



**Asia-Pacific
Economic Cooperation**

Business Growth Opportunities in the New APEC Economy

October 2012

APEC TOURISM WORKING GROUP



Business Growth Opportunities in the New APEC Economy

Ray Salter
TRC Tourism Ltd, New Zealand
October 2012

TWG 01 2011A

APEC Project Number: TWG 01 2011A

Produced by:

Ray Salter

TRC Tourism Ltd

Level 5 Aviation House

12 Johnston St

Wellington

New Zealand

Telephone: (64) 4 473 3114

Fax: (64) 4 473 0020

Email: info@trctourism.com

Website: www.trctourism.com

For:

APEC Economic Cooperation Secretariat

35 Heng Mui Keng Terrace

Singapore 119616

Telephone: (65) 68 919 600

Fax: (65) 68 919 690

Email: info@apec.co.nz

Website: www.apec.org

© 2012 APEC Secretariat

APEC#212-TC-01.2

Executive Summary

The Asia Pacific Economic Co-operation (APEC) region is a major component of the world economy, with approximately 57% of world economic output being generated by the 21 APEC economies. In 2010 these economies generated more than 40% of total international tourist arrivals worldwide and more than 40% of world visitor exports. Recent research indicates that travel and tourism's direct contribution to APEC's GDP will exceed US\$990 billion in 2011 and is estimated to support over 45 million jobs in the region. Visitor growth in the APEC region is expected to average around 5% year-on-year until 2030 as estimated by the United Nations World Tourism Organization (UNWTO).

With such tourism growth on the horizon there is an urgent need to ensure that the potential economic benefits and employment opportunities are achieved within the APEC region. Enabling private sector growth through quality regulatory and policy settings is vital to facilitate tourism growth.

This study undertook to identify the opportunities that are available, or need to be established, to grow travel and tourism in the APEC region and to provide recommendations to APEC economies on how to support tourism growth in the region. The APEC Tourism Working Group (TWG) comprises tourism administration and marketing representatives from the 21 APEC member economies. Its objective is to foster economic growth through sustainable tourism in the region. The TWG operates as a forum to share information, exchange views and develop areas of cooperation on tourism trade and policies. Through collective action by TWG and using the combined resources of the APEC economies there will be a greater ability to achieve change and facilitate tourism growth.

The approach taken for this project was a three stage process. A survey of representatives of the 21 APEC economies obtained preliminary information about key issues that are influencing the planning and management of tourism within the respective economies.

From the initial findings of the survey a wide range of issues were identified. The second stage was a workshop undertaken in the margins of the TWG meeting in April 2012 to complete the information collection and refine the specific issues of particular relevance to TWG.

Following the workshop a third stage of interviewing key business leaders throughout APEC was carried out. More detailed information on the opportunities for tourism growth in the region and impediments to those opportunities from a private sector perspective was obtained. Also the actions necessary to enable tourism business growth within the APEC region were identified.

From this combination of public agency and private business information a comprehensive perspective on the important issues to be addressed has been obtained. All economies and the private sector respondents recognise the important contribution that tourism makes to overall economic growth in the region as well as in each economy. The majority of respondents recognised that the APEC region will be transformed in the coming years as tourism numbers grow significantly. Powered by increasing wealth and a growing desire to travel, many economies will experience rapidly increasing visitation as well as strong growth in domestic tourism.

A strong consensus emerged; focusing on a limited number of opportunities is the key to improved travel within the region. In addition there are a limited number of issues that will make a significant difference to investment and development of tourism within the region. TWG was seen as being at the nexus of regional cooperation and considered to be in a strong position to influence many broad regional policy settings and facilitate capability development in a number of tourism areas.

In assessing the priority actions and recommendations, emphasis has been placed on those actions that will deliver the greatest benefit to tourism growth in the region. To develop robust policy actions for member economies, quality information was seen as a foundation requirement for TWG to be able to develop quality policy options and raise its own profile.

The priorities are focussed on those actions that will deliver growth opportunities for business and tourism in the near to medium term, being within the next five years. In addition the report focuses on those actions that TWG can undertake or facilitate and that have substantive support from member economies. This means that the limited resources of TWG and the processes operated by TWG are important aspects of delivering on the recommendations.

Five priority areas were identified as warranting further development by TWG to maximise the tourism growth opportunities in the region. In priority order, the issues to be addressed are:

1. **Information:** TWG member economies need quality information to make quality decisions. Good information enables a better understanding of the economic benefits of tourism. It also ensures decision makers are aware of the importance of tourism within economies. A need has been identified for excellent information about visitor characteristics for destination and product planning. Strategic planning and policy development also require relative economic performance data and long-term trend information on tourism within the APEC region.
2. **Travel Facilitation:** Travel facilitation, with a significant focus on improved visa policy and processes, has been identified by member economies as a major opportunity. Other issues that fall within this priority are air connectivity and issues associated with enhancing aviation and other modes of transport. Taxes being imposed on travellers are an increasing concern for many economies and private sector organisations.
3. **Investment:** Investment covers the activities around private sector investment in tourism enterprises including the planning, development of proposals and actual construction. Key topics revolve around funding, cost of capital, profitability and enhancing certainty for investors to commit to proposals.
4. **Labour and Skills:** The adequacy of tourism skills in the future is seen as a major opportunity for improvement in many economies. The availability of key skills for some tourism businesses and the overall skill levels of tourism labour are of concern. While for some economies there is comparatively free flow of labour and skills, in other economies there are restrictive immigration policies and mobility of labour presents difficulties. As the sector grows rapidly the ability to train new labour to the required skill level to meet demand is expected to be challenging. Other underlying issues relate to the structure of the industry, with poor job progression opportunities, high churn in roles and the preponderance of SME's in the sector, meaning that there are few high-level roles available.
5. **Infrastructure:** Infrastructure addresses the physical infrastructure necessary to offer a quality tourism experience for visitors. Key issues identified include the planning and demand assessment for new infrastructure and whether there is sufficient information to make quality decisions. Major impediments exist in the approvals processes for infrastructure, particularly co-ordinated governmental approvals.

Developing a clear plan of action in each of these areas was recognised as the best contribution TWG could make to facilitate the business opportunities presented by tourism growth in the APEC region. In addition, a second set of priorities were identified, comprising issues seen as either cross-cutting, specific and applicable to a smaller group

of economies, or major issues that were relevant across a wide range of sectors and required broader attention and action than TWG could apply. These include:

- Security and safety for visitors
- Sustainability of companies and demonstration of environmental performance
- Social and environmental acceptability of tourism developments
- Provision of credit for SME's and community based tourism

There were also many other issues that were raised which were important to a single or a small number of economies but were not of sufficient regional significance to be a high priority for TWG. Other mechanisms and regional organisations may be better placed to address these more localised issues. A suite of recommendations has been developed that recognises the pivotal role that TWG member economies can play in facilitating tourism growth in the region. By taking a leadership position in specific policy areas the TWG and individual economies will be able to influence the tourism business and regulatory environment and enhance the capability of regional tourism institutions.

It is recommended that TWG adopt the following recommendations:

Recommendations on Information:

1. TWG becomes the voice of tourism in the APEC region

TWG becomes an authoritative reference point for information on the contribution of tourism to the APEC regional economy with an active programme of regional information collection and analysis.

TWG member economies provide base statistical data for a regional visitor flows and issues report. This would raise the profile of tourism as a sector and enable TWG to report on the state of the APEC regional tourism economy, the issues facing it and the solutions being proposed.

Developing such a report would be a partnership between TWG and other key tourism organisations such as Pacific Asia Travel Association (PATA) and the World Travel and Tourism Council (WTTC).

2. Support Tourism Satellite Account development

TWG works further with UNWTO to support the development of Tourism Satellite Accounts (TSA's) for economies that currently do not have TSA's or have not completed the TSA development programme. Ultimately consider new reporting that pools regional data from TSA's to give aggregate regional information on tourism's economic contribution.

Over the longer term, develop a programme of analysis and reporting that supports individual economies with TSA's, to demonstrate the economic contribution of tourism and the consequent flow on job creation within those economies.

3. Enhance domestic tourism research

Develop common approaches to domestic tourism measurement for inclusion into policy discussions and priorities.

Encourage the hosts of each TWG meeting to hold a small industry forum in conjunction with each meeting and to use the forum as a platform for educating politicians, policy makers and treasuries about the value of tourism to the host economy.

4. Build long-term capability

Over the longer term, develop additional research and information applications for the information collected and used by TWG. Examples could include modelling and forecasting labour demand, infrastructure demand, and environmental consequences of tourism growth in the region for specific issues such as carbon emissions inventories, taxation implications of carbon charges, etc.

Recommendations on Travel Facilitation

5. Contribute to the Travel Facilitation Initiative

Establish TWG as the champion of all non-business travel and tourism in the APEC region and be a policy leader for the APEC Travel Facilitation Initiative (TFI) and beyond. To achieve this position, TWG will need to have information on the costs and benefits to APEC economies moving progressively from traditional paper based visa processes, to electronic visa processes, to visa on arrival processes to a visa free situation. Other useful research for TWG to undertake includes assessing the costs and benefits of other visa related approaches such as multiple re-entry visas, long stay visas and common approval processes and mutual recognition of visas between APEC economies. From this TWG will need to work with tourism members to present agreed upon information and positions and work constructively in the TFI process to ensure that tourism related travel is facilitated in the APEC region.

6. Explore aviation and travel linkages

TWG to assess the opportunity for further actions in aviation policy liberalisation such as increasing commitments to open skies amongst APEC economies, improving connectedness and assessing best practices in route development. These should be evaluated with the objectives of maximising the economic benefits to APEC economies.

In the longer term, TWG, in partnership with the APEC Transportation Working Group and private sector interests, should explore the policy implications of innovation in aviation and future trends and their consequences for regional travel patterns, infrastructure demands and visitor expectations.

7. Develop tax and tourism understanding

Drawing on recent PATA work on aviation taxes in the region, assess the opportunity for greater transparency in taxation regimes and raise awareness of the deterrent effect of higher taxes, and in particular carbon taxes, on visitation and economic growth in the APEC region.

Recommendations on Investment

8. Develop best practice on revenue and incentives for investment

TWG to support case studies that evaluate investment policies, including incentives and their efficacy – especially targeted incentives such as: land tax relief, property tax relief, financial support at local government level, regional government, supply of associated infrastructure as part of a development package, and discounted or preferential land packages.

Also undertake case studies on revenue instruments commonly used to fund tourism infrastructure and services – such as bed taxes, regional taxes, city taxes, sales taxes and fuel taxes to identify the operating conditions under which each approach works best. Upon completion, disseminate a best practice guide on tourism investment and revenue approaches for the APEC region

9: Support investment promotion

Develop, at a regional and economy level, the information requirements to guide investment support agencies and provide best practice guidance on investment promotion for tourism development projects and investments.

Work with investment promotion agencies, the International Finance Corporation (IFC) and the APEC Investment Experts Group to develop guidance for developers and regulatory agencies on how to reduce investment risks associated with tourism development proposals.

10: Run workshops to improve understanding of investment requirements

TWG to encourage host economies to partner with tourism private sector organisations and host workshops on timely investment topics. As part of the benefits of closer association with the other organisations, use the workshops to raise the media profile of tourism and investment.

As a second order issue, for TWG to undertake case studies on the integration of tourism development and sustainability with an emphasis on best practices in environmental performance and, over the longer term, explore how tourism investment can promote environmental sustainability,

Recommendations on Labour and Skills

11: Support further development and application of skills training

Develop, implement and maintain training standards for tourism skills in the APEC region by improving the understanding of tourism labour demand across the APEC region. TWG should work in partnership with the Association of South East Asian Nations (ASEAN) on skills standards and accreditation to meet the greatest future demands in the particular tourism occupational categories.

12: Promote recognition of tourism skills

TWG to promote a study on best practice on bilateral and multilateral agreements on skills recognition. Also explore opportunities to include aspects of labour mobility and improved recognition of tourism services in free trade agreement negotiations.

13: Identify innovation in recruitment and retention

TWG to support a review of innovations in workforce recruitment and retention in other industries and economies that also face recruitment and retention issues as a means of looking at future options for labour and skills improvements for tourism.

14: Expand accreditation systems

In partnership with ASEAN and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), support and expand best practice accreditation of tourism and education institutions and programmes. Review best practice by both public educational providers and private sector providers. The scope should also cover academic institutions as well as vocational institutions.

Where possible, develop mutual recognition agreements with accreditation entities outside APEC so as to broaden the portability of qualifications worldwide.

Recommendations on Infrastructure

15. Enhance attractiveness of tourism infrastructure investments

Work with public and private providers to improve the attractiveness of tourism infrastructure projects by developing best practice guidance on community engagement, regulatory processes, environmental performance of developments and standard business cases.

16. Improve infrastructure policy

Consult with the APEC Business Advisory Council (ABAC) and the Infrastructure Development Working Group of ABAC and propose the development of tourism case studies to support a better policy and regulatory environment for tourism infrastructure.

Invite the Asian Development Bank (ADB), Inter-American Development Bank (IDB) and IFC to participate in TWG events with a focus on tourism infrastructure, with the objectives of improving understanding of evaluation and funding processes for major infrastructure projects.

17. Improve tourism infrastructure forecasting

TWG to draw on visitor satisfaction research, assess future quality standards and integrate these findings into the design and development of new infrastructure that will meet these future visitor expectations. In a broader role, TWG should establish a regional agenda to evaluate and rectify specific infrastructure issues that restrict visitation or increase costs

In the longer term, TWG to support tourism infrastructure development by undertaking a research project that develops an infrastructure forecasting model which draws on forecast visitor growth, its regional distribution and the carrying capacity of existing infrastructure of APEC economies. Drawing on this forecast work, TWG could act as partner or strategic advisor to major funders in the region to assist in prioritisation of tourism investment to maximise the economic benefits to the region.

Table of Contents

1	BACKGROUND, AIMS AND OBJECTIVES	1
1.1	APEC Tourism in Context	1
1.2	APEC'S Focus on Tourism	1
1.3	Value of Impediments Studies	2
1.4	Motivations behind this Project	2
1.5	APEC's Immediate Tourism Agenda	4
1.6	Terms Of Reference for this Project	4
2	SITUATION ANALYSIS: THE APEC GROWTH STORY	6
2.1	Forecasting Regional Growth	6
2.2	Growth in Key Sectors	6
2.3	Growth from Source Markets	6
2.4	Growth in Domestic Tourism	7
2.5	Implications of Growth	7
3	IDENTIFYING CURRENT OPPORTUNITIES FOR GROWTH	8
3.1	Overall Approach	8
3.2	Survey of APEC Economies	8
3.3	Impediments Workshop	10
3.4	Overall Findings on Individual Travel	10
3.5	Overall Findings on Impediments to Tourism Business Activity	11
3.6	Overall Findings on Institutional Arrangements	12
3.7	Priorities Resulting From the Findings	13
3.8	Other Issues	14
4	PRIORITY: INFORMATION	16
4.1	Introduction to Recommendations on Information	17
4.2	Importance of the Recommendations on Information	17
4.3	Implications of the Recommendations on Information for Tourism Growth in the APEC Region	18
4.4	Implementation Pathway for Recommendations on Information	19
5	PRIORITY: TRAVEL FACILITATION	21
5.1	Introduction to Recommendations on Travel Facilitation	21
5.2	Importance of the Recommendations on Travel Facilitation	22
5.3	Implications of the Recommendations on Travel Facilitation for Tourism Growth in the APEC Region	25
5.4	Implementation Pathway for the Recommendations on Travel Facilitation	26

6	PRIORITY: INVESTMENT	27
6.1	Introduction to Recommendations on Investment	27
6.2	Importance of the Recommendations on Investments	27
6.3	Implications of the Recommendations on Investment for Tourism Growth in the APEC Region	28
6.4	Implementation Pathway for the Recommendations on Investment	29
7	PRIORITY: LABOUR AND SKILLS	30
7.1	Introduction to the Recommendations on Labour and Skills	30
7.2	Importance of the Recommendations on Labour and Skills	31
7.3	Implications of the Recommendations on Labour and Skills for Tourism Growth in the APEC Region	33
7.4	Implementation Pathway for the Recommendations on Labour and Skills	34
8	PRIORITY: INFRASTRUCTURE	35
8.1	Introduction to Recommendations on Infrastructure	36
8.2	Importance of the Recommendations on Infrastructure	36
8.3	Implications of the Recommendations on Infrastructure for Tourism Growth in the APEC Region	37
8.4	Implementation Pathway for the Recommendations on Infrastructure	40
	Acknowledgements	41
	Appendices	42
	Abbreviations	118

1 BACKGROUND, AIMS AND OBJECTIVES

1.1 APEC Tourism in Context

Tourism is the largest sector of the global economy, comprising 9% of the world's economic activity and employing over 260 million people in 2011, according to the World Travel and Tourism Council ¹(WTTC). In addition tourism has been on an almost continuous growth path for the last 50 years as global wealth has increased.

The APEC region is a major component of the world economy, with approximately 57% of world economic output being generated by the 21 APEC economies. In 2010 these economies generated more than 40% of total international tourist arrivals worldwide and generated more than 40% of world visitor exports.

Recent research² indicates that travel and tourism's direct contribution to the APEC regional Gross Domestic Product (GDP) is forecast to be US\$1,076 billion in 2012, a 2.7% share of total GDP. This level of economic activity is estimated to generate 45 million jobs, or 3.1% of total employment. If the indirect and induced impacts of travel and tourism are factored into the calculations, its total contribution is three times greater – US\$3.3 trillion GDP (an 8.3% share) and 123 million jobs within the APEC region.

Both the direct and total contributions of travel and tourism to GDP and employment are forecast to rise strongly over the coming decade – by 4.8% and 1.8% per annum respectively, resulting in an additional 8.9 million jobs across the APEC economies, either directly within the industry or in sectors linked to travel and tourism.

With such tourism growth on the horizon there is an urgent need to ensure that this potential economic benefit and employment is achieved within the APEC region. Consequently, enabling private sector growth through quality regulatory and policy settings and facilitating the tourism growth opportunities is vital.

1.2 APEC'S Focus on Tourism

Since its inception in 1989, APEC has recognised that travel and tourism will be a major engine for economic growth. The establishment of the Tourism Working Group (TWG) in 1991 and its continued activity is recognition of the importance accorded to tourism in the APEC economic agenda.

In 2000, at the first Tourism Ministerial Meeting in Seoul, Ministers made a commitment to the APEC Tourism Charter for the advancement of tourism in the APEC region. The four policy goals of the charter are:

1. Remove impediments to tourism business and investment.
2. Increase mobility of visitors and demand for tourism goods and services in the APEC region.
3. Sustainably manage tourism outcomes and impacts.
4. Enhance recognition and understanding of tourism as a vehicle for economic and social development.

The Charter has since been the guiding document that has set the strategic direction and priorities for the TWG and has established the key priorities for projects undertaken by APEC to advance tourism in the region.

¹ Travel and Tourism 2011 - World Travel and Tourism Council WTTC. 2011

² Travel and Tourism Economic Impact 2012. APEC WTTC 2012

The Nara Declaration, which was adopted in September 2010 at the 6th Tourism Ministerial Meeting, reiterated the significance of tourism for growth in the Asia-Pacific region. It stressed that it is essential to continue to develop a tourism-friendly business environment in the region. It also recognised the importance of collaboration with the private sector and international bodies, such as Pacific Asia Travel Association (PATA), WTTC, and the Organisation for Economic Co-operation and Development (OECD). The Declaration also recognised the importance of exchanging information and best practice on efforts to expand new and emerging types of tourism that will stimulate new demand and tourism-related investment across the APEC region.

1.3 Value of Impediments Studies

Impediments studies have been undertaken for over 20 years as a means of determining interventions that will enable tourism growth to be achieved. While this report is not an impediments study as such, it draws on an identification of current impediments in order to develop the key recommendations that will enable business opportunities for travel and tourism to grow in the region. In 1984 the OECD undertook the first “Inventory of Obstacles”, which was followed by the adoption by the OECD Council of a recommendation on International Tourism Policy (1985) that set goals for the gradual elimination of obstacles.

Subsequently, with a view to maintaining the high degree of tourism liberalisation and promoting further liberalisation, the OECD Tourism Committee initiated a number of further actions, including a new “Inventory of Measures Perceived as Obstacles to International Tourism in the OECD Area”. This comprehensive report was published in June 1991³.

These studies have been a core part of the OECD programme, contributing to discussions on the General Agreement on Trade in Services (GATS) and ensuring that the tourism sector is an integral part of the global agenda to liberalise trade in services.

More recently, OECD has initiated a new study on “Liberalisation in the Tourism Sector” that will again identify priority areas/measures perceived as obstacles to international tourism and review current practices for those areas⁴. Priority areas will include measures that constitute regulatory limitations to the development of international tourism and to the free movement of travellers, for example: tourism businesses regulations, investment or fiscal charges imposed on international travellers.

In parallel with the work of OECD, APEC TWG has carried out a series of impediments studies from 2001 – 2008⁵. Each of these studies surveyed impediments to tourism in a group of individual APEC economies and the results are reported in a series of specific reports. The findings of the studies are focussed on the TWG Tourism Charter goals and the policy actions required to alleviate identified impediments to tourism growth.

1.4 Motivations behind this Project

This project seeks to support APEC’s tourism growth aims by drawing on information from previous impediments studies and identifying those opportunities for business that APEC can support. This approach will benefit the broader APEC agenda in the following ways:

³ Inventory of Measures Perceived as Obstacles to International Tourism in the OECD Area – OCDE/GD (91) 116

⁴ 2011-12 Programme of Work of the OECD Tourism Committee - www.oecd.org/cfe/tourism

⁵ APEC 2001: Tourism Impediments Stage 1: Report of Project TWG 04/2001
APEC 2004: Tourism Impediments Stage 2: Report of Project TWG 01/2004
APEC 2006: Tourism Impediments Stage 3: Report of Project TWG 01/2006T

1.4.1 High Growth Sector

The services sector is becoming a larger part of the economy for many economies. Tourism is of particular importance for many developing economies where the growth of global tourism has been a positive force for these economies and represents the only major service sector in which developing economies regularly have a trade surplus.

1.4.2 Economic Opportunities

This project will focus on the opportunities for growth and capacity building. As an important component of the project, the private sector, through PATA and WTTC – and including leading travel and tourism companies (airlines, hotel groups, etc.) and other major players directly involved in tourism, such as banks and financial services – will be invited to contribute their views on achieving solutions and capitalizing on some of the opportunities that have been identified. Developing a forward agenda that involves and engages the private sector is a goal of the project.

1.4.3 Employment Creation

Tourism as an economic driver is particularly important in creating employment, as it is a labour intensive sector of the economy. With significant growth in tourism in the APEC region, member economies and developing ones in particular will benefit from employment creation, improved access to capacity-building opportunities and workforce skills development. In addition there will be greater opportunities for women and small business development in the respective economies.

