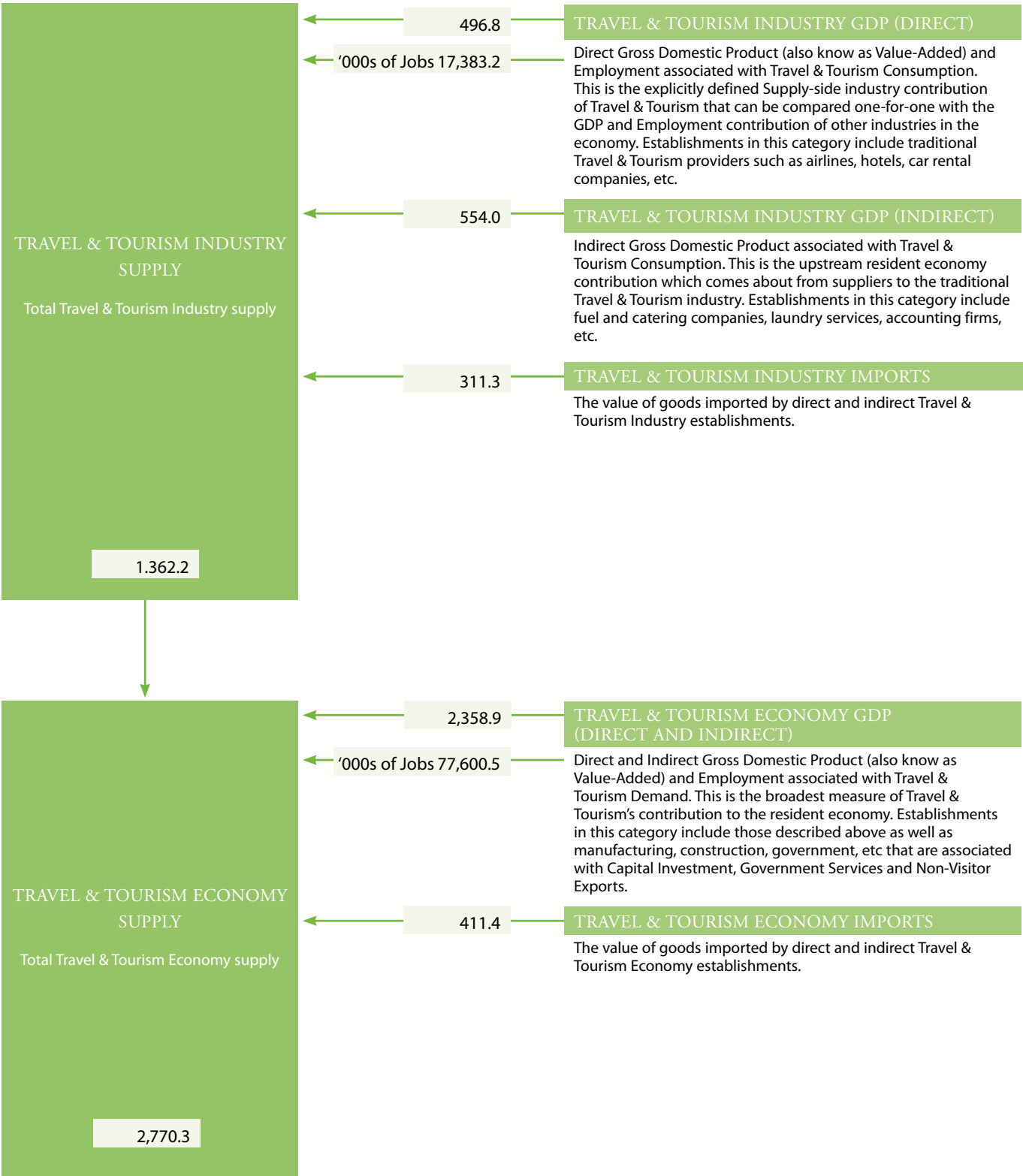




The Travel & Tourism Satellite Account is based on a 'demand-side' concept of economic activity, because the industry does not produce or supply a homogenous product or service like traditional industries (agriculture, electronics, steel, etc). Instead, Travel & Tourism is an industrial activity defined by the diverse collection of products (durables and non-durables) and services (transportation, accommodation, food and beverage, entertainment, government services, etc) that are delivered to visitors. There are two basic aggregates of demand (Travel & Tourism Consumption and Total Demand) and by employing input/output modelling separately (blue/green arrows) to these two aggregates the Satellite Account is able to produce two different and complementary aggregates of Travel & Tourism Supply: the Travel & Tourism Industry and the Travel & Tourism Economy. The former captures the explicitly defined production-side 'industry' contribution (ie direct impact only), for comparison with all other industries, while the latter captures the broader 'economy-wide' impact, direct and indirect, of Travel & Tourism.

# Supply Side Accounts

Rmb bn



# TRAVEL & TOURISM'S ECONOMIC IMPACT

TRAVEL & TOURISM – ENCOMPASSING TRANSPORT, ACCOMMODATION, CATERING, RECREATION AND SERVICES FOR VISITORS – IS ONE OF THE WORLD'S HIGHEST PRIORITY INDUSTRIES AND EMPLOYERS.

In the People's Republic of China, in 2006, Travel & Tourism is expected to post Rmb2,770.3 billion (US\$353.7 billion) of economic activity (Total Demand), growing to Rmb9,096.0 billion (US\$1,299.4 billion) by 2016.

Travel & Tourism Total Demand in the Special Administrative Region (SAR) of Hong Kong is expected to total HK\$450.1 billion (US\$58.1 billion) in 2006, growing to HK\$1,131.2 billion (US\$146.9 billion) in 2016.

Travel & Tourism Total Demand in the Special Administrative Region (SAR) of Macau is expected to total MOP119.6 billion (US\$14.9 billion) in 2006, growing to MOP312.9 billion (US\$39.0 billion) in 2016.

In China, the Travel & Tourism Industry should contribute 2.9 per cent to GDP in 2006. The broader Travel & Tourism Economy in China should contribute 13.7 per cent to GDP in 2006.

In Hong Kong, the Travel & Tourism Industry is expected to post a GDP contribution of 3.3 per cent in 2006, while the Travel & Tourism Economy contribution will be 17.1 per cent.

In Macau, the Travel & Tourism Industry is expected to post a GDP contribution of 32.1 per cent in 2006, while the Travel & Tourism Economy contribution will be 93.6 per cent.

Travel & Tourism is a high-growth activity, which is forecast to increase its total economic activity by 8.7 per cent per annum in China in real terms over the next ten years.

In Hong Kong and Macau, Travel & Tourism is expected to post average annualized gains of 6.9 per cent and 7.1 per cent respectively between 2006 and 2016.

Travel & Tourism is human resource intensive, creating quality jobs across the full employment spectrum.

In China, in 2006, Travel & Tourism Economy employment is estimated to reach 77.6 million jobs, or 10.2 per cent of total employment. By

2016, these should grow to nearly 90.0 million jobs – 11.0 per cent of total employment. The 17.4 million Travel & Tourism Industry jobs will account for 2.3 per cent of total employment in 2006 and are forecast to rise to 20.4 million jobs, or 2.5 per cent of the total, by 2016.

Hong Kong's Travel & Tourism Industry is expected to generate 167,700 jobs in 2006 (4.8 per cent of total employment), while the broader Travel & Tourism Economy will account for 549,400 jobs (15.9 per cent of total employment).

In contrast, Macau's Travel & Tourism Industry is expected to generate 100,900 jobs in 2006 (40.2 per cent of total employment), while the broader Travel & Tourism Economy will account for 238,600 jobs (95.0 per cent of total employment).

Travel & Tourism is a major exporter, with inbound visitors injecting foreign exchange directly into the economy.

In China, exports are a small, but catalytic share of Travel & Tourism's contribution to GDP. Of total Chinese exports, services and merchandise, Travel & Tourism is expected to generate 7.3 per cent in 2006. Travel & Tourism exports in Hong Kong are expected to represent 8.1 per cent of total exports in 2004, while Travel & Tourism exports in Macau are expected to represent 79.9 per cent of total exports.

Travel & Tourism is a catalyst for construction and manufacturing. In 2006, the private and public sectors combined are expected to spend Rmb1,058.2 billion (US\$135.1 billion) in new Travel & Tourism capital investment in China – 9.9 per cent of total investment – rising to Rmb3,329.4 billion (US\$475.6 billion), or 9.9 per cent of the total, in 2016.

Hong Kong's Travel & Tourism Capital Investment is expected to total HK\$51.8 billion or US\$6.7 billion in 2006, or 15.4 per cent of total capital investment. In Macau the figures are MOP30.2 billion or US\$3.8 billion in 2006, or 84.0 per cent of total capital investment.

## PEOPLES REPUBLIC OF CHINA

	2006			2016		
	Rmb bn	% of Tot	Growth <sup>1</sup>	Rmb bn	% of Tot	Growth <sup>2</sup>
Personal Travel & Tourism	776.7	10.3	11.3	2,839.9	10.8	9.9
Business Travel	274.8	---	21.9	1,022.2	---	10.1
Government Expenditures	72.4	3.8	5.9	166.9	4.0	4.9
Capital Investment	1,058.2	9.9	17.3	3,329.4	9.9	8.3
Visitor Exports	288.7	3.6	5.8	693.6	2.5	5.4
Other Exports	299.5	3.7	14.2	1,044.1	3.7	9.4
Travel & Tourism Demand	2,770.3	---	14.0	9,096.0	---	8.7
T&T Industry GDP	496.8	2.9	12.7	1,629.7	3.2	8.7
T&T Economy GDP	2,358.9	13.7	14.9	7,537.0	14.6	8.5
T&T Industry Employment	17,383.2	2.3	4.6	20,444.9	2.5	1.6
T&T Economy Employment	77,600.5	10.2	7.4	89,990.3	11.0	1.5

<sup>1</sup>2006 Real Growth Adjusted for Inflation (%); <sup>2</sup>2007-2016 Annualized Real Growth Adjusted for Inflation (%); '000 of Jobs

## HONG KONG, CHINA SPECIAL ADMINISTRATIVE REGION

	2006			2016		
	HKD bn	% of Total	Growth <sup>1</sup>	HKD bn	% of Total	Growth <sup>2</sup>
Personal Travel & Tourism	112.6	13.1	8.0	281.2	15.9	6.9
Business Travel	29.5	---	7.2	64.4	---	5.5
Government Expenditures	9.4	7.5	0.4	14.3	7.7	1.7
Capital Investment	51.8	15.4	12.2	145.8	15.2	8.2
Visitor Exports	115.0	3.8	8.8	276.4	3.4	6.5
Other Exports	131.8	4.3	8.8	349.1	4.3	7.5
Travel & Tourism Demand	450.1	---	8.7	1,131.2	---	6.9
T&T Industry GDP	50.5	3.3	8.1	114.8	3.6	5.9
T&T Economy GDP	257.2	17.1	9.0	642.1	20.0	6.9
T&T Industry Employment	167.7	4.8	3.8	208.9	5.2	2.2
T&T Economy Employment	549.4	15.9	5.3	769.5	19.0	3.4

<sup>1</sup>2006 Real Growth Adjusted for Inflation (%); <sup>2</sup>2007-2016 Annualized Real Growth Adjusted for Inflation (%); '000 of Jobs

## MACAU, CHINA SPECIAL ADMINISTRATIVE REGION

	2006			2016		
	MOP mn	% of Total	Growth <sup>1</sup>	MOP mn	% of Total	Growth <sup>2</sup>
Personal Travel & Tourism	4,792	17.7	9.0	11,564	20.7	6.2
Business Travel	416	---	25.1	949	---	5.7
Government Expenditures	1,040	12.4	3.4	2,083	12.9	4.3
Capital Investment	30,224	84.0	45.9	28,245	80.1	-3.2
Visitor Exports	82,243	79.0	15.8	268,157	83.5	9.5
Other Exports	884	0.8	5.1	1,918	0.6	5.1
Travel & Tourism Demand	119,600	---	21.6	312,916	---	7.1
T&T Industry GDP	33,806	32.1	8.2	95,628	39.7	8.0
T&T Economy GDP	98,698	93.6	14.2	225,839	93.7	5.7
T&T Industry Employment	100.9	40.2	6.7	131.7	40.2	2.7
T&T Economy Employment	238.6	95.0	6.7	305.1	93.1	2.5

<sup>1</sup>2006 Real Growth Adjusted for Inflation (%); <sup>2</sup>2007-2016 Annualized Real Growth Adjusted for Inflation (%); '000 of Jobs



# TOTAL DEMAND

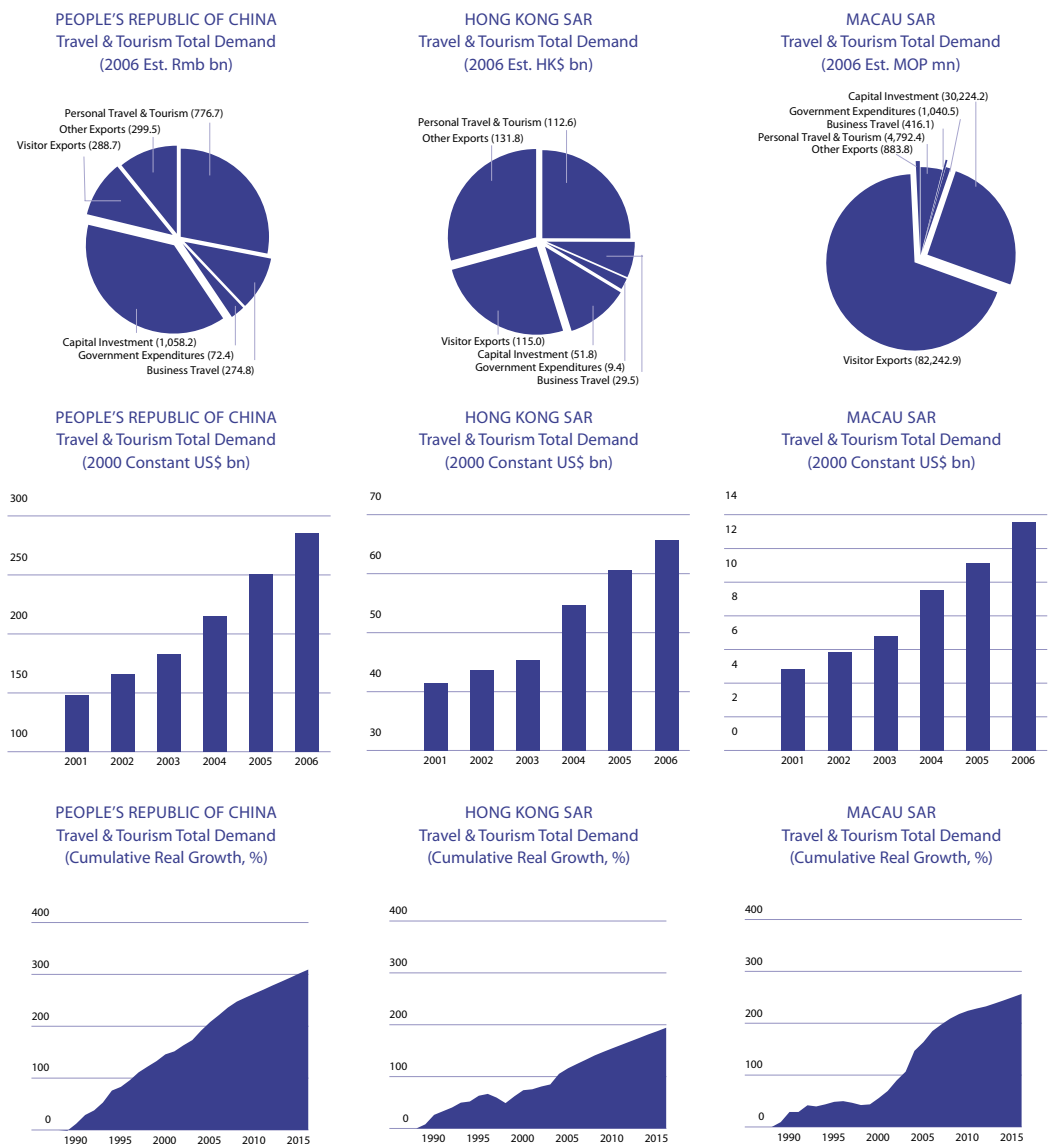
TRAVEL & TOURISM IN THE PEOPLE'S REPUBLIC OF CHINA IS EXPECTED TO TOTAL RMB2,770.3 BILLION (US\$353.7 BILLION) OF TOTAL DEMAND IN 2006.

In the Special Administrative Regions of Hong Kong and Macau, Travel & Tourism Total Demand is expected to total HK\$450.1 billion (US\$58.1 billion) and MOP119.6 billion (US\$14.9 billion) in 2006 respectively

This breakdown of China Travel & Tourism demand clearly illustrates the fact that, even though international visitor spending accounts for more than 10 per cent of the Chinese Travel & Tourism Economy, personal consumption by residents makes up more than 28 per cent of total demand. This would suggest that significant attention be paid to the development of domestic Travel & Tourism. In Hong Kong, visitor exports and personal Travel & Tourism are nearly identical in size so similar attention should be paid to developing all types of tourism (inbound, outbound and domestic). In Macau, the focus is clear with visitor exports representing nearly 70 per cent of Total Demand and thus inbound visitor spending is and will continue to be the key focus here.

The long-term outlook for growth in China's Travel & Tourism Demand is expected to be strongly positive building on the success to date of its 1990s' economic restructuring and the accelerated rebuilding post-SARS. It is expected that the strong growth in personal and business Travel & Tourism will be a leading catalyst for significant growth in long-term. Overall, China's Travel & Tourism is expected to grow by 8.7 per cent per year over the next decade, ranking it as the second fastest growing Travel & Tourism economy in the world.

Over the next ten years, growth in Hong Kong's Travel & Tourism Demand is expected to average 6.9 per cent per annum. This level of growth ranks Hong Kong 12th out of 174 countries studied by WTTC. For Macau, the overall outlook for growth is 7.1 per cent per annum making it the 9th fastest growing Travel & Tourism economy in the world.



# EMPLOYMENT

THE TRAVEL & TOURISM INDUSTRY IN CHINA IS EXPECTED TO YIELD DIRECTLY 17.4 MILLION JOBS BY 2006.

A total of 77.6 million jobs (direct and indirect) are expected to be generated across the broader spectrum of the Travel & Tourism Economy encompassing travel company employment, government agency employment, and supplier company employment.

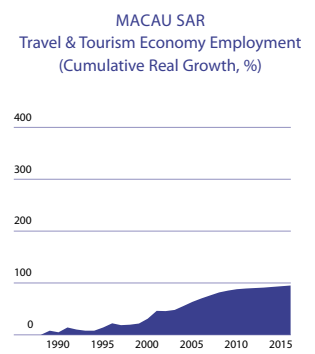
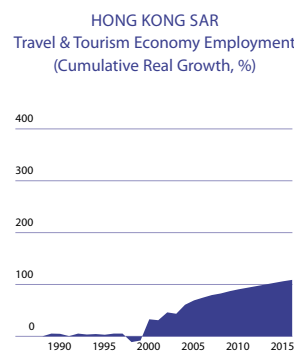
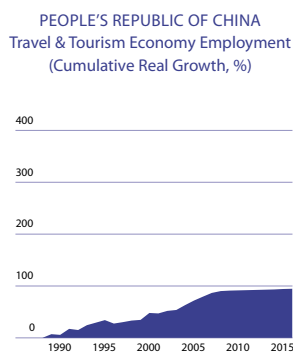
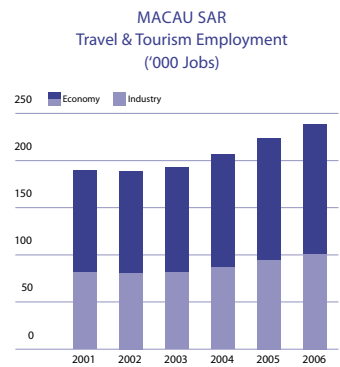
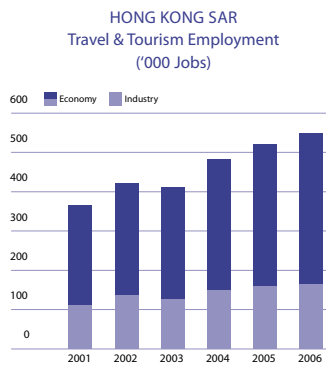
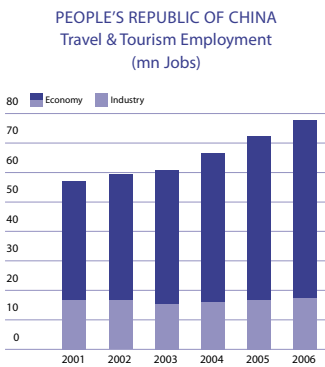
The first category represents Travel & Tourism Industry jobs, while all three categories together represent Travel & Tourism Economy jobs.

In the Special Administrative Region (SAR) of Hong Kong, 167,700 jobs will be directly generated in 2006 by the Travel & Tourism industry, while 549,400 jobs will be directly and indirectly generated by the Travel & Tourism economy.

In the Special Administrative Region (SAR) of Macau, 100,900 jobs will be directly generated in 2006 by the Travel & Tourism industry, while 238,600 jobs will be directly and indirectly generated by the Travel & Tourism economy.

Travel & Tourism Industry jobs in China will represent 2.3 per cent of the country's workforce. By 2016, Travel & Tourism Industry employment is expected to increase by 3.1 million jobs to 2.5 per cent of total employment in China. In Hong Kong, the Travel & Tourism Industry will be responsible for 4.8 per cent of total employment and is expected to increase this share to 5.2 per cent by 2016. In sharp contrast, in Macau the Travel & Tourism Industry will be responsible for 40.2 per cent of total employment and is expected to hold this share steady.

In the league tables, China is the largest producer of Travel & Tourism Economy Employment in the world, while Macau is the second most tourism intensive employer in the world.



WTTC LEAGUE TABLE EXTRACT  
Travel & Tourism Economy Employment  
(2006, '000 of Jobs)

1	China	77,600
2	India	24,349
3	United States	15,604
4	Indonesia	7,332
5	Japan	6,940
10	Thailand	3,820
13	Vietnam	3,364
29	Malaysia	1,345
52	Hong Kong	549
78	Macau	239

WTTC LEAGUE TABLE EXTRACT  
Travel & Tourism Economy Employment  
(2006, % of Total Employment)

2	Macau	95.0
45	Hong Kong	15.9
62	Malaysia	12.6
71	Japan	10.9
72	United States	10.9
76	Thailand	10.7
80	China	10.2
93	Vietnam	8.7
119	Indonesia	7.2
148	India	5.4

WTTC LEAGUE TABLE EXTRACT  
Travel & Tourism Economy Employment  
(10-Year Real Growth, Annualized, %)

36	Hong Kong	3.4
50	Malaysia	3.1
54	Indonesia	3.0
77	Macau	2.5
84	Vietnam	2.5
123	Japan	1.5
124	China	1.5
133	Thailand	1.4
144	India	1.0
161	United States	0.5

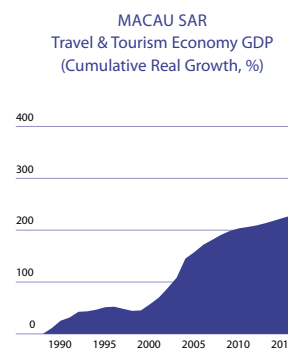
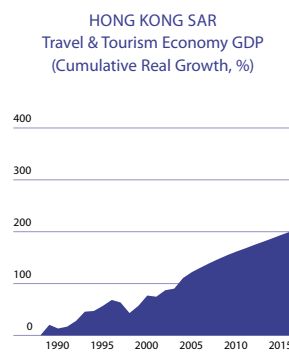
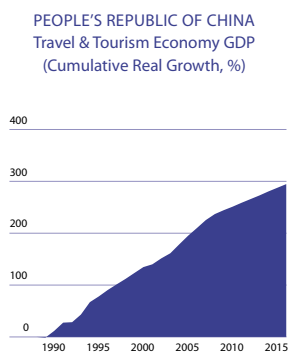
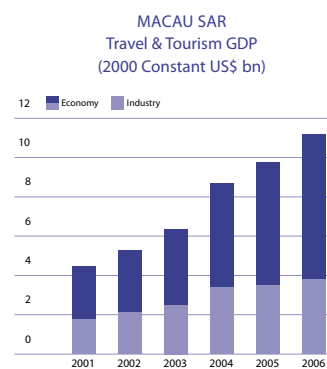
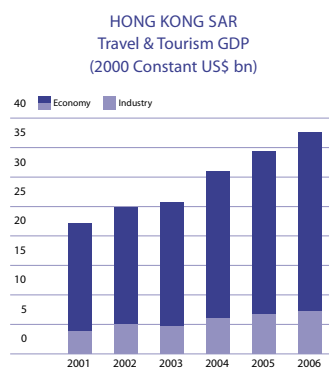
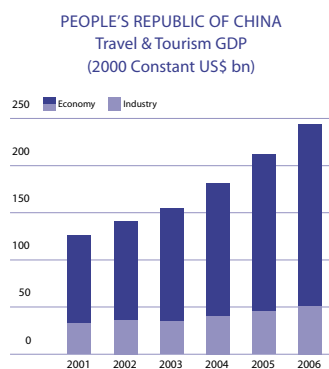
# GROSS DOMESTIC PRODUCT

THE TRAVEL & TOURISM INDUSTRY IN THE PEOPLE'S REPUBLIC OF CHINA IS EXPECTED TO PRODUCE DIRECTLY RMB496.8 BILLION (US\$63.4 BILLION), OR 2.9 PER CENT OF TOTAL GROSS DOMESTIC PRODUCT (GDP) IN 2006.

The broader Travel & Tourism Economy (direct and indirect) is expected to produce Rmb2,358.9 billion (US\$301.2 billion), or 13.7 per cent of total GDP. The long-term expectations for Travel & Tourism GDP growth are very positive – exceeding 8.5 per cent annualized real growth. By 2016, Travel & Tourism Economy GDP is forecast to gain nearly one full percentage point to total 14.6 per cent or Rmb7,537.0 billion (US\$1,076.7 billion).

In the Special Administrative Region (SAR) of Hong Kong, the Travel & Tourism Industry is expected to produce directly 3.3 per cent of total GDP in 2006, growing to 3.6 percent in 2016. The broader direct and indirect measure of the Travel & Tourism Economy is expected to account for 17.1 per cent of total GDP in 2006 and 20.0 per cent in 2016. Both indicators are expected to grow at a rate exceeding 5.9 per cent per annum over the coming decade.

In the Special Administrative Region of Macau, the Travel & Tourism Industry is expected to produce directly 32.1 per cent of total GDP in 2006, growing to 39.7 percent in 2016. The broader direct and indirect measure of the Travel & Tourism Economy is expected to account for 93.6 per cent of total GDP in 2006 and 93.7 per cent in 2016. Both indicators are expected to grow at a rate exceeding 5.7 per cent per annum over the coming decade.



WTTC LEAGUE TABLE EXTRACT  
Travel & Tourism Economy GDP  
(2006, US\$ mn)

1	United States	1,390,791
2	Japan	446,530
3	China	301,154
20	India	41,771
23	Hong Kong	33,226
24	Thailand	29,587
29	Indonesia	27,047
33	Malaysia	21,403
45	Macau	12,305
59	Vietnam	6,254

WTTC LEAGUE TABLE EXTRACT  
Travel & Tourism Economy GDP  
(2006, % of Total GDP)

1	Macau	93.6
39	Hong Kong	17.1
54	Malaysia	14.6
60	Thailand	14.3
61	China	13.7
75	Vietnam	10.9
81	United States	10.5
92	Japan	9.4
105	Indonesia	8.7
156	India	5.3

WTTC LEAGUE TABLE EXTRACT  
Travel & Tourism Economy GDP  
(10-Year Real Growth, Annualized, %)

1	China	8.5
7	Vietnam	7.1
11	Hong Kong	6.9
14	India	6.6
21	Malaysia	5.9
23	Macau	5.7
45	Thailand	5.2
73	Indonesia	4.6
153	United States	2.9
162	Japan	2.4

# CAPITAL INVESTMENT

IN 2006, TRAVEL & TOURISM CAPITAL INVESTMENT IN CHINA IS EXPECTED TO REACH RMB1,058.2 BILLION (US\$135.1 BILLION) OR 9.9 PER CENT OF TOTAL INVESTMENT.

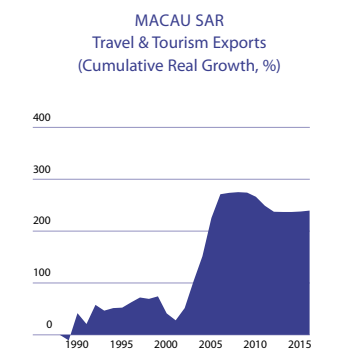
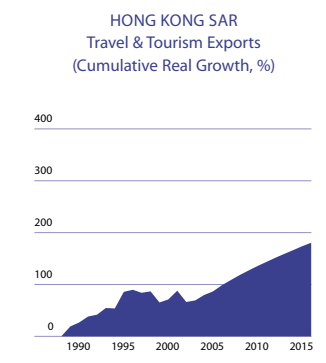
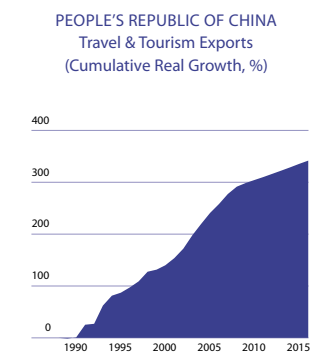
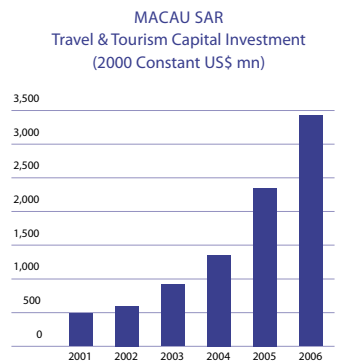
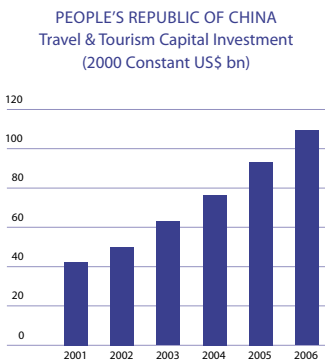
In Hong Kong, Travel & Tourism Capital Investment is expected to approach HK\$51.8 billion (US\$6.7 billion) in 2006, or 15.4 per cent of total capital investment.

Similarly, Travel & Tourism Capital Investment in Macau is expected to total MOP30.2 billion (US\$3.8 billion) in 2006, or 84.0 per cent of total capital investment.

In all cases, the largest component of capital investment originates from the private sector in new facilities, plant and equipment, while the public sector invests in new Travel & Tourism infrastructure.

This level of spending represents a consistently brisk pace of investment in China for Travel & Tourism and expectations for increasing levels through 2016 at a strong rate of 8.3 per cent per annum in real terms. For China, this level of future investment places it in fourth place for growth among the 174 countries analyzed by WTTC. The pace for Hong Kong is equally high at 8.2 per cent per annum or a ranking of number 5 on the list of countries. In Macau, where investment has tripled between 2001 and 2004, the pace of new investment is expected to level out over the next few years. However, the absolute level of investment will continue to be extremely high.

These rankings and level of new investment sends a strong message to Travel & Tourism operators at home and abroad that China, Hong Kong and Macau are all open to new ventures.



WTTC LEAGUE TABLE EXTRACT  
Travel & Tourism Capital Investment  
(2006, US\$ mn)

1	United States	281,976
2	China	135,097
3	Japan	55,968
14	India	15,577
17	Indonesia	8,606
25	Malaysia	7,029
27	Hong Kong	6,689
34	Thailand	4,614
38	Macau	3,768
59	Vietnam	1,542

WTTC LEAGUE TABLE EXTRACT  
Travel & Tourism Capital Investment  
(2006, % of Total)

1	Macau	84.0
39	Malaysia	17.0
47	Hong Kong	15.4
67	Indonesia	12.8
94	United States	10.7
101	China	9.9
105	Thailand	9.4
121	Vietnam	8.3
136	India	7.2
166	Japan	5.1

WTTC LEAGUE TABLE EXTRACT  
Travel & Tourism Capital Investment  
(10-Year Real Growth, Annualized, %)

4	China	8.3
5	Hong Kong	8.2
6	India	7.8
18	Vietnam	6.5
33	Malaysia	5.7
42	Thailand	5.4
69	Indonesia	4.5
136	United States	2.6
166	Japan	1.4
174	Macau	-3.2



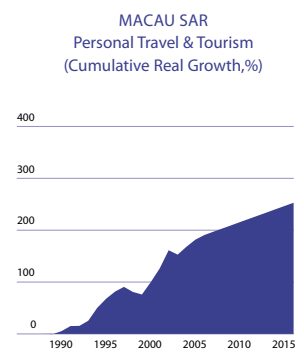
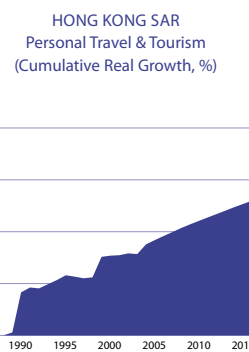
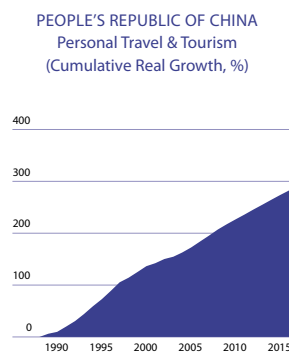
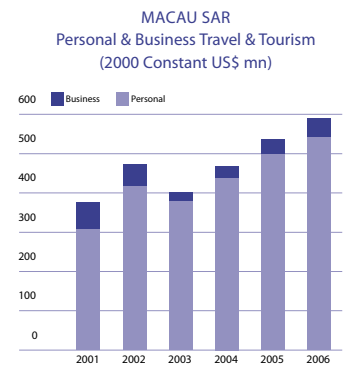
# PERSONAL & BUSINESS

IN 2006, CHINA IS EXPECTED TO GENERATE RMB776.7 BILLION (US\$99.2 BILLION) OF PERSONAL TRAVEL & TOURISM CONSUMPTION BY RESIDENTS, OR 10.3 PER CENT OF TOTAL PERSONAL CONSUMPTION

In China, business travel in 2006 is expected to total Rmb274.8 billion or US\$35.1 billion (92 per cent corporate, 8 per cent government). On a relative scale, the Special Administrative Regions (SAR) of Hong Kong and Macau show a much higher portion of Total Personal Consumption from Travel & Tourism at 13.1 and 17.7 per cent respectively. In 2006, Hong Kong residents are expected to spend HK\$112.6 billion (US\$14.5 billion) on Personal Travel & Tourism and HK\$29.5 billion (US\$3.8 billion) on Business Travel. For Macau, Personal Travel & Tourism is expected to total MOP4.8 billion (US\$598 million) while Business Travel totals MOP416 million (US\$51.9 million) in 2006.

Unlike visitor exports, which depend on international markets for consumers, the business generated in these two categories depends on the China, Hong Kong and Macau economies themselves. As the Chinese economy grows, Chinese consumer and business travel follows suit. The same is true for Hong Kong and Macau.

Over the next decade (2007-2016), Personal Travel & Tourism in China is expected to grow at an annual rate of 9.9 per cent, while Business/Government Travel is forecast to grow at a slightly higher annual rate of 10.1 per cent. In Hong Kong, expectations for Personal Travel & Tourism and Business Travel growth are slightly less, at respectively 6.9 per cent annual growth and 5.5 per cent annualized. The forecast for Macau is similar to Hong Kong's at 6.2 per cent (Personal Travel & Tourism growth) and 5.7 per cent (Business Travel growth). All three sets of forecasts put these economies in the world's top tier for future growth at number one (China), number 12 (Hong Kong) and number 25 (Macau).



WTTC LEAGUE TABLE EXTRACT  
Personal Travel & Tourism  
(2006, US\$ mn)

1	United States	861,981
2	Japan	293,119
7	China	99,156
20	India	21,380
28	Hong Kong	14,550
30	Thailand	12,761
33	Indonesia	9,591
50	Malaysia	3,579
54	Vietnam	2,964
94	Macau	598

WTTC LEAGUE TABLE EXTRACT  
Personal Travel & Tourism  
(2006, % of Total Personal Consumption)

8	Macau	17.7
19	Hong Kong	13.1
33	Thailand	11.3
38	Japan	10.7
45	China	10.3
52	United States	9.4
65	Vietnam	8.1
119	Indonesia	5.2
124	Malaysia	4.9
152	India	3.8

WTTC LEAGUE TABLE EXTRACT  
Personal Travel & Tourism  
(10-Year Real Growth Annualized, %)

1	China	9.9
8	Vietnam	7.3
12	Hong Kong	6.9
18	India	6.7
21	Malaysia	6.4
25	Macau	6.2
26	Thailand	6.1
30	Indonesia	6.0
159	United States	2.9
168	Japan	2.3

# EXPORTS

TRAVEL & TOURISM EXPORTS PLAY AN IMPORTANT DEVELOPMENT ROLE IN CHINA'S TRAVEL & TOURISM BUSINESS.

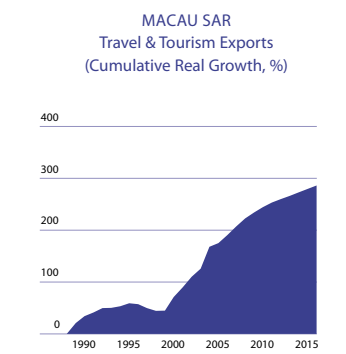
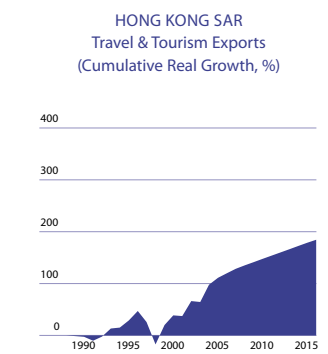
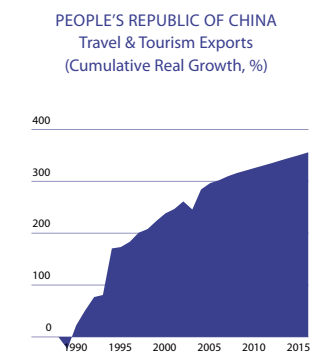
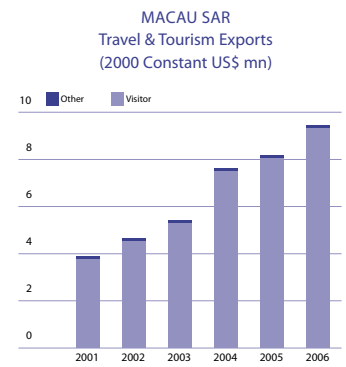
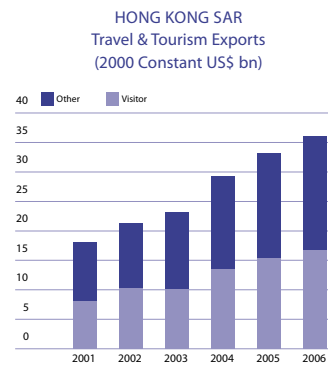
In 2006, Travel & Tourism services and merchandise exports for China are expected to total Rmb588.2 billion, or US\$75.1 billion (49 per cent by visitors, 51 per cent by exported consumer and capital goods), representing just 21 per cent of total Travel & Tourism Demand.

In contrast, Hong Kong expects to produce HK\$246.8 billion (US\$31.9 billion) of Travel & Tourism Exports (services and merchandise) in 2006. This business represents nearly 55 per cent of total Travel & Tourism Demand in Hong Kong. In Macau, the results are even more significant with expectations to produce MOP83.1 billion (US\$10.4 billion) of Travel & Tourism exports in 2006 or nearly 70% of total Travel & Tourism Demand.

In the first instance, in China, Travel & Tourism Exports represent a key catalyst for developing the overwhelmingly important domestic Travel & Tourism market. In the case of Hong Kong, which is a more mature and destination-oriented Travel & Tourism economy and in Macau which is re-inventing itself as a primary in-bound gaming destination for the region, the health and vitality of the local Travel & Tourism sector will follow the same trend as this category grows and contracts.

Over the past 17 years, the results for Travel & Tourism Visitor Exports have been sporadic in Hong Kong with several gains and losses. In China, in contrast, performance has been rock solid since 1990 with almost consistent year-on-year increases, exclusive of SARS in 2003. In Macau, the results for Travel & Tourism Visitor Exports has been record breaking as the doors have opened to the broader Chinese market.

Over the next ten years, China's Visitor Exports are expected to grow by a 5.4 per cent per annum, while Travel & Tourism Visitor Exports in Hong Kong are expected to be slightly better at a very respectable 6.5 per cent real growth per annum. Macau is expected to be the 4th fastest growing inbound tourism economy in the next decade.



WTTC LEAGUE TABLE EXTRACT  
Travel & Tourism Visitor Exports  
(2006, US\$ mn)

1	United States	137,631
7	China	36,860
13	Japan	17,190
14	Thailand	15,739
16	Hong Kong	14,860
19	Malaysia	11,636
21	Macau	10,253
28	Indonesia	8,245
32	India	6,908
67	Vietnam	1,479

WTTC LEAGUE TABLE EXTRACT  
Travel & Tourism Visitor Exports  
(2006, % of Total Exports)

5	Macau	79.0
82	Thailand	10.6
86	United States	9.5
92	Indonesia	8.4
103	Malaysia	6.5
132	Hong Kong	3.8
134	China	3.6
136	Vietnam	3.5
140	India	3.3
152	Japan	2.4

WTTC LEAGUE TABLE EXTRACT  
Travel & Tourism Visitor Exports  
(10-Year Real Growth Annualized, %)

4	Macau	9.5
9	India	7.8
27	Malaysia	7.1
28	Japan	7.0
37	Vietnam	6.5
39	Hong Kong	6.5
66	Thailand	5.6
80	China	5.4
129	Indonesia	4.6
159	United States	3.9

# GOVERNMENT

IN 2006, NATIONAL AND LOCAL GOVERNMENT AGENCIES IN CHINA ARE EXPECTED TO SPEND RMB72.4 BILLION (US\$9.2 BILLION) OF CURRENT OPERATING FUNDS FOR TRAVEL & TOURISM.

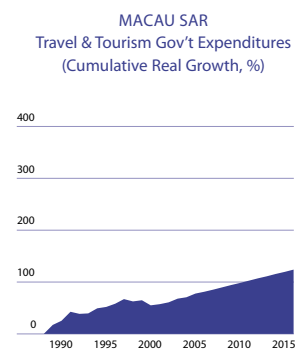
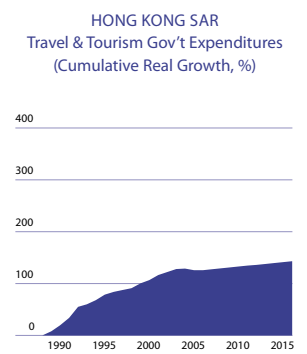
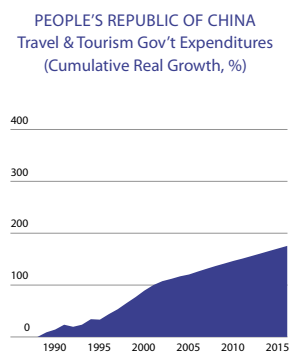
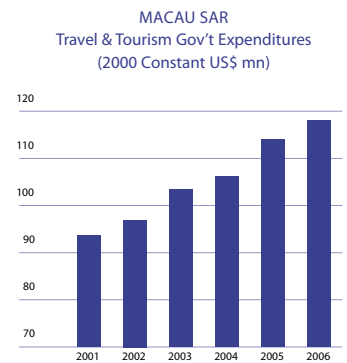
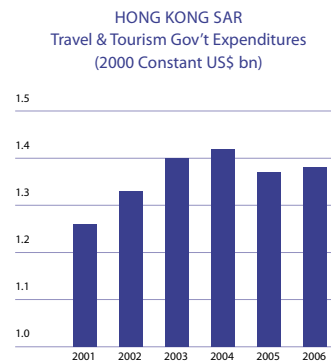
This represents 3.8 per cent of total government expenditures, which are allocated to providing individual and collective government Travel & Tourism services to visitors, travel companies and the community at large. Over the next ten years (2007-2016), Travel & Tourism Government Expenditures in China are expected to increase by an average of 4.9 per cent per annum in real terms – the 32nd highest rate of growth by any country currently studied by WTTC.

In Hong Kong, government agencies are expected to allocate and spend HK\$9.4 billion (US\$1.2 billion), or 7.5 per cent of total government operating expenditures, for Travel & Tourism. This is expected to increase by 1.7 per cent per annum over the next decade – a slow rate of growth as indicated by the League Table.

In Macau, government agencies are expected to allocate and spend MOP1,041 million (US\$130 million), or 12.4 per cent of total government operating expenditures, for Travel & Tourism. This is expected to increase by 4.3 per cent per annum over the next decade – a moderate rate of growth as indicated by the League Table.

Based on these results, the Chinese government's 2006 contribution of 3.8 per cent places it at about midway in the ranking of regional and global competitors (77th of 174 countries) for Travel & Tourism support and services. Hong Kong's current position is much higher at 38th position in the ranking of 174 countries around the world and Macau's position is even higher at 22nd position.

In this WTTC report, government expenditures include individual expenditures that can be linked to individual visitors, such as museum subsidies or immigration services. But they also include collective expenditures that are undertaken for the community at large – such as airport administration or tourism promotion – but which have a logical service connection to Travel & Tourism.



WTTC LEAGUE TABLE EXTRACT  
Travel & Tourism Gov't Expenditures  
(2006, US\$ mn)

1	United States.....	103,403
2	Japan.....	35,125
<b>9</b>	<b>China.....</b>	<b>9,243</b>
22	Indonesia.....	1,999
<b>28</b>	<b>Hong Kong.....</b>	<b>1,215</b>
31	India.....	943
47	Thailand.....	501
53	Malaysia.....	361
<b>78</b>	<b>Macau.....</b>	<b>130</b>
107	Vietnam.....	51

WTTC LEAGUE TABLE EXTRACT  
Travel & Tourism Gov't Expenditures  
(2006, % of Total Gov't Expenditures)

<b>22</b>	<b>Macau.....</b>	<b>12.4</b>
33	Indonesia.....	9.0
<b>38</b>	<b>Hong Kong.....</b>	<b>7.5</b>
59	United States.....	5.1
72	Japan.....	4.1
<b>77</b>	<b>China.....</b>	<b>3.8</b>
113	Thailand.....	2.7
147	Malaysia.....	1.7
155	Vietnam.....	1.4
167	India.....	1.0

WTTC LEAGUE TABLE EXTRACT  
Travel & Tourism Gov't Expenditures  
(10-Year Real Growth, Annualized, %)

7	India.....	6.1
21	Indonesia.....	5.3
22	Vietnam.....	5.2
25	Malaysia.....	5.2
<b>32</b>	<b>China.....</b>	<b>4.9</b>
<b>59</b>	<b>Macau.....</b>	<b>4.3</b>
76	Thailand.....	3.9
113	United States.....	3.0
147	Japan.....	2.1
<b>158</b>	<b>Hong Kong.....</b>	<b>1.7</b>

# THE POLICY FRAMEWORK

## POLICY RECOMMENDATIONS

CHINA'S GOVERNMENT IS FIRMLY COMMITTED TO TRAVEL & TOURISM, AND THERE IS CLEAR RECOGNITION AT THE HIGHEST LEVELS OF GOVERNMENT OF THE PIVOTAL ROLE PLAYED BY TRAVEL & TOURISM IN TERMS OF SUSTAINABLE GROWTH, EMPLOYMENT CREATION AND SOCIAL DEVELOPMENT ACROSS THE ENTIRE NATIONAL ECONOMY.

This is reflected by the prominence given to the recent publication (Dec 2004) of "Forum on Tourism by Party and National Leaders" – a book which celebrates the achievements made by China's Travel & Tourism industry since 1978 and includes the perspective on Tourism in China from many Chinese leaders from Deng Xiaoping to Hujintao. In this book published by CNTA and Central Publications Co, Deng Xiaoping advocates tourism as one of China's foundation industries for reform, economic development, and opening up the country to the outside world.

At the opening of the World Tourism Organization's General Assembly in October 2003, China's Prime Minister Wen Jiabao said "The first 20 years of the 21st century represents an important strategic period for China to achieve all-round construction of a better-off society and to speed up its socialist modernization. It also provides a favorable time for the further development of China's tourism industry. We shall bring up tourism as an important industry in China's national economy, properly protect and utilize our tourism resources and try to achieve sustainable tourism development. The Chinese government welcomes all international friends to visit China. We shall do our best to protect their health and safety; and at the same time encourage more Chinese people to go abroad for visits. We are ready to develop extensive cooperation with other countries and contribute to global tourism growth."

China's Vice Premier Wu Yi has spoken several times on the subject of Travel & Tourism's importance. In April 2004 in Washington DC she said "As for trade in services, the banking, communication, construction and transport markets have been liberalized in line with the [UNWTO] commitments. Among that, the opening of tourism, insurance and retail markets is even faster than committed." Later, at the opening of the China International Travel Market in November 2005, Wu Yi said, "Chinese tourism industry has been growing rapidly since the opening up to the outside world and reform, it has become the newly emerging dynamic and strong industry to the national economy, and increasingly effecting the economy and the social development."

The World Travel & Tourism Council's (WTTC's) forecasts, developed with its research partner Oxford Economic Forecasting (OEF), highlight the extraordinary growth prospects for China's Travel & Tourism. Based on current economic conditions, and assuming there will be no change in China's current policy position on Travel & Tourism,

"Opening the country to the outside world is our basic and long-term state policy... Once we enter UNWTO, we will earnestly fulfil our rights and obligations and play our due role in promoting economic development and trade around the world...I am happy to tell you that China is committed to opening (up the country) still wider to the outside world in an multi-directional and multi-tiered way, with an even more active approach. Such sectors as finance, insurance, telecommunications, trade, commerce, transport, construction, tourism and intermediary services will be gradually opened to foreign investors.

We will vigorously seek new ways and new channels of attracting foreign capital and allow foreign investors to set up equity, or contractual joint ventures, or solely owned businesses, in the above-mentioned sectors... We will adopt open, transparent and equality-based policies on trade and investment, continue to improve the environment for investment and business operations, encourage fair competition, and offer national treatment so as to increase investor confidence and predictability in China."

Extract from a Speech by  
Vice President Hu Jintao of  
the People's Republic of China  
at a Dinner Hosted by the  
China-Britain Business Council  
30 October 2001



WTTC/OEF forecasts the creation of approximately 11 million new Travel & Tourism jobs over the next ten years.

The China National Tourism Administration (CNTA) has set even greater objectives for job creation and, by extension, Travel & Tourism demand and GDP, which far exceed the WTTC/OEF projections. Taking into consideration new policy changes planned, CNTA expects to create 40 million jobs from Travel & Tourism over the next ten years. This difference in the jobs' forecast alone illustrates the focus, aspiration and hopes that China has placed on the industry and the policy changes that it expects to implement for Travel & Tourism.

Under the WTTC/OEF scenario, no extraordinary policy changes have been anticipated and growth is only driven by economic gains. Under the CNTA scenario, however, it is clear that China has already accounted for future significant policy changes. For this latter scenario to be achieved, certain factors need to be assured. Most importantly, the government's national policy framework must be adopted by provincial and local governments, and it must be supported by a climate that is conducive to business investment, implemented by the public and private sectors working in partnership.

While the private sector can – and must – play an increasingly proactive role in developing quality products and services geared to international and domestic demand, the Chinese Government must ensure that CNTA is as effective an organization as possible. As a first step, tourism should be elevated to ministerial level and this new ministry should assume responsibility for overseeing collateral government agencies/departments that have a direct or indirect link to tourism.

The increased role and responsibility of the country's new national tourism administration, which should be clearly defined and communicated to all stakeholders, will require increased funding. This will enable it to assume responsibility for planning and policy-making, tourism infrastructure development and management, as well as to drive the country's new market economy-based approach to Travel & Tourism development. The new Ministry of Tourism should have close links with ministries responsible for the arts, culture, recreation and sport, aviation, public transport and parks. This would help ensure a more integrated approach to tourism development and management and help focus the industry on achieving aggressive Travel & Tourism targets.

#### Membership of the World Tourism Organization

- 24 Dedicated Tourism Ministries
- 57 Shared Ministries
- 12 Secretaries, Departments, Offices or Agencies
- 23 Commissions, Authorities, Institutes, Administrations, Boards, Committees, Directorates, or Corporations

The current responsibility of CNTA for marketing and promotion should also be taken over by China Tourism Board (CTB). This established organisation should be separated from its government background, becoming a real non-governmental organisation, managed by the public-private sector together. This national tourism organization (NTO), based on one of the NTO models successfully adopted in other key tourism destinations around the world, would spearhead the tourism



marketing and development initiative. It would have responsibility for almost every aspect of tourism development in the country – product development, marketing, the setting of standards, research, etc. It should also include responsibility for domestic tourism. In addition, the new CTB should serve as a fully fledged public – private sector joint-managed national tourism development bureau, coordinating all its efforts with those of the provinces and cities, as well as generating and disseminating Travel & Tourism research and market intelligence to all stakeholders.

In February 2005, the Chinese government issued “Opinions of the State Council on Encouraging, Supporting and Guiding the Development of the Individual and Private Sectors of the Economy”; clearly identifying that individual, private enterprises and other non-public sectors of the economy have become an important component of the socialist market economy. As a result, there has been significant loosening of entry into the non-public market economy, allowing non-public capital to enter monopolistic sectors and industries, opening sectors such as electrical power, telecommunications, railways, airlines, petroleum, finance, defence and public industry and infrastructure. It is now required that all government departments formulate and improve specific policies and methods necessary to promote the development of the non-public economy.

Because the Chinese government has incorporated individual, private and other non-public sectors of economy into its new development plans, both the private and public sectors have an equal position in the market, which will have a significant impact on the development of a faster and stronger Chinese tourism economy.

As an interim step towards the establishment of a joint public-private sector tourism board, it is recommended that CNTA consider establishing a Tourism Marketing Council. Such an organization could provide assistance to the public sector, sharing its experience and expertise in the development and implementation of short-term marketing and promotional strategies. The Council, which would naturally comprise leading private sector operators (airlines, hotels, travel agencies, travel & timeshare network exchange companies, tour operators, attractions, leisure real estate operators and developers, etc), would meet periodically to review CNTA strategy and plans and advise CNTA on its work programme. Following the formal establishment of the CTB as an independent NGO, members of the Council would naturally join the CTB’s board of directors.

These actions alone would help China compete more effectively with leading tourism destinations around the world. However, WTTC also maintains that, in order for China to achieve its aggressive development and employment objectives, the government will need to create a true working partnership with the private sector in all aspects of tourism planning and operations. This should involve the re-orientation of existing trade associations into independent bodies modelled on those that exist in any number of leading tourism economies such as the UK, France, and Canada.

According to Hanqin Qiu Zhang, Ray Pine and Terry Lam authors of “Tourism and Hotel Development in China”, “Future tourism policy implementation in China, to a large degree, depends on whether the tourism industry associations can function well. With China’s market mechanism maturing and China’s tourism industry gradually gearing

to the international market, almost all tourism enterprise operators wish government would play a role in macro control, such as planning, marketing, and legislating, while leaving the formulation of industry standards and best practice guidelines to industry associations. The tourism industry operators think the industry standards and best associations should be separated from the government framework. The associations could become independent organizations that would represent the interests of the tourism industry and serve as a communication channel between government and enterprises. Only at this stage will tourism policy implementation become mature and smooth, and allow flexibility. At that time, the model of tourism policy implementation will become a blend of ‘top-down’ and ‘bottom-up’ styles.”

The public-private partnership could also be structured along the lines of the Shanghai Mayor’s Round-Table Forum where the private sector provides briefings, exchanges views and instigates discussions about new trends and issues that have an impact on the Travel & Tourism industry. In either guise, this new partnership between the public and private sectors would be a major cornerstone to China’s future tourism success.

In Hong Kong, the primary focus has been more tactical in nature, but the Special Administrative Region (SAR) of China may well now need to adopt a new strategic approach to Travel & Tourism development. Whatever strategy it adopts in future will help build new business on the strong foundation it has set up over the past 20 years or more.

In Macau, the primary focus is on the complete reincarnation of a sleepy tourism hamlet into one of the world’s most sophisticated gaming and leisure destinations. In the course of such transformation, Macau faces enormous pressure to assure the quality of the product and supply sufficient quantity and quality of personnel to staff the destination, as well adhere to its moral obligation to maintain a sustainable resident environment socially, culturally and naturally.

Against this background WTTC recommends that the Chinese Government:

## PLAN FOR THE FUTURE

### Long-term Tourism Planning

China’s future tourism development requires the focused implementation of its National Tourism Policy as detailed in the China National Tourism Administration (CNTA) document entitled: ‘Building a World Tourism Power and Developing a New Mainstay Industry – The Compendium for China Tourism Development in the Early 21st Century’. This document, summarized by WTTC on the following pages, reflects a strong vision for China’s Travel & Tourism industry.

This plan is in many ways visionary in comparison with other national tourism policies previously reviewed by WTTC. However, the scope of proposed tourism development envisioned by China – as defined in the document, ‘Building a World Tourism Power...’ – may need to take even greater account of the free-market re-orientation of the tourism business environment in China. This will be especially important with regard to developing the strategy and operational plans detailing how this vision is to be achieved.

# 'BUILDING A WORLD TOURISM POWER AND DEVELOPING A NEW MAINSTAY INDUSTRY'

## National Tourism Administration of the People's Republic of China, 2001

### INTRODUCTION

#### Three Markets and Market Potential

Inbound, domestic and outbound tourism have all been growing steadily, in terms of numbers and earnings, helping China become firmly established as an emerging Travel & Tourism economy.

#### Expansion of Tourism and Development of the Tourism Industry

Over the past few years, tourism products and services have rapidly developed and expanded. By the end of 2000, there were 254,300 accommodation establishments/facilities, including 10,500 hotels and 948,200 guestrooms, as well as 8,993 travel agencies. Transport has also been greatly improved with the rapid development of civil aviation, the railways, highways and waterways, and local transport. Tourism services, including restaurants, entertainment and shopping, have also been enhanced in terms of quality and quantity.

As the industry has grown, tourism education has followed suit. There are 252 universities and colleges with tourism departments or faculties, 943 vocational schools with tourism programmes and 327,900 students currently following tourism courses.

#### Tourism Product Mix

A number of high-quality tourism products/sectors have been successfully established in China during the past few years, and these have proved to be attractive to international and domestic visitors. They include sun-and-beach holidays, skiing, ecotourism products, and the meetings, incentives, conventions and exhibitions (MICE) business.

#### Tourism Marketing and Promotion

The marketing and promotion of China's tourism at home and abroad has been remarkably successful in recent years. The industry has overcome the negative impact of the Asian financial crisis thanks to increased advertising frequency and spend, and improved promotions and public relations – at tourism fairs and through exposure from its work with international tourism organizations.