1.4.4 Spill Over Benefits to Trade

There is a strong link between tourism and trade in other sectors. Growth in tourism depends on the existence of efficient transportation, telecommunications, financial services, accommodation, food services and other tourism-related services. Government policies, including those governing border crossings, foreign direct investment, access to foreign workers and the movement of capital, are vital to the development of tourism. These factors are also vital to the overall growth of economies. Tourism growth in the region will contribute significantly to broader economic growth in the region.

1.4.5 Convergence between Economies

Tourism is a sector where there is considerable commonality between economies in terms of processes (although not necessarily in tourism products). There is an opportunity to share knowledge and therefore collectively grow the value of tourism for all economies. Promoting greater convergence among economies is a key aspect of APEC's regional economic integration agenda. Travel and tourism in particular is an integral part of the APEC region, not just for its economic benefits, but also culturally, socially, and environmentally. This project will further regional integration and has the potential to bring the developing and developed economies closer together.

1.4.6 Support International Best Practice

The project covers issues of interest and concern to government and international agencies around the world, as reflected by the growing focus of the UN World Tourism Organization (UNWTO), on economic development and growth opportunities and will demonstrate the potential of partnerships between multiple APEC fora, international organizations, particularly PATA and WTTC, and the private sector. Identification of best practice examples also expands the opportunities for information sharing.

1.4.7 Improved Systems of Priority Setting

Not only is it important to address individual opportunities, it is also essential to have a system in place to identify and minimise the impact of impediments to these opportunities. The project will help TWG to set a forward-looking strategy that is focussed on key priorities and will enable a Collective Action Plan to be developed that will help increase opportunities and reduce impediments across the region and stimulate demand for travel and tourism.

1.5 APEC's Immediate Tourism Agenda

In 2010, the TWG developed a strategic plan for 2011 to 2015 to provide a roadmap to address critical issues and concerns relevant to tourism growth in the region. The plan was adopted at the 38th TWG meeting in April 2011. The plan identifies four strategic objectives:

1. Promote better understanding and recognition of tourism as an engine for growth and prosperity in the APEC region.
2. Ensure inclusive growth in travel and tourism by encouraging socially and cultural responsible tourism.
3. Promote and enhance sustainability of tourism businesses and destinations by providing an enabling environment based on sound principles of sustainable tourism.
4. Promote efficiency and regional economic integration through policy alignment and structural reforms.

In addition, the TWG identified a number of critical success factors to achieve the strategic plan. These include:

- Undertaking greater market research and sharing of information
- Providing a mechanism that will enable better understanding of the importance of tourism by leaders and policy makers
- Forging stronger links with other sectors in APEC as well as the private sector and international and multilateral organisations
- Promoting appreciation of the multicultural and distinct natural resources of the region as a tourism destination through sharing of best practices and models of conservation, preservation and protection of tourism assets

The design and development of this project took cognisance of the TWG's tourism strategic plan. Similarly, the recommendations in this report are proposed to be in conformance with the strategic directions of the plan and meet the needs of the critical success factors adopted by TWG.

1.6 Terms of Reference for this Project

The main goal of the project was to identify the business opportunities that are available, or need to be established, and how the current travel and tourism business/regulatory environment can be enhanced so as to contribute to capacity building in the Asia Pacific region.

By looking at the opportunities within these areas, and giving examples of best practice – i.e. the real impact on tourism growth and/or increased trade of lifting specific barriers – the project aimed to make policy recommendations for APEC economies as to how to overcome the impediments in these areas and how to take advantage of the opportunities. Member economies can then consider these policy strategies at TWG meetings and also take them back to their home economies for implementation. The full scope of work is attached as Appendix 1.

The project comprised three phases of activity:

Phase 1: Review the previous literature on impediments.

Phase 2: Seek from member economies their perspectives on the barriers to increased tourism growth within the APEC region and from the rest of the world.

Phase 3: Identify the business opportunities and regulatory improvement opportunities that might arise to enable increased tourism growth in the APEC region.

2 SITUATION ANALYSIS: THE APEC GROWTH STORY

2.1 Forecasting Regional Growth

The APEC region is seen as one of the most important regions for tourism growth in the coming decade. While economic conditions since 2008 have reduced growth expectations for many economies and resulted in significant changes in travel patterns in parts of the world, the overall APEC tourism story remains one of expected continued growth. Both international travel and domestic travel within economies will expand as the APEC regional economy grows. For the foreseeable future tourism in the APEC region is expected to grow above the world average⁶.

Current UNWTO forecasts are 5% for the Asia Pacific region, and South America has a similar positive forecast. North America and Oceania are expected to have lower growth, being more mature tourism markets and generally being long-haul destinations from key source countries. Globally, strong and consistent growth is expected with total arrivals forecast to be 1.8 billion by 2030. This long-term forecast is unlikely to be affected by local effects or specific events based on the last 50 years evidence of consistent growth trends in travel and tourism.

2.2 Growth in Key Sectors

Aviation industry forecasts for the Asia Pacific region by both major manufacturers of aircraft are also significant, with expectations of 7% annual growth to 2030 in this market. This forecast includes aircraft for fleet additions as well as replacements. A similar growth forecast has also been made for South America. This is significantly higher than expectations for North America, where a 2.3% growth rate is forecast.

Similarly, the cruise market in Asia is also forecast to grow dramatically as this form of tourism becomes more popular. Cruises are expected to attract over 5 million passengers by 2020 from the Asia region alone.

2.3 Growth from Source Markets

Many economies have diverse source markets around the APEC region, with Chile and Peru dependent upon their neighbours, Argentina and Brazil. Australia and New Zealand, similarly, have their major markets as each other. Brunei and Papua New Guinea also receive small visitor numbers from neighbouring countries. The ASEAN economies also have strong intra- regional travel as well as some specific major markets. For example, Thailand received over 1 million visitors from Russia in 2011. Both the USA and Canada have diverse markets, other than each other, but these are currently weighted towards Europe. However, all commentators are anticipating future travel trends to be strongly driven by the rise of Asia, and in particular China and India as major source markets for most economies.

At present much of the China outbound growth is either travel to Hong Kong, China or to Macao, China, with over 75% of total travel being to these two destinations. Another 10% is travel to neighbouring economies such as Russia, Chinese Taipei and Korea. Consequently, while the absolute traveller numbers are very large at over 135 million outbound travellers, most travel at present is short haul. In the longer term, Chinese travel is expected to be much more widely dispersed around the APEC region and the rest of the world. Australia and New Zealand are already experiencing part of this change, with significant growth in Chinese visitors in 2011 and 2012.

⁶ For more detail refer to Appendix 2: The APEC Growth Story: Background Information.

2.4 Growth in Domestic Tourism

In addition to international travel there are major domestic tourism contributions to the overall APEC tourism economy. The domestic market is important in sustaining a viable and growing tourism industry, which is capable of meeting the expectations of international visitors. Major economies have large domestic tourism sectors that reflect the size of their overall economies. For example, the United States has domestic tourism expenditure that is estimated at \$US704B in 2010 and comprises some 86% of the total expenditure⁷. Domestic travel comprises an estimated 1.965B trips for work and leisure. Similarly China's domestic tourism economy is estimated to comprise 2.6B trips valued at 1.85 Trillion Yuan for 2011⁸

2.5 Implications of Growth

Annual growth rates will continue to be highly variable around the APEC region as local factors impact upon specific visitation. Exchange rates, aviation connections, major events and many other factors will influence the short-term travel patterns across APEC. However, the longer-term scenario continues to predict strong overall growth as wealth and the propensity to travel increases across the region.

An anticipated overall growth rate of over 5% in the APEC region means that it is attractive from an investment point of view. When compared with the forecast growth rates for other parts of the world over the coming decade and beyond, there is considerable unsatisfied demand in the region for a range of tourism investments. Demand ranges from major capital works such as airports, road infrastructure and cruise terminals to private sector investments, particularly hotels and other accommodation types.

In addition, there are major opportunities throughout the region for development of new attractions and visitor experiences. These are expected to cover the whole range of product offer from major capital intensive theme park, integrated resort and casino development through to community based tourism and ecotourism offers.

The rate of change in the region is causing pressures on infrastructure, services and the quality of the tourism on offer where planning and providing for growth has not kept pace. However, the bigger opportunity is to recognise the potential for tourism growth and improve institutions, processes and systems to meet the forecast demand that the region is facing.

⁷ U.S. Travel Forecasts- US Travel Association. Updated 11/01/2011

⁸ China Soaring Towards New Tourism Records: More than 2 billion domestic and over 50 million outbound travellers in the first nine months of 2011. www.chinatraveltrends.com. 7 November 2011

3 IDENTIFYING CURRENT OPPORTUNITIES FOR GROWTH

3.1 Overall Approach

The approach taken for the project comprised a three stage process with an initial step of surveying representatives of the 21 APEC economies to obtain information about key issues that are influencing the planning and management of tourism within the respective economies. From the initial findings of the survey a wide range of issues were identified. A workshop was then undertaken to distil this information to key issues of particular relevance to TWG.

Following the workshop key business leaders throughout APEC were interviewed to obtain a more detailed perspective on the impediments and opportunities from a private sector perspective and to also understand which actions are necessary to enable tourism business growth within the region.

From this combination of public agencies and private business information a comprehensive perspective on the important issues to be addressed was obtained.

3.2 Survey of APEC Economies

A comprehensive survey (Appendix 2) was sent to the 21 APEC economies in February 2012 for their contribution and input into the project.

A framework that draws on the OECD report on impediments⁹ was adopted for the structure of the survey.

The three parts of the impediments survey are:

1. **Impediments to Individual Travel.** This section explores the components of individual travel and the trip planning and actions required to undertake travel. In particular border issues, visa issues and the action associated with the individual journey are explored.
2. **Business Issues.** This section covers the processes and activities of business operation. In particular the interface between business and government has in the past been an area that is perceived to be important in terms of impediments to growth. The survey explored the business consent and approvals aspects as well as the issues of financing, profits and returning these to investors. Feedback was also sought on the factor conditions that support business, such as the transport, human resources and utilities and whether these presented difficulties in enabling businesses to grow.
3. **Institutional Arrangements.** There is a significant variation in the institutions in different economies and their responsibilities for tourism policy, management, and promotion. This aspect of government is important for enabling growth. The survey set out to explore whether there were any specific impediments in different economies, whether there were any systemic issues and also whether, in the view of the respondents, there were examples of best practice.

The survey was distributed to member economies' TWG representatives in February 2012 and responses were received prior to the workshop in April 2012. Additional responses were also received after the workshop and these are included in the report. In total, 14 responses were received with a limited number having only reference information to other documents. The responding economies are detailed below:

⁹OECD, Trade in Tourism Services in OECD and Emerging Global Economies – Issues Paper 88TH Session of the Tourism Committee 26-27 September 2011 (SCFE/TOU(2011)10)

Table 1

APEC Economy	Survey response	Attendance at 39 th TWG meeting and workshop
Australia	✓	✓
Brunei	✓	✓
Canada	-	-
China	-	✓
Chile	✓	-
Hong Kong, China	✓	✓
Indonesia	✓	✓
Japan	Limited	✓
Korea	-	✓
Malaysia	-	✓
Mexico	✓	✓
New Zealand	✓	-
Papua New Guinea	-	-
Peru	✓	✓
The Philippines	✓	✓
Russia	-	✓
Singapore	Limited	✓
Chinese Taipei	Limited	?
Thailand	-	✓
United States of America	✓	✓
Viet Nam	-	✓

3.3 Impediments Workshop

In the margins of the 39th APEC TWG meeting in Taipei in April 2012 a workshop was held with the TWG member economy representatives on “Creating Business Growth Opportunities in the New APEC Economy”. The workshop purpose was to elicit the key impediments from the respondents, update the existing information about current issues and impediments and develop a common list of impediments expected to be of importance across the region.

The second part of the workshop was to develop a priority set of impediments. Priority was based on the impediments that were of sufficient importance or consequence that they impacted on a number of economies and/ or were likely to have major opportunities for a number of economies if the issue was effectively addressed.

A third step involved an exploration of the actions necessary to overcome the key impediments that had been identified to enable tourism growth to be achieved. These growth opportunities form the basis of the recommendations for TWG.

Sixteen representatives of the APEC member economies, as well as PATA, WTTC and AICST guests, attended the workshop.

3.4 Overall Findings on Individual Travel

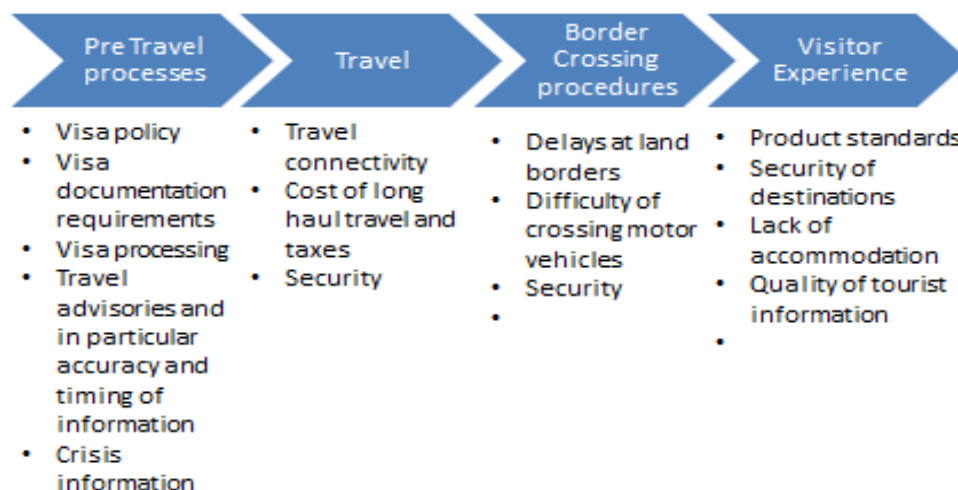
The responses to impediments related to individual travel generated a wide range of responses but relatively few common issues. Of particular significance was a common concern from a number of economies about visa policies and visa processing systems. Some economies, such as New Zealand, grant visa free status to visitors from a high number of countries, but identified their current visa processing systems as an area where improvements were required to ensure world-class performance and improve the visitor experience. Delays and documentation requirements were cited as two potential areas for improvement. Other economies, such as Australia, have excellent processing systems but require high proportions of visitors to access these systems and apply for visas.

Resources and capability to process visas in the future as visitor numbers increase was identified as a key issue as well in some economies such as the US and Canada.

Actual travel issues largely relate to the costs of travel and the relative proportion of taxes being paid as part of the cost of long-haul travel. This is particularly an issue where there are a high proportion of travellers from Europe and the UK who are going to long-haul destinations in the APEC region. The taxation effect mainly impacts on New Zealand and Australia, with other APEC economies such as Canada, Singapore, Thailand and Malaysia less affected.

Air borders are seen largely as efficient and generally in equilibrium with visitor flows. There are some exceptions, with US ports being identified and increasingly some airports where there has been significant growth that has not been matched by expansion of facilities. There were a number of issues identified that are limiting surface travel in some economies. In particular, driving from one economy to another has been identified as problematic by some respondents in Viet Nam, and land border crossings in Peru could be improved.

Individual Travel : Survey and Workshop findings



Travel advisories continued to be raised as an issue, particularly around events and the timeliness of changing the advisory to reflect updated circumstances. Given the number of specific events that are likely to occur and the influence they have on travel decisions, this issue continues to be a real impediment. Some also commented on security related issues:

“Travel advisories which do not reflect the reality on the ground. Sabah, which is Malaysia’s premier ecotourism site, had received numerous negative travel advisories in the past although official data does not show any significant drop in tourist arrivals due to this. One economy officially does not allow its government servants to visit Sipadan despite the effective security measures taken by the government since the kidnapping of tourists and resort staff on the island that occurred way back in 2000”.

While there has been widespread media coverage of major events such as the recent Tsunamis and earthquakes, little monitoring is carried out or reported on the recovery phase. As a result, the information for visitors and advisories does not get modified to reflect changed circumstances sufficiently rapidly for many operators.

For minor events the situation can be even worse with the negative event, such as a flood or storm and associated damage being reported, but the abatement of the event and the extent of any lasting effects unreported. For small communities reliant on tourism the lack of quality information is seen as a significant impediment.

3.5 Overall Findings on Impediments to Tourism Business Activity

The survey obtained a large number of responses on the issues facing business activities and operations, with most economies identifying areas where there is scope to facilitate improved operation and performance for tourism businesses.

A small group of economies, including Hong Kong, China; New Zealand; and Australia, however, were of the view that the majority of regulatory requirements for business were no impediment to improved performance. The characteristics of these economies are low regulatory burdens and open economies with no constraints on capital or profit movement.

Other economies, such as the Philippines and Mexico, identified regulatory requirements to start a tourism business and on- going licences to operate as significant impediments. In particular, multiple levels of government and differing levels of authorisation create unnecessarily complex and difficult business approvals.

Other issues around licences and approvals were:

- Approvals for appointing staff
- Building permits
- Land use planning approvals for developments, especially in national parks
- Lack of clarity for applicants in accessing government investment support

Foreign investment still faces a number of hurdles in some economies. Factors such as land ownership constraints are identified in Viet Nam, the Philippines and other economies. This leads to difficulty in raising capital without land as a security. Business ownership limits remain as an issue in many economies such as Brunei, Mexico and the Philippines, as do controls on repatriation of profits in some places.

Resource availability in public sector-provided infrastructure, such as utilities and water supply, is seen as a major impediment in some economies where there is considerable potential for further growth. This limitation affects both new locations and also areas where there is potential for intensification at existing destinations.

Some locations, such as Hong Kong, China, are suffering a shortage of accommodation, while others such as China are possibly oversupplied in some cities and undersupplied in other cities. Apart from Hong Kong, China, it is difficult to generalise on the private sector built infrastructure supply situation.

Many private sector commentators expressed a desire to have a greater supply of skilled staff, especially managerial and hospitality staff that appear to be in short supply in parts of the APEC region. Mexico, Chile, Brunei and Peru all referenced human resource availability as an impediment.

New language skills to meet growing markets and the changing visitor mix in some markets are a key issue for many economies. Concerns were expressed about reduced quality of the visitor experience if language skills were not improved. Economies will require additional investment in skills development and possibly changed migration policies to address this issue.

Information, both for visitors in terms of availability and quality, was an issue in Chile. In addition, USA identified information about visitors as an important constraint to quality planning in the future. With limited information about visitor trends, preferences, quality and attitudes it is considered difficult to set a forward strategy that will meet future visitor expectations.

Other infrastructure issues identified are:

- Public transport in Brunei and Mexico
- Road network and access to attractions in Chile and the Philippines

Survey respondents also described a second order set of impediments. Most frequently raised was the integration of sustainability into business processes and decision making.

3.6 Overall Findings on Institutional Arrangements

The responses to the survey about institutional arrangements drew a wide set of responses. Many are linked to the aspects of business and individual travel that have previously been reported on. In particular, administrative capabilities in non- tourism specific agencies were identified in many responses received. The resources and capability of border control agencies and those agencies with responsibilities for visa and

passport administration are specifically mentioned. The key impediment is the lack of resources to address the current demand. While there is significant growth forecast for most economies, the ability of these agencies to cope with this demand is perceived as not facilitating tourism growth. As a result, the institutional capabilities of border agencies are seen as a significant impediment to future growth.

Peru indicated that there was inadequate management to take advantage of the business opportunities that might present themselves in the future. This could be remedied by additional training in strategic planning, information and communication management, with greater emphasis on project monitoring and planning.

Mexico indicated that there were constraints in the institutions with responsibility for tourism at all levels of government. Additional budget and skills is the core of required actions. In addition, Mexico indicated that support for environmental sustainability would be required in the future as well. Private sector institutions could be strengthened by additional resources and training.

Some economies have also indicated that greater coordination between agencies will ensure that tourism received greater attention and was more influential as a driver of economic development. Where there was a federal government structure, coordination between differing levels of government was also seen as having to be at a high standard.

Coordination between government agencies, private sector operators, and business associations was seen as a potential improvement that would reduce institutional barriers and limit impediments.

As is often the case, marketing investment is one of the most visible interventions by governments. Increased expenditure on marketing and, in some instances, better quality or more targeted marketing, was seen as important in some economies. This was proposed in response to increased investment by competitor economies or to promote new strategies and/or branding.

3.7 Priorities Resulting from the Findings

During the workshop and collective discussion amongst the member economies there emerged a group of issues that were seen as common to many economies. These issues were either impediments to current or future growth or were significant opportunities to enable growth to occur in the future. Five priority issues were identified at the workshop as warranting further development and future attention by TWG. These are:

1. **Information.** TWG member economies need good information to make quality decisions, clear information about the economic benefits of tourism, an ability to ensure decision makers are aware of the importance of tourism within economies, excellent information about visitor characteristics to enable destination and product planning, relative performance and trend information around the APEC region.
2. **Travel Facilitation.** Travel facilitation has a significant focus on visa policy and processes which has been identified by member economies as a major opportunity. Other issues that fall within this priority are air connectivity and issues associated with enhancing aviation and transport improvements.
3. **Investment.** Investment covers the activities around private sector investment in tourism enterprises including the planning, development of proposals and actual construction of proposals. Key topics revolve around funding, cost of capital, profitability and certainty for investors to commit to proposals.
4. **Infrastructure.** Infrastructure addresses the physical infrastructure necessary to offer a quality tourism experience to visitors. Key issues identified include the planning and demand assessment for new infrastructure and whether there is sufficient information to make quality decisions. Major impediments exist in the approvals processes for infrastructure, and in particular governmental approvals.

5. **Skills and Training.** The adequacy of tourism skills in the future is seen as a major impediment in many economies. Both the availability of key skills and the actual skill levels are of concern. While for some economies there is comparatively free flow of labour and skills, in other economies there are restrictive immigration policies and mobility of labour presents difficulties. As the sector grows rapidly the ability to train new labour to the required skill level to meet demand is expected to be challenging. Other underlying issues relate to the structure of the industry, with poor job progression opportunities, high churn in roles and the preponderance of SME's in the sector, meaning that there are few high-level roles generally available.

3.8 Other Issues

In addition to the five priority areas a second set of issues were identified which also need to be addressed. These were either cross-cutting matters, specific issues applicable to a small group of economies, or major concerns relevant across many sectors and requiring broader attention and action than TWG could apply. These include:

- Security and safety
- Sustainability of companies and demonstration of environmental performance
- Social and environmental acceptability of tourism developments
- Provision of credit for SME's and community based tourism
- "Zero cost tours" and shopping commission based tours

There were also many other issues that were important to a single or a couple of economies but they are not of sufficient regional significance so as to be a priority for TWG.

Marketing and its effectiveness was mentioned by some. While this is an important issue especially for national tourism organisations and funders, work is being carried out by OECD on this issue and it is most likely that they will provide broad findings on this topic. Collective marketing was also suggested by some economies. Other economies raised the issue of market ready product for specific markets, especially China. TWG has limited ability to influence domestic product development or marketing activities by individual economies.

The cost of long-haul travel was also raised by some, and while taxation issues can be studied and action to address this part developed, the underlying cost of travel is dependent on input costs and market forces.

Concern has also been expressed by a number of economies about the capability and resourcing of individual government agencies. In particular the capability of border agencies has been raised. This issue is the responsibility of decision-makers in the respective economies and does not lend itself to a regional solution. Some economies also considered that coordination within government was an impediment and that the liaison between tourism and other sectors could be considerably improved. Achieving this objective is more of an economy-specific task than one for TWG.

Security issues were also mentioned in a variety of contexts and these have been commented on previously in this report. A number relate to specific domestic situations within individual economies and therefore are beyond the influence of TWG. With APEC recently releasing guidelines on security and tourism, implementation is the key requirement¹⁰.

Some of the financial impediments such as foreign exchange controls, specific corporate ownership requirements and land tenure issues are highly economy specific. These

¹⁰ http://www.apec.org/Meeting-Papers/Ministerial-Statements/Tourism/2012_tourism/annex_c.aspx

topics, while important from an economic liberalisation perspective, are not amendable to regional solutions developed by TWG.

Allied to the main five priorities identified as the key issues to enable tourism growth in the region, ecotourism (or green tourism) was one area that was frequently commented on as an emerging opportunity that has yet to be maximised. Japan, Malaysia and Indonesia respondents all considered more investment and attention is needed in ecotourism and its growth potential. Associated with ecotourism is the opportunity for a high level of community-based tourism with related improvements for the local economies and social benefits to communities. The role for governments and APEC in this area was seen as funding and education, particularly about biodiversity and conservation. Stewardship of natural resources was seen as an important outcome whereby host communities and visitors alike recognise and value the assets associated with the tourism experience. The TWG has already been active in this area with the development of best practice guidance on community based tourism and therefore some support for this area of tourism development has already been presented.

4 PRIORITY: INFORMATION

4.1 Introduction to Recommendations on Information

Information is at the core of making sound investment and policy decisions. The quality and quantity of tourism information have been vital ingredients of support programmes by OECD, UNWTO and other agencies for a number of years.

The collection, analysis and dissemination of information are expensive and can be time consuming for tourism organisations. As a result, there is often a pressure to develop and implement information systems that are cost effective and which provide timely and relevant information for decision-makers. In particular, forecasting remains a challenge in many economies and for a wide variety of sectors of tourism.

TWG is uniquely placed to take a leadership role in the provision and analysis of tourism information for the region. This approach presents an opportunity for TWG to add value to policy formulation and investment decision-making across the region. In addition, TWG can make a significant contribution to the work of other APEC working groups with quality advice and information on tourism aspects of economic growth.

Recommendation 1: TWG becomes the voice of APEC tourism

- Future TWG meetings to be planned and promoted as a forum on tourism growth in APEC. TWG becomes an authoritative reference point for information on the contribution of tourism to the APEC regional economy.
- TWG mounts an active programme of regional information collection and analysis. TWG member economies provide base statistical data to a common template as a contribution for a regional visitor flows and issues report for TWG meetings. The report would be presented at the TWG meeting to address tourism growth opportunities and become a dynamic basis for the TWG strategic plan. The outcome will be a highly relevant report that will enable trends to be assessed and comparisons made on tourism performance across the APEC region.
- TWG partners with PATA and also engages with WTTC to develop a dashboard of simple tourism indicators of regional visitor flows and information to be used by TWG in an *APEC regional tourism flows monitor*. This dashboard would draw together the base statistical data provided by member economies.
- TWG works with UNWTO and other agencies to have a process of continuous improvement to the regional tourism flows monitor that supports in-economy tourism agencies and their tourism statistical measurement programmes. In particular TWG to have quality information and comparative data on those aspects of tourism performance that are highly valued by government agencies and the private sector when making investment decisions. The specific information areas that are of high interest are likely to be forecasting and domestic tourism demand.
- Using the dashboard information and issues addressed at TWG meetings, raise the profile of tourism as a sector with specific media reporting on the state of the APEC regional tourism economy, the issues facing it and the solutions being addressed by TWG and its member economies
- The host economy and TWG release the updated APEC regional tourism flows monitor in a media report on the state of tourism in the APEC region at the end of each meeting.

Recommendation 2: Support Tourism Satellite Account development

- TWG to work closely with UNWTO to support the development of Tourism Satellite Accounts (TSA's) for economies that currently do not have TSA's or have not completed the TSA development programme. In the interim it may be practicable to also engage WTTC and their providers to focus their attention on those economies that do not have TSA's as WTTC moves its methodology closer to that being used and agreed by UNWTO and the OECD.
- Develop a comprehensive programme of analysis and reporting that supports individual economies with TSA's to demonstrate the economic contribution of tourism to individual economies and the consequent flow on job creation within those economies.
- Ultimately consider a new dashboard that pools regional data from TSA's to give aggregate regional data on tourism's regional economic contribution.

Recommendation 3: Enhance domestic tourism research

- Develop common approaches to domestic tourism measurement for inclusion into policy discussions and priorities. While much of APEC policy is largely concerned with international trade and travel, the major component of tourism in many of the APEC economies is domestic tourism and this market will drive many attributes of tourism, such as sustainable tourism.
- Encourage the hosts of each TWG meeting to hold a small industry forum in conjunction with each meeting and to use the forum as a platform for educating politicians, policy makers and treasuries about the value of tourism to the host economy. This will have a secondary benefit of raising the profile of the TWG.

Recommendation 4: Build long-term capability

- Over the longer term, develop additional research and information applications for the dashboard and information collection system used by TWG. Examples could include modelling and forecasting labour demand, infrastructure demand, and environmental consequences of tourism growth in the region for specific issues such as carbon emissions inventories, taxation implications of carbon charges, etc.

4.2 Importance of the Recommendations on Information

TWG is uniquely positioned to act as the voice of tourism for the region. It is non-political, not membership driven and not a commercial entity. As such it presents an opportunity to be the voice of tourism in an objective and independent manner. A comparative example would be the UNWTO which has a global reach, but does not have all economies represented as members of UNWTO.

As such, and with the support of other agencies, TWG could play a central role in increasing the profile of tourism as an economic driver in the APEC region. TWG, through a concerted media approach that is supported not just by the host economy but all TWG member economies, could use the information gathered, analysed and reported to provide both economy specific and also regional information and positioning information about tourism. At present, much of the work of TWG goes unnoticed because of a lack of adequate information dissemination mechanisms. Having current information about tourism flows in the region and reporting on policy issues associated with tourism in the

APEC region would raise the profile and importance of tourism as an economic driver within individual economies and also regionally.

A coordinated approach to information collection and analysis would enable improved comparative information to be available and also reduce the individual costs of reporting to TWG meetings. With common information the emphasis could be placed on implications of tourism flows and policy actions required as a result of issues raised rather than focussing on reporting the tourism statistics.

To date there has been considerable investment at an economy level and also at an international institution level in the development and implementation of TSA's. Most economies that have not yet reported TSA's are in the process of either building the statistical base or developing the TSA's for their respective economies. Consequently there is little benefit to be had from working to further promote the development of TSA's at an economy level by TWG. What remains to be done in many economies is to utilise the TSA's to present the information about the role of tourism in each economy and at a regional level. Economic data that is sourced from each economy's national accounts are seen as authoritative for governments and are highly regarded and influential. The use of this information could support greater recognition of tourism and provide training on the analysis and subsequent communication of findings.

Much of the tourism economic activity in the APEC region relates to domestic tourism in each economy. While the focus of APEC remains on trade and trade related issues, the separation of "domestic" tourism issues and "international" tourism issues is less clear-cut. Irrespective of their origins, visitors utilise tourism products at their place of production rather than having them transported to the end consumer. In effect, the consumer comes to the product rather than the other way around, as is the case for traditional exports. Therefore the importance of domestic tourism in the provision of tourism services cannot be underestimated.

For many economies, domestic tourism is growing at a similar or faster rate than international tourism. In addition the larger domestic tourism base means that it is a vital driver of economic growth in many economies. For example, domestic tourism in the US comprises 85% of total tourism economic activity. Small increases in domestic tourism have a major impact on service provision, infrastructure demand and growth patterns. A comprehensive picture of tourism is necessary to provide a complete view of issues facing the sector, impacts of change and the business growth opportunities.

At present there is little systemic analysis of policy issues at a regional level that draws on quality data and provides quality information about future policy directions. Developing a comprehensive database of regional tourism information would place TWG in a unique position to evaluate and articulate options and positions on tourism policy issues facing the region. A current example would be: *"What are the financial consequences for APEC regional tourism of the proposed European Union carbon charge on aviation originating from Europe and the consequential effect on visitation?"* With a database of arrivals, combined with price elasticity data a clear picture of the consequences of new taxes can be readily analysed. This leads into economic growth and employment consequences in the regional economies. Information of this nature will support TWG to develop policy and support economies in the region to establish tourism policies that facilitate growth.

4.3 Implications of the Recommendations on Information for Tourism Growth in the APEC Region

Enhanced recognition and understanding of the role that tourism can play as an economic driver has many benefits for APEC economies. Increased recognition of the role that

tourism plays by governments and decision-makers increases the potential that tourism's needs and requirements will be included in decision making at an economy level.

With these changes the TWG will become highly relevant as a forum for comparing the growth of tourism in individual economies with regional growth patterns. Making such a comparison will be a compelling reason to send high-level officials to TWG meetings. With increased relevance will come greater participation at meetings and stronger support for the TWG from both government and industry.

TSA's are a powerful tool for understanding tourism's contribution to national economies. As tourism represents an increasing proportion of economic activity in many economies, the role that TSA's play in developing and reporting national accounts becomes more highly valued. As a means of reporting on and representing the value that tourism brings to an economy the TSA is unparalleled. Understanding how TSA's are developed and what information is available is vital to maximising the communication benefits of completing individual economy TSA's. As a result, the key value to tourism growth is in improving the understanding tourism's contribution to economic development and also the role that tourism plays in each economy.

A secondary benefit of TSA's is that it provides a resource to better understand the dynamics of the industry. It can enable evaluation of capital formation, profitability and other financial characteristics of the sector. This provides investors with a national snapshot of opportunities and the performance of the sector and is therefore a useful input into investment decisions.

4.4 Implementation Pathway for Recommendations on Information

While TWG itself does not have resources to undertake comprehensive data collection and analysis, it can readily contract or work with relevant organisations such as UNWTO, PATA and private sector tourism research and information organisations to develop and provide reports on the current and future state of tourism in the APEC region. TWG, through its programme of working group meetings and ministerial meetings, would become established as the hub for release of this information. TWG could have an important profile in increasing the understanding and support for tourism as a key to regional economic development. A clear communication strategy accompanying current information would be an invaluable first step. Subsequent actions by the host economy and the TWG member economies could build on this information with the media in the respective economies to raise the profile of tourism regionally.

While such a recommendation, if implemented, will have no direct effect on tourism growth, the explanatory and influential power of such a programme could be enormous.

TWG can usefully support other agencies in the development and promotion of TSA's and their interpretation and application. While there is currently no programme for interpreting TSA's, in the longer term either TWG or other organisations could use the TWG meetings programme to facilitate this work. Additional best practice identification and reporting on use of TSA's could also be a valuable additional step.

Developing a regional TSA is a longer-term project and such a development would be dependent upon future work by OECD and require specific project design and development. In the next 5- 10 years this is a viable option as the major economies complete their TSA's, which will enable the development of a comprehensive regional TSA.

Information about the nature and the importance of domestic tourism is often of lower quality than that available on international visitors. To ensure that there is a

comprehensive and complete picture of total tourism, better quality information is often required about the activities and preferences of domestic visitors.

Adaptation of the existing strategic planning mechanisms of TWG can readily achieve effective implementation of the information recommendations. Allied to the setting of future strategic directions through the planning process for the TWG strategic plan, a parallel agenda can be developed that utilises the resources and research arrangements that are used to report on tourism statistics, flows and issues arising to research and further investigate specific issues.

This work could readily be carried out in partnership with research institutes, UNWTO, OECD, PATA, WTTC or other national tourism entities. The principal requirements are alignment with the strategic agenda of TWG, willing partners and a process of engagement with a wide range of potential partners to fund the relevant work. The host economy for one of the TWG meetings annually and the Ministerial meetings could support this approach by taking the lead on reporting on visitor flows and the issues arising. Given the importance of this information, a comprehensive media approach should be developed to release an annual report on tourism in the APEC region.

5 PRIORITY: TRAVEL FACILITATION

5.1 Introduction to Recommendations on Travel Facilitation

With growth in travel and tourism expected to result in over 1 billion border crossings within the APEC region by 2015, facilitating the passage of visitors across borders in an efficient manner is vital to ensuring that the tourism experience is seen as attractive. At the same time, the sovereignty of individual economies must be respected and all aspects of security and safety for travellers ensured.

Technologies are evolving rapidly with an increasing convergence on the use of e-passports and associated biometric approaches to travel documentation and management. These new approaches to travel facilitation are intended to improve security while also speeding up immigration procedures at border crossings.

Recent research¹¹ has highlighted the significant economic opportunity that improved travel facilitation presents for economies that currently are not practicing liberal visas policies and best practice visa and travel facilitation processes.

To improve the travel experience for the estimated 1 billion travellers, there is a significant opportunity for TWG to advocate for improved approaches to be taken by economies through harmonisation and innovation.

To achieve this, TWG should implement the following recommendations:

Recommendation 5: Travel Facilitation Initiative

- Establish TWG as the champion of all non-business travel and tourism growth in the APEC region and the best source of policy leadership and quality information in these fields for the APEC Travel Facilitation Initiative (TFI) and beyond.
- Develop a work programme that leads to the establishment of a clear policy position for the APEC through the following actions:
 - Document the current visa status of each APEC economy and, drawing on the report on economic benefits of visa reform in the G20 carried out by WTTC, undertake a cost benefit analysis of APEC economies moving progressively from traditional paper based visa processes, to electronic visa processes, to visa on arrival processes to a visa free situation between APEC economies.
 - Undertake a study to assess the costs and benefits of other visa related approaches such as multiple re-entry visas and long-stay visas, as well as common approval processes and mutual recognition of visas between APEC economies, as intermediate steps in the process of improving travel facilitation.
 - Establish a participation process for the TFI whereby either a lead economy or appointed representative participates in the TFI process and then reports back to TWG or a subgroup. This would enable a dialogue to occur amongst interested members so that TWG can actively participate and the interests of TWG are presented in a comprehensive manner. This work programme could also form part of the reporting of achievements after TWG meetings.
- In the press statement released after each TWG meeting, include reference to policy positions agreed to at the meeting on non-business and tourism related

¹¹ The Impact of Visa Facilitation on Job Creation in the G20 Economies: WTTC, 2012.
<http://www.wttc.org/research/special-research/visa-facilitation/>

travel facilitation in APEC.

Recommendation 6: Explore aviation and travel linkages

- Assess the opportunity for further actions in aviation policy liberalisation, such as increasing commitments to open skies amongst APEC economies and the economic benefits of such policy changes to APEC economies.
- In partnership with the APEC Transportation Working Group and the aviation industry, explore the policy implications of innovation in aviation, future trends and their consequences for regional travel patterns, infrastructure demands and visitor expectations.
- In partnership with the APEC Transportation Working Group and the private sector, undertake a study to explore the barriers to greater aviation connectedness, assess best practices in route development and report on how greater connectedness could be achieved within the APEC region.
- In the longer term, following completion of the aviation studies TWG, in partnership with the APEC Transportation Working Group and private sector interests, could commission a conference on the Environment, Tourism and Travel to enable public awareness of future benefits of tourism and aviation.

Recommendation 7: Develop tax and tourism understanding

- Drawing on recent PATA work on aviation taxes in the region, assess the opportunity for greater transparency in taxation regimes and raise awareness of the deterrent effect of higher taxes, and in particular carbon taxes, on visitation and economic growth in the APEC region.

5.2 Importance of the Recommendations on Travel Facilitation

Since the initial APEC impediments study in 2001, travel facilitation has remained on the agenda as a vital issue facing the region. With a diverse range of respondents to this research still raising the issue as the first response to the identification of impediments, there is still progress to be made in meeting both government and private sectors aspirations for improved ease of travel in the region.

Growth in travel and tourism is increasing and the pressure to have efficient visa systems will increase due to rising visitor expectations as well as volume pressures. If there is not a convergence of systems for visa processing or visa policy, then the differential between efficient border systems and the least efficient systems will grow. Over time, visitors will become less accepting of restrictive or difficult visa processes or delays, as they become used to low transaction, cost efficient systems and processes. If the gap between best practice and poor practice grows, then visitors will see poor practice as an even greater deterrent to visiting those places. In a highly competitive global tourism market this will negatively impact on those economies with poor practice.

Innovative Practices

Philippines- Pocket Open Skies Policies

The Philippines have been progressively implementing innovation in their aviation policy since 2005. In 2006, the Philippines established limited open skies for two secondary airports. In 2011 President Aquino signed two Executive Orders, changing responsibilities for negotiating new air services agreements and subsequent amendments and adopting an open skies policy with respect to all international airports except that at Manila (NAIA). This enables airlines to fly to and from secondary airports without capacity constraints or negotiation of reciprocal air services agreements.

The “Pocket Open Skies Policy” has generated almost a 15% increase in incoming and outgoing flights to the Philippines from January to June 2012. In addition to generating increased traffic, the policy has resulted in a better regional spread of visitors and also better utilisation of existing airport infrastructure.

Indonesia-Visa on Board

Indonesia, as part of its immigration procedures, also carries out immigration clearance or “visa on board” for specific Garuda flights and specific ships as a means of improving the visitor experience and reducing potential delays in processing at entry ports. Introduced in February 2010, a \$US 25 fee is paid at check-in and the on board immigration inspectors process the visa before arrival. Garuda is proposing to expand this service to new routes over time.

Australia/New Zealand- Smartgate

Smartgate takes a live image of a travellers face and, using facial recognition technology, matches the image with the digital image stored in the e-Passport. If there is a successful match, the traveller is automatically cleared through the border control point. Following successful trials and introduction in Australia in 2007, the technology was expanded for Trans- Tasman travel between Australia and New Zealand in 2009. The entire passage through the border control takes less than 10 minutes. There are plans to expand the scheme in the future to holders of ICAO compliant e-Passports from countries other than Australia and New Zealand. Please note a Smartgate trial with US Global Traveler passport holders has commenced, with expansion to all US passports and the UK (Q2 2013), followed by Singapore in 2014.

There remain highly variable visa policies and processes in operation around the region, ranging from economies with a very large number of visa free countries and few visas issued, to other economies where there are complex and lengthy processes for many visitors. Given the focus of TWG on all travellers, complex and costly visa processes present a restrictive and costly impediment to freer travel in the APEC region.

To date, there appears to be little policy convergence across the APEC region on visa policy issues. For some economies there has been little change to visa policies for decades and slow progress on implementing new technologies. In contrast, ease of travel has already been recognised as an important issue in the region by ASEAN as part of its tourism strategic plan. ASEAN economies have committed to work towards a common visa for the ASEAN region. While the implementation may fall beyond 2015, the commitment to work towards greater connectivity and easier travel by these 10 ASEAN economies is an important example of collective action within the APEC region and signals the overall direction that will be taken by all economies over the longer term.

While policy positions have not converged, visa processing innovations have occurred rapidly throughout the region and are one of the potential solutions to increased pressure on border facilities. By 2015, there is mandatory implementation of e-passports by all International Civil Aviation Organization (ICAO) member states. There are significant opportunities to partner with the APEC Transportation Working Group in the context of the TFI to develop common protocols for the adoption of e-processing. While it will take some time to ensure all travellers have e-passports, there are significant opportunities to develop common systems and procedures for visitors. ICAO has been active in developing protocols for machine readable travel documents (MRTD) for many years and coordination with this global initiative is vital.

E-Passport and Biometrics Statistics¹²

- Approximately 340,m e-Passports in circulation
- 93 States issue e-Passports
- 56 States use biometrics as part of border management
- 45 States use faces and fingerprints as the stored biometrics
- 35 States use facial images as the stored biometric
- 21 additional States plan to issue e-Passports within the next 12 to 48 months
- 15 States currently use an Automated Border Control (ABC) system
- with e-Passport as the required token
- 14 States currently using facial images plan to begin including fingerprints

With such rapid global uptake of biometric systems coming over the next 5 to 10 years, TWG can develop a strong case for improved visa processing as well as complementary visa policy that is supported by the use of technology. Such as position would ensure risks associated with visitors crossing borders are well managed, while the improvements benefit all travellers.

Understanding aviation is the key to understanding tourism flows for the APEC region, and many economies are highly dependent upon visitors arriving by air. Since 2004, the growth of low cost carriers in the region has resulted in a dramatic change to the cost of international travel, both within the region and from outside the region to APEC destinations. While there has yet to be major expansion in long-haul, low-cost carrier

¹² 20th Meeting of Technical Advisory Group on Machine Readable Travel Documents (TAG /MRTD) (2011), Information Paper No. 2 (icao.int/Meetings).

services, their presence has resulted in significant competition on many routes, resulting in lower prices and a consequential increase in traffic volume. Increasing competition and growth in the aviation market is expected to continue to drive tourism in the region. Both numbers of visitors, and also the routes taken, will have a strong influence on where tourism grows.

Aviation is subject to many price changes through fuel prices, aircraft costs, landing charges and other taxes. These costs influence traveller behaviours and lead to changes in visitor flows across the region. Airline economics is vital to understanding and developing tourism policies in the region.

Taxes have increasingly been applied to visitors and travellers, and at times in a unilateral manner. Understanding the regional implications of new taxes, costs and incentives will assist in the understanding of tourism flows. This leads on to better forecasting of demand for infrastructure and services and better planning and allocation of resources for the tourism industry. Improved resource allocation will lead to better business performance for the sector. Business opportunities will be better defined and relate to carefully forecast demands. This leads to greater confidence on the part of investors and reduced risks.

Recent analysis of taxation of tourism¹³ shows that there has been a considerable increase in taxes imposed in the supply chain of tourism. In particular, taxation of aviation has continued to rise and is expected to continue to increase in the future as new environmental charges and carbon taxes are imposed by economies seeking to raise revenue and meet environmental obligations. Often there is little or no correlation between the charges imposed and the uses to which the revenue is put.

5.3 Implications of the Recommendations on Travel Facilitation for Tourism Growth in the APEC Region

While there have been no empirical studies for the APEC region on the economic benefits of improved travel facilitation, it is reasonable to assume that similar benefits to those reported for the G20 economies would result from improved visa policies and processing. As nine of the G20 economies are also APEC members, the overall benefits are expected to be similar. This study¹⁴ has identified benefits of between 5% and 25% as a result of liberalised visa policy implementation in the economies studied. These benefits of increased visitation could readily be transferred to some economies within the APEC region.

Commercial innovations have been a powerful driver of visitation.¹⁵ Globally, low cost carriers have generated significant increases in tourism flows both in terms of visitation to destinations as well as opening up new destinations to international and domestic visitation.