#### Administration and Regulation of Tourism

The administration of China's tourism industry is being carefully re-examined and restructured so as to improve regulation, management, coordination and services. Building China's 'Excellent Tourism Cities' programme has greatly improved the tourism environment, reinforced urban tourism, and accelerated urban infrastructure development and modernization.

#### China's International Position in Tourism

CNTA and local tourism bureaus have developed bilateral and multilateral cooperation and interchange programmes, thereby expanding their relationships with major tourist generating countries, neighbouring economies and regions. These activities have steadily enhanced the international status of China's tourism industry and reinforced international cooperation.

#### Seven Opportunities for the Industry in the 21st Century

- Tourism will be a new growth area for the national economy;
- Tourism will act as a catalyst for the industrial realignment of China's economy;
- The development of western China will be a significant opportunity for tourism;
- The legal holiday system (three Golden Weeks) will spur the growth of domestic tourism;
- Entry into the World Trade Organization will optimize and accelerate tourism development;
- The 2008 Olympic Games will internationalize and modernize China's tourism product and improve its image;
- The growth of world tourism will assist China in becoming a world tourism power.

### THE CONSTRUCTION OF THE WORLD TOURISM POWER: DEVELOPMENT GOALS, STAGES AND STRATEGIES

#### Quantitative Goals for 2020

- The number of inbound tourist arrivals in China is expected to reach 210-300 million;
- International tourism receipts are projected to total US\$58-\$82 billion;

- Domestic tourism receipts will reach Rmb2,100-Rmb3,000 billion (US\$256-\$366 billion).
- Total tourism income is expected to exceed Rmb3,600 billion (US\$439 billion), or 11 per cent of GDP;
- Tourism will become the mainstay industry of the Chinese national economy.

#### Qualitative Goals for 2020

##### Build China into a tourism power, which involves the following ten steps:

- Create, tap and expand tourism consumption;
- Balance inbound, domestic and outbound tourism;
- Develop and improve tourism products;
- Standardize and improve service quality;
- Diversify tourism markets, promotions and products;
- Improve tourism-related information technology;
- Encourage internationally competitive tourism enterprises;
- Establish a market economy-based legal and regulatory regime for tourism;
- Modernize and standardize tourism administration;
- Ensure financial and market efficiency in tourism.

#### DEVELOPMENT STAGES

##### The Primary Stage (2001-05): Laying a Foundation for Building a World Tourism Power

- Breakthrough in policy-making;
- System reform;
- Develop western China;
- Reinforce marketing and promotion.

##### The Advanced Stage (2006-10): Advancing Tourism Competitiveness

- Optimize policy and the natural and social environment;
- Cultivate the inbound and domestic markets;
- Establish major tourism enterprises;
- Compete effectively on the international stage.

##### The Consolidation Stage (2011-15): Consolidating International Competitiveness

- Enhance China's competitiveness;
- Seek new development;
- Improve quality;
- Achieve profitable and sustainable development.

##### The Perfection Stage (2016-20): Shape and Perfect the World Tourism Power

- Optimize tourism output and achieve intensive growth;
- Create world-famous tourism products;
- Promote social development;
- Establish China's image globally.

#### The Development Strategy

*Tourism is a Momentum Industry:* tourism is not only an economic industry, but also a momentum industry in social and economic development.

*Quality is Fundamental:* the key to building a tourism power is improving the overall level of competitiveness.

*Innovation:* China's tourism requires innovation in strategy, products, markets, administration, management and professionalism.

#### Development Guidelines

- Under the guidance of Deng Xiaoping's theories and his ideology of the tourism economy, the tourism industry is to be developed, with tourist resources as the 'support', tourist products as the 'basis', the market as the 'guide', and financial benefits as the 'core'.
- With a view towards opening up the great tourism market, inbound tourism will be vigorously pursued, domestic tourism will be energetically encouraged and outbound tourism will be developed in a moderate fashion.
- While strengthening the government's lead role, people from all walks of life are to be mobilized to vigorously cultivate and develop the new economic growth sector, namely the tourism industry.
- Great importance should be attached to sustainable tourism development.
- Attention should be paid to ensuring both hardware and software development so that professionalism can be enhanced.
- The development strategy will take account of tourism's actual and potential contribution to the national economy – establishing a solid foundation for building 'the world's tourism power'.

## Development Policies

- Understanding of tourism development should be enhanced and unified, and the public's enthusiasm for tourism development should be fully awakened.
- All departments and agencies concerned should make joint efforts to promote tourism development under the leadership of the government.
- A detailed development plan should be formulated to guide tourism development.
- Innovation should be encouraged, as well as the creation of imaginative products.
- Regional cooperation is to be strengthened.
- The benefits of tourism should be distributed as equitably as possible across eastern, central and western China.
- Priority should be given to inbound tourism as the sector offering greatest potential for development, followed by domestic tourism.
- Investment in tourism promotion should be increased and improved.
- Tourism administration should be broadened and its functions improved and modernized.
- Efforts should be made to build a number of powerful tourism destinations within the country to help China become a world tourism power.

## Developing Inbound Tourism

- Promotion and marketing should highlight China's wide range of attractions and tourism products.

## Cultivating Domestic Tourism

- Formulate and implement a National Tourism Plan.
- Increase tourism supply, and implement and promote leisure tourism.
- Reform the national system of holiday entitlement to boost tourism consumption.
- Implement a system of paid holidays.
- Develop incentive business (corporate-sponsored leisure travel).
- Enhance the development of domestic tourism products.
- Promote domestic tourism.
- Ensure that domestic tourism is effectively managed.

## Outbound Tourism

- The moderate development of outbound tourism implies planned, organized and controlled development.
- The administration and management of outbound tourism should be closely linked to that of inbound tourism, ensuring an equitable distribution of trips per destination.
- Different policies should be formulated appropriate to the different purposes of outbound travel – the growth of the sector should be carefully managed.

## Tourism Product

In addition to developing new products – national and world-class products – existing tourism products should be enhanced. All these should embody national characteristics and highlight specific national attractions, but be developed according to international norms. This requires improved planning, design and innovation.

## Perfecting the Three Major Products

Three major types of tourism – sightseeing, stay-put holidays and special interest tourism – should be further improved in quality.

### SIGHTSEEING TOURISM

Cultural/historical tourism  
Entertainment  
Scenic attractions  
Museums

### HOLIDAY TOURISM

Major resorts  
Tropical/sub-tropical islands and beaches  
Mountains, lakes, forests and hot springs  
Urban conurbations  
Timesharing

### SPECIAL TOURISM

Festivals  
Study tourism  
Adventure tourism  
Conference and exhibitions  
Incentives  
Cruises  
Ecotourism

Skiing  
Third-age travel  
Golf tourism  
Business travel  
Rail travel

## New Products

Attention should be focused on the following eight types of products:

- New archaeological discoveries and natural wonders;
- Theme parks;
- City tourism;
- Agricultural tourism;
- Industrial tourism;
- Science and educational tourism;
- Weddings;
- Health tourism;
- Extreme/adventure travel.

## Showcase Products

- A number of national attractions, such as areas of particular scenic beauty, scenic routes and festivals, should be developed and promoted.

## World-class Products

- World-class products should be created based on the country's natural and cultural heritage, including archaeological and natural wonders.

## Joint Development of Three Tourism Regions

- Great efforts should be made to promote tourism development in eastern China while, at the same time, placing special emphasis on the development of distinctive products in western China and on stimulating growth in tourism to the central regions.
- Certain destinations in the central and western regions of the country should be developed as test cases in an effort to generate income from tourism, thereby helping to eliminate poverty.
- Ecotourism should be developed in a sustainable manner by planning and constructing a number of national ecotourism resorts.
- Resorts should be developed in line with international resort standards adapted to suit the needs of both domestic and international markets.

## Regional Tourism Development

- Sophisticated tourism developments should be planned for eastern China.
- Larger-scale developments that are based on local natural resources should be earmarked for the creation of unique tourism products in central China.
- Great efforts should be made to ensure that tourism becomes the most profitable industry in the development of western China.

## Develop Key Tourism Regions

- The different regions of China must cooperate closely in terms of tourism development.

## Develop Key Tourism Areas

- The new Asia-Europe mainland bridge;
- The Yangtze River tourism belt;
- The great Beijing-Jiulong tourism belt;
- The tourism belt of the Coastal Superhighway Corridor.

## Promote Key Tourism Routes

- The Silk Road tourism route;
- Yangtze River Three Gorges tourism route.

## PROMOTE THE DEVELOPMENT OF KEY TOURISM CITIES

### Develop Tourism with Science and Education on a Full Scale

- More attention should be paid to the use of science and technology in the design, planning and construction of tourism destinations and specific tourism projects.

## Develop Tourism Human Resources

- Measures should be taken to promote the development of human resources for tourism.

## Implement a Sustainable Development Strategy

- Promote sustainable tourism development, produce 'green tourism' products, popularize 'green tourism' management, and construct 'green tourism' systems.







WTTC's experience around the world suggests that this will require a gradual step-by-step restructuring and strengthening of China's National Tourism Administration (CNTA). It will benefit from divesting itself of all ownership interests and management responsibilities/issues in Travel & Tourism companies including but not limited to tourism operators and travel agencies and instead focus on developing strategy and providing guidance, taking the lead in developing long-term plans for the industry and removing unreasonable barriers to growth. It can then advocate standards and service levels instead of 'controlling' the industry. It should clearly communicate its roles and responsibilities and provide transparency so the private sector can better understand its role in Travel & Tourism. This divestiture of ownership responsibilities will also allow CNTA to become a lean, action oriented and pragmatic supervisory body, which holds no conflict of interest.

If it can achieve these goals, CNTA will create an environment of fair competition and growth, enabling the market to function efficiently, and stimulating greater domestic and foreign investment. For CNTA to be able to assume such a role involving inter-ministerial cooperation as well as a partnership with the private sector, WTTC recommends that it be upgraded to a full ministerial portfolio, which could coordinate relations with other ministries.

As Travel & Tourism impacts all sectors of the economy – from wholesale and retail businesses to real estate and construction – planning must involve all levels of central, provincial and local government and the private sector, as well as local communities. This will help overcome conflicting inter-governmental objectives (central, provincial and local), as well as encouraging growth that is sustainable economically, environmentally and socially. It will also help spread the benefits equitably across the country to all stakeholders, thereby stimulating support and commitment from all sectors.

Although China's National Tourism Policy is quite comprehensive, it may benefit from additional emphasis on several key issues, which WTTC has identified as mission-critical factors that may limit China's ability to achieve Travel & Tourism's full potential. These mission-critical factors include:

- foreign direct investment;
- state-owned enterprises;
- the MICE market;
- travel related financial services and leisure real estate;
- public-private sector partnership;
- regional private enterprises; and
- Travel & Tourism research (economics and marketing).

Discussion of these issues follows under the appropriate headings. We encourage CNTA to consider these factors and incorporate their formulation into the National Tourism Policy statement.

In Hong Kong, the situational analysis and tourism strategy are somewhat different. Hong Kong is currently looking to reposition itself as a regional business and leisure centre for the next 20 years. It has restructured its tourism policy organization into the new Tourism Commission and its tourism marketing operations into the recently created Hong Kong Tourism Board (HKTB). It has developed short-term and long-term action programmes, focusing on hardware and software. It is continuing to upgrade and enhance its facilities, attractions,

heritage sites and the countryside, or many rural areas of Hong Kong. It is continuing to improve access, service levels, the quality of the tourism experience in Hong Kong, and its planning and promotion.

One particularly important part of Hong Kong's tourism is the Tourism Strategy Group (TSG). With representation from the government, the HKTB and various sectors of the tourism industry, the TSG was established to advise the government on tourism development from a strategic perspective. With advice from the TSG, a Tourism Development Action Programme has been prepared, which maps out more than 50 short-term and long-term initiatives to make Hong Kong a much more visitor-friendly destination and Asia's premier international urban attraction.

The new structure of Hong Kong's tourism administration shows that, despite the destination's undisputed success in the past, there were a number of weaknesses that needed to be addressed.

On a more specific note, one characteristic of Hong Kong's tourism that has served it well through the years has been the industry's positive contribution of experience and expertise to the Hong Kong Government in its quest for growth, development and job creation.

As an example, the Travel/Tourism Committee of the Hong Kong Coalition of Service Industries (HKCSI) – the service policy think-tank of the Hong Kong General Chamber of Commerce – holds meetings with travel industry practitioners to discuss the promotion of Hong Kong's Travel & Tourism industry. From the discussions, the HKCSI formulates position papers. A number of such papers have been submitted to the government, reflecting some important issues/views from the Travel & Tourism sector.

Even more impressive was the input by the industry in January 2001, when the Hong Kong Tourist Association (Amendment) Bill 2001 was introduced to the Legislative Council to reorganize the HKTA into the new HKTB. More than 20 Travel & Tourism industry associations made written submissions to comment on the amendment. In this instance,

#### **Organizations Commenting on the Hong Kong Tourist Association (Amendment) Bill, 2001**

Board of Airline Representatives of Hong Kong  
 Hong Kong Association of China Travel Organizers  
 Hong Kong Association of Registered Tour Coordinators  
 Hong Kong Association of Travel Agents  
 Hong Kong Guesthouses Association  
 Hong Kong Hotels Association  
 Hong Kong Inbound Tour Operators Association  
 Hong Kong Japanese Tour Operators Association  
 Hong Kong Retail Management Association  
 Hong Kong Taiwan Tourist Operators Association  
 Hong Kong Tourist Industry Employees General Union  
 Hong Kong Travel Agents Owners Association  
 International Chinese Tourist Association  
 Marine Excursion Association  
 Maxim's Caterers  
 Pacific Asia Travel Association Hong Kong Chapter  
 The Association for Hong Kong Catering Services Management  
 The Federation of Hong Kong Chinese Travel Agents  
 The Federation of Hong Kong Hotel Owners  
 The Joint Council of the Travel Industry of Hong Kong  
 The Tourist Guest Houses Federation of Hong Kong  
 Travel Industry Council of Hong Kong  
 Yue Hwa Chinese Products Emporium

most of the organizations were in support of the bill. However, the important issue to note is not the approval of these organizations for the new HKTB, but the free flow of experience and expertise that exists in Hong Kong in search of one common goal – namely, to increase the contribution of Travel & Tourism to Hong Kong’s economy.

Not surprisingly, this kind of positive contribution of the industry for the common good of Travel & Tourism does not exist in China at the present time. Although a small number of industry associations exist in mainland China at national, regional and municipal levels across the country, these associations are not yet able to provide Chinese Government tourism leaders with the private sector experience and expertise necessary to help them identify the key Travel & Tourism policy issues, strategies, and/or operational enhancements required to capitalize on the vast potential of Travel & Tourism.

One very important development or first step, which may signify the start of a new era for public private sector cooperation in China, is the December 2002 establishment of the Chamber of Tourism, All-China Federation of Industry Commerce. The Chamber of Tourism (TCC) is a nationwide organization in China (including the Hong Kong and Macau Special Administrative Regions) initiated and formed by the private tourism sector comprising airlines, chain hotels, famous tourist spots, souvenir factories and large travel agencies. It was founded in Beijing as an affiliate of the All-China Federation of Industry Commerce. TCC’s mission is to build a network of nationwide non-state-owned tourism and related companies for the improvement and further development of the Travel and Tourism industry in the China, through the integration of tourism resources around the country.

In April 2005 WTTC and TCC announced the joining of forces for this update of the WTTC Country Report for China and to expand the research to the regional level where additional policy recommendations can be developed to address the unique environmental, cultural and social circumstances of each region or province. WTTC and TCC are hopeful that the policy discussion and recommendations contained in this report and instigated by this project will be taken into consideration by national, regional and provincial officials during future public sector tourism planning and development processes.

Among the many projects TCC has initiated in its short tenure is to serve as an authenticator for the registration of travel in China to assist in the online marketing of Chinese tourist assets to travel consumers. TCC’s Chairwoman, Madame Wang Ping said, “For many Chinese tourism marketers, this will be one of their first forays into marketing to other cultures. Because of the global ‘leveling’ effect of travel, Chinese marketers of destinations can market their tourism assets on the Internet and, within a very short period, reach a significantly large audience and command the same attention as more well known places and experiences in other parts of the world.”

Another important development is the September 2005 establishment of the China Air Transport Association (CATA), which was launched in Beijing to serve as an umbrella group representing China’s aviation industry. According to a recent China Eastern Airline magazine article “CATA is expected to play an instrumental role in deepening reforms in China’s aviation sector, helping to introduce fair and equitable practices in the market while contributing to healthy and sustained growth in the

industry.” CAAC Minister Yang Yuanyuan said that CATA would be “a qualified consultant to the government” and a “tie” between government units and enterprises. The CATA is still in the very early stages of organizing so it will take some time to determine how effective and how independent the CATA will be in fulfilling its mission, but it is important to acknowledge yet another important step along the path to realizing Travel & Tourism’s full potential.

## MACAU

New York Times, September 11, 2005

“For decades, Macau was a sleepy Portuguese colony that offered little more than a taste of European architecture in Asia and an array of smoke-filled casinos catering to gamblers from Hong Kong and Taiwan.

Over the last few years, Las Vegas and Hong Kong entrepreneurs have been promising to transform this tiny Portuguese colony into the entertainment capital of Asia, full of Vegas style. They have already earmarked billions of dollars to invest in dozens of new hotels, shopping malls, theme parks, convention centers and supersized casinos.

Now Macau is racing to build bridges, tunnels, railways and airports. There are even plans to spend \$3.8 billion to build a 17-mile bridge across the Pearl River, connecting Macau and the city of Zhuhai to Hong Kong by the end of the decade, making it possible for visitors to Hong Kong’s new Disneyland to also make a quick drive south to the Venetian in Macau.”

Because the nature and scope of Macau’s Travel & Tourism industry in the future will be so radically different than that of its past it is nearly impossible to look at the policy issues of Macau yesterday or today and make a series of intelligent recommendations for tomorrow. Instead it is necessary to look at the Macau of the future and consider the possible issues that are likely to emerge. In May 2002, the Pacific Asia Travel Association (PATA), at the request of the Macau Government Tourist Office and Macau International Airport Authority, was asked to “examine new directions they [MGTO and MIAA] should take.” Following is a summary of the PATA Task Force Report and the issues / recommendations which remain valid today.

The PATA Task Force prepared a Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis of Macau to “provide a bird’s eye view of “where we are’...and serve as a launch pad to take off on the strategic options available for future development.” Following are some of the key points from the SWOT Analysis:

### Strengths

- Current perception and positioning as a Casino city and the potential to be the gaming capital of Asia
- Access to several major tourist generating markets
- Presence of convention and business facilities with potential for better packaging in the future
- Reasonable funding available for tourism activities through the ‘Tourism Fund’ mechanism
- Good co-operation between industry and MGTO

## Weaknesses

- Lack of direct access from source markets outside of the immediate region
- Absence of customer needs surveys and forecasts of future trends to guide tourism Policy formulation
- Lack of co-ordination between the gaming industry and tourism
- Industry association structures are not geared to drive quality

## Opportunities

- Potential to become a tourism centre with a total lifestyle focus i.e. gaming, spa, wining/dining, clubbing, theatre/art/music, business/meeting needs and family needs
- Potential to be a strong MICE destination for Hong Kong and South China markets

## Threats

- Increased competition from other gaming destinations [such as Singapore]

Based on this SWOT analysis the PATA Task Force made a series of recommendations including:

**Leisure to Lifestyle:** Leisure as a tourism product should be enhanced to incorporate the most holistic product and service concept of Lifestyle including such aspects of well being, stress release, personal care, etc.

**MICE:** The exhibition component of MICE is enhanced to include events such as the Macau Grand Prix, the Fireworks Festival, cultural events, theatre, etc. Create a strategic partnership to collectively represent, promote and sell Macau as a MICE destination in international markets.

**Shared Vision:** The success of Macau will depend on the uniqueness of attractions, ease of access, effective branding and quality execution of the product and service offering. Seeking a common vision and brand identity for Macau will require all stakeholders to partake in the process driven by Macau Tourism.

**Zero Based Tours:** Macau Tourism must work with the CNTA and other Asia NTO's to discourage zero based tour operations that provide a very limited and negative experience of the destination to the visitor.

**Human Resources:** Macau must assess and forecast the future needs of tourism industry human resources and conduct effective training programmes with special emphasis on the gaming, MICE and tour operations segments, and focus especially on English, Mandarin and other language skills.

**Destination Marketing:** Macau must develop a well-considered, defined and implementable web strategy to market internally and externally.

**Product Development:** Macau must establish product development priorities for tourism and MICE to serve as guidelines for re-positioning and making a 'new' offer to customers.

**Branding:** Develop and implement a new positioning and branding strategy for Macau Tourism.

**Tourism Research:** Improve the quality and quantity of available tourism research in its broadest sense, economics, market research, demand, traffic, perception, satisfaction, etc.

**Strategic Marketing Partnerships/Alliances:** Consider developing a strategic marketing partnership with a private sector organization to assist Macau in the development and marketing of current and new activities and products overseas. Develop alliances with the business sector to drive the positioning and branding initiatives on a long-term basis.

**Macau International Airport:** The success of the airport in Macau is a product of strange circumstances (i.e. Taiwan – Mainland China flows), but this situation may not be permanent and at the same time it must be acknowledged that it is not in a position to compete directly with its regional neighbours therefore it must develop itself as a niche airport in terms of a true regional hub, a base of low-cost carriers, high-frequency and greater connectivity of flights to/from the mainland, connections to the south (e.g. Bangkok, Singapore, Kuala Lumpur, Jakarta etc), or forming alliances between Air Macau and other airlines.





## HONG KONG

In December 2002, the Joint Council of the Travel Industry of Hong Kong submitted a proposal to the Chief Executive on the future development of the Travel & Tourism industry. Although the proposal is now 3 years old, much of what was proposed is still valid today. A summary of the key recommendations follow:

### Tourism Policy

- Tourism in Hong Kong needs a long-term vision developed by public and private sectors to guide its future development.
- Hong Kong industry stakeholders should be given the opportunity to contribute to and invest in the future development of Pearl River Delta tourism through the provision of unique tourism packaging and quality service management.
- Disneyland Hong Kong and new Macau attractions will require government level leaders to work together to enlarge the tourism pie and create new opportunities for the future.
- Hong Kong government leaders must work with complementary and competing destinations in Asia Pacific to promote each other.

### Aviation Policy

- Hong Kong should increase its air routes and air frequencies through a progressive liberalisation policy. It should also reinforce the position of HK International Airport as the dominant aviation hub.

### Infrastructure Development

- HK must improve ferry, rail and road connections to mainland China as well as enhance border facilities, infrastructure and operating hours especially during peak periods.
- The HK government should invest in and promote HK's natural attractions, especially the New Territories, by making them more commercially viable and accessible.
- The HK government should expedite, set timetables for completion and provide periodic updates of the five major tourism developments announced in August 2001.

### Business Environment

- HK must improve its business competitiveness thru consistent policies and a more favourable business environment including reducing costs, licensing and regulatory expenses and direct/indirect taxes.
- The HK government must support MICE market activities thru funding and personal support to secure events, produce best efforts and keep costs down.

### Product and Service Support

- The HK government must inject more resources into the education system to increase language proficiency, personal skills, civic awareness and attitudes to improve industry competitiveness.
- Beautification of the city must be accelerated to restore and improve its attractiveness as a major tourism destination.





- HK must protect its historical East-meet-West heritage to make it a truly international city.
- Personal safety of visitors and locals must be better safeguarded and publicized.
- HK must improve its business ethics, achieve higher standards and quality of tourist guides, upgrade service personnel's professionalism, weed out unscrupulous retailers and implement stronger consumer protection laws.
- HK must address negative media coverage by finding ways for a more positive image including a comprehensive PR campaign with soft tactics.
- Government must play a leading role in bringing immediate improvements to air and water quality, community cleanliness and environmental preservation.
- The public and private sectors should work together to create a more hospitable population for tourism.

### Industry Partnership and Communication

- A regular forum of public- and private-sector cooperation and communication can provide better consultation and greater transparency in the decision-making process to develop a stronger brand for Hong Kong and take tourism to the next level.
- HK needs more informative tourism statistics and analysis, especially of the China Market and Pearl River Delta traffic to understand where future tourism opportunities can be found.

## CLOSER ECONOMIC PARTNERSHIP ARRANGEMENT (CEPA) AND PAN-PEARL RIVER DELTA (PPRD) REGIONAL COOPERATION FRAMEWORK AGREEMENT

According to the US-China Business Council, "The Closer Economic Partnership Arrangements (CEPAs) between Hong Kong and Macau special administrative regions (SARs) and the mainland have delivered positive [tourism] results. Under CEPA's general commitments, China enacted the Individual Visit Scheme in July 2003 to allow individual travel to Hong Kong and Macau from the mainland. As a result of this policy, both Hong Kong and Macau have seen their tourism numbers rise sharply."

The Hong Kong Tourism Commission reports that:

- The Individual Visit Scheme was first introduced in four Guangdong cities (Dongguan, Zhongshan, Jiangmen, Foshan) on 28 July 2003 as a liberalisation measure under the Closer Economic Partnership Agreement. The Scheme allows residents of these cities to visit Hong Kong in their individual capacity.
- The coverage of the Scheme has expanded in the past two years. The Scheme is now implemented in 38 Mainland cities, including -
  - Guangdong province (all 21 cities)
  - Beijing
  - Shanghai
  - Tianjin



- Chongqing
- Three cities in Jiangsu province (Nanjing, Suzhou, Wuxi)
- Three cities in Zhejiang province (Hangzhou, Ningbo, Taizhou)
- Three cities in Fujian province (Fuzhou (municipal district), Xiamen, Quanzhou)
- Chengdu in Sichuan province/Jinan in Shandong province
- Two cities in Liaoning province (Dalian and Shenyang).
- Under the Scheme, Mainland residents in the above 38 cities with permanent household registration are eligible to apply for the relevant exit endorsement from the relevant Mainland authorities. Around 200 million Mainland residents can visit Hong Kong under the Scheme.
- The endorsement is valid for three months and good for one or two visits to Hong Kong. The endorsement holder can stay in Hong Kong for not more than seven days on each visit. Eligible applicants may apply for a new endorsement once the current one has expired or has been used up. There is no quota on the number of endorsements to be issued.

In an analysis of the regional development and cooperative development of tourism within the whole of China, the Hong Kong Trade Development Council summarized the opportunities and challenges facing Hong Kong, Macau and the nine Pearl River mainland provinces in an article published May 2005 on their website [tdctrade.org](http://tdctrade.org).

## MONITOR TRENDS IN TRAVEL & TOURISM DEMAND

In order to plan ahead better and anticipate changing demand, it is important to track trends in past and current Travel & Tourism demand. This implies ensuring good quality statistical data on China's Travel & Tourism, including data on international visitor arrivals and departures, key market sources and destinations visited, mode of transport, domestic tourism data, hotel operating performance, expenditure patterns, attitudes and preferences, as well as the overall economic contribution of Travel & Tourism.

According to Zhang Guangrui Director of the Tourism Research Centre, Chinese Academy of Social Sciences in Beijing, as of 2003 "There is no tourism research institute within the CNTA, although its Department of Policy and Regulations does engage in some specific policy-oriented studies." And, although "over 200 universities, educational institutes, and schools are involved in tourism education, training, and research one way or another, independent tourism research institutes hardly exist in any universities." Zhang Guangrui has identified a short list of long-standing challenges in the field of tourism research including:

- Tourism as an independent discipline has not yet been officially recognized illustrating a lack of awareness of the importance of research.
- There is a lack of sufficient information sources and means of exchange between tourism researchers leading to duplication of effort and gaps in the study of tourism.
- Collaboration between Chinese tourism researchers at home and with colleagues abroad is limited.

- There is a lack of access to international information.

The last challenge is illustrated by the fact that there is limited representation of the CNTA in the World Tourism Organization and that "few individuals or institutes in China join or affiliate themselves to international and regional academic organizations."

Beyond the challenges identified by Zhang Guangrui, it is generally agreed that information currently available from different sources in China and Hong Kong is sometimes inconsistent and conflicts with other available information. More importantly, especially with regard to mainland China, the data issued is not timely enough in the current high-growth environment to enable intelligent, well-considered short- or long-term business and policy decisions to be formulated.

A national tourism research organization – similar to Australia's successful Tourism Research Bureau and its sister organization, the Tourism Forecasting Council, in which all stakeholders are well represented – could be a useful step and tool in China, Hong Kong and Macau for ensuring the credibility of historical results and future demand forecasts. It could also help to mitigate serious hardware supply shortages or oversupply in the future. Credible, meaningful and reliable data that can be benchmarked from period to period is the ultimate objective of a Tourism Research Bureau and will allow those doing business in China to gauge their performance and plan better for the future.

The issue of meaningful and reliable data and statistics has no greater example than in the tracking of traffic flow between mainland China, Hong Kong and Macau. Certainly many of these visitors are legitimate same-day or over-night tourists, but clearly many of these visitors are also crossing the borders for other reasons such as daily commuting to work or school, migration, commercial purposes or transit between Chinese Taipei and Macau/mainland China via the Hong Kong airport. Understanding the detail of this traffic flow is critical to understand the flow of tourism.

**Monitoring Travel & Tourism trends will also help identify threats to growth, as well as new opportunities.**

Monitoring Travel & Tourism trends will also help identify threats to growth, as well as new opportunities. Examples of threats to growth include the impact of pollution on the environment, which is a serious concern for China, as well as security threats, which have become an even more critical issue in the minds of the public by the recent bombings in Bali and the Philippines.

Several dedicated Travel & Tourism research institutions have recently been established in China. These include the Beijing International Studies University Department of Tourism Management (with thousands of undergraduates in the tourism bachelor degree program and hundreds of graduates in the tourism masters degree program); Zhongshan University (Guangzhou) Centre for Tourism Planning and Research (with several thousand students in its tourism degree programme); Beijing University (which specializes in tourism degrees); and the Tourism Research Centre

Government leaders of the nine mainland provinces and regions in Pan-PRD pointed out that they are going to give priority to cooperation projects between mainland and Hong Kong tourism industry players by offering Hong Kong companies easier and more preferential market access.”

The nine Pan-PRD provinces and regions have abundant tourism resources. However, not all of these resources have been utilised in an effective and rational manner due to constraints such as lack of capital, management know-how and talent.

Launch of “9+2” cooperation in tourism. Under the Pan-PRD Regional Cooperation Framework Agreement signed on 3 June 2004, the contracting parties agree to give full support to promoting regional cooperation in tourism and jointly formulating development and marketing strategies, so as to build a strong branding for tourism in the region.

On 16 July 2004, Hong Kong and 14 key mainland tourist cities in Pan-PRD signed a cooperation agreement at the 16th national meeting of tourism bureau chiefs of selected tourist cities. The agreement aims to bring about concerted efforts in building an international tourist belt in Pan-PRD and turning it into the first “barrier-free” tourist zone in China. The measures adopted by the member cities include: opening up the tourism market to one another, allowing the travel agencies in other cities to open branch operations, and encouraging reputable travel agencies in Pan-PRD to launch inter-city operation; joining hands to enforce market order, establishing an inter-regional tourist integrity system, and joining forces to combat unfair competition practices such as “zero tour fee” and “negative tour fee”, as well as other unscrupulous practices undermining consumer rights; eliminating low-end overlapping construction projects, enhancing communication and coordination in the process of developing key tourism projects to avoid overlapping construction and vicious competition. Under the agreement, “barrier-free” tourist zones will first be established in the nine mainland provinces and regions in Pan-PRD on a pilot basis before gradually extending to Hong Kong and Macau.

Following the signing of the Pan-PRD Regional Cooperation Framework Agreement, the various mainland provinces and regions concerned have introduced concrete measures to promote tourism development and step up cooperation among members.

**Fujian:** To promote tourism as a priority sector for attracting foreign investment, the province has already introduced preferential policies on two occasions and will step up cooperation with tourism industry players from Taiwan. Targeting tourists from Taiwan, Fujian will focus on Fuzhou and Xiamen as the core attractions, supported by tourist spots such as Meizhou Island, Dongshan Island, Pingtan Island, Chongwu Ancient City, Xiapu Sansha and Wuyi Mountain. The strategy is to nurture a tourism brand with a folk culture flavour to appeal to Taiwanese tourists, thereby promoting cultural exchanges between the people of Fujian and Taiwan. Big-budget, up-market tourism investment projects targeting Taiwan will be launched to attract Taiwanese investment to expedite the development of tourist resorts in Xiamen, Wuyi Mountain and Meizhou Island. There are also plans to offer tours to Jinmen and Mazu for Fujian residents.

As Fujian and Taiwan strengthen their cooperation in tourism, the role of Hong Kong as a transit point in cross-strait tourism will gradually diminish. To make up for the loss of transiting Taiwanese tourists, Hong Kong’s tourism industry players should consider strengthening cooperation with their counterparts in Fujian on the basis of Pan-PRD regional cooperation. Efforts

can be devoted to integrating and packaging the tourism resources of Hong Kong and Fujian, organising joint promotions targeted at Taiwanese tourists, and attracting these tourists to visit Hong Kong as a side trip.

**Guangdong:** Action will be taken to encourage domestic and foreign players to invest in tourism projects across the province, develop tourism resources, and promote tourism. The principle of “whoever invests will get reward and protection” will be adopted. Tourism authorities in Guangdong will readjust tour routes in the nine Pan-PRD provinces and regions and organise activities promoting tourism within the region. A total of nearly 100 new tour routes in the Pan-PRD region have been introduced by travel agencies.

**Guangxi:** Investors of tourism projects are entitled to the same preferential policies offered by the state under the “Go West” strategy as well as others offered by Guangxi in terms of market access, taxation, land use, pricing, business registration, and import related taxes.

**Jiangxi:** The province aims to develop into the back garden of coastal regions such as Shanghai, Jiangsu, Zhejiang, Fujian and Guangdong. Leisure tours and short and medium haul tours will be the primary positioning of its tourism industry.

**Hunan:** Continued efforts will be made to promote the three major tourist spots in the province including the natural scenic spot at Zhangjiajie, the red communist base at Shaoshan, and the Tomb of Emperor Yandi. Great emphasis will be placed on developing agricultural sightseeing tours and leisure tours in city suburbs.

**Guizhou:** The province has proposed to introduce direct financing for tourism projects in selected scenic spots through transfer of operating right, franchising, joint venture and leasing. Tourism projects meeting specific criteria will be granted preferential treatment in land use, taxation, qualifications assessment and project approval. For Guizhou enterprises forming joint venture tourism operations with renowned companies from other provinces and abroad, majority stake is not mandatory provided that it is not expressly prohibited by state policies.

**Yunnan:** In addition to organising the annual China Kunming International Tourism Festival, the province introduced a series of measures including preferential tax policies to expedite the development of the tourist industry in August 2004. For instance, newly established tourism enterprises are eligible for corporate income tax reduction or exemption during the first year of operation. Newly established tourism enterprises engaged primarily in e-commerce applications are eligible for corporate income tax reduction or exemption during the first two years of operation.

**Hainan:** Investment in tourism projects on the tropical island is encouraged. In addition to preferential policies granted under relevant state laws and regulations, and rules of the Hainan Special Economic Zone, tourism projects are also entitled to incentives offered by the various local authorities.

**Sichuan:** The province has proposed to introduce the development of whole plots of land through leasing and authorised development under centralised, scientific planning. In certain remote parts of the province, transfer of land use right without compensation for development purpose for specified periods has also been proposed. Multiple channels and multiple formats will be used for raising funds for developing tourism resources.



## Entry Options for Hong Kong Players

Prior to CEPA, the participation of Hong Kong tourism industry players in the mainland market had been limited to the organisation of mainland-bound package tours. The signing of CEPA has offered a broader scope of cooperation in the tourism sector to Hong Kong players, who can now participate directly in Pan-PRD tourist projects. For instance, Hong Kong travel agencies can form minority-owned joint ventures with their mainland counterparts which can operate across the country without any geographic restriction. Hong Kong companies can also establish wholly-owned operations to engage in the construction, renovation and operation of hotels, apartments and restaurants in the mainland. Furthermore, Hong Kong companies are allowed to set up wholly-owned engineering consulting companies in the mainland to provide architectural design services, engineering services, town planning and landscape design services. As a world-famous tourist destination, Hong Kong is well placed to facilitate the development of tourism in Pan-PRD thanks to its extensive experience, know-how and market network.

Hong Kong industry players can participate in the development of the Pan-PRD tourist industry in the following ways.

- Tourism infrastructure projects. Despite the wealth of natural resources at many scenic spots, infrastructure facilities in the Pan-PRD provinces and regions are inadequate in many respects. Infrastructure facilities such as electricity supply, water supply and drainage, and sewage and garbage treatment can hardly cope with the increase in tourist numbers. The level of service offered by hotels at tourist spots fails to satisfy the needs of tourists. This has diluted the attractiveness of these tourist spots to tourists. For instance, some of the famous natural scenic spots with a long history have suffered due to inadequate provision of tourist facilities. As for some of the newly constructed tourist spots, the lack of coordination with neighbouring cities that tend to lag behind by comparison in development has somehow dampened their overall appeal to tourists. For example, the Huangguoshu Falls, the leading tourist attraction of Guizhou, is located in Anshun city which only has a dozen two- to three-star hotels. The hotels are always fully booked for meetings and by individual visitors leaving hardly any capacity to accommodate tour groups.
- Hong Kong can leverage on its financial and technical strengths in the infrastructure sector to break into the Pan-PRD tourism market. Priority can be given to the planning and development of the following tourism-related projects: scenic spots, tourist resorts, timesharing resorts, nature preservation zones, theme parks, forest parks, geology parks, amusement parks and botanical gardens. Hong Kong companies with expertise in constructing tourist infrastructure facilities can provide world-class entertainment facilities and participate in hotel project design, management and equipment supply. Equipment vendors and infrastructure developers can jointly set up project teams to participate in the development and construction of tourism projects and staff training.
- Hong Kong companies can also capitalise on their edge in fund raising to enter the market by using the BOT (build-operate-transfer) model. They can help meet the financing needs of the Pan-PRD tourism market by offering financing solutions and channels.
- For companies wishing to break into the Pan-PRD tourism market by way of participation in operation, they can collaborate with their mainland

or Hong Kong counterparts to develop tour routes for newly completed projects. They can make use of Hong Kong's advantage as an international tourist city and its marketing strengths to organise activities promoting new tourist attractions, such as staging roadshows in overseas markets.

- Participation in restructuring tourism enterprises. Travel agencies in the mainland are mostly relatively small in scale and weak in financial strength, with their assets mainly concentrated in tangible property such as hotels. Most of them experience cash flow problems and are heavily in debt and weak in risk management. As the mainland tourism market opens up further, many provinces are encouraging private and foreign companies to participate in the restructuring of state-owned tourism enterprises by M&A and share acquisition. Hong Kong companies can capitalise on this opportunity to acquire the operating right of Pan-PRD tourism enterprises through various means such as M&A, share transfer, acquisition and majority shareholding. They can also help qualified mainland tourism enterprises to seek listing in order to raise funds.
- Provision of training and consulting services. Compared to Hong Kong, tourism training in the Pan-PRD provinces and regions is lagging behind. As Hong Kong companies have a wealth of experience in this area, they can step up exchange and cooperation with their mainland counterparts at various levels. The personnel qualification certification and industry administration systems in both places can be merged to improve overall industry service standard.
- As China gradually opens up its out-bound tourism market, the number of Chinese tourists visiting various parts of the world has been increasing every year. However, there are not enough qualified local tour guides to meet growing market demand. Hong Kong can participate in out-bound tourism projects by providing qualified tour guides. This would create a win-win situation for both Hong Kong and mainland industry players.
- The development status of tourism consulting services varies tremendously among the nine Pan-PRD provinces and regions. For instance, Guangdong had an early start because of Hong Kong's participation and is now the leading province in the provision of tourism consulting service in the mainland. Under CEPA, Hong Kong has even easier access to the mainland market. Hong Kong companies will find enormous opportunities as agents, market research and consulting service providers in Pan-PRD.
- Benefiting from individual travel scheme. Since 28 July 2003, residents in Guangdong, Beijing, Shanghai, the urban areas of Fuzhou, Xiamen, Quanzhou, and selected cities in Jiangsu and Zhejiang have been allowed to visit Hong Kong and Macau as individual travellers. In 2004, the individual travel scheme generated an estimated HK\$30 billion in tourism revenue for Hong Kong. According to the National Tourism Administration, liberalisation of the scheme in the Pan-PRD region will be expedited. The several "golden week" holidays in the mainland, coupled with the opening of the Hong Kong Disneyland in September, will give further impetus to the scheme and bring even more economic benefits to Hong Kong's tourism and related sectors. Efforts should be made by Hong Kong's tourism sector to streamline procedures for mainlanders to visit the SAR. Meanwhile, it can coordinate with related sectors to further improve the quality of tourist service and shopping environment in order to attract even more mainland tourists to visit and shop in Hong Kong.

of the Chinese Academy of Social Sciences. However, more are needed because of the vast scale of tourism development in China and the attendant issues and problems that need to be tackled.

Zhang Guangrui Director of the Tourism Research Centre, Chinese Academy of Social Sciences in Beijing has made a series of recommendations to accelerate the process of seeking more collaboration and cooperation with international researchers in the field of tourism research including:

- In-depth and theoretically based tourism research should be encouraged by government. Priority should be given to independent research organizations that can provide unbiased and objective analysis. As a precondition, tourism should be treated as an academic discipline.
- Joint research efforts should be made by the government, industry and academics. Government at all levels and the tourism industry should make more information and data available to academics on their policies and practices.
- International exchange programs among researchers should be supported and more symposiums held within China to help tourism research and foster collaborative projects.

In Hong Kong, the Hong Kong Polytechnic University has a large, wealthy and very strong School of Hotel and Tourism Management, which is becoming a major education centre for tourism in the region and generates some particularly good research. In 1998, the Chinese University of Hong Kong also established a new School of Hotel and Tourism Management, in an effort to combine high-quality hospitality, tourism and real-estate education programmes with the natural laboratory setting provided by the real business life of Hong Kong. In Macau, the Tourism College, one of the schools of the Institute For Tourism Studies, offers two four-year Bachelor Degrees Programmes - Bachelor of Tourism Business Management and Bachelor of Hotel Management

## Encourage Greater Market and Product Diversification

Both China and Hong Kong seem to be entering new phases of their tourism industry lifecycles. China appears to have moved from an emerging tourism phase, during which it offered a small range of traditional tourism products, to a more mature phase, in which it is attracting more mainstream markets looking for contemporary products. Hong Kong, meanwhile, is taking stock of the increasingly sophisticated competition it faces in the marketplace, and is attempting to reach beyond its traditional markets into new visitor groups, at the same time restructuring and diversifying its products to refresh and extend its offerings.

China's National Tourism Policy seems to recognize that significant tourism growth – whether inbound or domestic – will depend on its emulating the success of more mature tourism economies. This implies the development of a broad range of mainstream tourism products (hardware) from beach resorts to golfing and skiing, meetings and conventions to tourism software that focuses on the delivery of quality service. The key issue for China's Travel & Tourism economy is whether the government is able to translate a significant free market economy-oriented strategy into proper free market economy-oriented products and services.

On the hardware side, the development of golf courses is a perfect case in point. According to recent press reports there are about 200 golf

## AUSTRALIA'S BUREAU OF TOURISM RESEARCH

### Who we are

The Bureau of Tourism Research (BTR) is a small research organization, jointly funded by the commonwealth, state and territory governments and by the sale of research services, statistical data and publications.

The BTR's primary role is to provide tourism-related statistical and background information to the Australian tourism industry and government. Such information is vital to allow our stakeholders to make good decisions regarding investment in tourism infrastructure, services and marketing.

### What we do

The BTR conducts a variety of research activities including:

- design, administration, management and analysis of ongoing surveys of international and domestic tourists;
- design, administration, management and analysis of one-off surveys;
- publication and marketing of results of research on current and emerging issues in tourism;
- publication and marketing of survey data and other tourism-related information;
- customized consultancy projects for a wide variety of government and private sector clients.

### Our key stakeholders

Our key stakeholders are:

- the Australian Commonwealth Government;
- state and territory governments;
- the many businesses and organizations which are involved in the Australian tourism industry;
- the Australian community.

### What you can expect from us

We are committed to providing objective, quality, cost-effective services that balance the needs of all our stakeholders. We place a high value on:

- being honest, ethical and professional;
- being helpful, courteous and considerate;
- acting with care and diligence;
- listening to what you tell us;
- understanding and responding to what you tell us.

### In recognizing the diverse needs of our customers, we will:

- improve access for those with particular needs;
- require our documents and procedures to be straightforward;
- ensure all public information is easily accessible with contact details for more information.

### We will keep you informed:

- by making available information about our research findings and related statistical data using a wide variety of forms;
- through our Internet website ([www.BTR.gov.au](http://www.BTR.gov.au));
- by responding promptly to requests for statistical information, or for general information about our research programme, our activities and services.

### Tourism Forecasting Council

The BTR also manages a forecasting unit, funded by the commonwealth government, which:

- prepares forecasts of international and domestic tourist activity for the Tourism Forecasting Council (TFC);
- provides secretariat support for the TFC Technical Committee, which is chaired by BTR's Director;
- prepares alternative scenarios of the impact of changing global economic conditions on Australia's tourism industry;
- has enhanced its econometric forecasting models to develop simultaneous and interactive forecasting of inbound, outbound and domestic tourist activity;
- has managed the development of a methodology and first forecasts for the supply and demand of tourism accommodation (tourist accommodation, regional demand, investment & supply model).



courses now in China with as many as 1,000 others being planned. However, as many know, the development of new courses requires significant arable land and sufficient water resources. The government must strike a balance between product development and environmental concerns in many respects and golf course development is just one such issue that requires consideration.

On the software side, the delivery of quality service at all levels is the key case in point. Experience has shown that the multi-national operators have applied their own international standards developed and perfected abroad to their operations in China and have invested significant time, resources and energy to bring their Chinese operations up to those high levels of service. Therefore the weakness in service quality delivery in China tends to reside with Chinese companies that have developed locally and without the experience gained from operating in a more competitive international market.

In contrast, we suspect that if Hong Kong has a problem in meeting its challenges, it will not be a free market-oriented challenge. Instead its particular challenge may be the allocation of sufficient financial resources to long-term Travel & Tourism product development at a time when current fiscal deficits are putting pressure on capital-intensive projects and long-term investments. This fiscal pressure is already evident in the flat operating budget allocation for the HKTb, which is responsible for the marketing and promotion of Hong Kong's tourism. Its particular situation

illustrates the traditional dilemma faced by a number of national tourism organizations (NTOs), which are limited by a lack of funding that prevents the NTOs from making strategic promotional investments during down-cycles – the 'Catch 22' of tourism marketing and promotion.

Hong Kong also needs to recognize, openly admit and organize itself around one single fact that is simple, a major portion of its tourism future belongs to China's outbound business and according to analysis presented in "Tourism and Hotel Development in China" by Hanqin Qiu Zhang, Ray Pine and Terry Lam, "the HKTb should shift its emphasis to the China market and design appropriate marketing strategies." They continue by saying "The tourism industry in Hong Kong must try harder in order to attract the China market by providing more competitive packages, attractive tourism products, and, most important, high quality service and satisfactory experiences in Hong Kong.

## Domestic Tourism

China has clearly recognized the growing importance of domestic tourism. In addition to generating increased earnings for less well-known parts of the country, domestic tourism can promote a greater understanding of the various lifestyles and cultures of China's diverse population, contributing to harmonious living and encouraging support from local communities for tourism development. The new focus on domestic tourism is illustrated by the three Golden Week national holidays and the expanding policy of paid



holidays, which was initiated to stimulate personal consumption generally and domestic Travel & Tourism consumption specifically.

Domestic Travel & Tourism is also seen as leading catalyst for the development of western China, helping to boost investment and consumption. It will assist in balancing the regional economic disparity between the relatively prosperous east, which was first to benefit from the opening of China's markets and trade, and the west, which is the focus of the Western Development Campaign. In addition, it will address the disparities of urban and rural development and bring economic growth and jobs to lesser-developed regions of China. At the same time, it will aid in the development of a rural tourism product that addresses consumer demand for relaxation, local specialities, natural scenery, culture and heritage.

Domestic tourism may also have an impact that reaches far beyond its intended or expected impact, and that is on the administration of China's tourism industry itself. The reason for this is that domestic visitors do not have the same requirements as international visitors. First, there is no language barrier and visitors can act as a tourist or a common consumer. They can also move about without tourist guides. Second, their spending patterns are very different from those of international visitors and they frequent establishments that do not necessarily fall under the administration of the tourism officials.

These characteristics alone will require China's tourism administration to change from being an organization that controls business conduct and conducts business itself, to one that simply provides direction and strategy, supporting the private sector's business efforts through promotion and the dissemination of information.

**China will also need to consider that domestic tourism is opening a whole new generation of consumers that have different aspirations from their parents'.**

China will also need to consider that domestic tourism is opening a whole new generation of consumers that have different aspirations from their parents'. They also consume media and communications differently to the parents, so there definitely need to be different levels of tourism marketing even within China for domestic tourism.

Although China's new policy of three Golden Weeks of holiday has made an enormous impact on kick-starting China's domestic tourism, it is clear that the extreme seasonality of these national holidays has and will cause considerable strain on existing resources. It may also result in consumers avoiding these heavy traffic periods by spending their discretionary income elsewhere. To lessen the burden on these periods, China should move swiftly to supplement or adjust the three Golden Weeks of national holidays with at least two weeks paid holidays, which can be taken throughout the year, at the discretion of consumers and businesses. This policy will help create a more balanced spread of holiday-taking throughout the year, reducing seasonality and creating a more stable and sustainable Travel & Tourism industry.

## **Inbound Tourism**

As inbound visitor numbers approach 120 million (Source CNTA) it has become starkly obvious that not all visitors to China are created equal and have the same intentions, requirements and purchasing power. Segmenting the inbound traffic into its natural and logical markets is key to realizing the full potential of each group of travellers may they be budget, mid-class or luxury markets. Although many of the products and services of China Travel & Tourism can be applied generically across market segments such as web-based information or immigration services, other aspects of the product service chain must be customized to satisfy and address the various segments, such as visitor marketing or product delivery

In their analysis of tourism marketing in China, Suosheng Wang and John Ap of Oklahoma State University and Hong Kong Polytechnic University respectively have suggested that "China's international tourist products tend to be old-fashioned and highly structured. They have been largely designed for culture-oriented sightseeing tour groups. The itineraries have included fixed tour routes, tour contents, activities, meals, shopping, and shows, with little innovation. These kinds of products can no longer suit the demands of contemporary international tourists who are seeking more independence and greater flexibility and choice."

**One of the most significant hurdles to China's ability to attract even greater numbers of inbound visitors is the lack of English language capacity. From a competitive perspective, English speaking abilities is one of the reasons that Hong Kong and Singapore have been so successful in developing their leisure and MICE business.**

Perhaps one of the most significant hurdles to China's ability to attract even greater numbers of inbound visitors is the lack of English language capacity. From a competitive perspective, English speaking abilities is one of the reasons that Hong Kong and Singapore have been so successful in developing their leisure and MICE business. In order to accommodate the growing number of international visitors, China must expand its English language capacity building and make it a required course of study for all Travel & Tourism programs and new hire employees.

Expansion of inbound tourism especially for an older population of visitors will require attention to adequate travel and medical assistance, particularly in those regions where the medical infrastructure lags behind that found in the visitors' home country. Because it is not realistic to expect that all regions in China will have a similar level of medical infrastructure in the short to medium term, it is critically important that the international assistance companies can evacuate their customers to locations in China or overseas where the appropriate care is available. Such missions continue to be very difficult to organize, but expansion of inbound tourism requires this to change.



## Outbound Tourism

Joint research by the World Tourism Organization (UNWTO/OMT) and the European Travel Commission (ETC) into Chinese outbound tourism has neatly summarized the situation regarding this important component of China's Travel & Tourism industry:

“While the Chinese Government has promoted both inbound and domestic tourism actively since the mid-1980s, it has traditionally restricted outbound tourism. The reasons for this are political as well as economic. The policy has often been referred to with the explanation that China is a developing country and must therefore develop internally and protect the interests of its domestic industries. However, a number of factors, including a growing interest and pressure from the expanding number of affluent Chinese, have resulted in a new policy of opening up to Chinese outbound tourism since the mid-1990s. The policy can best be characterized as a mix of continued containment and slow opening up with the purpose of controlling the mobility of Chinese citizens, protecting the national tourism sector, and limiting the outflow of foreign currency.

To meet these purposes, the following main rules are in operation:

- Chinese tour operators are not allowed to organize or promote tourism groups to overseas destinations that have not been granted approved destination status (ADS).
- Foreign tour operators are not allowed to promote outbound tourism services. At present, they are not even allowed to establish a representative office in China to provide outbound tourism services.
- Foreign airlines are limited in their frequencies and capacities by means of restrictive air agreements.”

NB: It should be noted that, since the UNWTO/ETC report was completed, there has been progress in terms of liberalizing the tour operating sector. Among the first to take advantage of a lifting of restrictions has been TUI AG, which confirmed a deal with China Travel Service (CTS) at the end of 2002. An agreement has been signed to establish a new company involving three shareholders – TUI AG, CTS and Martin Büse, who will also be executive board chairman of the new company. While TUI is a market leader for European tour operator holidays to China sending some 40,000 clients per year group-wide, Beijing-based CTS is one of China's largest tourism organizations, handling approximately 810,000 customers in 2002 and generating a turnover of some €158 million.

The parent company, CTS Group, has a China-wide network of 300 tourism offices, and also owns 17 hotels. Both CTS and CTS Group are directly administered by the central government. Advantages for the Chinese side should include the benefit from TUI's management and expertise, while the foreign partners believe the venture should position TUI as a leader of quality tourism in China, and establish a structure which could ultimately harness the fast-developing Chinese outbound market.

American Express, which has had a presence in China for many years, set up a travel services joint venture with CITS over a year ago. The joint venture's Business Travel Centre in Beijing was first to open, followed by the Shanghai Business Travel Centre in December 2002. A third, in Guangzhou, was due to open in February 2003. The centres are licensed to offer travel management services in China to multi-national corporations, regional companies and domestic companies, and to issue both domestic and international air tickets. President of American Express Global Travel Service, Charles Petrucci, estimates that the travel and entertainment market in China is already worth US\$10 billion annually, of which some US\$4-\$5 billion is business travel expenses. He is confident that this market will enjoy double-digit growth annually for the next five years, and plans to expand the corporate travel business into 40 other cities in China during 2003.

Among other groups in discussion with China's tour operators are Thomas Cook AG, in a joint venture with major tour operator China International Travel Service (CITS) – and due to start taking bookings from this June – Rosenbluth International and Synergi.

CNTA has re-structured and expanded the travel agency system in China by issuing over new licenses to travel agencies to organize and promote tourist groups to outbound ADS destinations. According to the UNWTO/OMT and ETC report: “Although it has proven easy to obtain approval for the establishment for a National Tourism Organization representative office in China, which is

defined as ‘residential representative office of foreign governmental tourism department’, ADS status is crucial to have a fully operating NTO office. Only ADS countries are allowed to promote Chinese outbound travel, while all others have to attract outbound tourists by word of mouth. Any ‘proactive’ promotion by non-ADS countries is strictly prohibited.”

China now has at least 3,500 travel agencies that can issue international air tickets (out of an estimated total of more than 10,500) but, even after the new licensing round, only 15 per cent are permitted sell international tours. While this is in line with CNTA’s plans to control the development of outbound travel, WTTC maintains it has failed to recognize that the full potential of Travel & Tourism, including Chinese job creation. Without a free flow of outbound, as well as inbound and domestic tourism, this potential will not be realized. Like the third leg of a tripod, Travel & Tourism is not balanced and is not sustainable without a strong outbound market.

To achieve the full potential of Travel & Tourism in China, the Chinese Government must treat outbound tourism as a strategic priority on a par with inbound tourism – by eliminating ADS requirements completely, and allowing unlimited access to the Chinese market by foreign NTOs and tour operators, and by removing restrictions on travel agency outbound sales. At the same time, the travel industry needs to ensure the quality of the products and services it sells by promoting transparent consumer rights, self-regulating price and quality, and further developing a sound legal operating framework. The industry and public sector must work together to ensure that the practice of heavy discount or zero cost outbound operators which “lock-in” travellers until a certain amount of shopping has been undertaken at over-inflated prices has been eliminated. As long as there is no real permission for wholly owned foreign operations to produce tourism, quality issues will continue to persist and little if any real improvement will be made.

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One of the new developments regarding outbound Chinese tourism is the development of tourism companies that cater specifically to this market segment. In some cases, there is significant interest by Chinese companies to invest abroad and own resources, ground operators, hotels and other ventures that Chinese visit when they are overseas. In turn, these profits are repatriated to China and serve to build the competence and reach of China’s Travel & Tourism industry around the world.

From an operational perspective there is a low level of awareness among Chinese nationals about possible difficulties they may encounter while traveling abroad and therefore the benefits associated with Travel Insurance products that can protect them from potentially crippling medical costs. This situation is set to change in the coming years with the emergence in China of an overseas travel insurance and assistance market with an increasing number of products available – from domestic and foreign insurers. In parallel, a number of destinations including the Schengen Zone, require Chinese and other visitors to have adequate insurance and assistance in order not to become a burden on the health system of the host country.

Each and every one of these issues is an important single step to realizing the potential of outbound travel from China, but combined and in sequence they will constitute an enormous and dramatic catalyst for long-term sustainable growth

## Product Development

In most tourism economies, product development is associated with the latest analysis of consumer motivation/desires such as ecotourism or spa/wellness tourism, which adds a new element of ecology, nature, high-spending visitors and exclusivity to an already full complement of Travel & Tourism products. In China, although ecotourism and spas will also fill those niches, the primary concern and focus is the development of tourism products that will accommodate and satisfy a new middle class of consumers – a market estimated in the hundreds of millions. This middle-class like other mainstream visitors around the world will enjoy sightseeing and shopping, which is also a big attraction and pull for Western and Asian visitors.

In many respects, China is in the process of developing a mass tourism economy unlike any the world has ever seen. Current estimates suggest that, in 2002, the country exceeded the 100 million international visitor mark forecast by UNWTO/OMT for 2010 at the earliest. In addition, domestic visitors totalled around 800-900 million. As is the case in the USA and Europe, the vast majority of visitors are looking for holiday experiences – in sun-and-beach resorts, mountains or urban destinations. However, unlike visitors in these other countries, Travel & Tourism is a completely new experience for Chinese residents and the products and services necessary to serve domestic visitors do not currently exist.

China will therefore need to prepare the groundwork, take small steps, for this explosive new consumer demand, improving transport networks and infrastructure, and ensuring careful destination/resort

planning and development. In addition, this will need to be supported by marketing and promotion campaigns, as well as by a legal, regulatory and financial framework that will encourage free-market forces to adapt quickly to accommodating and managing the huge projected demand.

Although Premier Li Peng signed China's first tourism-related law, the Travel Agency Management Regulations Act in 1996, which has played an important role in organizing the tourism industry, the dramatic expansion of business in China has led to several significant problems according to Qian Wei of the China Tourism Institute in Beijing including:

- The unregulated privatization of individuals working outside the normal travel agency structure, a practice called *chengbao*, which led to unfair competition.
- A chaotic market where an intractable price war has affected the profitability of the sector.
- The protection of state-owned and protected agencies, which would normally have been declared bankrupt.
- The highly fragmented nature of the sector with most agencies too small, financially weak, unregulated and not efficient.
- The lack of travel agency trade publications, seminars and training courses.