Air transport liberalisation is also a major driver of visitor growth between economies that liberalise their air services agreements or adopt open skies policies. Evidence¹⁶ from past liberalisation initiatives has resulted in an average of between 12% and 15% increase in air traffic. In a number of situations, growth was at rates exceeding 50%, and in some cases reached almost 100% of the pre-liberalisation rates.

Both of these changes in the aviation market have resulted in major increases in travel and also opening up of new destinations to international and domestic travel. In addition,

¹³ PATA 2011, "Tourism and Taxation" Issues and Trends Volume 16 Issue IV December 2011

¹⁴ The Impact of Visa Facilitation on Job Creation in the G20 Economies: WTTC, 2012.

<http://www.wttc.org/research/special-research/visa-facilitation/>

¹⁵ <http://www.internationaltransportforum.org/2009/workshops/pdf/Oum.pdf>

¹⁶ http://www.iata.org/whatwedo/Documents/economics/liberalization_air_transport_study_30may06.pdf

the development of direct aviation routes can have a dramatic effect on visitor flows. For example, the introduction of a low cost carrier direct service from Kuala Lumpur to Christchurch resulted in a four-fold increase in the numbers of Malaysian visitors to New Zealand in 2011.

While liberalisation of aviation is occurring and there is a strong desire to improve travel facilitation at the border, there is an opposing force of increasing taxes being imposed on travellers by different economies. A case study reported by PATA¹⁷ shows the tax component of a domestic airline ticket in the US has risen from 7% in 1972, to 13% in 1992 and to 20% in 2011.

5.4 Implementation Pathway for the Recommendations on Travel Facilitation

TWG could play a very active role in policy formulation by ensuring that the travel facilitation options are fully assessed and that there is a clear understanding of the needs and importance of leisure travellers as well as business travellers. The modelling of visa policy implications carried out for the report to the G20 Tourism Ministers (T20 Ministers) could be extended and recast to cover the APEC region. Already seven APEC economies are included in the G20 study, and the other 13 APEC regional economies could be included. Analysis on this basis could enable the costs and benefits of various policy options in the TFI discussion to be assessed. Commissioning such research would provide a strong platform for TWG to present its position to the rest of the TFI members.

In developing a well-informed policy position to contribute to the TFI, the TWG could involve the tourism private sector interests of airlines, travel trade, airports and infrastructure providers. All will have a strong interest in ensuring that changes in travel facilitation in the region are incorporated into their long-term planning.

There is also a more forward-looking agenda that will need to be addressed beyond the immediate opportunity presented by the travel facilitation proposal. While the ease of travel issue remains on the APEC agenda and may take some time to address, other travel related issues are also likely to continue to affect the ability of people to travel and the costs associated with travel within the region. Those issues identified by respondents that will be important are: Taxes on aviation, including carbon tax actions, open skies policies and overall infrastructure issues. These are longer term issues that TWG is in a prime position to influence by establishing a good information base to enable the implications to be assessed. TWG would have the ability to support member economies promote particular policy positions in international fora to ensure that the overall goal of improving travel within the APEC region is advanced. These longer term issues also present an opportunity to work more closely with the APEC Transportation Working Group and the major airline organisations, such as the International Air Transport Association (IATA) and ICAO, which have a strong global interest in these issues.

Multilateral trade negotiations provide another potential opportunity to include travel liberalisation as a policy topic. For example, the proposed expansion of the Trans Pacific Partnership, which currently has four APEC economies and seven additional economies entering the negotiation process, could provide a mechanism to achieve an improved policy outcome for tourism.

¹⁷ PATA 2011, "Tourism and Taxation" Issues and Trends Volume 16 Issue IV December 2011

6 PRIORITY: INVESTMENT

6.1 Introduction to Recommendations on Investment

Investment in tourism enterprises is a key driver of economic growth. Removing impediments to business development has been at the core of policy and cooperation initiatives of the TWG since its inception. In looking forward, having a healthy investment climate for tourism will be a key outcome for many economies if tourism growth projections are to be achieved. Profitability for tourism is dependent upon efficient use of capital and low cost regulatory approaches. Improving profitability and ensuring that an adequate return on capital invested is the key to ensuring high levels of investment support for tourism projects. In an economic climate where capital is in short supply, tourism will need to obtain its share of funds in competition with other sectors.

Developing a supportive investment climate for tourism is a critical role that TWG member economies can play. Demonstrating best practice for investment policies for economies to adopt is a valuable tool for TWG to promote. Having a regulatory and policy environment that enables investment in tourism to proceed with tourism relevant settings is vital if the necessary investment is to occur. Without investment, the contribution of tourism to the regional economy will not proceed.

TWG can support member economies enhance the climate for tourism investment by implementing the following recommendations:

Recommendation 8: Develop best practice on revenue and incentives for investment

- Develop a programme of sharing best practice in policies and procedures that facilitate tourism investment through the following actions:
 - Support case studies in investment that enable an evaluation of investment policies, including incentives and their efficacy – especially in relation to targeted incentives such as: land tax relief, property tax relief, financial support at local government level, regional government, supply of associated infrastructure as part of a development package, and discounted or preferential land packages.
 - Undertake case studies on revenue instruments commonly used to fund tourism infrastructure and services – for example, bed taxes, regional taxes, city taxes, sales taxes and fuel taxes – to identify the operating conditions under which each approach works best.
 - Prepare a best practice guide on incentives and revenue approaches and an applications guide indicating which instruments are most applicable to specific circumstances.

Recommendation 9: Support investment promotion

- Develop, at a regional and economy level, the information requirements to guide investment support agencies and provide best practice guidance on investment promotion for tourism development projects and investments.
- Work with investment promotion agencies, the IFC and the APEC Investment Experts Group to develop guidance for developers and regulatory agencies on how to reduce investment risks associated with tourism development proposals. This could be

developed into a sector specific contribution to the APEC Committee on Trade and Investment.

Recommendation 10: Run workshops to improve understanding of investment requirements

- For the TWG directly, or as part of an industry forum associated with a TWG meeting, encourage meeting host economies to partner with tourism private sector organisations and entities to run a workshop on timely investment topics. Examples of previously successful events include: The Cruise Industry workshop in 2009 in Singapore and the Risk Assessment Workshop in Japan. Use the workshops as a basis for substantial media involvement by the host economy and TWG to raise the profile of tourism and investment.
- As a second order issue, TWG to undertake case studies on the integration of tourism development and sustainability with an emphasis on best practices in environmental performance and, in the longer term, explore how tourism investment can promote environmental sustainability. This would require assessing the types of government intervention necessary to promote private sector initiatives, such as energy efficiency, that are beyond actions that they would normally take.

6.2 Importance of the Recommendations on Investments

A number of economies have expressed particular interest in both the incentives for investment and also the revenue options relating to investment as an important part of tourism policy formulation. Many economies are seeking to grow tourism rapidly and this is reflected in the importance placed on long-term tourism goals and comprehensive plans to reach the tourism growth goals. An example of this approach is that taken by Malaysia, with a tourism target of “2020:36:168”¹⁸. That is, in the year 2020, Malaysia will receive 36 million tourist arrivals and RM168 billion in tourist receipts. This would mean the industry will grow 3 times its current size. This strategic ambition will be achieved through the 12 initiatives proposed under the Tourism National Key Economic Areas, which is a suite of tourism master plans to guide development. This programme is expected to cost \$US 43B of which 97% is expected to be sourced from the private sector and 3% from the public sector. Such plans in many economies across APEC will require considerable capital and investment funds.

Ensuring that the investment climate is optimal, the best incentives are applied to the specific circumstances, and that there is a good understanding of the investment requirements will be vital to raising capital.

6.3 Implications of the Recommendations on Investment for Tourism Growth in the APEC Region

With tourism arrivals growth in the APEC region forecast to be approximately 5% per annum for the foreseeable future, investment is going to have to continue to be made into the tourism sector. In addition, as the capital stock devoted to tourism grows in an economy, there will need to be an increase in investment required to maintain the infrastructure to sustain the quality of the tourism product. In many instances, continuous improvement will also be required to meet increasing visitor expectations.

¹⁸ <http://www.prestariang.com.my/ictindustryinfo/download.php?id=117&rid=430>

Tourism growth will require high levels of both public and private capital. Promotion of investment opportunities is essential to ensure that tourism as a sector and specific projects are brought to the attention of investors. With increased exposure of potential investment opportunities, there is a greater likelihood that a project will get funded. In addition, with standardised approaches and support from international agencies, investment risks can be reduced. This will also increase the likelihood that investment funds will flow to tourism and enable growth in the APEC region to be realised.

There will be a need for investment in built infrastructure as well as the systems supporting tourism. These range from booking systems, to human resources, to environmental management processes. Appropriate investment will mean an improved performance of the sector along all dimensions - social, economic and environmental. Without investment, the sector will decline and tourism either will not take its place as a driver of economic development within APEC, or there will be competition from other parts of the globe that will draw visitors and investment to those parts of the world.

Ensuring that incentives and revenue instruments are well designed and applied is critical to maintaining confidence in tourism and investment institutions. With quality mechanisms, new investments will be able to be funded according to the relevant policy objectives. Equitable allocation of costs that relate to benefits generally produces higher acceptance rates of charging instruments and future investments will have greater support. Consequently, widespread adoption of best practice will ensure that tourism investments continue to attract capital in a competitive market.

6.4 Implementation Pathway for the Recommendations on Investment

Investment in tourism is largely the responsibility of the private sector and governments. Regional organisations such as APEC have a limited role to play in actually brokering investment activity in any specific sector. However, developing a suite of best practice case studies, drawn from actual experience in member economies, can be invaluable in ensuring rapid transfer of expertise across the region. Supporting investment promotion agencies in economies will enhance investor interest in the tourism sector.

Based on the responses to this research there is already considerable interest in best practice incentives by many economies. As a result, the normal APEC process of concept notes, prioritisation and development of a full proposal for funding should be pursued with the relevant economies.

Shared learning through demonstration and workshops of research findings represents a cost effective approach to implementation of the recommendations in this report. TWG already has experience in running workshops in the margins of its regular meetings and this model could readily be applied to investment topics. With significant interest in improving the investment climate for tourism projects, either private sector agencies such as major commercial banks, the World Bank, IFC, ADB, or the IDB could be encouraged to work with the host economy to promote investment. Participation should be open to interested parties beyond TWG members, as has been the case for the other workshops undertaken by TWG. A workshop/seminar approach in the margins of TWG meetings is very cost effective and ensures widespread participation. This mechanism will increase the opportunity to disseminate best practice throughout the APEC region.

7 PRIORITY: LABOUR AND SKILLS

7.1 Introduction to the Recommendations on Labour and Skills

Labour and skills has been a priority for TWG since the inception of the working group. In particular, the development of standards and the efforts to improve mobility of labour have been important priorities.

The research for this report indicates that these are still ongoing issues of concern and, while not the top priority for immediate action, are often identified as major long-term issues.

Both the supply of labour and the skill levels have been identified as important issues for future tourism growth.

Demographic changes in the coming decade will exacerbate labour supply problems. The actual availability of suitable labour will become an increasingly important issue for tourism in those economies with an aging population and low birth rates. For other economies, immigration policies will be important to ensure labour is available for the tourism sector.

In those economies with high forecast tourism growth rates, the supply of labour to meet current demands remains an issue. In particular, there are issues at a managerial level for many tourism businesses. Career structures are often flat with the sector comprising predominantly Small and Medium Enterprises (SME's). As a result, there are limited opportunities to develop the high-level management skills required for larger organisations.

TWG is well placed to continue to develop skills standards, but to be cost effective this must be justified with quality information. Tourism workforce planning and forecasting is carried out only in a very small number of economies. By championing this approach, TWG could make a material difference to the understanding and development of labour and skills policies throughout the region. In addition, quality information would assist economies make sound investment decisions when developing their human resource capability.

Recommendation 11: Support further development and application of skills training

- Develop, implement and maintain training standards for tourism skills in the APEC region by:
 - Developing a model of tourism labour market demand across the APEC region so as to establish a priority set of training and skills standards to meet the greatest forecast future demands in the particular tourism occupational categories.
 - Working in partnership with ASEAN on skills standards and accreditation with the goal to share costs and ensure harmonisation across a larger group of economies.

Recommendation 12: Promote recognition of tourism skills

- TWG to promote a study on best practice on bilateral and multilateral agreements on skills recognition and explore opportunities to include aspects of labour mobility and improved recognition of tourism services in free trade agreement negotiations.

Recommendation 13: Identify innovation in recruitment and retention

- TWG to review innovations in workforce recruitment and retention in other industries and economies that also face this issue as a means of looking at future issues and options for labour and skills improvements for tourism. Report on the demographic challenge of an ageing workforce for tourism and the options for ensuring a sufficient long-term labour force for the sector.

Recommendation 14: Expand accreditation systems

- In partnership with ASEAN and UNESCAP, support and expand best practice accreditation of tourism training and education institutions and programmes. This can be achieved by reviewing best practice in the APEC region and beyond. The scope of inquiry should cover both public educational providers and private sector providers. The scope should also cover academic institutions as well as vocational institutions. In partnership with other agencies, expand and promote best practice accreditation across the APEC region.
- Where possible, develop mutual recognition agreements with accreditation entities outside APEC so as to broaden the portability of qualifications to worldwide recognition and mobility.

7.2 Importance of the Recommendations on Labour and Skills

The survey of governmental agencies carried out for this report brings out a number of common themes around labour issues. First, the priority given to labour is not generally at the top of the priority list of impediments; rather it appears as a second or third priority issue.

Second, there are two components to the labour and skills issue. First, the adequacy of supply of labour in a number of economies, such as Australia; Brunei; Canada and the Philippines, even in the current recessionary times, is a concern. In general, this is a result of competition from other parts of the economy that are growing strongly or are paying more than the tourism sector. Australia presents the most graphic example, with the mining sector attracting labour with significantly higher wages. This has affected the tourism industry in areas where mining is a major part of the economy, and also competition has affected the supply of labour in outlying areas where there is a very limited supply of skilled people for the tourism industry.

Third, the issue of skills within the tourism labour force is an almost universal issue and is seen as a barrier to growing the tourism economy in many areas. The skills that are reported as being in the greatest shortage in Mexico, Peru, and the USA are language skills, to meet current visitor flows and their language requirements and also future language requirements to meet the future visitor flow expectations. In addition, there is a shortage in some economies of hospitality and accommodation skilled and managerial staff.

Chile has a very strong emphasis on skills and training and this has been reinforced in its recent strategy released in January 2012. This new tourism strategy is based around the concept of 'buen turista, buen anfitrión' (good tourist, good host). The aim of the strategy is to improve customer care and hospitality standards across Chile to boost the number of tourists visiting the economy. As part of this campaign, there is a very strong focus on topics such as sustainable tourism and the importance of tourism to the economy. There is a continued focus on improving the 'tourist experience' for visitors to Chile, which is expected to help the economy increase the number of inbound visitors.

Labour and skills issues in tourism are generally not well understood because of the lack of quality data and information. Only a very small number of economies within the APEC

region have in depth information about employment and skill levels in the tourism sector. The UNWTO and the International Labour Organization (ILO) have developed methodologies¹⁹ to enable statistical data collection and better information to be obtained about tourism labour market conditions.

Innovative Practices

Canada -Canadian Tourism Human Resource Council

The Canadian Tourism Human Resources Council (CTHRC) is a national not-for-profit organization established in 1993 to address labour market issues and promote professionalism in the Canadian tourism sector. The CTHRC operates with funding from the Sector Council Program of the Government of Canada. Revenue is also derived from the distribution of its occupational standards, training, and professional recognition and certification programs.

CTHRC brings together tourism businesses, labour unions, associations, educators, and governments to coordinate human resource development activities in support of a globally competitive and sustainable Canadian tourism sector.

The Council undertakes various initiatives to capture, document and disseminate labour market information and research to the tourism sector. The organisation conducts national research to assist employers, educators, researchers, and job seekers understand the work dynamics of the tourism sector.

Skills training, upgrading and certification are all core components of the Council's mission. They are addressed through the "emerit" tourism training brand. With more than 50 National Occupational Standards, occupation-specific training, human resources tools for employers, and Professional Certification, "emerit" is a comprehensive industry-developed tourism training programme.

CTHRC provides an example of an integrated approach to labour and skills development for tourism, from forecasting to service delivery of training and skills programmes for the sector.

Canada and New Zealand are examples of economies that have carried out quantitative studies to underpin their workforce skills and training strategies. This deficiency needs to be rectified to ensure that the areas of greatest need are addressed first. Having quality information across the APEC region would support additional investment at an economy and regional level. Quality information also provides an improved rationale for increased training and skills development. This type of information would also support a longer term effort to develop policies to improve labour mobility across the region.

While TWG cannot change the employment factors that individual employers will offer employees, TWG can develop initiatives for member economies to implement that will assist employers to attract the right sort of labour at the right time with the right skills. Skills that are recognised across jurisdictions and therefore can form part of a larger career structure will be invaluable for an employer to offer an employee. Opportunities

¹⁹ <http://statistics.unwto.org/en/project/employment-and-decent-work-tourism-ilo-unwto-joint-project>

exist to enhance the mutual recognition of qualifications and skills training throughout the APEC region.

This can be achieved by development of common training and skill standards, accreditation of institutions undertaking the training and ensuring that the system of training and development is sustained.

A common approach to qualification and skills can also cover a broader range of skills and training than just vocational training. Academic and managerial training can readily be included into a tourism skills development framework. Existing qualifications and accreditation systems such as TedQual²⁰, which are applied to academic institutions, need to be evaluated and suitable consideration given to using their principles and expanding application to a broader range of institutions, including vocational entities.

Tourism labour supply and skills development is not the sole preserve of the public sector. There are considerable opportunities to partner with private sector operators that run significant training and skills development services. A closer integration between public and private entities should be explored, and particularly with the aim of adopting or recognising common standards and accreditation between the differing training entities.

TWG has already made a significant investment in labour and skills development through its Tourism Occupations Skills Standards (TOSS) programme of skills standards development and application. This work is not finished and, given the significant forecast growth in tourism, rising visitor expectations and the high rate of staff turnover in tourism, the need for skilled staff is probably as high as it has ever been across the APEC region.

7.3 Implications of the Recommendations on Labour and Skills for Tourism Growth in the APEC Region

The tourism labour supply is expected to be an impediment to tourism growth in some APEC economies now and into the foreseeable future. With visitor arrivals growth in the APEC region over the next 20 years estimated at 5% year on year for international visitors, and a growing domestic market as well, tourism faces ongoing competition for labour in most economies.

Particular skills are also limiting growth in some sectors of tourism and, where managerial skills are in short supply; this will affect the ability of the industry to expand at a rapid pace.

Of principal concern in many APEC economies is the ability to have the right skills in the industry to meet the demands of the industry at a time of dynamic change. Different language and service requirements of visitors as markets change are in particular demand. The effect of insufficient resources means that service and quality standards are at risk. The result is that visitor satisfaction is at risk and this, in the longer term, can affect the desirability of destinations.

Career development is also a major issue for parts of the tourism sector with significant consequences. With high levels of turnover, there is a cost and a profitability implication for companies. First, there is the reduced productivity caused by having to raise skill levels and ensure that company standards are met. Second, there are the significant costs associated with recruitment and training to bring new staff up to the required standards for the role. Third is the loss of experience and institutional knowledge within organisations. Fourth is the reduced ability to innovate and train other staff. All these costs are borne by the organisation as part of its ongoing cost of doing business and will have implications for the bottom line profitability of the organisation and the sector as a whole.

²⁰ <http://themis.unwto.org/en/content/unwtotedqual-certification-system>

There are limited options for technological substitutes, and so getting labour right is vital for both growth and fulfilling increasing service quality expectations.

Tourism as a sector presents significant opportunities for communities with the right skills and training to share in the wealth that can be created by the tourism sector. This opportunity is particularly important for rural communities, indigenous communities and other sectors of societies for whom economic opportunities are limited. As a result of the diverse interests of visitors, tourism presents opportunities for enhancing overall wealth, and increasing the distribution of income for a diversity of communities and regions.

7.4 Implementation Pathway for the Recommendations on Labour and Skills

Implementation of the recommendations can be achieved by close partnership and ongoing involvement with key agencies and organisations that are already heavily invested in labour and skills development. This includes both public and private sector organisations. Many large private companies that operate in tourism support large training and skills development programmes. Accreditation and support of such programmes, provided they meet agreed standards, presents an opportunity for greater skills development and also greater mobility opportunities for skilled tourism staff.

Indonesia has been very active in supporting and operating the Tourism Occupational Skills Standards programme funded by APEC. In addition, this economy is the lead economy responsible for the ASEAN investment in skills and training. There is a high potential synergy in supporting this continued, and ideally accelerated, development of the ASEAN skills development process. Widening the training and development to all APEC economies will depend upon the support provided and adoption of the skills standards by each economy.

Similarly, Canada presents a model of integrated skills and training for tourism. This approach, and the components of the Canadian approach, could readily be adopted by other economies that are considering how to evaluate tourism demand and address any shortfalls in tourism training and development.

8 PRIORITY: INFRASTRUCTURE

8.1 Introduction to Recommendations on Infrastructure

Infrastructure has often been viewed as a key contributor to the economy as a whole rather than being seen as a driver of specific sectoral investment. For much of the infrastructure that is required by tourism there are often diffuse benefits and, consequently, investment is only partially targeted at tourism development. Other specific tourism developments such as convention centres, cruise terminals and resort type developments require similar investments as other sectoral development. As tourism becomes an increasing proportion of the economy for many economies, the requirements and benefits associated with tourism will be an important driver of economic development.

Quality infrastructure is a necessary part of tourism development and attracting visitors to a destination. The increasing visitation forecast for the APEC region has, and will continue to require, significant ongoing investment. TWG can support this investment requirement by undertaking the following actions.

Recommendation 15: Enhance attractiveness of tourism infrastructure investments

- Work with public and private providers to improve the attractiveness of tourism infrastructure projects by:
 - Developing a best practice guidance document with case studies on developer engagement with host communities and addressing the environmental attributes of the development location.
 - Developing a standard business case for tourism infrastructure projects. Document case studies of existing APEC member economy findings and experience with donors and private sector investors.
 - Review the consent processes for tourism infrastructure in selected APEC economies with an evaluation of regulatory processes used and develop best practice guidance for future infrastructure proposals.

Recommendation 16: Improve infrastructure policy

- Consult with APEC Business Advisory Council (ABAC) and the Infrastructure Development Working Group of ABAC to support their objective of developing a policy and regulatory environment that promotes the development of infrastructure, propose a development of tourism case studies as outlined above, and invite to contribute or partner at relevant TWG meetings.
- As part of a programme on tourism infrastructure development, work with APEC economies and their investment agencies to develop best practice guidance on information and promotion of tourism infrastructure proposals.
- Invite the ADB and IFC to participate in TWG events with a focus on tourism infrastructure with the objectives of improving understanding of evaluation and funding processes for major infrastructure projects.