Finally China will need to take an active role in attracting investment in hotel, timeshare and resort development, visitor attractions and tourism activities thru hotel or tourism investment conferences and other venues that allow presentation, discussion or visibility of opportunities for doing business in China's Travel & Tourism industry.



## Budget Hotels

The budget hotel sector is a key segment of the market which international experts believe has extremely high growth potential in terms of domestic travel demand, and which, they believe, should be earmarked as a priority for development. Although the development of four- and five-star luxury hotel properties was initially important for China to capture inbound visitor business, international brands in the upper hotel categories are now well established in China – in fact, the competition between brands is very strong – and the time is ripe to focus on the provision of low-cost, high-quality accommodation products. This will primarily meet the needs of the growing domestic travel market, but will also stimulate growth from a new, less upmarket sector of the international market.

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This point of view is highlighted in a paper produced by Guo Qing and Yu Huijun from the Tourism Management School at Beijing Second Foreign Language Institute. Their analysis suggests:

“Many state-owned tourism enterprises are suffering from the serious influence of the planning economic system...The state-owned enterprises lack strict budget constraints and they have no drive to seek the maximum profits during their operation, since...the ownership of the industrial assets is not clearly defined... Consequently, over-capacity and low efficiency are produced and the waste of the resources happens...As for the hospitality industry, based on the domestic market, we should develop the hotel products for domestic tourists and put priority to the development of economic hotel chains and economic hotel groups.”

Another paper, entitled ‘The Challenges of Hotel Chain Development in China’, by Ray Pine, Pingshu Qi and Dr Hanqin Qiu Zhang from The Hong Kong Polytechnic University, investigated the problems and challenges of hotel chain development in China and suggested a series of possible solutions. Among the problems and challenges the authors identified were:

- Current regulations limit the free flow of state-owned assets in the market.
- Bureaucratic control over hotels may cause a waste of resources, low efficiency, and a lack of innovative entrepreneurs.
- The complexity of the hotel ownership system in China makes chain development even more difficult.
- The failure to separate hotel management and ownership, and the effective monitoring of state assets, can cause many problems in terms of chain affiliation.

- Most Chinese hotel owners would prefer self-management rather than losing control by contracting hotel management to another party.
- The lack of necessary resources – eg human resources, capital, and management expertise – make it difficult for Chinese hotel chains to develop their organizational capabilities.

The authors include several recommendations:

- Continued reform of some basic regulations on the free flow of state-owned assets and bureaucratic control over hotels are needed to create a better business climate for hotel chain development in China.
- The hotel ownership system must change and an ownership trading market should be established, which would lead to the restructuring of Chinese hotel assets.

There has been some progress regarding this issue – as reflected by the recent agreement between the Accor Group, one of the top multinational hotel groups, and Jinjiang Group to establish a joint venture to deal with sales and distribution channels in China’s hotel market. Nevertheless, WTTC firmly believes that the Chinese Government authorities should work even harder to facilitate the consolidation of these enterprises into profitable hotel groups and management companies and help raise the overall level of standards. This process can be expedited by their classification as an ‘desirable category’ of industry, as well as by the development of a domestic capital market, which will allow the free movement of assets and encourage the development of hotel groups and hotel management companies.

Another set of limitations in budget hotel development is the difficulty associated with separating hotel management and hotel ownership, the lack of high level management human resources and state ownership, which might be national, provincial, regional or municipal. Many believe that creation of hotel chains in China needs to start with reform of the ownership system.

Hotel franchising, although hampered by recent franchising regulations that discourage such offshore investment, offers another set of enormous opportunities for the development of budget hotel segment in China, but also comes with its own set of particular issues, which need to be addressed. According to Pine, Zhang and Qi from the Hong Kong Policy University:

“Franchising brings about advantages and sets up a very good leverage between two parties – franchisor and franchisee. The franchisor offers the franchisee a package of operational know-how, including a successful operation system and essential assistance which brings the franchisee easier market access, low cost of bulk purchasing and economies of scale, and the benefits of shared massive advertising campaigns, research and development, and problem solving mechanism in the network. Through franchising, the franchisor can fulfil rapid and enormous expansion with limited resources, enjoy early entry into a market and a larger market share and higher revenue from the franchisee, strengthen its position in the market, while reducing the risk of exploitation on a shared base of the franchisees. Franchising, acting as bridge between the



franchisor and franchisee partners, may be a more rational and fair mechanism for both parties, which enables it to be an effective and favourable method of expansion.”

Pine, Zhang and Qi report that management contracts may be the most popular form of foreign operation in China, because franchising requires a strong presence and experience. However, franchising may take hold very soon in China because “it has a big market for economic development, vast territory with many industry and trade centers, reform towards a freer economy, and a large volume of mobile people, all of which create a better environment for franchising. The relative defects are incomplete infrastructure and poor knowledge or culture of entrepreneurship. More technology transfer from other mature hotel operations is needed.”

Finally, one government policy implemented at the local level designed to “prevent investment in and operation of businesses by companies or governments from other regions within China” actually “creates an advantage for foreign firms that have the ability to work with different partners throughout China. Thus, it is easier for a foreign brand-name hotel to have a national presence in China than it is for an indigenous one” according to analysis by Zhang, Pine and Lam. Further, they report that, “In China, different government bodies control hotel assets, and they are seldom willing to give up the right of control that brings them benefits, even though some hotels are losing money. Reform of some basic regulations is still needed to create a better business climate for hotel chain development in China.”

### **Meetings, Incentives, Conferences and Exhibition (MICE) Travel**

China is a newcomer to the world of meetings, incentives, conferences and exhibitions (MICE) compared with leading US, European and Asian destinations. The MICE business accounts for a modest share of arrivals, although it is starting to show annual percentage strong growth. The development of new world-class facilities in Beijing, Shanghai and Guangzhou should help attract new year-round demand and enable China to compete more effectively with other leading destinations. China’s recent success in attracting high-visibility events such as the 2008 Olympic Games reflects the country’s aspirations and intent to make large events a mainstay of its product offering.

Chen Ming from the Guandong Polytechnic Normal University has studied the development of convention and exhibition tourism in China and has identified a number of reasons for its slow development:

- The convention and exhibition activity is not under the united management and planning of the tourism department.
- The government is inexperienced in marketing and promoting convention and exhibition business
- There is little attention paid to activities like shopping and entertainment that supplement the MICE business
- Central government must agree large MICE business and consideration of commercial viability is insufficiently considered

Chen Ming also identified the primary problems for the development of China’s MICE business:

- Management disorder from disharmony and competition
- Government investment and burden, especially for large MICE events is excessive
- Convention and exhibition facilities and equipment are inadequate and insufficient for international events
- MICE business is not spreading profitably into the broader tourism enterprises

The recent Boao Forum for Asia hosted in 2002 in south China’s Hainan Province at the Boao Convention & Exhibition Centre illustrates that China can build world class facilities for major MICE events but still has a weakness in offering the world class service standard that is required. Other Chinese destinations and MICE facilities can learn from Boao’s accomplishments and challenges.

Although these steps are impressive, national and municipal efforts to operate as convention bureaus are not enough and should be reorganized and restructured under the leadership of a National Convention Bureau (NCB) with city/destination chapters to tap the potential of this enormous market. The NCB should ensure the coordination and synergy for the promotion of China’s MICE business. In doing so, it could position China in the international marketplace as a leading destination, and serve as an initial/focal point of contact, distributing leads and allocating business transparently. The NCB can provide conference industry leadership and coordination, raising the level of professionalism, serving

as an information clearing house of convention industry information, exerting influence and linking industry and government. In so doing, the NCB will raise the level of the MICE business to that of an important economic contributor. Of course not all of these steps can be accomplished overnight or all the same time, but incremental progress is imperative and must be demonstrated to show that China is moving in the right direction.

Although the China Council for the Promotion of International Trade (CCPIT) already holds responsibility for some of the functions mentioned in relation to the above proposal for a National Convention Bureau, experience in other countries has shown that a dedicated organization for this work is beneficial to the success of the mission.

The NCB should also help to rationalize and organize the development and construction of convention and exhibition facilities throughout China so over capacity and undesirable development does not take place.

Both Hong Kong and Macau already enjoy a strong international reputation as MICE destinations and have put in place strong teams to market, promote, sell and operate this lucrative business.

**“Timesharing vacation[s] should be vigorously promoted. Focus should be put on supporting large tourism enterprises, trying out timesharing vacation and developing on a steady basis according to China’s situation.”**

### China Tourism Strategy

## Timeshare

Researchers, Yumpeng Lee and Yunquan Hu, of the Harbin Institute of Technology have concluded: “Timeshare will be the most prosperous industry of travel and tourism in the future.”

Interval International - The Quality Vacation Exchange Network (one of the industry’s two timeshare exchange companies) is very optimistic about the future of timesharing in China. With their new office recently opened in Beijing and the recent successful Timeshare & Resort Investment Conference held in the Capital, Interval believes that the timeshare industry will become one of the key drivers for China’s tourism industry during the coming two decades.

Globally, the timeshare industry has experienced double digit compounded annual growth for more than 20 years. Today there are already over 5,700 timeshare resorts located around in over 95 countries around the world. Sales last year topped US\$11billion and over 7.2 million families owning an estimated 10 million weeks of timesharing.

In general, timeshare has matured as a Travel & Tourism product category and is now viewed as a mainstream hospitality product that neatly supplements hotels and other accommodation products. It appeals to growing middle-class visitors who appreciate the entry of larger companies with strong reputations, offering higher quality resorts, at affordable prices, in great destinations. The industry has also seen increased quality exchange opportunities, more flexible alternatives,

increased consumer protection and vacation/holiday ownership that is a good hedge against inflation.

On the other hand, the public sector appreciates the sustainable development associated with timeshare, not to mention its significantly higher occupancies, longer visitor stays, more frequent and return visits, and higher spending. Timeshare is also seen as a successful product for softening down-cycles and directing traffic to new tourist areas, as well as alleviating problems of accommodation over-supply.

In China, these benefits have also been noticed by the Chinese authorities. Qian Qichen, the Vice Premier of China, speaking at the National Tourism Development Conference said: “The key cities could actively discuss such new way[s] of tourism [such] as timeshare. The development of timeshare will add new drive to the increase of [the] tourism industry.”

Interval International’s analysis of the China timeshare market suggests that the time is right for the industry to really begin its long term sustainable growth. Committed industry professionals must work hand in hand with government to assist China in developing a well balanced regulatory framework that will help fuel the future growth of the industry while protecting the consumer’s interests. A sound regulatory framework will assist in building government, consumer, media, and investor confidence.

Interval believes that the following will also contribute to the long term growth of the Chinese timeshare industry:

- Growing middle class population with a thirst for both domestic and international travel
- Continued promotion of the Travel and Tourism industry by government
- Expanding number of vacation days
- Global awareness of China as a world class tourism destination
- Segmentation within China’s timeshare industry
- Expansion of intra-China multi-location timeshare clubs
- Successful international branded and independent timeshare companies entering the industry within China
- Ongoing education of developers, hoteliers, media and government about all aspects of the timeshare industry
- Large well financed Chinese companies entering the industry
- Adopting culturally sensitive best-practices for sales and marketing
- Focus on China by both international exchange companies providing both domestic and international exchanges
- Quality timeshare resorts coming on line in all segments of the industry
- Demand for exchanges into China will increase from timeshare owners owning in other parts of the world as the number of international standard timeshare resorts within China increases in the coming years
- 2008 Olympics and other special events

As a direct result of the above, Interval believes that domestic, inbound, and outbound tourism will flourish as the China’s timeshare industry grows.

RCI, the world’s largest Vacation Exchange Network is actively engaged in the consultation and development of this sector in China. RCI reports that at present, the vacation ownership industry in China

is at the very earliest stages of its development, with just a handful of hotels and resorts and approximately 7,500 vacation owners aligned to a small number of membership travel clubs. Whilst these ‘early-adopters’ in the product lifecycle are pioneering an alternative form of vacationing for others to follow, they also have to endure some of the growing pains that are consistent with the industry in the early stages of its development towards maturity.

Specifically, according to RCI, the challenges currently facing the vacation ownership industry in China are well documented and can be summarized as follows:

- Insufficient regulatory mechanisms in place to encourage appropriate growth and consumer protection
- Underdeveloped real estate laws hindering the development of new timeshare products
- Low levels of consumer awareness and hence low market penetration
- Underdeveloped mechanism for eliminating unscrupulous “developers” and sales & marketing agents
- Low levels of consumer understanding coupled with reactive, often negative, media coverage of the industry and hence generally neutral stakeholder attitudes to the vacation ownership industry and a high level of misconceptions
- Limited product flexibility, affordability and current accessibility for Chinese consumers and hence limited domestic consumer appeal
- Variable accommodations standards and hence inconsistent consumer experiences at Chinese resort destinations
- Lack of branded (international) hospitality companies that will lend credibility and experience to the industry and stimulate growth

RCI reports that these issues are consistent with many of those factors that restricted the vacation ownership industry growth in many now developed and mature markets, especially the US and Europe, during the 1970s and 1980s.

Overall the outlook for timeshare in China seems so positive, it is imperative that industry leaders work in partnership with government officials as soon as possible to establish sound regulations that protect the consumer and allow legitimate timeshare developers to grow their businesses. Cornerstones of these regulations should be the creation of a system to protect the availability of promised accommodations and a seven-day cooling off period to allow the consumer time to think things over before a sale becomes final. Any money paid at the time of the sale will be held in an independent escrow account or trust during this seven-day cooling off period. Additional mechanisms that protect the consumer’s use rights over the life of the ‘right to use’ programme must also be instituted as another cornerstone of intelligent timeshare regulation. A number of countries, including the USA, Mexico, and Puerto Rico provide best-case examples of regulatory law for timesharing that Chinese officials should consider in developing its regulatory structure.

RCI has suggested that the China industry can evolve to maturity in less time and with the benefits of lessons already taken from global industry experience. A target of 3 million vacation owners in China by 2025 is achievable - provided that the foundations of the industry are solid and a framework for growth is put in place now. To achieve these







objectives, RCI has proposed a series of measures to be taken step-by-step:

- A long-term programme of category education for all key stakeholders
- Immediate development of a comprehensive regulatory framework
- Introduction of a mechanism to insure accommodations are available for consumers to support industry growth through professional marketing, sales training and accreditation, quality assurance and enforcement
- Introduction of strictly defined quality standards, backed up by thoughtful government regulation, that will commit all licensed developers to a rigorous set of operating and service standards
- Introduction of the latest reservations and yield management processes to maximise the benefits arising from global distribution and drive inbound exchanges to China
- Encouragement and promotion of comprehensive domestic exchange network, powered by strong domestic timeshare resorts and hotels, to establish the timeshare product firmly among Chinese citizens as a valuable and effective means of vacation

### Special Events

The Beijing Olympics of 2008 presents a major opportunity for China to showcase itself as a nation and leading tourism destination with world-class infrastructure, facilities, products, policies and standards. It is also an enormous catalytic opportunity for China to undertake a comprehensive assessment, restructuring and makeover to springboard Beijing, and in many respects China itself, into the modern age of Travel & Tourism. Based on recent events – Beijing officials released their preliminary Olympic Games Strategy paper in October 2002 – the process is well underway.

In preparation for the 2008 Olympic Games, the city has embarked on a major development effort, which covers many areas in addition to the construction of sports-specific facilities, such as stadia, infrastructure and superstructure for visitors (eg a new international airport, ring-roads, motorways, hotels, the Olympic Village, etc). Its seven-year Action Plan covers ten general areas including: infrastructure development; environmental pollution control; urban transport development, and management; information and telecommunications systems development; improved security, health care and sanitation; and an increase in the overall pace of urban regeneration and modernization.

It is engaged in a major face-lift of the entire city, including the rejuvenation of inner-city spaces, the reconstruction of distressed areas, and improvements to cityscapes and parks. It is making a concerted environmental effort to produce a cleaner, greener city, which at present suffers from high levels of air and water pollution. Measures include the planting of 12,500 hectares of trees to the north-west of the city in an attempt to reduce dust storms (it has already planted more than one million trees in a 240 square kilometre green belt around the city); the replacement of coal-fired power stations and coal-based industries with gas to reduce annual airborne sulphur emissions; the relocation of the city's entire chemical industrial zone from the south-east suburbs, and the closure of others which fail to reach ISO-14001 environmental management standards to further reduce pollution; and the banning of



cars more than 15 years old from its roads and their replacement with lead-free petrol and LPG fuel-driven vehicles. Its cultural and social strategy includes new health standards, extending the sewerage system to cover 90 per cent of the city by the end of 2007, new waste disposal systems, and the reduction of sulphur, nitrogen and carbon dioxide levels in the suburbs (Beijing Olympic Strategy 2002).

The final impact of the Olympic Games should be a reconstituted modern tourism destination, the city of Beijing, that is equal in attractiveness for international and domestic visitors with any of the world's great cities.

Although China's 2008 Olympic effort to date appears to be right on target, it can not be overstated that this event will be China's first real chance to show the world that the nation has come of age. Every detail of the lead-up to the event and the way in which the Olympic Games are organized will be scrutinized – from food hygiene to traffic congestion – and the long-term future of China's Travel & Tourism will to a great extent be dictated by the successful running of the Games. The 2008 Summer Olympics will be a global showcase for China and its future tourism.

Another major opportunity for China to showcase its accomplishments and its future potential for Travel & Tourism will be World Expo 2010, which was recently awarded to Shanghai. Expo 2010 not only presents an opportunity for urban development, but also focuses great attention on Shanghai and China as a world-class tourism destination. To quote the China Daily:

"In the city's ambitious urban planning blueprint, banks along the Huangpu River will be the centrepiece of renovations, with a 5.4 square kilometre area reserved for the US\$3 billion World Expo 2010 project.

Pollution-generating steelworks, shipmakers, chemical plants, port machinery factories, discarded dock warehouses, shabby huts and apartment buildings that stretch along the river bank, will be replaced by magnificent show halls, conference buildings and gardens, restoring the river to its rightful, spotlight place in city. This renaissance will become the central element around which a new way of life will be structured and developed.

In addition to the public transport system currently under construction, other transportation infrastructures will be developed to include the Expo site in Shanghai's mass transit network. The urban developments will thus be optimum for their integration in the metropolis and allow development to continue after 2010.

'In a word,' said the city's top planner Tang, 'Shanghai's carefully selected location for the Expo venue will not only facilitate the exhibition in 2010, but will bring far-reaching benefits for the people here.'

Xinhua News Service reported that: "Business opportunities are the most evident benefits of hosting a World Expo, which can promote the development of the international economy, trade and tourism, as well as cultural exchanges and friendly cooperation between countries."

Both the Beijing 2008 Olympics and the Shanghai 2010 World Expo showcase China's promise and focus for developing world-class hardware

and software for Travel & Tourism. Although both ventures require enormous financial, human and intellectual resources, the potential reward for China is unlimited if the public and private sector work hand in hand to address the full range of issues (strategic to operational) that are necessary for the successful staging of these events.

## Hong Kong Disneyland

Perhaps the most dramatic example of tourism product development to take place recently for China and Hong Kong was the September 2005 opening of Disney Hong Kong theme park at Penny Bay, Lantau Island. Although some have questioned the structure of the deal, it is difficult to disagree with the former Hong Kong Chief Executive's conclusion. Tung Chee Hwa said: "First, the Disney theme park will ensure that Hong Kong becomes the 'favourite tourist destination' in this region. Second, the Disney theme park strengthens our status as a 'world city'. And third, together with our other initiatives in the economic sphere, Hong Kong Disneyland will ensure that our economic recovery and growth are sustained."

The list of benefits that Hong Kong Disneyland is expected to bring Hong Kong is significant:

- Park royalties and management fees;
- A revitalized economy and tourism industry thanks to the provision of sound infrastructure;
- Primary and secondary value-added;
- An increased and diversified supply of budget hotels;
- Additional incentive for transit passengers to use Hong Kong's airport;
- Employment associated with land reclamation and other infrastructure works;
- An enhanced international image of Hong Kong as a cosmopolitan city and major tourist centre in Asia;
- The transfer of Disney's edge in quality standards, technological innovation, staff training and environmental attention to the rest of the economy;
- Enriched quality of life for Hong Kong residents through access to a world-class theme park and high-quality recreational facilities.

If there are any concerns about the impacts of Hong Kong Disneyland on Hong Kong, they are generally related to the limited supply of well-educated and experienced employees, especially at management levels, available to staff the theme park and associated businesses. Although the issue is primarily a short-term supply issue, it is also thought to be a short-term quality and service standards issue generally throughout Hong Kong. WTTC believes that Hong Kong and Walt Disney must pay special attention to this issue so the industry as a whole does not suffer.

In many ways, Hong Kong Disneyland represents the coming of age for Travel & Tourism in the region. It is a recognition at the highest level that Travel & Tourism is a pillar of the economy, and that bold action must sometimes be taken to ensure that the long-term vision for Travel & Tourism is realized – both for overall economic development and for job creation. In some ways it is one giant step and begins a long and fruitful journey.

Hong Kong Disneyland has also had another impact and that is to act as a catalyst for the a \$700 million redevelopment of Ocean Park in.

The theme attraction which is pushing nearly 30 years old will undergo a major transformation that will make it one of the top sea-mammal parks in the world. To be completed by 2010, the park hopes also to extend the city's subway system to the front gates similar to that completed for Disneyland. The Ocean Park redevelopment is an excellent example how new tourism product development can build on each other and create critical mass for new visitor attractions and investment.

On the other side of the Hong Kong Disney success story is the unfortunate development of many Chinese theme parks, which have failed to achieve the success that they had hoped. Many such ventures attempted to follow the great success of the famous Splendid China Miniature Scenic Spot opened in Shenzhen in 1989. According to an analysis presented by Mr. Sui Fabo and Mr. Ji at the IAAPA Asian Expo in July 2005, "more than 150 billion Rmb has been invested in about 2500 theme parks in China, 70% of them in debt, 20% in balance and only 10% in surplus." The authors discussed a number of reasons for this high rate of failure among which were:

- Insufficient investment, small scale and poor theme-planning
- Little or no market research and analysis and orientation
- Poor planning, implementation and management
- Short product life-cycle and entertainment experience
- Limited revenue opportunities

The authors concluded that "based on the changing market competition and consumers' demand for freshness, curiosity and strangeness, only with scientific research & planning and detailed augmentation, will it be possible for theme parks to renovate and replace facilities, improve service and better their images, then to stay young and reach new climax...Chinese theme parks, with proper adjustment and reasonable introduction and investment, are sure to develop in the way that is scientific, sustainable, and fit for the development of Chinese tourism market."

## INVEST IN EFFECTIVE MARKETING AND PROMOTION

The China National Tourism Administration (CNTA) has outlined a full complement of programmes and campaigns to promote China's tourism product in its recently developed tourism strategy. Unfortunately, the document does not provide information about available funding for the projects – either for existing projects or those planned for the future. According to CNTA:

"The publicity of our tourism market at home and abroad mainly by way of promotion has won remarkable success... For the past few years, our tourism industry has succeeded in overcoming the serious impact of the Asian financial crisis by boosting the investment in product promotion, increasing the promotion frequency, improving and perfecting promotion method."

The year-on-year record growth in terms of international arrivals and spending points is clear evidence of the fact that CNTA's strategy is working. More importantly, it appears to be positioning itself for even greater investment:

"The investment in promotion should be increased and the promotion methods improved. Modern promotion means should be applied without delay to effectively reinforce the promotion oriented towards the national and international markets. The investment is to be boosted and the promotion influence enlarged."

Perhaps the most important new element of the National Tourism Strategy is for CNTA to work with industry players to develop cooperative promotional efforts.

"Cooperative propaganda is to take shape by strengthening the cooperation with the sectors involved, taking advantage of the commercial opportunities of overseas promotion, and organically linking tourism with the activities of the sectors and industries involved."

The general image of China is that it is not sophisticated or easy to get from place to place, even though many parts of China are clearly both. There appears to be significant room for improvement in marketing and promotion to attract international leisure travelers to China.

Industry players who have actively engaged in bringing visitors to China have suggested that the interest globally in China as an inbound tourism destination has not yet been matched by a similar increase in marketing and communications resources in primary feeder countries. In most cases, promotion of the country has been left to major wholesale operations. Instead, they suggest that China consider placing expert media-trained professionals in originating market offices actively promoting and facilitating tourism to China by bringing together the various players to ensure that new product and infrastructure developments are promoted in the market. This approach will be especially vital in the lead up to the Beijing Olympic Games in 2008.

Some international industry experts have suggested that the CNTA should consider input/expertise from outside China for promotion and marketing purposes, because the quality of the existing communications that is produced by Chinese bodies does not meet Western standards and are not persuasive in appealing to prospective Western visitors. The general image of China is that it is not sophisticated or easy to get from place to place, even though many parts of China are clearly both. There appears to be significant room for improvement in marketing and promotion to attract international leisure travelers to China. Perhaps the 2006 UNWTO rules change which allows full ownership of advertising agencies in China will offer greater opportunity for more sophisticated marketing strategies and communications that meet or exceed international standards.

Those same industry experts point to the successful advertising campaigns that have been developed and implemented by other developing destinations such as India that China should consider in its future marketing and promotion. In this regard, they have said that India

has effectively built consumer awareness with flare and interesting advertisements that can serve as a model for China. Again, successful marketing and promotion campaigns are not put in place overnight, rather they follow a carefully considered and implemented series of steps that progressively move the ball forward.

These same industry players are also very concerned with China's image generally as an emerging world leader and how it deals with UNWTO issues, Chinese Taipei, health concerns and other socio and economic issues and how this public relations image translates into its international standing and therefore its attraction as a tourism destination. Although China clearly has unparalleled opportunity, significant global difficulties could easily increase if they are viewed as being the "new bully on the global block."

Mis-handled communications related to major events or crises, as took place during the initial SARS outbreak in 2002, could also lead to another loss of confidence and tarnish China's image as a world-class tourism and business destination. It is generally thought that China was lucky to so quickly bounce back following the SARS events, but that another such case of poorly handled communications on a major crisis such as a outbreak of bird flu would only confirm that China is not safe or ready for main stream tourism. Slow reactions or cover up of such events could significantly impact China's tourism potential for years to come. Utmost urgency and transparency is needed to avoid such repercussions. China's tourism marketing organization must actively cultivate a public relations image that addresses and channels such views so that tourism does not unduly suffer negative consequences of its new visibility.

Although the Tourism Strategy extensively discusses the modes, methods and themes for China's tourism promotional effort, it does not identify the funding or operational structure of tourism promotion within CNTA. Neither does it report how the organization will carry out such a comprehensive mandate in the face of fierce competition around the world that has re-oriented the way in which tourism promotion is conducted. From the perspective of the private sector, transparency in CNTA's marketing and promotion strategy, as well as in its operations, is imperative. An immediate example of competitive re-orientation in this regard is the new Hong Kong Tourism Board (HKTB).

In April 2001, the Hong Kong Tourist Association (HKTA) was reconstituted as the HKTB following the Strategic Organization Review by the HKTA and the Hong Kong Government's decision in 1999 to establish the Tourism Commission "with specific responsibility for policy-making and tourism development issues." The new HKTB's remit is to:

- Endeavour to increase the contribution of tourism in Hong Kong;
- Promote Hong Kong globally as a leading international city in Asia and a world-class tourism destination;
- Promote the improvement of facilities for visitors;
- Support the Hong Kong Government in promoting the importance of tourism to the community;
- Support, as appropriate, the activities of persons providing services for visitors to Hong Kong; and
- Make recommendations to and advise the Chief Executive [of the HK SAR] in relation to any measures which may be taken to further any of the foregoing matters.

This new division of responsibilities between policy (HKTC) and promotion (HKTB) allows the HKTB to focus "namely [on] marketing and promoting Hong Kong as a destination worldwide, and taking initiatives to enhance the experience of visitors when they arrive." Although the HKTB is no longer an association of members as the HKTA was, it is thought that it is now "a body able to support the interests of Hong Kong's tourism industry in its entirety".

Although Hong Kong is the nearest example, geographically speaking, there are a number of similar examples around the world of a split of responsibilities between the national tourism administration, responsible for policy, and the national tourism organization, handling marketing and promotion. These should be looked at as a reference for consideration by China as it implements its strategic plans to compete for tourism on the world stage. The following are among the best examples:



Country	Tourism Policy Organization	Tourism Promotion Organization
Australia	Australian Department of Industry, Tourism and Resources	Australian Tourist Commission
Canada	Canadian Ministry of Industry	Canadian Tourism Commission
France	State Secretariat for Tourism	Maison de la France
Hawaii	State of Hawaii Department of Business, Economic Development and Tourism; Hawaii Tourism Authority	Hawaii Visitors and Convention Bureau
Hong Kong	Hong Kong Tourism Commission	Hong Kong Tourism Board
Spain	State Secretariat for Commerce and Tourism	Turespaña
South Africa	South African Ministry of Tourism	South African Tourism
Thailand	Ministry of Tourism and Sports	Tourism Authority of Thailand
UK	Department for Culture, Media and Sport	British Tourist Authority

In all cases, the one common denominator for successful tourism promotion is a marketing organization with a diverse and broad-based board of directors that reflects the collective wisdom and experience of key public and private sector leaders. By relying heavily on private sector experience to develop, position and execute destination branding, and promotional and marketing activities, these boards have effectively leveraged the talents of executives who use these skills on a daily basis.

## HIGHLIGHT THE STRATEGIC IMPORTANCE OF TOURISM

### Recognize Travel & Tourism's Economic Importance

Travel & Tourism has the potential to diversify China's economy. It can further enhance the country's 'tourism balance of payments', stimulate entrepreneurship – particularly in small businesses – act as a catalyst for foreign and domestic investment, create large numbers of sustainable jobs, help social development in local communities, and assist in the Great Western Development Campaign.

The Tourism Strategy has already recognized the importance of tourism as a tool for social development. To make this strategy operational, China should consider producing a promotional campaign similar in nature to that undertaken in South Africa. The Welcome Campaign, as it is known locally, ensures that all public and private sector stakeholders in South Africa recognize Travel & Tourism's full impact across the national economy – not just on hotels, restaurants and retail businesses, but also on construction, real estate and other sectors. Even more importantly, the campaign helps stakeholders recognize the untapped potential and the spin-off benefits of tourism that filter down through all levels of the community. South Africa's Welcome Campaign, launched in 1999, encourages local tourism, national pride and care for the environment around the theme 'Tourism is everyone's business'.

Although this programme is similar in many respects to Hong Kong's 'Be a Good Host Campaign' of 1998, it has a broader scope of recognition of Travel & Tourism within the community and focuses on helping residents recognize their personal stake and opportunities in tourism.

### Make Travel & Tourism a Strategic Priority

Travel & Tourism should be factored into mainstream policies for employment, trade, investment, education and environmental protection, ensuring that the underlying policy framework is conducive to dynamic growth. The strategic importance of Travel & Tourism should be communicated to all levels of government, industry and local communities. All levels of government – central, provincial or local – affected by, or impacting on Travel & Tourism development, should be closely involved in elaborating and implementing the National Tourism Strategy.

The most visible example of how China has made Travel & Tourism a strategic priority is its Western Development Campaign.

## Western Development Campaign

Travel & Tourism is seen as a leading catalyst for western China's economic development, helping to attract investment and consumption. It will also assist in balancing the regional economic disparity between the relatively prosperous east, which was first to benefit from the opening of China's markets and trade. In addition, it will address the disparities of urban and rural development and bring economic growth and jobs to lesser-developed areas of China. Finally, it will aid in the development of a rural tourism product that addresses consumer demand for relaxation, local specialities, natural scenery, culture and heritage.

### The Advance of the Development of Western China

Accelerating the development of the middle and western regions is a strategic decision to modernize China. It is quite clear that the strategic decision will push forward the overall development of tourism in the western regions and raise tourism to a higher level. Therefore, the development of western China constitutes another significant opportunity for the development of Chinese tourism in the new century.

- Speeding up the construction of the infrastructure will radically solve the accessibility of tourism development in western regions. It will also transfer tourism resources in western regions into products and help them develop into excellent products with the perfection of the infrastructure construction.
- Safeguarding and constructing ecological environments and landscaping are to directly impel the development of the western regions.
- The effort to develop distinctive preponderant industries is to result in the making of a series of policies and the unfolding of jobs, and consequently impel the development of tourism in the western regions.
- The development of science, technology and education with great efforts is to fundamentally enhance the western provinces' national and international competitiveness in tourism development and engender a new image accordingly.
- Being more open to the outside world will drive the upgrading and updating of the tourism in the western regions.

China Tourism Strategy

Although the objective for tourism development in the western provinces is commendable, the reality of the situation is that the range of tourism products on offer is still relatively limited. When western tourism is referred to as rural tourism, the issues are particularly evident. Xi'anmin Lu, from the Tourism Management Department of Beijing's Second Foreign Language University, neatly summarized these issues in his paper entitled 'Rural Tourism in China'. He said:

"Despite the trend of continuous growth in China's rural tourism, the range of rural tourism products on offer is still relatively limited. First, most of the current rural products are monotonous and there is a lack of sophisticated tourism products that can draw visitors' long-term attention. [The] structured supply of the leisure and cultural activities available is in its infancy. Tourism products on a specific

theme (such as hunting and angling, educational travel, arts and heritage tourism, ethnic tourism and adventure), combining the stay with some kind of activity, are only just beginning to be assembled. Second, rural tourism is of a markedly seasonal nature, reducing investment profitability. The product is at a lower price than holidays to other tourist destinations."

These product development issues can of course all be addressed over time step-by-step, but government and industry leaders must recognize that the dictum 'If you build it, they will come' is not necessarily true. Particularly with regard to western China, it is critical that tourism infrastructure, strategic plans and objectives be followed by detailed action plans for tourism marketing and promotion, training and education, and sustainable development. The economic business model for western China's tourism must be sustainable. Otherwise, China will be forced to provide onerous investment and ongoing subsidies.

Under present policy, certain provinces in the central and western regions come within the categories of "tourist sites, areas and related facilities" that belong to the "encouraged industry". If a project comes under this category, it will be deemed to be an encouraged category project and may enjoy two years of 100 per cent profit tax exemption plus six years of 15 per cent profit tax. This is in contrast to the normal national profit tax of 30 per cent, plus a three per cent local profit tax rate. In addition, visa formalities for arriving visitors can be handled in certain major tourist cities in the central and western region.

Although this policy does encourage western development, WTTC believes that China should establish a broader definition of tourism to include infrastructure that relates to tourism. WTTC also encourages CNTA to adopt PPT (United Nations Commission for Sustainable Development definition for Pro-Poor Tourism) policy, whereby the development of tourism should suit the economic interest of local residents from the poorest regions. China should encourage local residents to set up tourism-related enterprises by providing them with tax incentives, financial preference with regard to obtaining loans from domestic banks, management and technical training. It should also devise an employment policy that encourages training and job creation – such as using local residents as tour guides and cleaning/maintenance workers.

## IMPLEMENT SATELLITE ACCOUNTING ON AN ANNUAL BASIS

Travel & Tourism needs to be effectively measured in order to understand its full impact throughout the economy. As a new industry, Travel & Tourism is not discretely identified in charts of national or provincial accounts – its component parts are scattered throughout the accounts. Public sector analysis and related policies tend to overlook, or understate, the impact of the industry, or deal with its smaller individual components.

The technique of satellite accounting is designed to measure the new service sectors. This new tourism satellite account (TSA), developed by WTTC and Oxford Economic Forecasting (OEF) for China, is a significant tool for planning and policy development.

Unfortunately, the status of TSA development in China is not particularly clear. Although Chinese tourism officials regularly talk about

the GDP or employment associated with Travel & Tourism, the Yearbook of China Tourism Statistics does not include any information on the subject. In addition, the recent report produced by the Asia-Pacific Economic Cooperation (APEC) Tourism Working Group entitled Best Practice in Tourism Satellite Account Development in APEC Member Economies reported that China was among “seven [APEC Members that] have not yet developed a TSA.”

WTTC urges the Chinese Government to follow the lead of the eight APEC member economies – Australia, Canada, Chile, the Republic of Korea, Mexico, New Zealand, the Republic of the Philippines and Singapore – that have already begun developing TSAs. Most of these eight countries have developed them as joint projects between the national tourism administration, the national statistics office and the central bank. The report on best practice cites the key uses and benefits of the TSA – that help to raise awareness of tourism and its contribution to national economies, notably to GDP and employment. This in itself helps legitimize/give credibility to the tourism industry in the minds of politicians and the general public. A TSA:

- helps provide a core definition of tourism as a composite industry;
- provides a base for developing national tourism indicators;
- thanks to its ability to track the industry, helps keep tourism on the public and policy horizon;
- provides a foundation for the development of specific analytical extensions, such as employment/labour force modules or provincial TSAs;
- provides a good basis from which to solicit and justify funding for tourism development and marketing.

Ultimately, China should develop a TSA of its own and update it on an annual basis to ensure that adequate data are available to factor Travel & Tourism into economic and employment strategies.

A number of organizations are available to assist CNTA in developing a TSA. The simulated TSA work produced by WTTC is an excellent example of how the private sector can provide capacity building and knowledge transfer to the public sector in this critical area. Other organizations, such as the World Tourism Organization, or the governments of Australia or Canada – which have done significant work in this area – might also contribute their expertise on a complimentary basis.





## Hong Kong – Pilot Tourism Satellite Account

As reported by APEC in its report entitled Best Practice in Tourism Satellite Account Development in APEC Member Economies, Hong Kong has developed 'a pilot tourism satellite account...covering only inbound tourism'.

"In 2000, following discussions between Hong Kong's Census and Statistics Department (C&SD), the Tourism Commission and the Economic Analysis Division of the Financial Services Bureau, it was decided that C&SD would compile a pilot TSA (known as PTSA) for Hong Kong using existing available data. Through the pilot compilation process, it is hoped that the following broad targets can be achieved: provide a crude answer to such questions as the contribution tourism makes to Hong Kong's GDP; and identify any data deficiencies for the compilation of a more comprehensive TSA."

In conducting the pilot project, Hong Kong learned a number of lessons associated with tourism satellite accounting, most importantly, the fact that "there are significant data shortages in some areas and a lot of estimation and simulation using existing data is required". According to the Hong Kong Census and Statistics Department in its chapter in the APEC report: "Given the crude nature of the estimates, a decision has not yet been taken regarding the publication of the results."

WTTC also encourages Hong Kong to translate the pilot TSA into a fully fledged TSA capable of providing complete economic history and forecasts to government and industry players so that government and business decision-making can be improved.

## DEVELOP THE HUMAN CAPITAL REQUIRED FOR GROWTH

### Promote a Positive Image of the Travel & Tourism Industry as a Provider of Jobs and Careers

The Travel & Tourism industry in China directly generates around 2.0 per cent of total employment in China, or some 14.6 million jobs. The Travel & Tourism economy overall accounts for a 7.1 per cent share, or 51.1 million jobs. Although these shares are modest by international standards, we still expect China to produce nearly ten million new jobs from Travel & Tourism over the next ten years, assuming no significant changes in Travel & Tourism policy.

Recent discussions with CNTA have indicated that they are targeting the creation of some 40 million jobs in Travel & Tourism over this same time period. This level of job creation would suggest an annualized growth approaching 25 per cent. Although this would be an extraordinary growth rate, this kind of growth would certainly be possible as long as there is a climate of significant policy change.

Whichever scenario proves correct, employment creation in China's Travel & Tourism will come under the pressures of accession to the World Trade Organization (UNWTO/OMC), which will force China's industry,

including Travel & Tourism, to become more productive, paring excessive labour to a level approaching world competitive levels.

Job creation is certainly one of the most important objectives for the Chinese government, but the problem is more long term than short term. This is due to the fact that China's low-wage regime will remain an advantage for many years to come and it will lessen the need for China to reduce its workforce to levels comparable with those in other countries.

During the UNWTO/OMC membership transition period, industries that have previously received subsidies or those with large numbers of unskilled workers will be hardest hit. On the other hand, Travel & Tourism is uniquely qualified to generate significant employment opportunities for these areas of the workforce. However, this will require a massive retraining programme on a scale unmatched by the tourism industry anywhere else in the world

### Take Advantage of Travel & Tourism's Ability to Provide a Wide Range of Jobs

While acknowledging the vast expectations for future job creation, it is particularly important to point out that career opportunities in Travel & Tourism can be extremely varied – with upstream suppliers such as hotel designers or airport engineers, or with downstream service companies like retail shops, petrol stations, clothing manufacturers and food suppliers. The former depend on travel company purchases; the latter are driven by visitor expenditures. There are also jobs in the public sector catering

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to visitors – such as border inspectors, air traffic controllers and museum attendants.

Contrary to conventional wisdom, jobs created by Travel & Tourism – both directly in and outside the industry – range across the entire employment spectrum and, in many cases, have characteristics that fit model employment patterns:

- The increasing sophistication of the industry means that there are a growing number of high-level jobs in different sectors;
- They can be created at low cost, with few barriers to entry, and faster than most industries;
- They are service and export related;
- They provide an avenue for transformation and social cohesion by counter-balancing the flow of people to the cities from disadvantaged rural areas, or from the western regions to the eastern regions;
- They are often created in small and medium-sized enterprises, or family-run businesses, encouraging traditional crafts and cultural activities;
- They provide significant opportunities for women, many of whom want part-time jobs;



- They are ideal for young, previously disadvantaged, or first-time employees;
- They have good capacity for education, training and skills development;
- There are widespread opportunities for long-term careers rather than mere jobs.

China has recognized all these opportunities, as well as the fit for Travel & Tourism, especially with regard to creating jobs for workers made redundant by the rationalization of state-owned enterprises (SOE).

An analysis by Zhang, Pine and Lam indicates that these challenges are especially applicable for state-owned hotels, where “this type of hotel cannot attract quality candidates because they cannot afford to offer competitive salaries and cannot provide a good learning environment for employees.”

In looking at best-case practices, a number of emerging economies have made commitments to furthering economic opportunities specifically in the tourism industry, and these could serve as models. China should establish programmes that focus on the transition of workers from closed SOEs, agriculture, rural areas and western regions into Travel & Tourism jobs, professions and ownership. Moreover, the Chinese Government must make a major investment in time, education, training and funding to assure these programmes produce results.

Perhaps one of the most significant barriers to attracting and retaining sufficient numbers and quality employees to Travel & Tourism jobs is “concern for face.” Terry Lam and Fulu Mao from the School of Hotel & Tourism Management at the Hong Kong Polytechnic University stated this problem very well. “Culturally, ‘concern for face’ is an obstacle

that affects service quality in China. Chinese service providers consider that things like bowing, greeting, or apologizing to customers whenever necessary may cause them to lose face in front of people and make them feel uncomfortable.” Unfortunately the authors do not propose a solution, but do continue on to say that “Chinese employees are essentially driven by monetary rewards.” And, if this fact is true then service quality and “concern for face” may need to be addressed thru such avenues.

Another barrier to quality employees according to Zhang, Pine and Lam in the sector is rigidity of salary and wage systems, where a hierarchical method of determining compensation is prevalent, especially in State Owned Enterprises. The rule is simple, senior employees receive higher pay than junior employees regardless of performance. The low pay for new employees is also seen as a major reason for high turnover especially in large cities with many alternative options inside and outside the tourism industry.

Although the National Council has addressed a number of these seniority and performance compensation issues recently including the old “iron rice bowl system” which entitled certain SOE workers a lifelong contract until retirement, there are still human resource issues to be addressed. For example, the distinctions in labour law and regulation between service industries and traditional manufacturing and agricultural industries. In labour tribunals, laws and regulations the rules that have been applied to agriculture and manufacturing for many years are still being applied to Travel & Tourism, which is exposing the industry to significant expense because of odd working hours or the temporary labour necessary during peak season.



One important aspect of Travel & Tourism human resource development, which is standard procedure for most countries, but is problematic in China, is the free flow of talent. In a paper presented to the Asia Pacific Tourism Association Fifth Annual Conference by Fan Songhe, of the Beijing Second Foreign Language Institute of China, Mr Songhe writes:

“Usually the local authorities only allow foreign-managed hotels to hire people with registered permanent residence, thus making it [impossible] to recruit all the talent [needed to] meet the [company’s] requirement[s]. Therefore in reality, it is common that those with registered permanent residence would not like to enter the industry, while those who are eager to take the job of hospitality just cannot do it.”

To address this issue, China must provide Travel & Tourism talent, ie graduates of accredited tourism schools and universities, as well as exemption from permanent residence requirements, so that human resources can be effectively mobilized and encouraged to stay in the industry. In the short term, it may also need to open its doors wider to external expertise in order to tap the international pool of seasoned Travel & Tourism professionals who can assist in accelerating information and technology transfer to the resident Travel & Tourism community.

### Place a High Priority on Education & Training

Given the projected growth in Travel & Tourism demand, it is important to plan ahead to attract sufficient numbers of employees with the appropriate skills. Special attention has already been paid to placing education and training at the forefront of Travel & Tourism development, introducing it into the school curricula and implementing measures to improve skills, such as training accreditation programmes.

**A nation-wide step-by-step educational campaign should be established to enhance the image of Travel & Tourism, which is typically perceived by many as offering low wages and poor working conditions.**

A nation-wide step-by-step educational campaign should be established to enhance the image of Travel & Tourism, which is typically perceived by many as offering low wages and poor working conditions. There should also be increased emphasis on informing all sectors of the community about the career opportunities available.

WTTC encourages the Chinese Government to promote the scale, scope and characteristics of career opportunities created directly and indirectly by Travel & Tourism, and to factor these into mainstream employment, trade, investment and education policies.

In looking at the current state of Travel & Tourism education in China, it is clear that great progress has been made over the past two decades – especially in the 1990s – in terms of scope, educational levels and geographic distribution. However, in an analysis of tourism education in China presented to the Asia Pacific Tourism Association Fifth Annual Conference, Honggen Xiao of Huaqiao University reported six significant limiting issues:

- “The hierarchy of tourism education and training does not correspond to the tourism career path specified by tourism students or industry’s general demand.
- Most degree programmes are dominated by disciplines of an applied nature reflecting the immaturity and limited scope of tourism higher education.
- There is an apparent lack of standardization in curricula design for tourism degree programmes.
- Tourism education is currently focused on receiving inbound international visitors and neglects domestic tourism, leisure and leisure-related studies.
- Professional and vocational schools dominate (80 per cent) tourism education without regard to industry demand.
- Tourism education has not yet been factored into the Ministry of Education portfolio, limiting standardization and the maturation of tourism education as a discipline.”

The analysis finishes with a series of step-by-step recommendations that we believe will provide a sound basis for the future of China's Travel & Tourism education system:

- “A comprehensive tourism education and training model should be adapted to reflect student needs and industry demand, and in doing so, create a balance between tourism education and tourism career paths.
- Guidelines should be developed for standardizing tourism education.
- Under the guise of national education reform, functional distinctions (curricula design, qualifications of educators, facilities/equipment, skills) and hierarchical linkages should be established between tourism education and tourism training.
- Tourism research should be developed and encouraged to accelerate the maturity of tourism as a discipline.”

WTTC also recommends that China embrace best-practice education and training methods and structures from sources outside China, in order to reduce the learning curve and supplement its own system with first-hand, world-class experience.

Based on a study of Tourism Management Degree Education in China by GuiShun Ma from DongBei University of Finance and Economics, “The current education system has a strong supply-side orientation. It does not pay much attention to the demand of manpower in the industry, and it asks more for quantity and less for quality. Frequent dialogues between educational institutes and employers should help to develop clear insights into the needs and issues of the industry (Esichajkul, 1998). By doing so, the industry will know what it wants to a great extent but academics should tell the industry what it needs as well as asking what it wants. Education should consult more with the industry and request feedback on the quality of graduates, seek-more partnerships with the industry to develop new courses, and regular review of teaching methods.”

In Hong Kong, some education and training issues may have actually affected the quality of the tourism product. According to Tak-wai Wong of the Hong Kong Institute of Vocational Education, “Even though Hong Kong does have some ‘quality’ cultural tourism resources, very few tour operators or providers, with extremely limited human resources, are capable of offering ‘quality’ cultural tours – local tour guides in Hong Kong have never been trained for any special interest tourism, not to say for cultural tourism which demands relatively deep understanding of the host culture and, at least, general understanding of the guest cultures.”

## ENCOURAGE OPEN MARKETS AND SKIES AND REMOVE BARRIERS TO GROWTH

### Open Markets and Improve Airline Access

The accession to the World Trade Organization (UNWTO/OMC) should work in favour of China's tourism industry. But there is no guarantee that this major structural change will come easily or help China realize its full potential. A liberal international trading regime, with free-flowing markets for goods and services, tends to help Travel & Tourism growth and, in turn, enhance wealth and job creation. Increased trade encourages business trips, and growing disposable income expands leisure travel. However, the magnitude of change necessary for full implementation of UNWTO/OMC requirements in China is extraordinary in scope and complexity.

### World Trade Organization Effects

A recent paper by Bo Hu and Liping A Cai from the Department of Hospitality & Tourism Management at Purdue University in the USA neatly summarizes the opportunities and challenges associated with China's accession to the UNWTO/OMC:

“China's accession to the UNWTO[/OMC] is bringing opportunities for travel service companies and destinations that are interested in one of the world's biggest markets. Foreign travel companies are now permitted to establish joint travel services with Chinese partners in Beijing, Shanghai, Guangxi, Xi'an and other government designated regions, as long as



the Chinese partner holds the majority ownership. The foreign travel service partners will be allowed to take a dominant share of a joint venture by the end of 2003; and foreign investors will be able to establish solely owned travel agencies by 2006. The restrictions on setting up travel service subsidiaries or branches by the joint venture companies will be removed before 2006. In fact, foreign involvement in travel agencies and tour operations is already a reality in inbound and domestic travel sectors.

“Under the negotiated terms of UNWTO/[OMC] entry, [the] Chinese outbound travel sector is currently exempt from opening to foreign travel service providers. However, according to the UNWTO/[OMC] trade rules, exceptions will be reviewed after five year[s], and will normally not last for more than ten years. Therefore, it is only a matter of time [before] the Chinese outbound travel industry [will] be in line with UNWTO/[OMC] requirements and remove its barriers to foreign investors. Consequently, the structure of the outbound sector will shift from government-protected local competition to free international market competition where market forces will prevail.

It is inevitable that the tour operators will face the challenges not only from their domestic counterparts, but also from multinational firms. The introduction of international competition will help improve the efficiency of the travel trade in general, upgrade service quality, and cut service costs. All of these will benefit the sustainable growth of the outbound market. At the same time, the foreign participation in the market will lead to a trying time for many Chinese tour operators and agencies, which are currently considered a weak link of China’s tourism industry.”

## Financial Services

According to the Economist Intelligence Unit (EIU), China has one of the highest per capita savings rates of any country in the world and is primarily a cash-focused society. It also suffers from limited credit vehicles such as a nation-wide credit card system with information regarding a consumer’s credit history. These two circumstances, taken together, make it difficult to persuade consumers to use electronic credit cards or payment systems for the purchase of Travel & Tourism products and services – something that is standard practice in most countries around the world. It also limits travel companies from accepting bank cards, due to the risk associated with unknown consumer credit risk. In most markets, given the high cost associated with even domestic travel and tourism, deferred payment options such as credit, charge and debit cards are the preferred choice of the majority of consumers.

In fact, in most countries, it is becoming more and more difficult to separate the consumption of Travel & Tourism activities from the electronic financial services that facilitate consumption. In most economies, this entails a wide range of banking and credit services including credit/debit card payment options, automatic teller machine (ATM) networks, currency exchange, travel insurance, etc. Most countries already have an integrated national online payment network and, in many cases, these networks are linked with international networks such as American Express, Visa and

MasterCard. The EIU has reported that, although China is working to build a nation-wide network through China UnionPay, the pace of change may be insufficient to accommodate the high rate of growth in Travel & Tourism consumption.

Recent reports suggest that the Chinese government is drafting its first laws to advance the development of the credit card system and that it hopes to have 90% of Beijing business establishments accepting cards by the time of the 2008 Olympic Games. In 2007 the UNWTO accession agreement will allow foreign banks in China to offer loans and banking services directly to Chinese citizens so there is certainly a clear incentive for Chinese authorities and its new credit system research group to organize the environment for credit information and card / transaction processing before that time arrives.

Also, as greater numbers of Chinese join the ranks of domestic and outbound travelers, they will increasingly look to travel insurance in order to provide and guarantee peace-of-mind when traveling.

In general, China must focus step-by-step attention on establishing transparent financial services policies in close collaboration with key stakeholders who provide for the convenient conduct of consumption associated with Travel & Tourism. Unless financial services can keep pace with the demand for Travel & Tourism, China’s reliance on cash-based transactions will severely limit its ability to fully exploit the economic potential of this sector.

## China’s Aviation Sector

The following is an update of the aviation outlook for China provided by The Boeing Company:

### China - Current Market Outlook – 2005

#### The Boeing Company

The 20-year China GDP is forecast to grow 6 percent per year and continues to lead the world. The growth of China’s aviation sector in particular will significantly outpace growth of other world regions. The domestic China market is expected to grow an average 8.8 percent annually. Air travel for all markets to, from, and within China is forecast to expand 7.8 percent annually for the region’s carriers.

This traffic forecast is enhanced based upon the accelerated pace of liberalization over the past few years. China’s many new “open skies” agreements will stimulate traffic, healthy competition, and more partnerships between China’s own airlines and foreign operators. China’s domestic aviation sector will more rapidly expand through continued liberalization, investment in aviation infrastructure, and policies promoting new low-cost carriers for underserved markets.

In the next 20 years, China’s air carriers will take delivery of over 2,600 new airplanes. The China fleet will grow to over 3,200 units, more than tripling in size. Three quarters of airplane deliveries will be regional jets and single-aisle airplanes serving domestic and regional Asian markets.

Midsize twin-aisle airplanes will comprise 22 percent of new deliveries and will serve most of China’s international routes in the future. China’s airlines will compete most effectively by offering international passengers more frequent, nonstop services. Larger airplanes will make up only 3 percent of the total new airplanes added to the China fleet. Most of these will serve China’s long-haul markets. More than one third of these will be freighters.

By all accounts, the outlook for China's aviation sector is quite positive. However the tremendous growth currently being experienced and forecast does present problems. As an example, overcapacity and under-utilization have plagued China's civil aviation industry for many years. And, as the American Chamber of Commerce (AmCham) in China reports: "The limited capacity of ...air traffic control systems puts physical constraints on sector expansion. A studied and focused commitment of resources from the Chinese Government on capital improvements would help remove sector constraints. [Furthermore,] the larger threat to airline expansion is the lack of qualified aviation personnel." The following is a list of aviation recommendations put forward by AmCham China.

#### Accounting Procedures

As more Chinese airlines directly negotiate with suppliers, suppliers making direct sales to Chinese airlines will require credit risk assessments. The Chinese Government can facilitate this process by encouraging Chinese aviation companies to comply with internationally accepted accounting standards and by streamlining the payment process. Furthermore, inefficient payment processes hamper the sale of imported aviation components and spare parts. Elements of e-commerce can improve customer/supplier interaction, resulting in greater economy and growth for China's civil aviation sector.

#### Partnerships with Foreign Airlines

Code-sharing and alliance partnerships with foreign airlines are changing the way Chinese airlines operate internationally. Greater opportunities for Chinese airlines outside China will gradually increase opportunities for foreign carriers in China. In order to take advantage of greater access to international markets, however, the Chinese reservation system must be compatible with major worldwide reservation systems.

#### Commercial Space and Air Traffic Control

China's drive to modernize its air traffic control systems is a top priority. The addition of new air routes to civilian control will relieve congestion on existing airways and provide greater point-to-point route flexibility and safety. However, new air routes will require accelerated construction of infrastructure to provide positive control services along these routes. As air commerce in China continues to grow and more air routes come under civil control, rationalization of authority over air space between the military and civilian authorities is also important.

#### Ticket Prices and Revenues

Finally, a number of industry analysts have indicated that the Civil Aviation Administration of China's (CAAC's) control of ticket pricing has become increasingly problematic – with some airlines asking for the right to offer discounts to attract more passengers. The redistribution of revenues by CAAC to less profitable airlines is also seen as incompatible with attempts to operate Chinese civil aviation according to market principles. Both issues need to be urgently addressed.

### Airline Access, Air Transport Liberalization and Open Skies

Air transport liberalization and the debate on 'open skies' continue to capture the attention and imagination of Travel & Tourism stakeholders around the world. In some cases, the debate is focused on the availability of affordable airline seats during peak season on the most popular routes. In other cases, the debate is centred on the ability of carriers to generate sufficient economic returns while providing travellers with acceptable flight options and levels of service. This is especially true when there are state carriers factored into the equation.

However, there is another debate that asks a more strategic question – How does aviation policy fit within overall government objectives of economic development and job creation now and in the future? In many ways, the answer to this question is even more difficult and complicated than it would seem at first glance, because it is not unusual for aviation and tourism in the government structure to operate independently of each other with separate ministries and separate sets of objectives. A perfect case in point is airlift to Hainan, Sanya where the lack of airlift and guaranteed scheduling is a major deterrent for MICE business and leisure travel to this holiday resort area.





The situation is even more difficult when a state-owned airline, or a publicly owned airline that has enjoyed historical preferences in a destination, is factored into the equation. In these cases, the state must determine the level of competition that it is willing to create and/or tolerate, and how this balances with its strategy for economic development – maximizing job creation potential for the nation/destination as a whole. As far as the Travel & Tourism industry is concerned, both sides of the issue have valid arguments, but it is necessary for them to be clearly defined and built into the destination's Tourism Plan.

In a recent news article from Zhongguo Xinwen She news agency dated 16 July 2005, it was reported that “Yang Yuanyuan, director of the Civil Aviation Administration of China, said at a recent national televised and telephone conference of civil aviation systems that the civil aviation industry must undergo policy readjustment, improve management and promote the comprehensive, coordinated and sustainable development of air transport in the second half of the year [2005]. In accordance with the policy of gradual deregulation and the principles of equality, fairness and openness, it should formulate the Measures for the Management of Permission to Operate Domestic Air Routes and establish an equal, fair, open and scientific system for the allocation and utilization of international air routes.

It has also been recently reported that talks are underway with the European Union to negotiate an “open skies” agreement that will replace the bilateral agreements made between China and the EU member states, which were recently made void by the judgment of the European Court of Justice. The new agreement should allow for the expansion of flights between China and the EU as well as consider a broader range of issues including safety, security, the environment and fair competition.

At this point in time, the spotlight of the liberalization and ‘open skies’ debate appears to be focused on Hong Kong and the question of how Hong Kong will position aviation and Travel & Tourism within the broader context of economic development.