Recommendation 17: Improve tourism infrastructure forecasting

- TWG to develop a future agenda for supporting the development of tourism infrastructure by:

- TWG to draw on visitor satisfaction research to assess quality standards and integrate these findings into future design and development of new infrastructure that will meet these future visitor expectations.
- TWG to set a regional agenda for the development of specific infrastructure issues that are constraining visitation or increasing costs. TWG to lead research on specific developments and facilitate innovations, such as improved standards setting and other efficiency improvements.
- TWG to undertake further analysis and research about the regional nature of cruise tourism in north Asia. While ASEAN has a coordinated programme for the region there appears to be little that will guide policymakers and the private sector about the expected growth in cruise in tourism, as China in particular embraces this form of tourism.
- In the longer term undertaking a research project that develops an infrastructure forecasting model (in the same way as aircraft manufacturers have) which draws on forecast visitor growth, its regional distribution and the carrying capacity of existing infrastructure of APEC economies. The purpose of the research would be to develop, prior to demand, an assessment of the key issues facing infrastructure development over the long term.
- Drawing on this longer term forecast work, TWG could act as partner or strategic advisor to the World Bank, IDB and ADB as major funders of infrastructure in the region, to assist in prioritisation and focussing of tourism investment to maximise the economic benefits to the region.

8.2 Importance of the Recommendations on Infrastructure

Increasingly, there is a high-level of competition for capital in the current global economic environment for all types of development. While interest rates in 2012 are at all-time lows in many economies, there is a shortage of capital for significant developments. In addition, as reported by a number of private sector commentators, tourism developments attract a risk premium that may or may not be deserved. Initiatives that reduce this premium will improve the likelihood of funding for tourism and therefore support development that will deliver on the forecast tourism growth for the region.

Developing standard cases for assessment of infrastructure developments has the potential to assist in improving the rigor of economic, social and environmental analysis of proposals. By taking a consistent approach between options, it is much easier to carry out a comparative assessment of differing proposals and identify those proposals that have the greatest benefits across the dimensions assessed. In addition, standard analyses that are consistent with those carried out by international aid and funding agencies are likely to have a greater likelihood of funding success.

Consent and regulatory processes have been reported as a major impediment to tourism infrastructure projects by economies and private sector commentators. Standardisation and best practice application have the potential to reduce the regulatory burden of approvals. In addition, consistent approaches across economies will improve the transparency of assessment, funding and approval processes for infrastructure developments.

Cooperative policy development with other APEC working groups already engaged on improving the quality and performance of the regulatory environment for infrastructure development has multiple benefits. There is a benefit to the policy process by having actual sectoral issues being addressed when setting policy. The specific issues associated with tourism can assist in developing quality policies that are practical and deal with real issues of infrastructure development.

A more cooperative approach across APEC economies also means that there is an opportunity for greater regional cooperation within APEC. Economies have the opportunity to share standards, guidelines and potentially promotion activities for infrastructure developments.

Existing promotion of infrastructure investment opportunities varies widely between economies and there are differing approaches employed across the region. A best practice approach, widely adopted, will improve the opportunity for uptake of the tourism infrastructure investments in what is often a highly competitive market for funding.

Private sector tourism interests have commented on the invaluable role that early investment in infrastructure plays by leading development and investment by the private sector. Improved investment levels and quality of infrastructure will lead to improved investment by the private sector. This approach represents a significant reduction in risk for the private sector and a strong mechanism to support a more comprehensive approach to tourism investment.

There is an opportunity for TWG to take a leading role in establishing a long term forward looking agenda on infrastructure issues. Already there is expected growth in key tourism sectors, such as low cost carriers, cruise and increased independent travel in many economies. Understanding the infrastructure needs of changing travel patterns and their consequences will support economies' plans and provide infrastructure in a timely manner.

8.3 Implications of the Recommendations on Infrastructure for Tourism Growth in the APEC Region

It has been estimated by the Asian Development Bank that the APEC region must spend a further \$US8 trillion over the next 10 years on critical energy, transport, communications and other physical and social infrastructure. All economies share this issue to varying degrees and are seeking new and innovative ways to ensure that the infrastructure in energy, transport, and information technology meets the expectations of communities and visitors alike. Much of the new infrastructure is critical to ensure continued economic growth in a wide range of sectors and not just tourism.

Peru has identified a shortage of infrastructure investment as a key impediment, particularly investment in the transport network. This is similar to Chile and the Philippines, where additional road infrastructure is required to enable visitors to reach tourist attractions around the respective economies. Investment incentives and an improved approvals process are identified as two ways of overcoming this impediment.

Both Mexico and the Philippines have also identified the provision of utilities such as power, water and sanitation as important limitations on future tourism growth.

Poor public transport services and limited aviation connectivity are the key infrastructure issues in Brunei, with improved policies regarding landing rights seen as one of the potential solutions.

Aviation infrastructure is also identified by Australia as an important impediment to improved dispersal of visitors around the economy, with high costs and limited ability of

local government owners to improve infrastructure and services. USA has recognised that, although the current aviation infrastructure meets current demand, projected growth is not going to be met and there will be a requirement for significant investments in infrastructure in the future.

Hong Kong, China, with its limited land availability, is severely constrained in its ability to expand infrastructure. With growing numbers of visitors, there is a shortage of sites to build new hotel infrastructure to meet the current and forecast demand.

Infrastructure is identified as the number one impediment to tourism growth by Indonesia. In particular, capacity and connectivity of services for aviation, land and sea transport have been identified as the first priority. This is partly as a result of the dispersed physical nature of Indonesia with about 17000 islands. Other infrastructure aspects include capacity and quality of tourism hubs, such as airports and sea ports. Tourism destinations throughout the economy are considered to not meet current visitor expectations and are unlikely to have sufficient capacity for future growth.

In 2009, APEC launched the APEC infrastructure pathfinder initiative, which is aimed at developing a harmonised road map for private sector infrastructure provision. The focus of the project is on the role of public private partnerships (PPP) in delivering infrastructure projects. Liaison with this initiative would give an insight into the challenges and opportunities for progressing infrastructure developments to meet tourism needs.

8.3.1 World Environment Forum Tourism Competitiveness Report 2011

The World Environment Forum (WEF) (as part of the 14 pillars that are used to assess tourism competitiveness) uses a number of parameters to measure quality of infrastructure. Four measures are particularly relevant to the issue of quantity and quality of tourism infrastructure.

The measures of air transport infrastructure comprise measures of availability of aircraft seats, airport density, number of airlines and qualitative measures of network and infrastructure quality. Ground transport infrastructure has similar measures of quality of roads, rail and ports and the network structure. There is also an additional measure of road density included. Availability and quality of transport services relates largely to the ease of shipping goods to and from destinations, and as such, is less relevant to visitor travel. Finally, the ICT infrastructure measure records internet use, broadband subscribers, telephone lines and mobile phone subscribers. In total, the measures provide an indication of quality and quantity of tourism related infrastructure that a business and a visitor might experience in each economy. The rankings for each APEC economy are outlined below:

Table 2

APEC Economy	Air Transport Infrastructure	Ground Transport Infrastructure	Availability and quality of Transport	ICT infrastructure
Australia	3	51	11	24
Brunei	-	-	-	-
Canada	1	33	25	14
China	35	59	18	73

APEC Economy	Air Transport Infrastructure	Ground Transport Infrastructure	Availability and quality of Transport	ICT infrastructure
Chile	52	55	64	54
Hong Kong, China	12	1	9	4
Indonesia	58	82	73	96
Japan	23	6	4	28
Korea	40	18	21	8
Malaysia	34	36	17	52
Mexico	47	79	67	75
New Zealand	11	50	39	23
Papua New Guinea	-	-	-	-
Peru	78	121	94	84
Philippines	80	114	38	98
Russia	31	95	70	46
Singapore	14	2	1	20
Chinese Taipei	46	24	15	9
Thailand	24	56	26	81
United States of America	2	28	16	21
Viet Nam	85	77	31	67

Based on the above analysis carried out by WEF, there remains a significant level of tourism infrastructure improvement available in many economies. While some economies such as Hong Kong, China and Singapore rank very highly, even these economies are investing further to ensure that they meet forecast growth in visitor numbers. In addition, new attractions and changing visitor preferences mean that there will remain, for the foreseeable future, a high-level of demand for supporting both public infrastructure and tourism specific infrastructure.

Other economies are already suffering from an infrastructure deficit affecting a quality visitor experience. With the high levels of growth anticipated by these economies, there

will be a real need to accelerate investment to achieve further growth in visitation with quality experiences.

Growth is expected to continue in point to point aviation routes throughout the APEC region. New aircraft types, such as the Boeing 787, will increase air traffic across a wider range of destinations. This creates new demand for air transport infrastructure at a wider range of locations. In addition, with a more dispersed model of travel, there will be increased demand for other modes of visitor transport.

The second likely future trend in aviation is the significant growth in travel between the major city pairs. With increasing urbanization, combined with increasing wealth in urban areas, the travel demands between major cities will increase. Hence the hub model of travel will also experience increased traffic. This will place pressure on existing infrastructure, leading to reconfiguration and improvements to existing facilities rather than green fields developments. However, for some cities, second airports or redevelopment of secondary airports will also be on the infrastructure agenda.

8.4 Implementation Pathway for the Recommendations on Infrastructure

Addressing infrastructure issues by TWG presents opportunities to work collaboratively with the key regional development agencies such as ADB, IDB and the IFC. All agencies are seeking to generate the maximum economic gains for individual economies or regions in the most cost effective way. TWG is well placed to facilitate the discussion about infrastructure development on a regional basis. In addition, should TWG establish itself as the repository of quality tourism information, it is strongly positioned to add value with quality forecasting information about regional demands and quality requirements that have been expressed by visitors across the region. This type of information is invaluable to decision-makers in ensuring that investments are cost effective and will meet market demand.

APEC already has a significant portfolio of infrastructure advice and policy development with the operation and outputs of the ABAC. TWG can very usefully draw on this resource and experience by working collaboratively with ABAC to develop specific guidance and best practice models that are specific to tourism. The benefits to the APEC Infrastructure Working Group are that there will be a valuable contribution to the policy advice with a specific sectoral application. In addition, as outlined, there is a large future investment required for tourism growth and any efficiency or quality improvements that can be achieved will benefit the respective economies.

Longer term policy development requires a comprehensive approach to information gathering and close liaison with private sector entities. This will ensure that there is a quality information base to work with and that priority issues for future growth are addressed.

Much of the future work of TWG that will improve the provision of infrastructure requires research and best practice identification followed by adoption and dissemination by member economies. This process is low cost and can be initiated with little initial development. Implementation requires sponsoring economies and support from economies that will benefit from the application of best practice.

Acknowledgements

This research could not have been carried out without the significant contribution of my co-researchers, Pablo Retamal in Chile and Professor Amran Hamzah. Without their extensive contacts and in depth understanding of the tourism institutions and issues across a wide range of economies the study would have been much less thorough.

The guidance of the reference group and in particular Jennifer Kirsch and Helen Marano has been invaluable in helping shape the project as it has evolved over time. A number of teleconferences with Nancy Cockerell, Olivia Ruggles-Brise from WTTC and John Koldowski from PATA were also very constructive in helping the project develop through the initial stages of developing the project and identifying key contacts. The support and administrative help of the APEC secretariat and Pangeran Ibrani Situmorangi in particular to get the surveys completed and enabling the workshop to be carried out in the margins of the TWG meeting is greatly appreciated.

All of the officials from the member economies made significant contributions through the surveys and workshops and expert advice which provided much of the quality material and information from which this study draws its recommendations. In addition interviews with representatives from Accor Hotels, Horwaths, IBM, Langham Hotels, TEC and TIANZ and other key tourism private sector companies and organisations provided great insight into current and future tourism issues.

Finally, thanks to Les, Cath and Jo at TRC Tourism, who reviewed and polished the drafts to the completed final report.

Appendices

Appendix 1: Project Outline

Appendix 2: The APEC Growth Story: Background Information

Appendix 3: Survey of APEC Member Economies

Appendix 4: Priority: Information – Background

Appendix 5: Priority: Travel Facilitation - Background

Appendix 6: Priority Investment – Background

Appendix 7: Priority: Labour and Skills - Background

Appendix 8: Priority: Infrastructure – Background

Appendix 9: List of APEC TWG Projects

Appendix 1: Project Outline



TWG 01/2011A

Creating Business Growth Opportunities in the New APEC Economy

Background and Objectives

The Asia Pacific Economic Cooperation (APEC) region has become the world's leading growth centre by promoting free and open trade and investment and strengthening regional economic integration. The APEC economies are significant contributors to the world economy, generating around 57 percent of world economic output. In 2010, the APEC economies collectively attracted over 40 percent of total international tourist arrivals worldwide and generated more than 40 percent of world visitor exports. The latest research from the World Travel & Tourism Council (WTTC), carried out in collaboration with Oxford/Tourism Economics, suggests that the APEC region's visitor exports will increase by 4.7 percent per annum over the next 10 years, rising to US\$750.7 billion by 2021 – or a 3.9 percent share of APEC's total exports.

WTTC expects travel and tourism's direct contribution to APEC GDP to exceed US\$990 billion in 2011, a 2.6 percent share of total GDP, generating 45 million jobs, or 3 percent of total employment. If the indirect and induced impacts of travel and tourism are factored into the calculations, its total contribution is three times greater – US\$3.2 trillion GDP (an 8 percent share) and 125 million jobs. Moreover, both the direct and total contributions of travel and tourism to GDP and employment are forecast to rise strongly over the coming decade – by 4.4 percent and 2.2 percent per annum respectively – resulting in an additional 8.4 million jobs across the APEC economies, either directly within the industry or in sectors linked to travel and tourism.

Clearly, travel and tourism will be a major engine for economic growth within APEC economies going forward. But it will be critical to make every effort to ensure that this potential is fully tapped – i.e. that the political, economic and operating environment is conducive to growth, facilitating and stimulating private sector enterprise and investment, as well as new employment opportunities, and capturing an increasing share of demand from within the APEC economies.

While the main objective of this study will be to identify opportunities for growth, the research will provide a follow-up to earlier APEC studies which concentrated on the impediments to growth – e.g. visa constraints, excessive taxation, infrastructure limitations, increased safety and security concerns (reflected in more intensive airport checks), environmental and other legislation, and barriers to capital flows, etc. Reducing these impediments is critical to ensuring that the potential of travel and tourism is fully tapped by APEC member economies, especially the developing economies, allowing travel and tourism to power economic growth.

The study will focus on the opportunities for growth and capacity building, although it will take as a starting point the existing barriers and impediments to travel and tourism that are hampering growth. The private sector, through WTTC and the Pacific Asia Travel Association (PATA) – and including leading travel and tourism companies (airlines, hotel groups, etc.) as well as other major players directly involved in tourism, such as banks and financial services (e.g. Citibank, Visa International, American Express) – will be invited to contribute their views on achieving solutions and reducing some of these impediments while, at the same time, bearing in mind the wider issues of concern to APEC economies (such as homeland security, safety, or environmental concerns).

Not only is it important to address individual impediments, but also it is essential to have a system in place to identify and minimize their impact. The project will help APEC member economies draw up Individual Action Plans – through the presentation of best practice in different parts of the world – but also, through the APEC Tourism Working Group (TWG), to help APEC develop a Collective Action Plan to help reduce impediments across the region and stimulate demand for travel and tourism.

The end goal is the creation of an enabling environment in the region for travel and tourism with appropriate policy frameworks, institutional development, inclusive growth (women, for example), and workforce development.

- **Scope of Work**

The project will be carried out by a consultant, or self-appointed team of consultants. A Tourism Working Group Project Steering Committee, composed of tourism experts from APEC economies, as well as representatives from WTTC and PATA, will provide guidance at appropriate stages of the project, as well as monitoring the work in progress.

The main goal of the project will be to identify the business opportunities that are available, or need to be established, and how they can be integrated into the current travel and tourism business/regulatory environment, to contribute to capacity building in the Asia Pacific region. Opportunities identified may be in the areas of travel facilitation (including access to visas), connectivity to and within the APEC region, sustainable tourism (including workforce development) and emergency preparedness. These are areas of interest already identified by the TWG and incorporated into the TWG strategic plan.

By looking at the opportunities within these areas, and giving examples of best practice – i.e. the real impact on tourism growth and/or increased trade of lifting specific barriers – the project will be able to make policy recommendations for APEC economies as to how to overcome the impediments in these arenas and how to take advantage of the opportunities. Member economies can then consider these policy strategies as part of the TWG and also take them back to their home economies for implementation.

The scope of work will encompass the following specific elements:

- Review of the previous work completed in two published reports: 1) Impediments to Tourism Growth in the APEC region (1997, and APEC Tourism Impediments Study Stage 2 (2004);
- Consultation with relevant industry representatives via the Project Steering Committee in order to obtain additional expert input for the project's success;
- Consultation with the Chair and Secretariat of the OECD Tourism Committee to obtain information about the OECD project, 'Liberalisation in the Tourism Sector', which will dovetail with this project – so as not to duplicate efforts;
- Identification of the relevant research and information needed;

- Development of a detailed outline for a draft final report, indicating clearly its specific relevance to developing APEC economies, for review and comment by the TWG Project Steering Committee;
- Identification of participants in the research, interviews, and focus groups, including APEC members economies, private sector participants, and other multilateral organizations such as OECD, UNWTO and ASEAN;
- Development of a set of policy recommendations to create an enabling environment in the APEC region for travel and tourism with appropriate policy frameworks, institutional development, inclusive and sustainable growth, and workforce development;
- Preparation and publication of a final report following Project Steering Committee review and approval;
- In consultation with the Project Steering Committee, formulation of a workshop based on the results of the research and the policy recommendations;
- Preparation and participation in the workshop;
- Follow up with member economies, private sector companies, and the international organizations that participated in the research portion of the project, as well as with the member economies that participated in the workshop, to determine what the participants thought of the workshop and whether they have taken the policy recommendations back to their home economies. This information will be reported back to the Project Steering Committee to enable the Committee to determine next steps.

In carrying out these tasks, the consultant will:

- Complete a professional analysis of the collected research and information and objectively discuss the results and policy recommendations in a final report.
- Ensure that the research, interviews, and information are handled in a professional manner and that all results are reviewed by the Project Steering Committee before being distributed to other parties.
- Prepare a draft final report.
- Finalize the report in light of the comments and suggestions provided by the Project Steering Committee, ensuring that editing and formatting meet high professional standards and follow APEC's Publication Policy.
- Provide electronic copies (MS Word and PDF formats) of the final approved report.
- Develop an agenda and program in consultation with the Project Steering Committee to address the results of the final report for an audience consisting of APEC member economies, international organization representatives, and the private sector.
- Distribute (by airmail and/or courier) copies of the final report and any additional workshop papers to:
 - 21 TWG contact points (2 copies each),
 - WTTC and PATA (copies TBD)
 - APEC Secretariat (2 copies).
- Produce an electronic version of the above document for dissemination via the APEC and TWG websites, as well as member economy websites.

Negotiations are underway between PATA and WTTC with their respective Members and Partners with regard to possible private sector funding for the project, so as to allow for a broadening of the project's scope. While not essential, additional funding from non-APEC sources (public or private sector), secured by the consultant, would also be well received by the proposal review team.

Appendix 2: The APEC Growth Story - Background Information

UNWTO Forecasts

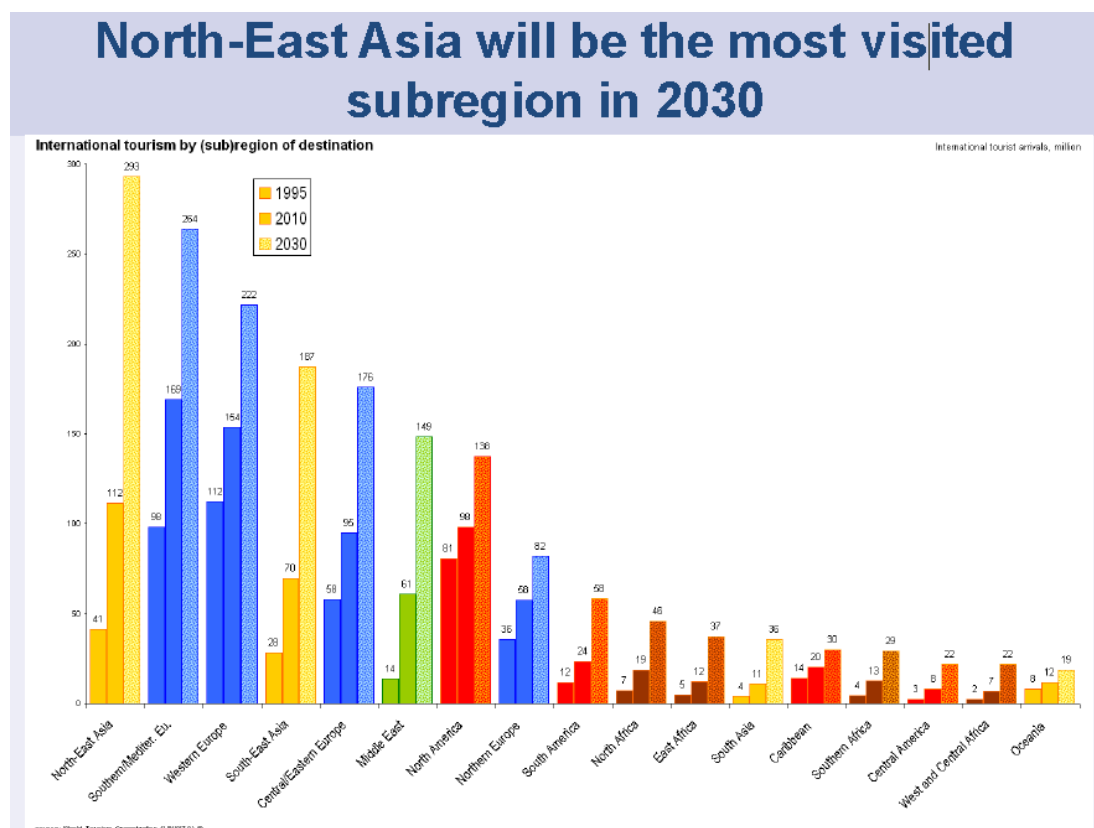
Global forecasts of tourism growth to 2030 have been prepared by the UNWTO and were released in October 2011. These forecasts build on the “Tourism Towards 2020” forecasts and earlier series of forecasts and utilise Gross Domestic Product and costs of travel to determine expected international visitor arrivals numbers. The Tourism Towards 2030 forecasts expects global international arrivals to reach 1.8b by 2030²¹. Of that total the Asia and Pacific region is expected to increase its share from the current 22% of travel to 30% of all international travel. The Americas, as a share of total global travel, are expected to decline slightly from 16% to 14% of total international travel.

Regional forecasts prepared as part of the global forecasts show that North East Asia will, by numbers, be the most visited sub region by 2030. Arrivals are expected to grow from 112M in 2010 to 293M in 2030. Similarly South East Asia is expected to grow from 70 M to 187M arrivals. South America is forecast to have 58 M visitors in 2030. North America with visitation projected to grow to 136M and Oceania to 19M have significantly lower estimated rates of growth for the next 20 years.