One of the most comprehensive and recent analyses of the Hong Kong aviation situation was published in a paper (April 2000) entitled: ‘The Reality of Open Skies and Its Relevance for Hong Kong’, by Dr C K Law and Dr Raymond Yeung from the Hong Kong Policy Research Institute. Their paper argues that:

“A strong home carrier is important for enhancing Hong Kong’s air hub position because:

- Only the strong home carrier can expand trunk routes and extend the network efficiently for Hong Kong.
- A dominant home carrier, with its headquarters located in the home base, has a much stronger linkage and multiplier effect in the local economy than foreign carriers.
- A strong home carrier will be more valuable as a member in global aviation alliances.
- A strong home carrier can maintain a stable supply of air transport services for the hub. This would prevent the disruption of services due to political and other crisis situations.
- A strong home carrier brings ‘national’ prestige to the home base.

Government should consider the following policy recommendations:

- Design a comprehensive and transparent aviation policy by taking all domestic and international factors into account, with quantitative relations fully estimated.
- Formulate a negotiation strategy for liberalization by adopting a game theory approach, with emphasis on promoting better aviation cooperation among Asian economies.
- Maintain bilateral negotiations based on a fair and equitable exchange of economic opportunities in fifth-freedom and other rights negotiations – a unilateral ‘open skies’ policy may not be the best strategy for Hong Kong.
- Maintain a strong home carrier in order to enhance the hub’s development.
- Review the market structure regularly.

Although it is difficult to disagree with these aviation policy recommendations, which seem to be self-evident, it is more difficult to accept in haste the arguments that equate a strong home carrier as a driving requisite for a Hong Kong hub concept. In fact, based on a paper by Axxess Asia Pte to the Pacific Asia Travel Association in November 2000, entitled: ‘Aviation Hub Study’, there are five factors considered essential to airport hub development, none of which require a strong home carrier. These factors draw on experiences in North America and Europe and include:

- **“Infrastructure:** Adequate airport infrastructure and convenient and comfortable facilities are key drivers of hubs. Most airports in Asia are now well prepared in this area.
- **Economic Vitality:** The growth of regional GDP will drive the demand for both business and leisure travel.
- **Deregulation:** As aviation markets become deregulated, demand for travel is stimulated by more capacity and lower fares. In order for an aviation hub to expand and compete, experience shows that the host government must liberalize the commercial aviation environment.
- **Aviation Technologies:** Advances in extended range aircraft can greatly enhance or diminish an airport’s importance as a hub.
- **Airline Alliances:** Alliances increase hub activity through closely coordinated efforts to increase traffic flows and net revenues – at lower operational costs.”

The Axxess paper concludes that there are three candidates in the hub game in Asia – Singapore, Kuala Lumpur and Hong Kong. For Hong Kong, the key factors contributing to its potential as a hub are its geographic location to serve China, its own identity as a strong origination and destination market, its geographic position for transit between South-east Asia and North American markets, and its new 24-hour world-class airport. The report concludes by suggesting that “by encouraging more competition and capacity, Hong Kong SAR’s airport could experience rates of growth far higher than in recent years. Until it does, however, its growth rates will be respectable, but still well below its potential.”

Following the Hong Kong Policy Research Institute paper, Ms Sandra Lee, Secretary for Economic Services, provided the Hong Kong SAR position on the issue on the Radio Television Hong Kong Programme ‘Hong Kong Letter Today’ (July 21, 2001).



“Since the opening of the new airport, the HKSAR Government has firmly implemented a policy of progressive liberalization of our air services.

Often, this slogan [Open Skies] embodies a stance that is not always fair to Hong Kong, and allows some countries to protect their local airlines through the application of double standards. For example, some economies exclude their huge domestic market from the boundaries of ‘open skies’, thereby preventing Hong Kong airlines from competing with their own. Hong Kong does not accept a slogan such as ‘open skies’, because we believe that Hong Kong and our aviation partners should both have fair and equitable opportunities. Putting this fundamental principle at risk would not only frustrate the healthy expansion of our air services sector, but could also adversely affect Hong Kong’s long term development as a major international and regional aviation hub.

There have also been questions about the state of competition among Hong Kong’s three local airlines, particularly whether our ‘one route, one airline’ policy needs to be modified. Under this policy, the government would in general designate one Hong Kong airline to provide services on a particular route. This policy has always provided full flexibility for government to designate more than one Hong Kong airline on a route when circumstances warrant additional designations.

Furthermore, the above policy does not mean that there is no competition on Hong Kong’s air routes. On most routes, there is keen competition between Hong Kong and overseas airlines.

The truth is, Hong Kong’s air services policy has been very liberal. Otherwise, it would not have been possible for Hong Kong to have such a wide air services network and high-frequency services.

I cannot agree more with a Hong Kong academic who observed that if we blindly follow an ‘open skies’ policy proposed by some aviation partners, we could be chipping away the foundation of fair and equitable competition for our aviation industry, and this might cause damage to our economy. Hong Kong has an excellent geographical location, which means that our air traffic rights are very valuable. These assets belong to the entire Hong Kong community. As a responsible government, we have a duty to carefully evaluate the relevant policies to take progressive and steady steps to further enhance Hong Kong’s status as a major international and regional air services hub.”

The most recent development in this area has been the new Hong Kong-US bilateral agreement reached in late October 2002, and which – according to a press release from Hong Kong’s Economic and Trade Office:

“...will further liberalize air services between Hong Kong and the USA. The agreement will allow for expansion of both cargo and passenger services and introduce code-share services for both Hong Kong and US airlines.

Hong Kong Secretary for Economic Development and Labour

Stephen Ip said: ‘The new agreement will further expand Hong Kong’s air services network; provide new business opportunities for Hong Kong airlines and further strengthen Hong Kong’s status as an aviation and logistics hub’.”

WTTC believes, that when all the liberalization and ‘open skies’ factors are considered and weighed, aviation must be seen as the driver of Travel & Tourism development and greater job creation. In this regard, we recommend that all governments, China and the Hong Kong included, make even greater efforts to open air transport markets to attract more air transport services and improve regional networks. Governments should continue to liberalize aviation agreements and provide for greater commercial incentives and viability, paying particular attention to routes on which capacity is limited and capacity growth lags behind the growth in traffic demand.

In general, China and Hong Kong should continue to pursue managed liberalization and the relaxation of aviation regulations. Both governments should establish an Aviation Unit within their tourism policy organizations to coordinate and implement actions to increase the number of airlines (scheduled and chartered) and passengers to and through Hong Kong and to and within China. Most importantly, these units should work with all stakeholder groups to develop a comprehensive and integrated strategy to use aviation as a catalyst for Travel & Tourism and overall economic development.

More specifically in Hong Kong, there seems to be little disagreement that Hong Kong should develop as an aviation hub for the region. Furthermore, there is also little disagreement that there needs to be a Hong Kong-based carrier in order for this to happen. However, what usually needs to be clarified is that neither of these scenarios requires that the resident airline(s) need be protected by a national or SAR policy to keep any particular entity in place. Rather, in advocating international liberalization, WTTC suggests that the hub operator in Hong Kong or any other hub for that matter, does not necessarily need to be locally owned. In Hong Kong, ownership and control rules should be loosened so that economic viability and ongoing service are determined by the market and the expertise and delivery of the aviation entity.

## Private Airlines and Low Cost Carriers

In March 2005 and July 2005, Okay Airways and Spring Airlines respectively, China’s first and second privately-owned carriers began operations in an attempt to open the Chinese aviation market to a broader market potential and expand the various service options to the flying public. Although the General Civil Aviation Administration of China (CAAC) has not yet given approval for all servicing and pricing issues, these developments do represent a major first step forward in expanding the range of aviation products and pricing available. In total, five private airlines also including Eagle, Shenzhen Airlines and Eastern Express have been approved by CAAC and another group of five are waiting for approval.

China Daily News reported that an official from the CAAC pricing department said, “Considering the limited opportunities [for Spring Airlines and other low-fare airlines] to control operation costs, it is hard to establish a low-fare, no-frills operation.” The paper continued saying “the so-called low-cost airlines and other major airlines must compete on

the basis of the existing pricing system [where] on some tourist routes carriers can set their own ticket prices based on market demand [but not] for other busier routes [where] ticket prices must adhere to CAAC guidelines.” Effectively, this policy allowing low-cost operations on low traffic routes and not on high traffic routes is counter to low-cost carrier operational norms.

Although the CAAC has relaxed the establishment of carriers, it still has not yet liberalized the domestic fuel market, service offerings, flight fares or the import of aircraft that are necessary for the operational economies of a low cost carrier. Airlines are also required to pay a significant penalty to hire pilots from another company, effectively requiring all new entrants to train their own pilots and push the development of a low-budget aviation market forward as far as five years into the future. Without properly addressing these and a number of other issues, it will be difficult to effectively establish a low-cost low-frills air sector that will take China’s Travel & Tourism forward to the next level.

Finally, although China has taken new steps to open its skies to foreign countries it does not appear to be showing the same kind of liberalization treatment to Hong Kong based carriers. The reasons for this limitation may have to do with the self-preservation of China’s resident carriers, but we do not believe such limitations are in the long-term interest of Travel & Tourism in China in general.

## RESTRUCTURING THE MANAGEMENT AND PROMOTION OF TRAVEL & TOURISM

While ultimate responsibility for China’s Travel & Tourism at the national level should remain with CNTA, it is recommended that the tourism marketing and promotion function undertaken by CNTA should be progressively divested to a public-private sector national Tourism Board to match prevailing competitive approaches.

It is suggested that the Chinese Government establish a China Tourism Board (CTB) and, in so doing, take note of the existing, highly successful examples of public-private sector partnership developed in several countries around the world – in particular Australia, Thailand, Canada and France – for tourism marketing and promotion. Consideration should be given to the further development of the CTB as a public-private sector partnership, responsible for the coordination of national, provincial and local government tourism efforts.

For this partnership approach to be successful it will be necessary to ensure the following:

- Top-level active political support and engagement;
- A declared strategy – with clear targets and a detailed game plan for implementation;
- The involvement of major stakeholders in the development process;
- Strong public and private sector cooperation with outreach to partners across the Travel & Tourism economy;
- Consistent and growing public sector funding and exceptional inducements to attract matching private sector funding;
- Private sector leadership in drawing up marketing strategies;

- An integrated approach across government departments, and particularly in coordinating national, provincial and local promotional efforts;
- A continued awareness building and public relations’ effort by the CTB to raise the profile of the campaign and generate media interest.

## ENHANCE SAFETY AND SECURITY

Following recent events (terrorism and natural disasters) in the USA, UK, Egypt, Bali, the Indian Ocean basin and elsewhere, public safety and security, fire, life and health issues have been identified by visitors, governments, the industry, local communities and the media as one of the key areas of concern for Travel & Tourism around the world. The issue may not be an immediate problem in China, Hong Kong or Macau. However, newly emerging visitor demands and sound contingency planning require that all tourism destinations build safety and security provisions into national, provincial and local strategies, and that special emphasis be placed on Travel & Tourism in overall policing strategies.

Newly emerging visitor demands and sound contingency planning require that all tourism destinations build safety and security provisions into national, provincial and local strategies, and that special emphasis be placed on Travel & Tourism in overall policing strategies.

Recent natural disasters including the Indian Ocean tsunami, the earthquakes in the subcontinent, hurricanes in the Caribbean or the USA have illustrated that even the most remote contingencies must be considered and planned for in order for visitors to be accommodated or expeditiously returned home and for industry players to be organized and/or informed about recovery plans and procedures. Although humanitarian efforts must always take precedence in government response, getting the industry back into working order as quickly as possible is also key to making sure a sudden shock to the economy does not become a long-term crisis.

While general consensus suggests that there is a clear recognition of the need for greater attention and action at the highest government levels everywhere, WTTC believes its pivotal importance should be underlined. Successful law enforcement in troubled areas could result in a more sustainable forecast scenario.

At the same time health concerns – especially communicable diseases such as SARS and Avian Flu or more long-term concerns such as clean water, the environment and general hygiene – should be addressed and clear guidelines communicated for dissemination by the media. All too often, China is too harshly judged by the media, when open discussion of the perceived problems, the actions already taken, and programmes in place to address the issues, could so easily reduce their impact.

## TAX INTELLIGENTLY

Care should be taken that any new taxes are not excessive, as this could have a negative impact on demand. There is an increasing tendency worldwide for governments – whether national or provincial/local – to target Travel & Tourism as a revenue generator to meet short-term budget objectives, with little thought for the longer-term consequences on demand and job creation.

While Travel & Tourism should pay its fair share of taxes, the growth and prosperity of the industry – including the investment necessary to generate these future revenue flows – will depend in no small part on the competitiveness of China's Travel & Tourism. This also depends on whether it receives equitable treatment relative to other industries and to competing destinations.

WTTC urges the Chinese and Hong Kong Governments to ensure fiscal regimes that continue to encourage tourism growth, exports, investment, infrastructure, business innovation and job creation. The 'User Pays – User Benefits' principle should be given priority, with funding collected earmarked for Travel & Tourism infrastructure and promotion.

New fiscal programmes, such as tax credit schemes, also need to be developed to encourage tourism growth, exports, investment, infrastructure, and business innovation and job creation.

## MATCH PUBLIC AND PRIVATE INFRASTRUCTURE WITH CUSTOMER DEMAND

### Expand Infrastructure

Infrastructure remains a critical component in Travel & Tourism development if the full potential of employment generation, export earnings and regional development effects are to be achieved. In most cases public infrastructure that supports Travel & Tourism expansion will anyway serve other urban and regional development purposes.

A case in point is the new maglev train in Shanghai, which connects the city center to Pudong International Airport. Given Shanghai's continued growth and traffic congestion, the maglev serves a dual purpose of serving the airport passengers on the ground and helping to relieve the normal congestion in the city. In time, the maglev line should also be extended another 7km to the site of the 2010 World Expo, and become the main connection to the fair. A very good example of Travel & Tourism and public infrastructure that serves both well.

Quality infrastructure is also essential to diversify the product base, remove bottlenecks, ensure good service and distribute the benefits of tourism flows around the economy. It is not only a question of coping with increasing numbers of visitors, but also of making sure that the patterns of flow do not affect the natural or built heritage, nor run counter to local interests.

In general, China is investing massive amounts of capital in new infrastructure to serve the nation, as well as the tourism industry. The Economist Intelligence Unit reported that: "Just a dozen years ago, China had no highway system linking its provinces; now it has over 12,000 kilometres (7,500 miles) of such highways. It has increased the rail

network by close to 50 per cent and introduced high-speed trains on many routes. Light rail systems are being built in 20 cities."

For China's airports the trend is the same. Under the tenth Five-year Plan, 43 new airports will be built, of which 23 in the western region. These 43 include two state-class hub airports in Chengdu and Xi'an and five regional hub airports. Additional investment is also flowing into the expansion and upgrading of Beijing Capital, Pudong International and Guangzhou Baiyun Airports. In some cases, China's aviation infrastructure has outpaced demand, causing financial stress and investment concerns.

However, in some cases, as reported by AFX Europe in June 2005 the Director General of the CAAC Airport Department said that 18 of the mainland's 133 airports will have reached full capacity and by 2010, 29 airports will have reached full capacity. The bottom line is that China must still increase the number of airports and improve capacity at others to meet the demand of its rapidly expanding aviation market. The new international terminal at Beijing Capital Airport is one example of how China is focused on expanding its airport capacity in preparation for the 2008 Olympic Games. The new terminal more than doubles airport capacity from 27 million to 60 million passengers a year.

In Hong Kong, the six-year old International Airport has also demonstrated that tourism infrastructure is both a catalyst for and result of new tourism development. Despite initial issues, the airport is now rated among the world's best and totalled profits exceeding US\$63 million in 2003. It was also instrumental in helping to attract Hong Kong Disney and other projects that will help keep Hong Kong solidly a major tourism destination. The only remaining concern is balancing traffic and demand between Hong Kong and nearby airports including Macau, Shenzhen and Guangzhou.

In most cases, investing in aviation infrastructure, ie airports, is much more glamorous and visible than investment in the basic building block of tourism which is roads, highways and rail. However because these arteries carry more than just tourism, ie commerce and regular transportation, they also serve the greater good of the population and economic development. In the future, to move tourists around the country or from various airports to vacation destinations, there must be greater consideration paid to road and rail infrastructure improvement and overall safety for tourists. This is especially true since it has been reported that 91 percent of all domestic trips in China are by road transportation and only 0.5 percent of domestic trips are by air transportation.

Although great strides have been taken and made to upgrade and expand China's surface transportation, the system remains heavily burdened according to Dr. Barry Mak from the Hong Kong Polytechnic University. Dr. Mak reports that "The technological levels of the service, including traction, rolling stock, signalling, and telecommunications has mostly been upgraded and improved. The development of new feeder lines, double tracking, and electrification has also been quick but still it has not been able to meet increasing demand."

Dr. Mak summarizes that "Transportation remains one of the major barriers to tourism development in much of China but especially in rural areas, even though improvements during the last two decades have been significant. Low efficiency, poor economies of scale, poor management, and the poor safety records of air transport, railways, and road services have hindered tourism development in China."



Although the balance between supply and demand must be rationalized, the massive investment in Travel & Tourism infrastructure bodes well for an industry that relies on air, ground and water transport to deliver and facilitate the demand of its products and services. Certainly, the speed of building has implications for financial viability. In some cases, airlines and airports are losing money, and the costs of urban rail networks and toll roads exceed the revenues generated. With entry into the World Trade Organization, additional competition in areas like aviation may cause even greater stress on the system. China must therefore carefully balance the speed of infrastructure investment with supply and demand, with foreign investment and returns on capital, to guarantee a sustainable level of growth. It must also balance the need for tourism infrastructure development with the preservation of the historic tourism produce that is so important to satisfying the ultimate tourism demand.

## Improve Land-use Planning and Protection

Land-use planning by provincial governments and local authorities, and particularly zoning, should be encouraged to protect the character of the natural environment, which is one of China's major attractions for residents and visitors alike.

Admittedly, the central government cannot enforce all types of legislation, but it can show leadership and encourage buy-in for legislation by provincial and local governments. Special incentives should also be proposed for the rapid modernization and upgrading of China's rural areas in order to spread the benefits of Travel & Tourism across the country. These incentives could include assistance in a wide range of issues such as the development of concessions, the facilitation of sensitive infrastructure, delivering marketing strategies, and developing investment and promotion strategies.

## Develop Access to Capital Resources and Encourage Sustained Capital Investment

Capital investment in China's Travel & Tourism is currently high, at an estimated 8.9 per cent of total capital investment. Over the next nine years it is also forecast to rise by about 8.4 per cent a year to reach 9.2 per cent. However, there is no room for complacency. Experience has shown that investment – whether foreign or domestic – is extremely sensitive to economic changes. To guard against this, continued efforts need to be made, through the step-by-step development of capital market structures, to attract sustained capital investment in China's Travel & Tourism industry from domestic and foreign sources.

At the same time, however, it is important to guard against the dangers of excessive development that bears no relation to existing or projected demand. This can result in cut-throat competition, leading to declining operating performances and lower profits. This situation has occurred in a number of international destinations, when hotel construction – especially in the high-end properties – was encouraged, without regard to attracting or transporting sufficient numbers of visitors to fill the rooms.

Perhaps one of the largest barriers to development of Travel & Tourism in China by Chinese companies is the lack of a domestic capital market with a free flow of funds between investors and establishments. The lack of effective domestic financing options suppresses the ability for Chinese Travel & Tourism companies to expand, make acquisitions, merge with other companies, spin off bad assets, exchange property rights, restructure assets and consolidate.

Although the creation of a capital market to serve the needs of Travel & Tourism is unrealistic, Travel & Tourism is a major reason why China needs to build an effective capital market in order to achieve sustainable development. However, in the meantime, there may be other paths than China could follow for Travel & Tourism. For example, several countries have created institutions or special funds within existing government-owned institutions for the development of Travel & Tourism enterprises.

The Asian Development Bank reports that:

“SMEs [small and medium-sized industries], most of which are private companies, represent one of the most dynamic economic sectors and contribute significantly to the national

### Requisites for the Creation of Capital Markets

- Transparency is primary
- Rules and laws are fair, clear and consistent
- Markets are free
- Lender and equity rights are clear and protected
- The economy is free of corruption
- Data and accounting practices are consistent and reliable
- Competition is encouraged
- Foreign investment criteria is minimized
- Tax advantages are promoted by government
- Repatriation of profits is a non-issue
- Rules are stable

economy and to the creation of new employment opportunities. [However,] the development of SMEs [in China] is constrained because of the lack of access to financing and, in general, a conducive policy environment...The [Chinese] Government recognizes the importance of SME development, and is considering introducing a specific SME Promotion Law...[which] states that the Government will establish an SME Development Fund. The purpose of the fund will be to encourage local governments, private entrepreneurs and financial institutions to invest in SMEs. This will help to improve the access of SMEs to financing.”

WTTC encourages the Chinese Government to pursue this approach and pay special attention to SMEs associated with Travel & Tourism, among which much of the industry growth is expected to occur.

Within the broader context of encouraging sustained capital investment, China's Travel & Tourism industry – with the exception of operations in the central and western region of the country – is not considered to be an ‘encouraged’ type of industry. Specifically, foreign investment in the hotel and tour operating sectors in other parts of China, outside the central and western regions, is not afforded special incentives – such as lower profit tax, import duty and VAT exemption (for imported equipment within the total amount of investment), etc.

If China wants to achieve its vision of a becoming a ‘tourism power’, it should create legislation which categorizes the investment of certain types of hotels (such as lower-end or budget hotels), timeshare, and tour operators in strategic areas (other than the central and western region) as an ‘encouraged’ type of industry. China must also make greater efforts to clarify new laws or regulations, clarify land ownership issues and communicate the central, provincial and local governments role in Travel & Tourism to provide the transparency and confidence needed by the private sector to make even greater investment. Clarity of “rule of law” is imperative for creating the proper foundation for future tourism growth.

Recent concerns have also been raised regarding the standards of corporate governance and enforcement which are required of Chinese firms and how continued foreign investment from any industry including Travel & Tourism requires the confidence of rules and regulations to prevent fraudulent activities. The recent collapse of Civil Aviation Oil is a prime example of the risks that minority shareholders face when they are investing side-by-side with state companies or private Chinese companies that have little experience in concepts of board independence, independent auditing and risk control.

Lastly and most importantly, if China wants to achieve its “tourism power” vision, it must provide for and legislate the necessary repatriation of revenues by international companies. Only after these organizations achieve sufficient return on their investment and are able to return the surplus to their shareholders and owners will they be willing to continue and expand their investments in China's Travel & Tourism industry.

**If China wants to achieve its “tourism power” vision, it must provide for and legislate the necessary repatriation of revenues by international companies.**

## FAVOUR TECHNOLOGICAL ADVANCEMENT

### Telecommunications

An increasing share of Travel & Tourism operations – and virtually all distribution and sales transactions – flow through telecommunications circuits. Where telecommunications are monopoly controlled, there are often restrictions on access, high costs and unreasonable operating conditions. This in turn limits the potential of market-oriented expansion of Travel & Tourism, with negative impacts domestically and internationally in terms of cost, operational efficiency and customer service.

WTTC recommends that the Chinese Government continue pursuing its policy of open telecommunications markets, which will help to lower costs and enhance services for travellers and tourism companies.

### Information Technology

In today's increasingly competitive global marketplace, there is a real need for a strong national leadership branding which optimizes resources, focuses the myriad of interests – public and private sector, national, provincial and local – and attracts the attention of travellers. This will require particular emphasis on a coordinated approach to Internet marketing and distribution to optimize China's visibility. As Chinese language is expected to become the most used language on the internet by 2007 according to a recent United Nations report, marketing Travel & Tourism via the internet, doing online travel research or bookings will become more important.

In a recent development, American Express has introduced a new corporate solution for the China market. Geared to toward Chinese companies and multinational companies operating in China, the solution features air and hotel booking and electronic travel authorization that ties into accounting and travel tracking systems. TravelSky Technology was selected as the exclusive GDS partner for the Amex China operation.

A recent paper by Ying Wang, from the School of Tourism and Hotel Management, Griffith University in Brisbane, Australia explored the status of ‘Information Technology Application in China's Tourism Industry’. The paper suggests:

“In China, IT [information technology] has started to penetrate the tourism industry sector by sector and is having greater impact on all sectors of the tourism industry including transportation, travel, hospitality and entertainment. It can be proved by [the] increasing number of various tourism enterprises involving IT applications. However, the integration of different sectors in the industry has not been achieved and such technology has not been delivered to [the] retail sector and individual consumers.”

The author concludes:

“In order to survive in [a] furious [UNWTO/OMC] competition [environment], China's tourism industry should realize the benefits of IT, and focus more on marketing by means of advanced technology...Therefore, in order to promote IT to China's tourism industry:

- The whole industry should urge the government to emphasize more on upgrading national information policy, information infrastructure and IT education system.



- CNTA and its provincial subsidiaries should provide positive guidance for the businesses and organize national or regional tourism cooperative networks.
- Individual enterprise in the industry needs to establish a positive attitude towards IT adoption and train more eligible employees with both IT and tourism knowledge.
- Large tourism business groups should go online as a whole based on existing internal computer networks while individual travel services should try to gain access to a computer network under professional guidance.”

Experience in other countries around the world has shown that, while public sector support for national destination databases is critical, the operation and marketing of these databases are best left to the private sector. Best-practice models include Australia, Austria, Ireland and the Netherlands, but there are also examples in Asia that could serve as models for China.

### Aircraft Manufacturing

One very interesting technology development flowing from the enormous growth of Travel & Tourism in China has been the development of a Chinese designed and manufactured regional jet (ARJ21: Advanced Regional Jet for the 21st Century). This new 70-90 seat turbo fan aircraft is designed to fly 1,200 to 3,7000 kilometers. Manufacturing plants have been opened in December 2003 in Shanghai, Xi'an, Chengdu and

Shenyang. This major development adds a whole new piece of significant value to China's Travel & Tourism efforts.

## PROMOTE RESPONSIBILITY IN NATURAL, SOCIAL AND CULTURAL ENVIRONMENTS

### Establish Clear Procedures and Guidelines

According to The NewRepublic Online dated August 23, 2004, “Sixteen of the world's 20 most polluted cities are in China. Two-thirds of China's cities don't meet World Health Organization air-quality standards...and five of China's biggest rivers are not suitable for human contact. [At the same time] China's equivalent of the Environmental Protection Agency has a staff of only 300, one-fiftieth that of its American counterpart.”

Since the Rio Earth Summit in 1992, it has been widely recognized that sustainability has to be at the core of all policy-making and development planning. This holds especially true for Travel & Tourism. With huge increases in the number of people travelling for tourism purposes over the next decade, there are evident implications for consumption, waste and resource utilization.

In 1994, WITC started the Green Globe environment awareness programme to encourage tourism businesses to make environmental improvements. Green Globe 21 now operates as an independent



organization that monitors and certifies businesses. It maintains links to WTTC. There is also a WTTC Infrastructure Task Force working towards the sustainable development of infrastructure.

The Chinese Government, through CNTA, has already committed to the following guidelines and policies for tourism development:

“Great importance should be attached to the combination of the tourism resources exploitation with ecological environmental protection while promoting sustainable tourism development in an all-round way.”

## China Tourism Strategy

CNTA has also committed to the development of ecotourism zones

“Ecotourism. First, a comparatively integral system of ecotourism products, is supposed to be engendered corresponding to the extensive market demands. Second, a batch of key ecotourism spots are supposed to gain special support so as to achieve a distinctive image on the international market and to engender perfect products with high standard, fine quality and good benefits. Moreover, these products are required to meet the strict requirements of environmental protection.”

## China Tourism Strategy

It is essential that the procedures and guidelines incorporated in these plans are communicated to all stakeholders and implemented as widely and as quickly as possible. Implementation of these procedures and their impact should also be closely monitored. In addition, WTTC recommends that:

- The socio-economic, cultural and environmental benefits of Travel & Tourism be spread equitably across the population in all parts of the country;
- Local community engagement and empowerment be actively encouraged;
- China adopt the principles of ecological preservation as outlined in Agenda 21, developed for the Travel & Tourism industry after the 1992 Rio Earth Summit by WTTC, the World Tourism Organization and the Earth Council.

One of the most recent concerns in regard to the environment has been the protection or lack thereof given to historic areas of China's main cities, Shanghai in particular. Because many visitors are coming to China to experience the rich culture, history and architecture in places like the Bund, the policy of redeveloping many of the old districts that are a primary attraction for visitors must be reconsidered. There needs to be a better balance between new development and preservation of historic districts.

For those places where development or redevelopment are appropriate, whether these places are tourism specific or simply part of the broader development of urban areas, careful attention should be paid to the architectural styles that are being produced. It is especially important in cities like Beijing, which should embrace new construction with great flare and architectural style so that new buildings will not be “old Chinese buildings” within 10 years. Some have suggested that overall the new buildings that are rising in Beijing are very bland and add little character to the city.

Sustainability will need a balance of private initiative, economic incentives and regulation. Global principles should be reflected in local action, and market-based delivery mechanisms should be encouraged. Pilot projects should be used to evaluate and demonstrate local sustainability. It is important for sustainability to be accepted as a policy across the industry as a whole, and not just as a policy for rural and nature-based tourism.

One very clear and practical example of this focus is the recent opening of the Cooperative Research Centre for Sustainable Tourism (CRCST) office in Chengdu, which has been very active in promoting its Green Globe products. (After being developed by WTTC, Green Globe became

independent in 1998.) CRCST is working closely with China's State Environmental Protection Administration to provide a combination of global promotion and targeted Chinese marketing of Green Globe 21 (GG21), which has brought a strong response with many major Chinese organizations expressing their interests in the GG21 programme.

The following report from the United Nations summarizes the most recent developments for China's Travel & Tourism efforts for sustainable development.

**Plan of Action for Sustainable Tourism Development in the Asian and Pacific Region (1999-2005):  
A Progress Report**

United Nations, New York, 2001

The unique natural endowments, long history, diverse cultural heritage of various ethnic groups and tradition of hospitality form the basis for tourism development in China. Rational use of resources to develop tourism was considered as important for national economic development to improve people's living standards in ways that would be sustainable and carry forward national and cultural traditions. In terms of human resources development, the government considers that tourism managers, tourists and the public needed enhanced awareness and more scientific knowledge about sustainable tourism development. China has a seven-point strategy as a basic framework for sustainable tourism development that seeks to balance rational use of resources for positive economic impact with environmental protection. One point of the strategy emphasizes giving full play to market mechanisms and promoting the government's role in establishing a cooperative institutional safeguard system. This would help at the macroeconomic level by replacing some traditional industries that used resources inefficiently and caused pollution.

Environmental protection and scientific management as key parts of a strategy of sustainable tourism development was the fundamental state policy of the National Tourism Development Plan, 1996-2000. Scientific management of natural and cultural resources would involve active development of ecotourism, especially for protecting bio-diversity.

China has strengthened its legal and technical standards in order to protect tourism resources. Since the 1980s, this has included the Law on Environmental Protection, Rules and Regulations on National Scenic Spots and Regulations on Forests and Parks. At the same time, it was recognized that investors were one of several groups of stakeholders, and meeting everyone's interests required integrated coordination and management of the whole industry. Science and technology could also help to build institutional and infrastructural safeguards for sustainable tourism development. The government has identified 500 cultural relics protection sites at the national level, 99 cities of historical and cultural renown and 119 scenic spots at the national level. More than 700 nature conservation zones have been established, as well as more than 120 national and provincial holiday resorts.

Enhancing international cooperation was considered integral to promoting sustainable tourism development based on equal participation by all countries. Countries should formulate plans that are relevant to national conditions, but they should also be aware of any negative impact on neighbouring countries. International cooperation would facilitate sharing resources and technology and help developing countries to build their capacities for sustainable tourism development.

The National Tourism Administration of China has proposed guidelines on promoting tourism development at the Sixth Annual Session of the Parliamentarian Congress on Environment and Development in Asia and the Pacific. China has also emphasized public awareness and education campaigns on sustainable tourism development, and there have been pilot projects involving ecotourism.

One initiative under China's seven-point strategic policy for tourism development involves setting up model ecotourism projects. An important part of ecotourism projects involves action to preserve and maintain the continuity of the cultural heritage.





In Hong Kong, in November 1997, the Hong Kong Tourist Association in collaboration with the Industry Department commissioned the Hong Kong Productivity Council to design an 'Environmentally Sustainable Development Strategy (ESDS) for Hong Kong's Travel and Tourism Industry'. The resulting Strategy Report and Action Plan was intended to lead Hong Kong's Travel & Tourism industry towards environmentally sustainable development. Several years later, at the Second Travel and Tourism Industry Roundtable on the Environment, co-hosted by The Hong Kong Polytechnic University (PolyU) and Hong Kong Tourism Board, Dr John Ap, Director of the Sustainable Travel and Tourism Resource Unit at PolyU, presented the results of a survey. This had been conducted to determine the extent to which the industry had adopted environment-friendly practices and what level of awareness there was within the industry of the Environmental Sustainable Development Strategy. He observed that, while many were aware of, or had adopted, environment-friendly practices, awareness of the actual Strategy was low. This suggests that more needs to be done to raise industry awareness of the Strategy.

Perhaps one of the best recent guides to sustainable development for Travel & Tourism, which China and Hong Kong should study and implement rigorously, is the July 2002 report from the Asia-Pacific Economic Cooperation (APEC) Tourism Working Group, entitled *Public-Private Partnerships for Sustainable Tourism – Delivering a Sustainability Strategy for Tourism Destinations*. This objective of this report, produced by the Australian Co-operative Research Centre for Sustainable Tourism, "is to provide a framework for the sustainable development of the travel and tourism industry in the APEC region, through public-private partnerships, and to deliver a sustainability strategy for tourism destinations". In our judgement, there is no better source of guidance in establishing a comprehensive and solid foundation for sustainable Travel & Tourism.

## Increase Branding through International and/or National Designations

China boasts a large number of world-class natural and cultural resources that have been awarded World Heritage Site designation. The following was reported by Zhang Tingting, China Internet Information Centre staff reporter, on June 13, 2002:

### Jinci Temple Seeks World Heritage Status

After centuries of restoration and additions, Jinci Temple at the foot of Xuanweng Mountain in Taiyuan, Shanxi Province is a garden and architectural complex that was granted national protection by the State Council in 1961 and designated an AAAA scenic area by the State Tourism Administration at (sic) January 2001. Now to further protect its gardens, sculptures, steles and ancient trees the State Council seeks a further distinction: World Heritage Site. Jinci Temple is among 50 other cultural and natural sites listed on China's 'World Heritage Candidate List' – the first step in applying for World Heritage status. In Shanxi Province alone, three other sites are on the list: Dingcu Village Relics, Ying Country Wooden Pagoda, and the Eternal Joy Temple.

Worldwide 690 cultural and natural preservation sites are on the World Heritage list which was created in 1972 when UNESCO's 17th Meeting passed a 'World Cultural and Natural Heritage Preservation Treaty' in Paris. China joined and became a signatory state to the treaty on November 22, 1985 ratified by the 13th Session of the Standing Committee of the Sixth National People's Congress. In 1987 the first World Heritage sites were designated in China: The Great Wall, the Palace Museum, the Zhoukoudian Home of Peking Man, the Mogao Grottoes, the Mausoleum of the First Emperor of Qin in Xi'an and the Terracotta Warriors and Horses. China now has 28 cultural and natural relics on the World Heritage list, ranking third in the world after Spain and Italy.

Each application for World Heritage site designation can promote public awareness about history and civilization. While increasing the cohesiveness of a whole city, the application can have a huge social and economic impact. The most important impact is the better protection of precious historical natural sites. However, designation as a World Heritage site has proved to be a boon for tourism. For example, the year after the Chengde Mountain Resort to Escape the Heat was listed as a World Heritage site, the number of tourists there increased 10 per cent. As for Pingyao City in Shanxi, tourism noticeably increased after its World Cultural Heritage site designation.

China has made strong steady progress since acceding to the World Heritage Convention in 1985. It is currently a member of the World Heritage Committee itself, which highlights the dedication and commitment it has towards the protection and conservation of the world's irreplaceable cultural and natural heritage.

In addition to this focus on world heritage, the Chinese Government also operates and promotes a national heritage designation, with clearly defined criteria to support quality. Such a designation should be accompanied by increased government funding for the development and promotion of identified areas of particular heritage value.

# SATELLITE ACCOUNT

## PEOPLE'S REPUBLIC OF

	2001	2002	2003	2004	2005E	2006E	2016P
<b>Travel &amp; Tourism - Rmb bn</b>							
Personal Travel & Tourism	450.06	485.75	516.92	597.79	682.42	776.68	2,839.87
Business Travel & Tourism	131.53	139.31	144.12	175.23	220.40	274.77	1,022.16
Corporate	117.69	125.33	130.57	159.36	201.52	251.45	951.21
Government	13.84	13.98	13.55	15.87	18.89	23.32	70.96
Gov't Expenditures - Individual	14.71	15.78	16.87	18.83	20.29	21.98	50.67
Visitor Exports	157.31	179.96	154.84	229.72	266.88	288.72	693.62
<b>Travel &amp; Tourism Consumption</b>	<b>753.62</b>	<b>820.80</b>	<b>832.74</b>	<b>1,021.57</b>	<b>1,190.00</b>	<b>1,362.16</b>	<b>4,606.32</b>
Gov't Expenditures - Collective	33.75	36.21	38.68	43.19	46.54	50.42	116.22
Capital Investment	354.34	418.34	536.97	697.67	882.14	1,058.21	3,329.39
Exports (Non-Visitor)	99.02	111.18	149.69	200.77	256.54	299.52	1,044.10
<b>Travel &amp; Tourism Demand</b>	<b>1,240.73</b>	<b>1,386.53</b>	<b>1,558.09</b>	<b>1,963.20</b>	<b>2,375.23</b>	<b>2,770.30</b>	<b>9,096.03</b>
<b>Travel &amp; Tourism Industry Aggregates (Direct Impact Only)</b>							
Employment ('000)	16,702.96	16,852.47	15,329.11	16,023.84	16,619.87	17,383.15	20,444.87
Gross Domestic Product	282.40	304.62	305.93	369.44	431.07	496.80	1,629.71
<b>Travel &amp; Tourism Economy Aggregates (Direct and Indirect Impacts)</b>							
Employment ('000)	56,818.04	59,471.52	60,713.82	66,300.31	72,286.58	77,600.48	89,990.27
Gross Domestic Product	1,059.54	1,178.72	1,323.07	1,652.45	2,008.15	2,358.92	7,536.97
<b>Travel &amp; Tourism Accounts as % of National Accounts</b>							
Personal Travel & Tourism	9.81	9.94	9.81	10.13	10.25	10.29	10.75
Gov't Expenditures	3.72	3.74	3.75	3.77	3.80	3.82	4.01
Capital Investment	9.52	9.62	9.66	9.90	9.88	9.87	9.90
Exports	10.34	9.63	7.59	7.93	7.56	7.36	6.22
T&T Imports	8.07	7.65	6.33	6.19	6.13	5.65	5.61
<b>Travel &amp; Tourism Industry Aggregates (Direct Impact Only)</b>							
Employment	2.30	2.29	2.07	2.14	2.20	2.28	2.49
Gross Domestic Product	2.90	2.90	2.61	2.70	2.77	2.88	3.16
<b>Travel &amp; Tourism Economy Aggregates (Direct and Indirect Impacts)</b>							
Employment	7.82	8.09	8.19	8.85	9.55	10.16	10.98
Gross Domestic Product	10.89	11.21	11.27	12.07	12.92	13.65	14.60
<b>Travel &amp; Tourism Real Growth (per annum except 2016 = 10-year annualized)</b>							
Personal Travel & Tourism	5.69	8.11	4.35	8.24	9.80	11.28	9.90
Business Travel & Tourism	-10.22	6.10	1.44	13.80	20.98	21.89	10.13
Gov't Expenditures	10.76	7.47	4.76	4.52	3.64	5.91	4.94
Capital Investment	13.60	18.26	25.87	21.61	21.61	17.29	8.34
Visitor Exports	8.41	14.59	-15.63	38.86	11.74	5.77	5.38
Other Exports	-1.10	12.47	32.03	25.53	22.90	14.15	9.38
Travel & Tourism Consumption	3.13	9.10	-0.51	14.82	12.04	11.92	9.78
Travel & Tourism Demand	5.75	11.94	10.19	17.93	16.37	14.04	8.74

# TABLES

## CHINA

	2001	2002	2003	2004	2005E	2006E	2016P
<b>Travel &amp; Tourism Industry Aggregates (Direct Impact Only)</b>							
Gross Domestic Product	2.30	8.05	-1.52	13.03	12.23	12.68	8.72
Employment	-3.64	0.90	-9.04	4.53	3.72	4.59	1.64
<b>Travel &amp; Tourism Economy Aggregates (Direct and Indirect Impact)</b>							
Gross Domestic Product	5.31	11.44	10.07	16.90	16.88	14.85	8.45
Employment	-0.84	4.67	2.09	9.20	9.03	7.35	1.51
<b>Travel &amp; Tourism - US\$ bn</b>							
Personal Travel & Tourism	54.37	58.69	62.45	72.22	83.49	99.16	405.70
Business Travel & Tourism	15.89	16.83	17.41	21.17	26.97	35.08	146.02
Corporate	14.22	15.14	15.77	19.25	24.65	32.10	135.89
Government	1.67	1.69	1.64	1.92	2.31	2.98	10.14
Gov't Expenditures - Individual	1.78	1.91	2.04	2.28	2.48	2.81	7.24
Visitor Exports	19.01	21.74	18.71	27.76	32.65	36.86	99.09
<b>Travel &amp; Tourism Consumption</b>	<b>91.05</b>	<b>99.17</b>	<b>100.61</b>	<b>123.43</b>	<b>145.59</b>	<b>173.90</b>	<b>658.05</b>
Gov't Expenditures - Collective	4.08	4.37	4.67	5.22	5.69	6.44	16.60
Capital Investment	42.81	50.54	64.88	84.29	107.93	135.10	475.63
Exports (Non-Visitor)	11.96	13.43	18.09	24.26	31.39	38.24	149.16
<b>Travel &amp; Tourism Demand</b>	<b>149.90</b>	<b>167.52</b>	<b>188.24</b>	<b>237.19</b>	<b>290.60</b>	<b>353.67</b>	<b>1,299.43</b>
<b>Travel &amp; Tourism Industry Aggregates (Direct Impact Only)</b>							
Employment ('000)	16,702.96	16,852.47	15,329.11	16,023.84	16,619.87	17,383.15	20,444.87
Gross Domestic Product	34.12	36.80	36.96	44.64	52.74	63.42	232.82
<b>Travel &amp; Tourism Economy Aggregates (Direct and Indirect Impacts)</b>							
Employment ('000)	56,818.04	59,471.52	60,713.82	66,300.31	72,286.58	77,600.48	89,990.27
Gross Domestic Product	128.01	142.41	159.85	199.65	245.69	301.15	1,076.71
<b>Travel &amp; Tourism - 2000 Constant US\$ bn</b>							
Personal Travel & Tourism	53.71	58.07	60.60	65.59	72.02	80.14	205.94
Business Travel & Tourism	15.70	16.65	16.89	19.23	23.26	28.35	74.12
Gov't Expenditures - Individual	1.76	1.89	1.98	2.07	2.14	2.27	3.67
Visitor Exports	18.77	21.51	18.15	25.21	28.16	29.79	50.30
<b>Travel &amp; Tourism Consumption</b>	<b>89.94</b>	<b>98.13</b>	<b>97.62</b>	<b>112.09</b>	<b>125.58</b>	<b>140.55</b>	<b>334.04</b>
Gov't Expenditures - Collective	4.03	4.33	4.53	4.74	4.91	5.20	8.43
Capital Investment	42.29	50.01	62.95	76.55	93.09	109.19	241.44
Exports (Non-Visitor)	11.82	13.29	17.55	22.03	27.07	30.90	75.72
<b>Travel &amp; Tourism Demand</b>	<b>148.08</b>	<b>165.76</b>	<b>182.65</b>	<b>215.41</b>	<b>250.66</b>	<b>285.84</b>	<b>659.62</b>
<b>Gross Domestic Product</b>							
Travel & Tourism Industry	33.70	36.42	35.86	40.54	45.49	51.26	118.18
Travel & Tourism Economy	126.45	140.92	155.10	181.31	211.92	243.40	546.56



# SATELLITE ACCOUNT

## HONG KONG

	2001	2002	2003	2004	2005E	2006E	2016P
<b>Travel &amp; Tourism - HK\$ bn</b>							
Personal Travel & Tourism	88.56	88.52	81.98	93.81	101.58	112.63	281.20
Business Travel & Tourism	27.11	26.00	21.96	24.05	26.78	29.49	64.40
Corporate	24.93	23.92	20.21	22.23	24.95	27.54	61.12
Government	2.17	2.07	1.75	1.82	1.84	1.94	3.28
Gov't Expenditures - Individual	2.91	2.97	2.94	2.87	2.77	2.86	4.35
Visitor Exports	61.83	76.83	70.73	91.38	102.91	115.03	276.37
<b>Travel &amp; Tourism Consumption</b>	<b>180.41</b>	<b>194.32</b>	<b>177.62</b>	<b>212.11</b>	<b>234.04</b>	<b>260.01</b>	<b>626.31</b>
Gov't Expenditures - Collective	6.68	6.82	6.75	6.59	6.36	6.55	9.97
Capital Investment	54.13	41.03	39.62	42.19	44.94	51.78	145.80
Exports (Non-Visitor)	76.16	80.34	90.01	104.85	117.91	131.77	349.10
<b>Travel &amp; Tourism Demand</b>	<b>317.39</b>	<b>322.51</b>	<b>314.00</b>	<b>365.74</b>	<b>403.24</b>	<b>450.11</b>	<b>1,131.19</b>
<b>Travel &amp; Tourism Industry Aggregates (Direct Impact Only)</b>							
Employment ('000)	112.95	138.78	126.69	150.13	161.62	167.70	208.89
Gross Domestic Product	30.56	37.55	33.11	40.60	45.44	50.47	114.75
<b>Travel &amp; Tourism Economy Aggregates (Direct and Indirect Impacts)</b>							
Employment ('000)	365.76	421.38	410.21	481.55	521.98	549.43	769.47
Gross Domestic Product	169.62	183.87	178.00	207.10	229.72	257.21	642.10
<b>Travel &amp; Tourism Accounts as % of National Accounts</b>							
Personal Travel & Tourism	11.32	11.84	11.41	12.29	12.66	13.12	15.90
Gov't Expenditures	7.45	7.46	7.45	7.44	7.46	7.48	7.70
Capital Investment	16.25	14.34	15.16	15.12	15.22	15.36	15.18
Exports	7.66	8.23	7.61	8.01	8.07	8.09	7.65
T&T Imports	8.48	7.68	6.81	6.80	6.75	6.68	6.07
<b>Travel &amp; Tourism Industry Aggregates (Direct Impact Only)</b>							
Employment	3.47	4.29	3.94	4.58	4.79	4.85	5.16
Gross Domestic Product	2.35	2.94	2.69	3.15	3.30	3.35	3.58
<b>Travel &amp; Tourism Economy Aggregates (Direct and Indirect Impacts)</b>							
Employment	11.23	13.04	12.75	14.68	15.46	15.89	18.99
Gross Domestic Product	13.06	14.40	14.44	16.04	16.67	17.05	20.04
<b>Travel &amp; Tourism Real Growth (per annum except 2016 = 10-year annualized)</b>							
Personal Travel & Tourism	0.89	3.50	-1.13	18.37	8.75	7.95	6.88
Business Travel & Tourism	-1.82	-0.70	-9.81	13.29	11.83	7.19	5.45
Gov't Expenditures	9.78	5.63	5.78	0.95	-3.19	0.38	1.71
Capital Investment	16.75	-21.52	3.10	10.15	6.97	12.18	8.17
Visitor Exports	-1.36	28.66	-1.71	33.63	13.10	8.83	6.47
Other Exports	-3.76	9.21	19.61	20.50	12.94	8.80	7.52
Travel & Tourism Consumption	-0.17	11.52	-2.42	23.53	10.81	8.16	7.15
Travel & Tourism Demand	1.62	5.21	3.95	20.49	10.73	8.68	6.95

# TABLES

	2001	2002	2003	2004	2005E	2006E	2016P
<b>Travel &amp; Tourism Industry Aggregates (Direct Impact Only)</b>							
Gross Domestic Product	-5.17	27.23	-5.85	26.85	12.40	8.12	5.88
Employment	-3.81	22.86	-8.71	18.51	7.65	3.76	2.22
<b>Travel &amp; Tourism Economy Aggregates (Direct and Indirect Impact)</b>							
Gross Domestic Product	-2.25	12.24	3.36	20.35	11.40	9.01	6.88
Employment	-2.03	15.21	-2.65	17.39	8.40	5.26	3.43
<b>Travel &amp; Tourism - US\$ bn</b>							
Personal Travel & Tourism	11.35	11.35	10.53	12.04	13.06	14.55	36.52
Business Travel & Tourism	3.47	3.33	2.82	3.09	3.44	3.81	8.36
Corporate	3.20	3.07	2.59	2.85	3.21	3.56	7.94
Government	0.28	0.27	0.23	0.23	0.24	0.25	0.43
Gov't Expenditures - Individual	0.37	0.38	0.38	0.37	0.36	0.37	0.56
Visitor Exports	7.93	9.85	9.08	11.73	13.23	14.86	35.89
Travel & Tourism Consumption	23.13	24.91	22.81	27.23	30.08	33.59	81.34
Gov't Expenditures - Collective	0.86	0.87	0.87	0.85	0.82	0.85	1.30
Capital Investment	6.94	5.26	5.09	5.42	5.78	6.69	18.93
Exports (Non-Visitor)	9.76	10.30	11.56	13.46	15.16	17.02	45.34
Travel & Tourism Demand	40.69	41.35	40.32	46.96	51.84	58.14	146.91
<b>Travel &amp; Tourism Industry Aggregates (Direct Impact Only)</b>							
Employment ('000)	112.95	138.78	126.69	150.13	161.62	167.70	208.89
Gross Domestic Product	3.92	4.81	4.25	5.21	5.84	6.52	14.90
<b>Travel &amp; Tourism Economy Aggregates (Direct and Indirect Impacts)</b>							
Employment ('000)	365.76	421.38	410.21	481.55	521.98	549.43	769.47
Gross Domestic Product	21.74	23.57	22.86	26.59	29.53	33.23	83.39
<b>Travel &amp; Tourism - 2000 Constant US\$ bn</b>							
Personal Travel & Tourism	11.58	11.99	11.85	14.03	15.26	16.47	32.02
Business Travel & Tourism	3.54	3.52	3.17	3.60	4.02	4.31	7.33
Gov't Expenditures - Individual	0.38	0.40	0.43	0.43	0.42	0.42	0.50
Visitor Exports	8.09	10.40	10.23	13.66	15.45	16.82	31.47
Travel & Tourism Consumption	23.59	26.31	25.68	31.72	35.15	38.02	71.32
Gov't Expenditures - Collective	0.87	0.92	0.98	0.99	0.95	0.96	1.14
Capital Investment	7.08	5.56	5.73	6.31	6.75	7.57	16.60
Exports (Non-Visitor)	9.96	10.88	13.01	15.68	17.71	19.27	39.75
Travel & Tourism Demand	41.51	43.67	45.39	54.69	60.56	65.81	128.80
<b>Gross Domestic Product</b>							
Travel & Tourism Industry	4.00	5.08	4.79	6.07	6.82	7.38	13.07
Travel & Tourism Economy	22.18	24.90	25.73	30.97	34.50	37.61	73.11

# SATELLITE ACCOUNT

## MACAU

	2001	2002	2003	2004	2005E	2006E	2016P
<b>Travel &amp; Tourism - MOP mn</b>							
Personal Travel & Tourism	2,443.19	3,308.95	3,066.07	3,593.18	4,276.19	4,792.36	11,563.60
Business Travel & Tourism	530.61	439.06	182.45	237.55	323.60	416.09	949.38
Corporate	478.93	400.15	167.64	221.82	302.14	389.79	894.17
Government	51.68	38.91	14.81	15.73	21.47	26.30	55.21
Gov't Expenditures - Individual	225.00	233.21	253.20	264.13	297.24	315.98	632.66
Visitor Exports	30,087.30	36,297.50	42,658.20	61,639.30	69,111.70	82,242.90	268,157.00
<b>Travel &amp; Tourism Consumption</b>	<b>33,286.10</b>	<b>40,278.70</b>	<b>46,160.00</b>	<b>65,734.20</b>	<b>74,008.70</b>	<b>87,767.30</b>	<b>281,303.00</b>
Gov't Expenditures - Collective	515.81	535.55	580.71	606.38	681.43	724.49	1,450.72
Capital Investment	3,856.25	4,757.32	7,380.58	11,072.30	20,149.50	30,224.20	28,244.50
Exports (Non-Visitor)	672.94	753.32	863.18	929.52	817.89	883.79	1,918.17
<b>Travel &amp; Tourism Demand</b>	<b>38,331.10</b>	<b>46,324.90</b>	<b>54,984.40</b>	<b>78,342.30</b>	<b>95,657.50</b>	<b>119,600.00</b>	<b>312,916.00</b>
<b>Travel &amp; Tourism Industry Aggregates (Direct Impact Only)</b>							
Employment ('000)	81.58	80.77	81.58	87.61	94.56	100.94	131.67
Gross Domestic Product	14,413.50	17,108.90	20,158.60	28,122.80	30,391.70	33,805.90	95,627.60
<b>Travel &amp; Tourism Economy Aggregates (Direct and Indirect Impacts)</b>							
Employment ('000)	189.16	188.60	192.85	207.10	223.54	238.62	305.10
Gross Domestic Product	35,388.80	42,022.00	51,259.10	71,434.40	84,043.40	98,698.00	225,839.00
<b>Travel &amp; Tourism Accounts as % of National Accounts</b>							
Personal Travel & Tourism	12.34	16.36	14.83	15.75	16.96	17.66	20.68
Gov't Expenditures	12.13	12.16	12.21	12.27	12.32	12.37	12.93
Capital Investment	75.33	82.01	82.17	82.47	82.72	83.98	80.08
Exports	60.27	64.82	66.25	71.70	78.59	79.86	84.11
T&T Imports	9.09	12.31	9.57	14.28	21.27	30.45	45.79
<b>Travel &amp; Tourism Industry Aggregates (Direct Impact Only)</b>							
Employment	40.19	40.18	40.18	40.19	40.19	40.19	40.19
Gross Domestic Product	29.00	31.21	31.71	33.92	32.82	32.06	39.66
<b>Travel &amp; Tourism Economy Aggregates (Direct and Indirect Impacts)</b>							
Employment	93.18	93.83	95.00	95.00	95.00	95.00	93.11
Gross Domestic Product	71.20	76.66	80.64	86.17	90.77	93.59	93.66
<b>Travel &amp; Tourism Real Growth (per annum except 2016 = 10-year annualized)</b>							
Personal Travel & Tourism	26.59	35.16	-8.82	15.23	13.67	9.02	6.23
Business Travel & Tourism	-4.75	-17.42	-59.11	28.02	30.11	25.08	5.69
Gov't Expenditures	2.55	3.56	6.75	2.64	7.38	3.42	4.27
Capital Investment	-13.08	23.12	52.67	47.51	73.81	45.91	-3.16
Visitor Exports	18.63	20.40	15.65	42.08	7.09	15.76	9.54
Other Exports	2.43	11.72	12.76	5.89	-15.96	5.11	5.11
Travel & Tourism Consumption	18.58	20.76	12.78	40.02	7.53	15.36	10.32
Travel & Tourism Demand	13.86	20.61	16.80	40.10	16.62	21.62	7.13

# TABLES

	2001	2002	2003	2004	2005E	2006E	2016P
<b>Travel &amp; Tourism Industry Aggregates (Direct Impact Only)</b>							
Gross Domestic Product	17.72	18.46	15.95	37.18	3.22	8.20	7.98
Employment	17.84	-0.99	1.00	7.39	7.93	6.75	2.71
<b>Travel &amp; Tourism Economy Aggregates (Direct and Indirect Impact)</b>							
Gross Domestic Product	12.95	18.50	20.04	37.03	12.37	14.24	5.70
Employment	14.90	-0.30	2.25	7.39	7.94	6.75	2.50
<b>Travel &amp; Tourism - US\$ mn</b>							
Personal Travel & Tourism	304.11	411.92	382.26	447.92	533.11	597.46	1,441.64
Business Travel & Tourism	66.05	54.66	22.75	29.61	40.34	51.87	118.36
Corporate	59.61	49.81	20.90	27.65	37.67	48.60	111.48
Government	6.43	4.84	1.85	1.96	2.68	3.28	6.88
Gov't Expenditures - Individual	28.01	29.03	31.57	32.93	37.06	39.39	78.87
Visitor Exports	3,745.00	4,518.55	5,318.32	7,683.79	8,616.13	10,253.20	33,431.10
Travel & Tourism Consumption	4,143.16	5,014.15	5,754.89	8,194.24	9,226.64	10,941.90	35,069.90
Gov't Expenditures - Collective	64.20	66.67	72.40	75.59	84.95	90.32	180.86
Capital Investment	479.99	592.22	920.16	1,380.24	2,512.03	3,768.04	3,521.23
Exports (Non-Visitor)	83.76	93.78	107.62	115.87	101.97	110.18	239.14
Travel & Tourism Demand	4,771.11	5,766.82	6,855.06	9,765.94	11,925.60	14,910.50	39,011.20
<b>Travel &amp; Tourism Industry Aggregates (Direct Impact Only)</b>							
Employment ('000)	81.58	80.77	81.58	87.61	94.56	100.94	131.67
Gross Domestic Product	1,794.06	2,129.82	2,513.22	3,505.70	3,788.93	4,214.57	11,921.90
<b>Travel &amp; Tourism Economy Aggregates (Direct and Indirect Impacts)</b>							
Employment ('000)	189.16	188.60	192.85	207.10	223.54	238.62	305.10
Gross Domestic Product	4,404.87	5,231.17	6,390.62	8,904.81	10,477.70	12,304.60	28,155.20
<b>Travel &amp; Tourism - 2000 Constant US\$ mn</b>							
Personal Travel & Tourism	308.74	417.29	380.50	438.46	498.38	543.32	994.58
Business Travel & Tourism	67.05	55.37	22.64	28.99	37.72	47.17	81.66
Gov't Expenditures - Individual	28.43	29.41	31.42	32.23	34.64	35.82	54.42
Visitor Exports	3,802.01	4,577.47	5,293.90	7,521.59	8,054.83	9,324.11	23,064.10
Travel & Tourism Consumption	4,206.23	5,079.54	5,728.46	8,021.27	8,625.57	9,950.43	24,194.70
Gov't Expenditures - Collective	65.18	67.54	72.07	73.99	79.42	82.14	124.78
Capital Investment	487.30	599.95	915.93	1,351.10	2,348.38	3,426.61	2,429.29
Exports (Non-Visitor)	85.04	95.00	107.12	113.43	95.32	100.20	164.98
Travel & Tourism Demand	4,843.74	5,842.03	6,823.58	9,559.79	11,148.70	13,559.40	26,913.80
<b>Gross Domestic Product</b>							
Travel & Tourism Industry	1,821.38	2,157.60	2,501.68	3,431.70	3,542.10	3,832.67	8,224.87
Travel & Tourism Economy	4,471.93	5,299.39	6,361.27	8,716.84	9,795.09	11,189.70	19,424.20





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