In total the UNWTO regions containing the APEC economies will have a combined growth in arrivals from 320M in 2010 to approximately 700M by 2030.

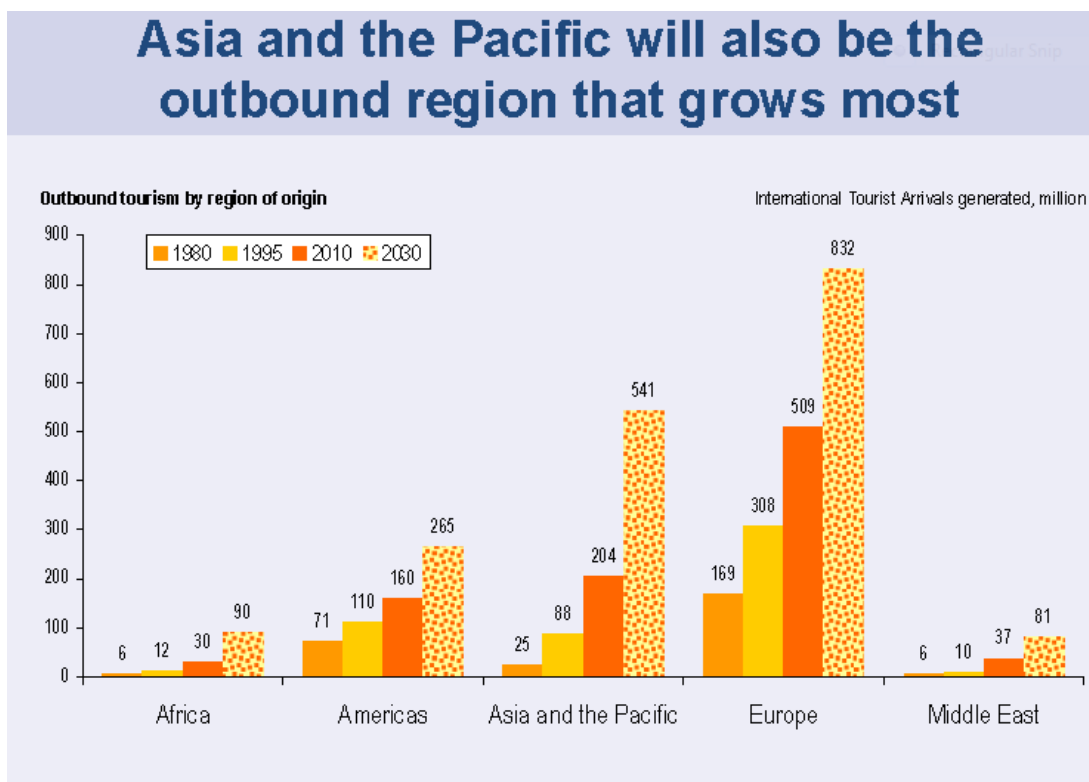
Similarly outbound tourism is also expected to grow the most from the Asia Pacific region. Outbound visits are expected to increase from 204M in 2010 to 541M in 2030. The Americas are expected to grow from 160M to 265M.

Figure 1



²¹ Tourism Towards 2030 / Global Overview. World Tourism Organization (UNWTO) 2011.

Figure 2



Reference: UNWTO 2011²²

Over the last 50 years there has been an almost consistent rate of global tourism and travel growth. The growth has often been interrupted for short periods associated with a range of either global or local events. Sudden Acute Respiratory Syndrome, wars, volcanic eruptions have all recently had an impact on international travel numbers. However travel has rapidly rebounded after these events. Even the 2008/09 global financial crisis which resulted in the first annual decline in visitor arrivals in 2008/09 with a contraction of 4.2 % was followed by a rebound in travel in 2010, and has returned to their pre-crisis peak level, representing a growth of 5 to 6% over 2009. International arrivals are expected to return to the long-term average of 4 % in 2011 according to the UNWTO. This growth gives confidence in the expectation that long term trends will continue, almost irrespective of short term events that might affect annual visitor arrival numbers.

Individual Economy Forecasts

Part of the survey information gathered from APEC economies has provided a number of snapshots of forecast growth in inbound tourism markets. While the information is incomplete and a broad APEC wide view cannot be accurately described, some economies are expecting significant growth over the next five years.

Peru has had consistent visitor arrival growth for the last decade and is forecasting an increase of 30% in the next five years to 2016. This will result in an additional 1 million visitors to Peru over 2011. In addition to the 127% increase in arrivals since 2002, Peru is forecasting an additional 30% increase in arrivals by 2016, Peru has also experienced a significant increase in visitor spend over this period with growth in tourism receipts being 280% since 2002 and Peru is currently forecasting an additional 42% growth in international visitor spend to 2016. The tourism economy has therefore performed

²² Tourism Towards 2030 Global Overview - UNWTO General Assembly 19th Session, Gyeongju, Korea 2011

extremely well and by 2016 tourism is expected to be the second highest revenue earner in the Peruvian economy behind mining and oil.

Similarly Chinese Taipei has also recorded record growth in recent years with a 38.5% increase in arrivals numbers from 2009 to 2011. Over 6 Million visitors were received in 2011. In the same way as Peru, international tourism receipts are growing faster than arrivals numbers with a 47% increase in the last three years, taking tourism revenue \$US 87.19B. Over the longer term, growth has been relatively consistent for the last ten years with visitor arrivals growing from 2.8m in 2001 to 6.1M in 2011, representing a 115% increase. The recent increases are attributed to an influx of visitors from China, Japan, Hong Kong, China and the USA.

By way of contrast some other APEC economies have had flat performance over the last few years and are not anticipating double-digit growth under current assumptions. For example, Australia is forecasting limited growth in the next eight years to 2020. Inbound visitor arrivals are forecast to increase by 2.7% to reach 6.1 million in 2012 — which is a downward revision from the previous forecast of 5.2% and 2013 have been revised from 4.7% to 4.0%. These revisions can be attributed to the slower pace of economic growth in the United States and Europe and associated global economic uncertainty. The longer-term outlook for Australia remains similar to that previously forecast with annual average growth expected to be 3.2%, rather than the previously expected 3.6%, with inbound arrivals to reach 8.1 million by 2020.

For Australia, over the 2010–2020 time period, Asia is projected to contribute around 55% of the projected 2.2 million increase in visitor arrivals. China is forecast to account for approximately 42% of the growth from Asia.

Similar expectations are contained in the forecasts from New Zealand with a forecast increase in visitor arrivals of 2.7% year on year to 2016.

Aviation expectations

The APEC region represents the world's biggest passenger aviation market; according to IATA, airlines carried 647 million travellers across the region in 2009, with this number expected to increase to one billion by 2014.

Forecasts for the period 2011 to 2030 have recently been produced by the two major aircraft manufacturers Boeing²³ and Airbus²⁴. Both forecasts of the market for commercial passenger aircraft provide a comprehensive perspective on the global growth in aviation for the next 20 years. The global picture over the next 20 years based on the manufacturers' expectations is one of relatively steady global growth, with a backlog of orders for new aircraft to be supplied to the global market. The last three years of economic uncertainty and in many parts of the world, recession, are now seen as being over, with the aviation industry recovering rapidly from the lows of 2009 when a decline of 2% in traffic was experienced. In 2010, global passenger traffic rose by 8%. If a long run view is taken, aviation has grown by over 5% on a year on year basis for over 50 years.

Global growth

On a global basis Boeing is expecting growth over the next 20 years to average around 5.1% year on year growth on a Revenue Passenger Kilometre basis. Similarly Airbus has studied over 160 traffic flows between city pairs and is forecasting a projected annual growth rate of 4.8% to 2030.

²³ www.boeing.com/commercial/cmo

²⁴ www.airbus.com/company/market/forecast

Drivers of growth

In reporting on the trends in aviation, Boeing has identified changes in airline foreign investment, aviation liberalisation, and increased international trade agreements as being positive forces for the aviation market, and hence by implication significant foundations for increased tourism growth²⁵. Increased investment in aerospace manufacturing by a number of economies also means greater competition in the aviation market as well – leading to more price competition.

Other macro drivers of the aviation market are: Global economics and demographic changes subsequent major changes expected in the distribution of wealth and the greater propensity to travel occurring in different economies in the next 20 years. It is estimated that more than half of the world's population lives in urban centres and by 2030 approximately 59% or 5 billion people will live in urban centres. As these cities grow they will need to be connected and this feature of the changing face of the globe will drive major investment in aviation and infrastructure. These mega cities will have the population to support significant air connectivity and therefore tourism flows. At present there are 39 megacities out of 350 with over 10,000 long-haul passengers/day. Airbus expects this number of megacities to rise to 87 with a consequent concentration of aviation flows through these cities. These cities will form the hubs for the global long-haul aviation network for the future. Much of this growth is centred on Asia and Latin America. The arrangement of the aviation network will strongly influence the visitor flows throughout the APEC region.

Airbus expects that the global middle class with daily expenditure of between \$10 and \$100 per person/day will rise from 1,845M people to 4,884M people in 2030. By 2030 it is expected that 66 % of the global middle class will be in the Asia Pacific region.

Regional growth

On a regional basis the Asia Pacific region is seen as a major driver of aviation growth over the next decade with Boeing predicting an increase of 7% annual growth in the region. This compares with a 2.3% growth rate within North America and 4.0% growth in Europe.

Latin America is also expected to see major aviation growth over the next 20 years with a forecast 6.7% increase in intra Latin America aviation. This growth rate is significantly higher than the inter-regional travel growth rates expected for this continent, which is estimated at 4.8 – 5.4%.

Both aviation companies are expecting China to be the second largest market for new aircraft over the next 20 years with an estimated market demand of over 4000 aircraft valued at \$495B. The US remains the single largest market with Germany third, and India fourth.

Overall the Asia Pacific region is expected to be the largest market with over one third of aircraft being delivered to economies in this region over the next 20 years²⁶.

The domestic China market is expected to also show major growth in the coming 20 years with a forecast of 7.5% growth within China. Much of the infrastructure growth is already occurring to accommodate this level of growth with rapid urbanisation being a key driver.

To stimulate development outside the major cities such as Shanghai and Beijing, the Chinese government plans to open about 100 new airports by 2020 at a cost of some \$62billion²⁷.

²⁵ Aviation Policy and Geopolitics-Boeing. 2012.

²⁶ www.airbus.com/company/market/forecast

Cruise Growth

The cruise industry has shown consistent rapid global growth over the past few decades with cruise holidays increasing from 1.8million in 1980 to 17.3 million in 2009. This represents 8% year on year growth for the last30 years. Forward projections of cruise growth to 2020, range from between 19.5 million as a worst case, to 30.1 million passengers in a best-case scenario²⁸. The Caribbean and the Mediterranean dominate the cruise destinations with approximately half of all cruise capacity operating in those regions. The Asia Pacific share of the global market is still small with around 19% of all capacity²⁹. This APEC region includes the cruise destinations of Alaska, Mexico West, South America, Hawaii, South Pacific and Asia. However the Asia Pacific region is seen as a large area of major growth potential to 2020 and beyond. It is expected that cruise passenger numbers will double between 2009 and 2020. In particular the economies of Asia are viewed as significant potential markets for this type of tourism product. Compared with the mature markets of Europe and the USA, cruise penetration in Asia markets is very low. According to some estimates China alone could generate up to 40 million cruise guests annually if market penetration matched other markets.

Typical of Asia cruise growth is the experience in Australia. The Australian cruise industry contributed \$828.1 million to the Australian economy in 2010-2011 – an increase of more than 44 per cent on its contribution of \$576.6 million in 2007-2008³⁰. The Australian cruise industry growth is outpacing the global industry by close to a four to one ratio with an average of 18 per cent growth over the last five years.

Some of the major findings of the recent analysis include:

- Total cruise expenditure in Australian waters in 2010-2011 was \$943.7m and this is forecast to grow to \$2.595 billion by 2019-2020.
- Between 2010-2011 and 2012-2013, average annual passenger growth in the cruise sector is expected to be 32% (based on observed Australian port bookings data).
- Providing impediments are addressed, annual passenger growth is expected to be 7% year on year from 2013-2014 to 2019-2020.
- The Australian cruise sector now represents over 4% of the global cruise market in terms of passenger numbers compared to less than 2% five years ago.
- The cruise sector's contribution to employment in 2010-2011 was 7,220 (FTE) and this is forecast to grow to 19,841 by 2019-2020.

This growth has caused a need for new infrastructure to cater to the increased demand and the industry are of a view that Sydney, the principal cruise port now requires three berths to meet future demand.

Similar anticipated growth in the rest of Asia has resulted in the recent development or proposed development of new cruise facilities in; Auckland, New Zealand; Bali, Indonesia; Busan, Korea; Ha Long Bay, Viet Nam; Hong Kong, China; Incheon, Korea; Okinawa, Japan; Penang, Malaysia; Singapore; Shanghai, China; Sydney, Australia; and Tianjin, China.

With an expectation of over 5 million Asia cruise passengers by 2020; cruise is one of the high growth potential tourism activities in the region.

²⁷ China Travel Trends - Dragon Edition, 2011

²⁸ European Cruise Council

²⁹ PATA. " The Cruise Industry in Asia Pacific" Issues and Trends. Volume 16, Issue 11, June 2011

³⁰ The Economic Contribution of the Cruise Sector to Australia, Carnival Australia. Deloitte Access Economics. 22 February 2012

Appendix 3: Survey of Tourism Officials from APEC Member Economies

Introduction

There have been a number of studies carried out on impediments to tourism growth by APEC and other agencies over the last 20 years. Most took a trade liberalisation approach, whereby the objective was to discover what trade barriers needed to be overcome to enable tourism growth. Others looked at specific impediments to travel and barriers to further tourism growth.

Our brief is to identify current opportunities for tourism growth, the impediments that presently exist and options for individual and collective action plans of APEC economies to address the impediments. The impediments to be addressed include: policy; investment; institutional; workforce and environmental initiatives. We are taking the approach that all TWG members carry some responsibility for tourism growth in their own economy. Starting with this assumption, our study proposes to ask: what tourism growth has been experienced over the last five years?; what levels of tourism growth are projected over the next five years?; what do the economy's apex tourism organisations, public and private, consider to be the main impediments to achieving this projected growth?; how can these impediments be addressed?; and are there opportunities for collective action to address impediment at an APEC regional level?

At the end of the study we hope to: present the growth story for the APEC region; summarise the perceived impediments to growth; and summarise the individual and collective action plan options to address these impediments. Of course, impediments are only part of the story. We will also consider, in a more subjective way, there are many growth opportunities that have yet to be taken up in the region. The outcome will include collective action plan options that the TWG might support and best practice examples of individual action plans that the TWG might promote. Other policy topics may also arise for further action by TWG through the strategic plan and research programme.

The following survey is designed to be completed by i) the TWG member agency from each economy and ii) a senior person within an apex tourism body representing the private sector of tourism in each economy. In both cases, one person of senior rank need only fill out the survey. The TWG member agency is requested take responsibility for sending in both replies. The survey is designed to be answered quickly by an experienced person with access to official tourism statistics. Relevant stats are requested in table form, and then quick concluding comments are requested for each section. The concluding comments should address the key questions of that section.

Completed survey forms should be sent to Ray Salter, Pablo Retamal, or Prof Amran Hamzah.

Section 1: Travel Diagnostics

Current tourism patterns, previous growth and growth projections.

In this section we seek to find out for each economy where future growth going to come from and how much opportunity is there for growth? The total of all the responses will give an indicative picture of the growth opportunities presented in the APEC region as well as an indication of the visitor flows within the region over the next 5 years.

Key questions for this section:

- Current visitor flows?
What are the visitor numbers (and where it exists visitor spend) for 2006, 2011 and where it exists forecasts of the future (say 2016) of where visitor arrivals will come from and estimates of numbers for the top 10 source markets.
- Travel mode?
How have visitors travelled for those three periods? Land, air, water and is there any change forecast?

1.1 Visitor Arrivals

Top 10 source markets	Historical arrivals (for 2005)	Current Arrivals (for 2011)	Forecast Arrivals (for 2016)
1			
2			
3			
4			
5			
6			
7			
8			

9			
10			
Total Arrivals			

1.2 Visitor Spend

Total Spend	Historical (2005)	Current (2011)	Forecast (2016)

1.3 Travel Mode

Total arrivals by mode of travel when crossing the Border	Historical (2005)	Current (2011)	Forecast (2016)
Land			
Water			
Air			

Quick concluding comments:

Section 2: Impediments to achieving the growth projections.

In this section we explore what experienced tourism people perceive as the changes necessary to the existing regulatory, policy and institutional arrangements to enable the projected future tourism growth?

Key questions:

- What needs to be done in the existing regulatory, policy and institutional arrangements to achieve these growth forecasts?
- What marketing steps or other actions need to be taken to achieve the forecast growth?
- What does the government need to do?
- What does the private sector need to do?
- Are there other global factors that need to change to achieve this growth?
- Are there non-tourism related issues holding back visitor growth?
- Is there a priority or a list in order of importance of impediments to growth?

2.1 Individual Travel

Pre Travel Procedures	List, in order of significance, the perceived Impediments
Examples include: • Visa requirements • Travel advisories • Foreign exchange controls	

	List, in priority order, actions necessary to remove the impediments
Border Crossing Procedures: Examples include: • Security Checks • Departure Taxes • Administrative forms	List, in order of significance, the perceived Impediments
	List, in priority order, actions necessary to remove the impediments

Visitor Experience: Examples include: • Quality systems, standards represent product offer • Availability of international travel, • Ease of access to accommodation, transport to local tourism offering Language availability	List, in order of significance, the perceived Impediments
•	List, in priority order, actions necessary to remove the impediments

2.2 Tourism-Related Businesses

Business Licenses and Approvals: Examples include: • Requirements to establish a company • Nature of taxes and charges • Approvals for access to labour, land and equipment	List, in order of significance, the perceived Impediments List, in priority order, actions necessary to remove the impediments
Foreign Investment Factors: Examples include: • Foreign investment limitations • Foreign	List, in order of significance, the perceived Impediments

exchange controls • Ownership limits • Repatriation of profits	
	List, in priority order, actions necessary to remove the impediments

Resource and Infrastructure availability Examples include: • Transport network • Human resource availability and capability • Utilities availability	List, in order of significance, the perceived Impediments
	List, in priority order, actions necessary to remove the impediments

2.3 Institutional Arrangements

Tourism Organisational Arrangements Examples include: • Government priority, support and budget • Government agency capability at national /region/local level • Sustainability support	List, in order of significance, the perceived Impediments
	List, in priority order, actions necessary to remove the impediments
Private Sector Arrangements Examples include: • Tourism organisation capability	List, in order of significance, the perceived Impediments
	List, in priority order, actions necessary to remove the impediments

- Resources/access to capital
- Investment in training and development

Quick concluding comments:

In order of significance, which are the five most significant impediments?

Section 3: Individual and Collective Action Plans

In this section we are seeking ideas for individual and collective action plans to address the impediments identified above.

Key Questions:

- What are the priorities for individual actions by your economy to address the impediments?
- Could any of the impediments be usefully addressed in a collective APEC action plan?

Quick concluding comments:

Section 4: Best Practice Procedures

In this section we are seeking to identify best practice actions that could be offered as case studies to other economies for wider adoption. The focus is on those processes or programmes that enable tourism economic growth. They may be simple process improvements in things such as visa processing, through to far more extensive regulatory arrangements such as air traffic control improvements that reduce flying time and costs over long haul routes.

Key Questions:

- Are there best practice examples of policy regulatory or institutional initiatives from your economy?
- How have they improved your tourism performance?
- Is there evidence of the benefits and documentation of the gains that have been achieved?
- Is the change transferable?
- What caused the change?
- How could this innovation be made available to the rest of the APEC economies?
- Are there other similar innovations that you are considering?

Quick concluding comments:

Appendix 4: Priority: Information - Background

APEC TWG Tourism Charter

The APEC TWG Tourism Charter recognised the importance of information as a cornerstone to tourism development in the region and as a role that TWG could contribute to. Goal 4 of the charter that seeks to:

“Enhance recognition and understanding of tourism as a vehicle for economic and social development.

In particular we will seek to achieve this goal by:

- harmonizing methodologies for key tourism statistical collections, consistent with activities of other international tourism organizations;
- facilitating the exchange of information on tourism between economies;
- promoting comprehensive analysis of the role of tourism in member economies in promoting sustainable growth; and,
- expanding our collective knowledge base on tourism issues in order to identify emerging issues and assist implementation of the Charter”.

The Charter set a broad agenda for developing tourism information systems and is reflective of the time of its development. Subsequent development of information systems in many economies has resulted in major improvements in tourism understanding and its economic importance. Other agencies have also been actively supporting the development of better tourism information. Significant progress has been made in developing statistical collections in many APEC economies over the last decade.

TWG Projects

Since 2000 much of the effort on information projects has gone into the development of tourism satellite accounts for member economies and this was the subject of the first project of TWG in 2001³¹. An additional project was devoted to capability development in 2008³².

Other projects have focussed on the Tourism Research network in 2001 and 2002. These two projects supported a specific website and capability to share information. Subsequent developments in website technology and search capability has meant that these two initiatives have not been as successful as anticipated in developing a repository of research information and sustaining capability to undertake research for TWG.

TWG Impediments Studies

In 2003 the issue of information was not at the forefront of impediments identified in the report at that time. It was recognised that TSA's could play an important role by supporting the promotion of tourism as a significant economic sector in the political arena. The importance of TSA's followed through with further steps being taken to harmonise methodologies for key tourism statistical collections and wider use of TSA's by member economies. At that time in 2003, thought was also being given to the development of regional TSA's.

³¹ Best Practices on Development of Tourism Satellite Accounts APEC TWG 01/2001

³² Capacity Building on Tourism Satellite Accounts as basis for promoting liberalization and facilitation of tourism services. APEC TWG 01/2008

The second impediments study carried out in 2004 also did not identify information as a key impediment. In reporting on the activities in four economies, there is significant progress towards developing TSA's and also strengthening the information base for tourism.

The third impediments study covered Viet Nam and Papua New Guinea. The limitations of quality information for Viet Nam was found to limit information available for investment projects, and hence reduce investment promotion for tourism projects was highlighted.

In summary, information has figured in the APEC impediments studies as a constraint to other activities and proposals. In particular, information limitations have been a contributor to reduced quality of proposals and have also been seen as reducing the advice available for decision makers. In the past, information has not been seen as an impediment for individual economies and their general activities.

UNWTO Programmes Supporting Tourism Information

Part of the suite of activities undertaken by the UNWTO is a Statistics and Tourism Satellite Account Programme. The overall mission of the Statistics and Tourism Satellite Account programme consists of:

- development of national Systems of Tourism Statistics following the International Recommendations for Tourism Statistics³³ in 2008
- design of the required guidance, initiatives and tools³⁴ for the implementation of TSA's in countries
- advancement of international comparability of tourism statistics
- dissemination of the TSA conceptual background for economic analysis and promotion of the UNWTO TSA
- support to member states in their efforts to advance the measurement and economic analysis of the tourism sector

This programme is committed to developing tourism measurement for furthering knowledge of the sector, monitoring progress, evaluating impact, promoting results-focused management, and highlighting strategic issues for policy objectives.

The programme also supports statistical strengthening in countries through capacity building, and compiles and disseminates tourism statistics of countries all over the world. Over the period 2010 – 2012, UNWTO has run the successful Statistics Capacity-Building Programme for Asia-Pacific organised jointly with the Australian Department of Resources, Energy and Tourism and the New Zealand Ministry of Economic Development. The programme was also carried out in cooperation with UNESCAP, the Ministry of Tourism and Sports of Thailand, the National Statistical Office of Thailand and the Department of Tourism of the Philippines.

Three workshops were held over this period with fourteen countries, Cambodia; China; Fiji; Hong Kong, China; India; Indonesia; Japan; Macao, China; Malaysia; Maldives; Philippines; Republic of Korea; Thailand and Vanuatu having participated.

Tourism Satellite Accounts have been the priority for UNWTO information efforts and the latest reporting, as at early 2010, indicates that a total of 60 countries worldwide have already produced, or are currently developing TSA's³⁵. The activity in

³³ http://unstats.un.org/unsd/publication/Seriesm/SeriesM_83rev1e.pdf

³⁴ http://unstats.un.org/unsd/publication/Seriesf/SeriesF_80rev1e.pdf

³⁵ TSA Data worldwide. June 2010 edition UNWTO

APEC, recorded at that time, is that 16 of the 21 APEC economies were actively developing or had developed tourism satellite accounts.

More detailed accounts of the information collected for many of the economies in Asia, including many APEC economies, is contained in the two volume report:

<http://dtxtg4w60xqpw.cloudfront.net/sites/all/files/docpdf/dnstsvol2asia.pdf>

The result of this investment is that, for many economies, there is a wealth of information available at an aggregate national level on tourism and its contribution to the national economies. However, some of the drawbacks include delayed information (some can take years to be included in the national accounts) and also rapidly changing measurement methods and processes for some parameters.

Review of this information indicates that the APEC economies have made major advances in developing their TSA's and much of the initial development is complete. However, reporting on the findings of TSA's and the importance of tourism has yet to gain prominence in some economies. There remains an opportunity to support data interpretation and communicating the importance of tourism to national decision-makers.

TSA's can provide insights into where tourists spend, the extent to which different sectors gain from tourist spending, and the overall contribution of tourism to GDP. In addition the TSA's provide quality information about outputs and employment within tourism and its subsectors, and demand data for households, business, government and international visitors, for tourism good and services.

While individual TSA's provide a strong database with which to present a story about the role of tourism in individual economies, there remains the opportunity to provide more information at a regional level. At a more aggregated level there is limited information about the APEC wide contribution of tourism to the regional economy.

Also at a subnational level TSA development has still had only limited application. This aspect of TSA's is particularly important where regional governments make substantial contributions to the tourism sector and expect to see their investments generate returns to the regional economies. While this may be beyond the role of TWG there is an opportunity to play a facilitation role in supporting methodological development in partnership with other organisations such as UNWTO, OECD or WTTC.

OECD Initiatives

The OECD has carried out considerable work on Tourism Satellite Accounts over the last 20 years. This work continues and builds on its co-operation with other agencies, most notably the UNWTO and Eurostat. In the 2010 Review of Tourism Trends³⁶, the OECD commented that measurement and evaluation of policy outcomes in tourism is still in its infancy, because measurement tools and performance measures are still under development. While much attention has been focused on the TSA, it remains essentially a static accounting method measuring the contribution of tourism to an economy. The TSA is not suitable for measuring the impact that changes in tourism demand will have on key parameters (e.g. gross value added, employment) and hence for dealing with many of the policy issues that governments face in tourism.

³⁶ OECD Tourism Trends and Policies 2010. OECD 01 Feb 2010 ISBN : 9789264077423 (PDF) ; 9789264077416 (print)

OECD, in reviewing the development and utilisation of TSA's, has made the following recommendations to improve the application and value associated with TSA's:

- promoting a modular approach for TSA development;
- implementing internationally recommended standards;
- involving more stakeholders in the production and dissemination of TSA data and extensions;
- adjusting and better communicating TSA products to users; and
- building the capacity of TSA users.

WTTC Perspective

WTTC continue to provide a comprehensive suite modelled TSA accounts for each economy. These enable comparisons to be made amongst different countries and also to fill in gaps where information is not produced on an individual economy basis. These accounts are not a substitute for individual economy accounts, but they do provide a set of accounts that have been developed on a common basis and also to a common timetable. The individual TSA's are produced annually. This research, based on TSA methodology, presents the contribution of the sector to GDP, income and employment for 181 countries as measured by absolute size, share of the economy and growth rates.

WTTC also produce an APEC regional report³⁷. This provides one source of comprehensive data for use in policy deliberations for regional organisations, individual economies and also by private sector businesses in their decision-making.

The research programme supports WTTC's mission to maximise the sustainable growth potential of travel and tourism that ensures benefits for consumers, businesses, local people and the environment. WTTC uses the research and information to raise awareness of tourism as one of the world's largest industries and ensure that governments recognise tourism as a top priority. WTTC has an approach of partnership between the public and private sectors, including governments, multilateral organisations and business. The approach and purposes of the WTTC research programme aligns well with TWG objectives.

As of 2011, WTTC's annual economic impact research, carried out in partnership with Oxford Economics, is being even more closely aligned with the UN Statistics Commission–approved 2008 TSA recommended methodological framework³⁸.

However, as the authors state, the traditional approach understates the full economic impact of travel and tourism, since it ignores the indirect and induced effects of the industry. Travel and tourism investment is a prime example of this phenomenon, since is not a component of the direct economic impact of the industry but is rather an important aspect of the broader indirect impacts, as well as being critical in determining future capacity and improving quality, competitiveness, productivity, and sustainability. For this reason, WTTC and Oxford Economics will continue to track travel and tourism investment across individual countries and regions, while remaining consistent with the recommended TSA framework.

The inclusion of indirect and induced effects of tourism into the TSA and the contributions to national economies remains controversial and at this time the indirect component is included in compliance with the approved methodology, but the induced component remains outside.

³⁷ <http://www.wttc.org/research/economic-impact-research/regional-reports/apec-region/>

³⁸ http://unstats.un.org/unsd/publication/Seriesf/SeriesF_80rev1e.pdf

Member Economy Views

The issue of information was raised by member economies largely in the context of difficulty in planning developments and investment. It has also been raised as an issue in terms of difficulty of planning marketing approaches and improving product quality. There are common reports of limited information about the quality of experiences and visitors expectations. This attitudinal research currently lacks common approaches and is often limited to one-off studies.

Given the costs associated with comprehensive visitor information there is considerable emphasis on getting value for money from existing information and research budgets in many economies. New Zealand, as an example, has just completed a review of its tourism research and information gathering. The goal of the review is ensuring that information is provided in a relevant, timely and economical way. The review recognises that availability, to government and to the industry, of better information will play a key part in advancing the growth of the sector. The Tourism Data Domain Plan³⁹ provides a road map of future development and investment in tourism information over the next five to eight years. The report addresses five key areas of importance to stakeholders in making decisions about future policy, regulatory and investment decisions in the sector. The areas are:

- The value of tourism
- The growth, innovation, productivity and efficiency of tourism businesses
- The value of government interventions
- Global competitiveness
- The sustainability of New Zealand tourism.

These aspects cover the range of information needs expressed by many economies and, in particular, the value of tourism and an important emerging issue of the sustainability of tourism.

Similarly, Australia in its Tourism 2020 Strategy⁴⁰, has highlighted “Informing industry and government” as one of the nine planks of the strategy. The strategy also contains an important component of measuring and monitoring the implementation of the strategy on an ongoing basis.

Evaluation of the adequacy of tourism research has shown there to be gaps in research that enables industry and key stakeholders to accurately assess opportunities and respond appropriately to challenges. Other assessments identified the need for greater original research, stronger links to the commercial sector, and improved dissemination of data, as critical issues.

In response to these assessments, the Strategy emphasises research to underpin tourism policy, industry development and marketing of Australia. In particular the research agenda is intended to focus on longer term topics such as understanding market developments, labour market trends and industry performance, and to anticipate the impacts of climate change, shifting consumer preferences and demography.

A new structure has been established and one of its roles will be to produce a comprehensive state of the industry report, quantitative and qualitative assessments of industry performance, challenges and trends, and develop metrics for measuring

³⁹ <http://www.med.govt.nz/sectors-industries/tourism/pdf-docs-library/tourism-research-and-data/tourism-domain-plan/tourism-domain-plan-november-2011.pdf>

⁴⁰ <http://www.ret.gov.au/tourism/Documents/DRET%20Tourism%20Strategy.pdf>

the Strategy's implementation. Emphasis has also been placed on disseminating the research and development information to industry.

China, in its current five-year plan⁴¹ has placed emphasis on improving its market statistics system and improving the authenticity and reliability of tourism statistics and data sources. The plan also places specific emphasis on improving domestic tourism information, including characteristics of tourist behaviour.

Member economies emphasised the following important needs in providing quality visitor information for the region:

- Timely information is required.
- Consistent data is desired using common methodologies
- Regional data is important, both at an aggregate regional level, to place APEC in a global context, as well as providing comparative information.
- Information on relative performance is wanted.
- Work with existing providers – PATA in particular, as a means of ensuring that there is no duplication and existing organisations with skills and resources are included in the information, collection, analysis and dissemination processes.

Private Sector Views

For many private sector respondents the comments were similar. Information on an economy arrivals basis is currently satisfactory for their planning purposes but other visitor information is lacking. Some respondents also queried the quality of much of the information that is provided on domestic tourism and other data on tourism spend. Most were satisfied with the quality of the arrivals data from international visitors, expressing confidence in the processes of collecting the information at the border. However other data was seen as being much less reliable.

Most have little information on visitor behaviours and preferences from different markets. The more qualitative the information, the less available is the information.

There is little quality information on visitor safety that is reliable because most events are not reported. In addition some economies do not collect data to separate out incidents related to visitors from those relating to residents. Probably there is significant underreporting of safety issues related to visitors.

Overall the private sector consider that basic information is available of sufficient quality to make major investment decisions, however many would like to see more quality information on specific aspects of visitor preferences and travel patterns. Improved information on visitor preferences would enable the private sector to better target their marketing and investment spend.

⁴¹ The Twelfth Five-year Plan for National Tourism Industry of the People's Republic of China. Edited by the National Tourism Bureau of the People's Republic of China – Beijing. China Tourism Press. June 2011. ISBN 978-7-5032-4195-6

Appendix 5: Priority: Travel Facilitation - Background

APEC TWG Tourism Charter

Travel facilitation and the many aspects of improving travel and tourism has been a feature of the TWG since its inception. In 2000 APEC Tourism Ministers adopted the APEC Tourism Charter within the goals of free and open trade established in the Bogor Declaration. One of the four policy goals is:

Goal 2: Increase the mobility of visitors and demand for tourism goods and services in the APEC region by:

- Facilitating seamless travel for visitors
- Enhancing visitor experiences
- Promoting inter and intra- regional marketing opportunities and co-operation
- Enhancing safety and security of visitors
- Encouraging non-discriminatory approach to provision of visitor facilities and services

TWG and the tourism industry have long recognised the economic and social benefits of greater ease of travel between economies and this is reflected in the priority accorded to working to achieve the objects of Goal 2 of the APEC Tourism Charter.

TWG Projects

As part of the work programme of the TWG, two projects on strengthening safety and security best practices against terrorism for sustainable development were completed in 2003 and 2006. APEC Guidelines on ensuring Tourism Safety have been developed and were released after the Ministerial meeting in July 2012⁴².

While there has been discussion about the opportunities for co-operation on marketing initiatives this has not come to fruition as a specific activity.

Other APEC Initiatives

The APEC Leader's 1994 Bogor Declaration set the goal for free trade and investment in the Asia-Pacific region by the year 2010 for developed economies and 2020 for developing economies. The Business Mobility Group (BMG) was formed in 1997 when the APEC Business Advisory Council (ABAC) made facilitation of business travel a priority.

One of the areas identified for action is to enhance the mobility of business people engaged in the conduct of trade and investment in the region. APEC economies are committed to enhancing business mobility by exchanging information on regulatory regimes, streamlining the processing of short-term business visitor visas and procedures for temporary residence of business people, using technology to improve border security and other counter terrorism measures and maintaining a dialogue on these issues with the business community.

⁴² http://www.apec.org/Meeting-Papers/Ministerial/Statements/Tourism/2012_tourism/annex_c.aspx

Current activities of the BMG are centred on enhancements to the APEC 'Business Travel Card and also enhanced trade facilitation through examining the scope to further improve temporary entry arrangements. Initiatives currently include:

- the Advance Passenger Information Pathfinder Initiative;
- BMG Travel Document Security standards, including Machine Readable Travel Documents with Biometrics by 2008;
- BMG Professional Service standards;
- agreed Immigration Liaison Officer placement arrangements;
- the Regional Movement Alert System and
- contributing lost and stolen passport data to Interpol, on a best endeavours basis.

While the focus of BMG is business travel, there are a greater number of tourist and leisure travellers in the region that, while travelling less frequently, make up a much greater percentage of the travelling population (by way of example, New Zealand business travel comprises 10% and conferences 3% with the remaining 87% being leisure travel. In Hong Kong, China 16% of overnight visitors and 14% of day visitors are business travellers). Consequently initiatives such as the APEC Business Travel Card do not benefit the majority of travellers. However initiatives such as standards for biometric passports and advanced passenger screening benefit all travellers and it is in this area that the TWG could provide additional support and a strong economic rationale for the work of the BMG.

Trusted traveller programmes currently developed, also tend to be more applicable to frequent travellers and therefore are of significant benefit to business travellers. At present these programs developed in the US are limited in their applicability and are dependent upon strong bilateral agreements. As a result, the US programs are currently limited to US, Canadian and Mexican citizens and members of the Netherlands trusted traveller program.

APEC Travel Facilitation Initiative

At the 2011 APEC Leaders forum in Hawaii a multi-year initiative, the Travel Facilitation Initiative was endorsed. The goal of the initiative is to expedite the movement of travellers across the Asia Pacific region, with the goal of enabling more efficient, more secure and less stressful travel.

The proposal has been initiated as a result of the forecast growth in travel within the APEC region and in global aviation generally. While the initiative focuses on air travel, which comprises the major portion of international travel in the Asia-Pacific region, the programme could be extended to other modes of travel, such as cruise, using the lessons learned from passenger aviation. Officials have proposed a six-part initiative with the following elements:

1. APEC Airport Partnership Program

APEC would explore the potential for establishing a comprehensive, coordinated program over the medium to long-term, where a broad range of government experts and private sector stakeholders can work together with individual airports throughout the region to showcase best practices and build capacity on the efficient and secure processing of travellers for international departures and arrivals. APEC activities under such a partnership could include:

- Bringing together relevant experts from interested APEC economies, relevant multilateral fora such as ICAO and World Customs Organization, airport authorities, and private sector stakeholders to address travel facilitation related issues (security screening, customs/immigration clearance, checked baggage

delivery, etc.) and assess options to improve the overall travel experience for passengers. Efforts could help to inform airport authorities in their infrastructure planning.

- Identifying a small, initial group of interested airports to voluntarily serve as partner airports that would then work with experts from across the APEC region to develop and showcase best practices in facilitating travel and in providing a welcoming environment for international travellers.

2. *Enhance the APEC Business Travel Card (ABTC) program*

The Business Mobility Group is currently carrying out actions to enhance the ABTC program as a means of facilitating business travel in the region. Currently, all 21 APEC economies are members in the program as either full or transitional members, with about 90,000 cardholders region-wide.

3. *Foster Network of Trusted Traveller Programs for Ports of Entry*

Leveraging the existing ABTC program, explore and support development – on a voluntary basis – of trusted traveller programs for use at ports of entry across the Asia-Pacific region, as part of “next generation” efforts at travel facilitation. Trusted traveller program efforts could include, but are not limited to:

- Development of APEC-wide consensus on the characteristics of trusted traveller programs, to help guide how these programs develop throughout the region. This consensus should include development of common principles on key issues such as vetting, information sharing, and the collection and use of biometrics for screening and identity verification.
- Implementation of workshops and pilot projects among interested APEC economies to develop and build capacity for broad-based trusted traveller programs.
- Over the long-term, explore and develop a future network of trusted travellers programs in the region.

4. *Facilitation of Air Passenger Security Screening*

Activities could potentially include, but are not limited to:

- Exploring screening technologies, approaches, and programs that could better facilitate passenger screening in the APEC region, providing both efficiency and security;
- Exploring, opportunities and challenges in streamlining the passenger transit process between APEC economies; and
- Regional efforts to explore risk-based approaches to passenger screening that could facilitate travel without undermining passenger security.

5. *Advance Passenger Information (API)*

Building upon the previous work on API in the Business Mobility Group (BMG), identify the challenges APEC economies face in implementing API systems. This effort would lead to development of a lessons learned/best practices document. Other activities include:

- The identified lessons learned and best practices could then support future capacity building activities on API systems in interested APEC economies.
- Explore possible opportunities as appropriate for joint cooperation on the use of API for both immigration processing and passenger security-screening purposes.

6. *Checked Baggage Facilitation*

In addition to facilitating travel of passengers, APEC would explore the potential for developing a public-private effort to explore ways to facilitate delivery of checked baggage to passengers when they arrive at their final destination or (if applicable) for re-checking during transit, specifically in regards to passengers who are members of port of entry trusted traveller programs.

- Explore expedited delivery of checked baggage to members of trusted traveller programs, working with airports, airlines and other private sector actors.
- Develop APEC Best Practices for Baggage Facilitation, working with the private sector.
- Improve luggage tracking/notification systems, potentially as public-private partnership under an APEC Airports Partnership and consider use of Radio-frequency Identification (RFID) baggage technology. Such an effort could be based on existing industry studies and RFID baggage tag programs conducted in other economies.

In working within the TFI, the TWG will have the opportunity to provide a strong travel and tourism perspective that has the potential to make a substantive contribution to the relevant TFI components.

In addition there is the potential to develop closer working relationship with the other working groups of APEC through this initiative and therefore include these working groups in the other initiatives in the TWG strategic plan.

TWG Impediments Studies

The TWG Impediments study stage 1 was completed in February 2003 with the workshops comprising the principal data collection method having been carried out in the period following September 2001. The timing of this study inevitably coloured the impediments reported at that time, and especially issues around security were to the forefront as an impediment affecting travel amongst economies.

Consequently, security measures such as more sophisticated screening procedures and advanced passenger screening were being proposed at the time.

As the report describes, “these risk measures have impacted on airfares and have given rise to new charges on passenger movements which are passed on to passengers, either directly or indirectly”. One economy is reported as stating there are now substantial costs to identify a very small number of people arriving at major international destinations.

At this time (in 2001–2003), the first moves to advanced passenger screening are reported from Australia and also the introduction of new technologies such as biometric screening. It is reported that many border agencies are seeking more effective means of processing a greater number of visitors passing through immigration at borders.

One other issue raised at that time was the topic of travel advisories that are issued by economies to advise citizens of potential risks associated with travelling to particular countries at particular times. Concern was expressed about the manner in which advisories were being managed and at times appeared to not be uplifted once the risk had abated. The degree of specificity was also questioned, where whole regions or countries were affected, whereas an event such as a flood might only briefly affect a localised area.

Later studies, that have assessed impediments, have raised the profile of more specific travel facilitation issues. In particular the issues associated with visa policies

and processing have come to be a key issue since the 2004 report where the full impact of the September 11, 2001 events were being felt throughout the global tourism industry.

In addition there were more major health and biosecurity issues that had global coverage and impacted significantly on travel. In particular the SARS epidemic had profound impacts on a number of economies, in particular Hong Kong, China; Canada and Singapore. These events raised the profile of travel as a vector for spread of disease and the role that air travel played in movement of people and goods around the globe.

At the time there was major media coverage of these events, and travel advisories and their accuracy and relevance were again raised as important impediments. In particular, the use of travel advisories by the media and the consequences of alarming stories were seen as an important issue for tourism to address. Governments were seen as having an important role by ensuring quality information was provided to visitors and that the actual level of risk was carefully conveyed.

The topic of visa policies and processing were again raised for all five of the economies studied. In particular, issuance of visas and time delays were the most frequently reported impediments. Constraints about the location of consulates to obtain visas and the associated costs were commonplace. Views were also expressed that there were narrow or arbitrary interpretation of some visa policies.

Canada highlighted the visa arrangement with China (not being an Approved Destination Status economy) and was of the view that this was a barrier to increased visitation from China at that time. Air transportation was also raised but in the context of fees and charges, creating a high cost structure for Canada and placing it at a competitive disadvantage with the United States. At that time Canada operated a limited "open skies policy" and was also interested in liberalising its aviation policies to improve its aviation connectivity.

The most recent studies in 2008 have assessed the same suite of impediments in other APEC economies. The report covers Viet Nam and Papua New Guinea. Typical impediments reported were:

- Visa fees, which made the destination uncompetitive, compared with alternative destinations even though the fee levels were small compared with the overall cost of the total trip.
- Visa application processes that were time consuming and tedious, especially compared with visa on arrival procedures being adopted by other countries. While revenue to governments from visa fees are transparent and can be seen as cost recovery, the opportunity cost of deterred travellers who chose to go to alternative destinations is not recorded as a cost of a visa system that is seen as too complicated, expensive or time consuming.

In summary the TWG impediments reports have highlighted the issue of visa policy and processing as an on-going issue in some economies. As the volume of international travel has increased over the last 10 years, where there have not been significant advances in policy and processing, this issue remains a major impediment to ease of travel through the APEC region.

OECD Studies

Recent reporting by the OECD at the 88th session of the Tourism Committee in September 2011 focuses on hindrances to international tourism⁴³. In this report a number of issues are raised for discussion. In relation to travel facilitation, three issues are presented that are relevant. These are:

- Tourism taxation, and in particular ensuring that relevant taxes that provide improved quality of services and infrastructure do not adversely impact on tourism trade and destination choice.
- Safety and security are seen as critical issues affecting growth of global tourism and the global economy in general. In particular OECD identifies the issue of increased regulations, new policies on travel documents and entry and exit procedures that impact on travel. There is considered to be a lack of information on the economic costs of the issues and the potential policy options available to decision makers.
- Travel advisories are also identified as an area where improvements can be made to enable the negative impacts on tourism to be avoided, or at the very least minimised through quality information being provided and updated in a timely manner.

OECD, as part of its current work programme for 2011/2012 is undertaking a study on liberalisation in the tourism sector that will review priority areas perceived as impediments and review current practices in these areas⁴⁴. It is intended that the review will cover OECD countries as well as key emerging economies and tourism countries. The objective of the report is to support further liberalisations in tourism and establish a dialogue with key emerging and tourism economies on OECD liberalisation principles.

Other Studies

Both the Canadian⁴⁵ and United States⁴⁶ Travel Industry Associations have recently highlighted the issue of travel facilitation, and in particular visa policy as a barrier to improved travel to both countries.

Canadian industry is of the view that taxation and visa policies are the biggest barriers to entry for Canada (Canada is ranked 125th on aviation costs). The Tourism Industry Association of Canada advocates three actions in the report;

- increase marketing investment;
- improved product; and,
- improve access by reducing taxes and address visa issues with the key emerging markets.

A European Union perimeter style approach for North America is proposed for visa approvals.

The US Travel Association has presented an economic analysis of the lost opportunities for the USA as a result of the USA not maintaining its market share of international travel over the period 2000 to 2010⁴⁷. Losses are estimated at 70

⁴³ OECD, Trade in Tourism Services in OECD and Emerging Global Economies – Issues Paper 88TH Session of the Tourism Committee 26-27 September 2011 (SCFE/TOU(2011)10)

⁴⁴ www.oecd.org/cfe/tourism

⁴⁵ Gateway to Growth: Our Global Competitiveness Requires a New Roadmap (M.A.P.) Tourism Industry Association Canada. Summer 2011.

⁴⁶ US Travel Association: Ready for Take-off report; www.smartervisapolicy.com

⁴⁷ <https://network.ustravel.org/eWeb/video/lostdecadereport.pdf>

million visitors over the period, \$606billion in lost spending resulting in 467,000 fewer jobs in the US economy. While there is no specific attribution to visa policy the report does indicate that the highest growth markets over the next decade are expected to be Brazil, China and India. The visitors from these countries all require visas to visit the USA. The opportunity in front of the USA is if it can return to a market share of 19% of all global long haul visitors is \$390billion in spend and 1.3million jobs as a result of this potential increase in visitation to the USA.

The Association considers that while the United States is a favoured travel destination, the current policy places the economy at a severe disadvantage. Key issues identified are:

- Unpredictable, inefficient and costly visa approval system. While the cost of a visa is set at \$US140 there are additional costs in each economy as well as the costs incurred by the interview system, necessitating considerable internal travel costs in some instances to be interviewed at a consulate.
- Lack of access to US consular services, which are an essential part of the visa issuing system in many counties. The services and infrastructure have not kept paces with the growth of travel from a number of key emerging markets. For example there are 12 visa-processing facilities in the UK and only 10 to serve the whole of China.
- Inadequate facilities and poor communication about the visa process. Applicants for a visa are required to submit the application only in English and the online service is reported to be difficult for non - English speakers to navigate. Consulate facilities are also not designed to cope with the large numbers of visa applicants in many locations. For example, 750,000 Chinese come to seek a visa at the US consulate facilities in China each year. Many are seeking renewal of visas, as Chinese nationals are only granted a one-year visa.

The report then proceeds to offer some recommendations that will overcome the issues associated with the growth now and in the future for visa applications to visit the USA. These include;

- Aligning consular affairs services with market demands. This involves ensuring that there are sufficient resources on the ground in the areas where demand is expected to grow. As pointed out in the report, the visitor spend associated with the increased travel as well as the visa fees results in a significant gain to the US economy (e.g. a single consular official in China represents \$65M of visitor spend from Chinese visitors which supports 460 jobs).
- Reduce wait times for interviews to 10days or fewer. A range of proposals is outlined to improve the time of visa processing and renewals that would enhance the efficiency of the visa approval process.
- Improve planning, measurement and transparency. The US Travel Association proposes that a comprehensive programme of planning, target setting, monitoring and evaluation be incorporated into the visa processing system to ensure that it is responsive to market needs and changing demands around the world.
- Expand the visa waiver program. While more than 65% of visitors to the USA were from visa waiver programme countries, the travel and tourism industry consider that more can be done to increase the number of countries in the programme. In addition, proposals are made to increase the length of visa approvals, eliminate some specific visa requirements, and modify the requirements for entrance into the visa waiver programme to focus on overstay rates rather than interview refusal rates.

The two reports present the case of lost opportunity for each economy caused by current visa policies and processes within each economy. Each report makes similar recommendations to improve the visa policy and processes in the respective economies so as to either retain or regain its competitive position in the market for international visitors.

WTTC Report: “The Impact of Visa Facilitation on Job Creation in the G20 Economies”

As a contribution to the G20 Tourism Ministers meeting in Mexico in May 2012 the WTTC commissioned a report on the impact of visa policies on economic growth in the G20 economies. The report was presented at the meeting and has contributed to the Merida Declaration resulting from the meeting.

The report presents an outline of the current situation in the G20 economies and the visa requirements for each economy. The report then presents an analysis of the effect of changing visa policies that have occurred in the past in various countries. This analysis is then applied to the G20 economies and a range of potential benefits calculated as a result of applying similar visa policy improvements to the whole G20 visitor population.

The report finds that by implementing visa policy changes, the G20 economies have the potential to gain between 20 million and 112 million additional international visitors by 2015. This additional visitation is estimated to generate an additional \$US38 to \$US 206B additional tourism receipts by 2105. This additional spend is calculated to create between 500,000 and 3.1 million additional jobs in the tourism sector by 2015. Taking the indirect and induced benefits of the additional visitor spend an additional 940,000 to 5.1 additional jobs could be created by 2015.

A range of best practice processes and visa policies are presented in the report as examples of actions that could be taken to improve the visitor experience in obtaining a visa where required. Five opportunities to improve the performance of visa facilitation are described. These are:

- Improve delivery of information
- Improve the process to obtain visas
- Differentiate treatment to facilitate tourist travel
- Institute an E-visa system
- Establish regional agreements.

Given that nine of the G20 economies are also APEC economies the findings of this study are highly likely to be similar in nature if the 21 economies of the APEC region were similarly evaluated. In the APEC region there are already many best practice examples that have the opportunity to be applied more widely.

ASEAN Tourism Strategic Plan

ASEAN, in developing its strategic plan for 2012- 2015, has recognised travel facilitation as one of the significant issues of concern to industry as well as visitors to the region. It identifies a range of specific matters requiring change across the region such as differing regulations, differing information needs in each jurisdiction and differing requirements depending upon the mode of travel.

The strategic plan follows on from the ASEAN Tourism Agreement adopted by ASEAN Leaders during their 8th Summit in November 2002. As a result of the last 10 years progress, the 10 member states have carried out many actions leading to more coordinated and integrated tourism amongst the ASEAN members.

Because the rapid development of low cost carriers, and a more liberalised aviation market, and the rapid expansion of free trade within and beyond the ASEAN region, travel has grown significantly both within and to the region.

The strategic plan recognises that travel facilitation and connectivity will contribute significantly to a more integrated region. However the strategy recognises the need to balance travel facilitation with the needs of security, safety, customs, income and other governmental issues.

In recognition of this issue, the current ASEAN strategy proposes to continue to work towards a single visa for the ASEAN region as one solution. The view expressed in the strategy document is that this goal is likely to be achieved outside the 2015 timeframe of the strategy, but nonetheless should continue to be pursued as a policy goal.

The strategy reports that many private sector representatives felt, that with careful planning and increasing cooperation, that the lack of a common visa would not be seen as a major impediment to increasing travel in the region.

The work of the ASEAN economies provides a useful template for the broader work of TWG.

Member Economy Views

Australia has a universal visa system, i.e. every traveller must have a visa to enter the economy. However there is a perception from some in the travel industry, and from some visitors, that the visa regime is overly complicated and visa applications take too long. While Australia's visa requirements are all encompassing, its visa processing is considered by many to be one of the best in the world for electronic submission and processing. As a consequence, Australia's processing times are short compared with other economies and also the costs associated with the visa process are comparatively low. The comprehensive visa policy and the requirements for visas is seen by the Australian private sector as being somewhat restrictive and they would like to see even faster and easier processing of visas.

Related to the immigration process there are also delays at airports and the nexus between travel facilitation and infrastructure needs to be resolved. Indonesia and Hong Kong, China have identified delays in immigration processing as a result of inadequate facilities at airports in particular, as impediments. In some instances policy changes are in train and in others technological solutions such as automated processing systems are being considered.

Peru has identified security and tourist facilitation issues that need to be addressed.

Both the Philippines and Brunei have identified visa issues associated with a number of high growth economies and also significant requirements for business visas. Brunei has suggested that increased visa on arrival would be a good step towards mitigating these constraints. The Philippines is keen to see a greater connection with foreign ministries and immigration offices to relax visa requirements. The Philippines levies a travel tax of \$35 on Philippine nationals but others are exempt. In addition there are airport taxes, which for the Manila airport is \$17. For both economies resourcing was seen as a constraint with long queues and limited hours of operation at customs and immigration checkpoints.

Mexico considers that security checks and departure taxes imposed on visitors (approximately \$US50) to be an impediment to greater visitation.

Similarly Chile has identified the reciprocity fees charged (this is a fee that is imposed on individual countries based on the fees the respective countries charge

Chilean citizens for a visas and these vary from economy to economy and over time). Also the delays at customs control points were seen as a disincentive to travel. In particular the double customs checkpoints at land borders were seen as a difficulty with long delays and traffic jams at peak times.

Hong Kong, China is facing pressures at the border with over 42 million international visitor arrivals. This manifests itself at the border with delays resulting from security and identity checks. Various solutions are proposed to achieve the immigration target of clearing 95% of visitors within a 15 minute waiting time at the airport. While the departure tax is comparatively low on an international basis, at \$HK120, this is not seen as a significant impediment to increased visitation but it is recognised as a potential deterrent.

USA agencies recognise the complexity and costs associated with the visa processes operated by the USA as a significant impediment to increased visitation. In particular the complexity and comprehensive requirements, that involve, for some countries, visits to the US embassy for interviews, which at times involve delays of six months or more, possible overnight stays, and high costs of internal travel means some perceive that the USA does not welcome international visitors.

Long waiting times and poor customer service at US ports of entry has also been widely reported which adds weight to the perception of a difficult visitation process. In addition the physical infrastructure at some airports has not kept pace with the number of arrivals and increased infrastructure investment is required to meet current and future demands.

Other economies such as Malaysia are investing heavily in innovation and adjusting their policies to facilitate seamless travel through the entry points into Malaysia. Malaysia now has 54 countries that are visa free for a 30-day stay. The remaining countries are also allowed to enter Malaysia without visa either for a 1-month or 14-day stay. Since June 2011 visitors have no longer been required to complete arrival forms, with the agencies instead relying on the data contained in biometric passports as part of the National Enforcement Registration System.

Malaysia also has addressed land border issues with a new smart card system to enable frequent travellers between Johor (Malaysia) and neighbouring Singapore to purchase a smart card costing about USD 10 which enables the traveller to enter Malaysia without going through the normal passport control procedure. The smart card, which is valid for 1 year, is aimed reducing congestion at the Johor/Singapore Causeway as well as facilitating cross border tourism.

Similarly, Indonesia has a liberal visa policy with visa free status for 15 countries and visa on arrival for 65 countries. Indonesia also carries out immigration clearance or "visa on board" for specific Garuda flights and specific ships as a means of improving the visitor experience and reducing potential delays in processing at entry ports. Garuda is proposing to expand this service to new routes over time.

As a result of these types of policy and operational innovations neither Malaysia nor Indonesia view travel facilitation as still being an impediment to growing visitor numbers.

The Philippines have been progressively implementing innovation in their aviation policy since 1995. In 2006 the Philippines established limited open skies for two secondary airports. In 2011 President Aquino signed two Executive Orders, redefining the responsibilities for negotiating new air services agreements and adopting more liberalized aviation policy with respect to all international airports except that at Manila (NAIA). This enables airlines to fly to and from secondary airports without capacity constraints.

The “Pocket Open Skies Policy” has generated almost a 15% increase in incoming and outgoing flights to the Philippines from January to June 2012. In addition to generating increased traffic the policy has resulted in a better regional spread of visitors and also better utilisation of existing airport infrastructure.

The Philippines has also recently adopted a policy of allowing 14-day visa free entry for Indian nationals who are holders of a valid visa from the United States, Japan, Australia, Canada, Schengen Countries (European Union), Singapore and United Kingdom.

Private Sector Views

Respondents operating in the accommodation sector have expressed the view that although there has been improvement over the last 10 years in ease of travel, there remains more to be done. In particular respondents expressed concerns about the need for a lengthy application process for visas rather than visa on arrival processes. In addition the costs associated with travel to some locations were seen as unrelated to the costs of processing.

Business travel was seen as being restricted and costly as a result of some visa procedures. While the APEC business travel card was seen as very beneficial for some, its utility was not seen as being high for infrequent business travellers.

While some economies such as Australia and Viet Nam have e-visa processing systems, business questioned the need for such processes at all. Complex processes requiring letters of invitation from host country counterparts, photos for visas and lengthy documentation were considered to be rare and now largely a revenue raising exercise, rather than related to any risk of overstaying or other policy objective.

Where restrictive travel practices still occur, easing of the restrictions was seen as one of the most cost effective means of improving the visitor market. Operators were of the view that for many, and especially free independent travellers, complex visa arrangements were a real disincentive to visitation.

As one respondent from Viet Nam commented when asked about major impediments and how they could be resolved:

“Visa matters and the lack of direct flights from/to major tourism generating countries. Could there be a tourism visa for APEC economies? Direct flights cannot be solved because it is a commercial decision taken by airlines based principally on load factors”

Visa requirements are also perceived as one of the barriers to growth of the cruise market within Asia. Regulations have eased in some countries as more governments start to show support for the cruise industry, however a number of hurdles still exist. Viet Nam, for example, does not generally offer visa-on-arrival facilities to most incoming markets, while Indonesia does not provide multiple-entry visas to tourists, thereby creating complicated itineraries. Even a stop in Batam or Bintan on a round-trip itinerary out of Singapore requires a US\$20 visa fee. Meanwhile, Chinese and Indian travellers would have to apply for an individual visa for almost every country in the Southeast Asian region⁴⁸.

⁴⁸ PATA. “The Cruise Industry in Asia Pacific” Issues and Trends. Volume 16, Issue 11, June 2011

Appendix 6: Priority: Investment - Background

APEC TWG Tourism Charter

Impediments to business development have been at the core of policy and cooperation initiatives of the TWG since its inception. One of the four policy goals is:

Goal 1: Remove impediments to tourism business and investment

In particular we (TWG) will seek to achieve this goal by:

- promoting and facilitating the mobility of skills, training and labour;
- promoting and facilitating productive investment in tourism and associated sectors;
- removing regulatory impediments to tourism business and investment;
- encouraging liberalization of services trade related to tourism under General Agreement on Trade in Services (GATS)

TWG and the tourism industry have long recognised the economic and social benefits of improved economic performance of the tourism sector to the regional economy. Goal 1 has formed the basis for impediments studies since 2001 and has provided a platform to guide TWG investment in specific projects over the last 12 years.

TWG Projects

Of the 24 projects undertaken since 2001, three have been directly related to the development and delivery of occupation skill standards and the training in their implementation. Other relevant projects include the “Public and Private Partnership for Facilitating Tourism Investment in the APEC Member Economies” (TWG01/2004T). Other reports related to investment include two projects exploring e-commerce (Refer Appendix 9).

TWG commissioned research 10 years ago on the small to medium size tourism business development needs⁴⁹. This report found that there were specific needs to SME's in each economy that related to specific economic and environmental factors. In addition there were some generic development needs. These are listed below:

- the lack of a trained and professional workforce
- entrepreneurship development
- low entry barriers affecting service quality, growth and business viability
- lending arrangements or taxation regimes not conducive to SMTEs
- sustainable regional infrastructure requirements
- inconsistent and bureaucratic local authorities
- lack of government recognition of tourism value
- SMTEs failure to recognise importance of industry clusters and cooperation
- industry fragmentation and proliferation of membership organisations
- lack of technology and e-commerce skills
- e-readiness and e-commerce uptake
- research information scattered and irrelevant to SMTEs' forward planning

⁴⁹ Development Needs of Small to Medium Size Tourism Business. 2003. APEC. #203-TO-01.5

This research continues to confirm that many of the same issues identified as development needs for SME's remain in the tourism sector irrespective of the size and nature of the business.

Initiatives that actively facilitate investment as a specific role have not featured highly on the TWG agenda. Rather there has been a focus on some of the tools of investment that might be used to assist in improving the investment approaches adopted in APEC economies. One specific mechanism, the Public Private Partnership (PPP) approach has been evaluated as an approach to sustainable development and also as a more widespread instrument for a broader suite of activities that will facilitate tourism investment in the region.

Other TWG projects have largely focussed on specific topics such as clean technologies, e-commerce and the applications or issues associated with the specific topic rather than the issues facing the investment community with respect to the tourism sector overall.

In 2006 at the 29th meeting of the TWG, it was proposed to hold an "APEC Tourism and Investment Forum" on the margins of future ministerial meetings with the intention of enhancing investment for the on-going development of tourism in the Asia-Pacific. This opportunity remains to be fulfilled.

TWG Impediments Studies

The first substantive impediments study was carried out in 2001/02 and canvassed impediments to tourism growth in six economies through a process of workshops, interviews and survey work. The findings of the report covered Papua New Guinea, Mexico, New Zealand, Thailand, Chinese Taipei and Australia.

While the report commented that for the six economies that participated there are relatively few significant impediments, the issue of investment and in particular the area of foreign investment was identified as an area of concern across the whole of the APEC region. Businesses had especially reported on the aspects of reserved industries or limits on the level of foreign investment or participation as a major impediment. The report also highlights the following aspects as relevant and requiring attention:

- movement of skilled and managerial labour
- acquisition of tourism property
- some occupational categories reserved for nationals

However the first tourism impediments study does report that the level of impediments has reduced when compared with a previous study carried out in 1996. This study indicated that the key issues were:

- Licences and approvals to operate
- level of taxes and charges, and
- limitations on foreign ownership of land and property.

The report identifies the often-long time lags between identification of an impediment and the policy responses and implementation before the impediment is addressed and the effects reduced or eliminated as a key issue that needs to be addressed by decision makers. In particular, where legislative changes are required, and this particularly affects business impediments, it may take some time before the impediments are addressed.

Many economies licensed tourism businesses to varying degrees and required a range of approvals depending upon the part of the tourism sector the business was operating in. Most economies had some form of land purchase controls and also

many, while stating a desire to encourage foreign investment, had controls limiting the level of investment in any one enterprise. Land in particular, is subject to foreign ownership controls in many jurisdictions.

The second TWG impediments report, completed in 2004, studied five APEC economies, Canada, Chile, Indonesia, Peru and the Philippines. A similar format was used to the initial report with a detailed study of these economies and an update of the matrix of impediments by individual economies.

The report comments that with respect to tourism related businesses the ability to invest in business and real estate continues to be an issue in most of the five economies studies. The ability to hire foreign workers on a temporary basis is also an around subject to policy restrictions in most member economies examined in the study.

Both Chile and Canada were seen as operating in an open market environment with few regulatory barriers to businesses. Chile required local approval through acquisition of a “municipal patent” but otherwise there were no constraints for investors.

Indonesia however was seen as having fairly tight regulations governing tourism business operation. All businesses were required to be licensed by local government with approvals taking on average four months. Foreign ownership was also tightly controlled with limitations on ownership, numbers of travel agencies and requirements to have offices in specific places. Land ownership controls also restricted the activities of foreign investors. In addition the report identifies differential tax regimes with Indonesian residents paying different tax rates compared with non- Indonesian residents.

Peru was considered to have a liberal investment regime that encourages foreign investment into the economy. Foreign investments are permitted, without restrictions in most economic activities, including tourism related business and land investment.

The Philippines while encouraging foreign investment in businesses and land was seen as having a difficult regulatory environment for tourism businesses. While it was not discriminatory, business approvals took on average six months to obtain from multiple agencies. On the other hand there is a one-stop shop to inform foreign investors about investment processes, an annual investment plan and in some instances incentives for a range of tourism developments.

The most recent impediments study carried out in 2008 focussed on the two economies of Papua New Guinea and Viet Nam. While the brief for the APEC tourism impediments Study Stage III was similar to the previous two studies, a more in-depth approach was taken of the two economies. The study placed particular emphasis on the legal analysis of the tourism impediments as they relate to GATS and liberalisation of trade in tourism services.

In the context of GATS and a liberalised trade regime Papua New Guinea was identified as having a significant number of impediments that were not conducive to a free trade environment. However PNG did have an investment regime that encouraged foreign direct investment with promotion, preferential treatment for some investments, investment incentives and other tax incentives being granted for some investments. In contrast there were some significant limitations to investment in the tourism sector in PNG with the following constraints:

- Reserved industries. Certain sectors of tourism are reserved for PNG citizens, accommodation with less than 10 rooms, airport concessions and kiosks. Activities reserved for national enterprises with a minimum of 51% shareholding

include tourism related activities, tourist guides, wholesale tour operators and travel agents.

- Tariffs on promotional material.
- Export market development concessions that only apply to diving in the tourism sector.
- Land access and the need to enter into partnerships to access land for development outside the major city. Over 97% of PNG land is held in customary title.

Viet Nam is reported as moving rapidly to amend its law to address a wide range of impediments to investment with revised land laws in 2003 and proposed changes to tax laws reported in 2008. The report indicates that there are impediments caused by lack of investment promotion and limited information on potential projects. There is also a difficulty in getting loans for SME's and the procedures are difficult.

OECD Studies

OECD has recently published two reports that provide a framework and best practice guidance on Investment. "The Policy Framework for Investment: A Review of Good Practices"⁵⁰ is published as a companion volume to the "Policy Framework for Investment"⁵¹. It reproduces the analytical background reports that supported the development of the ten chapters of the Framework. The objective of the Policy Framework for Investment is to mobilise private investment that supports economic growth and sustainable development. It thus aims to contribute to the prosperity of countries and their citizens and the fight against poverty.

Drawing on good practices from OECD and non-member economies, the Framework proposes guidance in ten policy areas that have been identified as critically important for improving the quality of an economy's environment for investment. These areas are:

- Investment promotion and facilitation
- Trade policy
- Competition policy
- Tax policy
- Corporate governance
- Policies for promoting responsible business conduct
- Human resource development
- Infrastructure and financial sector development
- Public governance

The guidance enables policy makers to ask appropriate questions about their economy, their institutions and their policy settings in order to identify priorities, to develop an effective set of policies and to evaluate progress. A toolkit has been developed and this has been applied by Indonesia and Viet Nam in developing its investment policies for the future⁵².

Much of the guidance in the OECD material will be valuable in setting out a generic requirement that can then be assessed based on specific information and guidance relevant to tourism proposals.

⁵⁰<http://www.oecd.org/daf/internationalinvestment/investmentfordevelopment/policyframeworkforinvestmentareviewofgoodpractices.htm>

⁵¹ The Policy Framework for Investment –OECD. [www.oecd.org](http://www.oecd.org/investment/investmentpolicy/36671400.pdf).
<http://www.oecd.org/investment/investmentpolicy/36671400.pdf>

⁵²<http://www.oecd.org/investment/toolkit/policyframeworkforinvestmentuserstoolkit.htm>

ASEAN Tourism Strategic Plan

The ASEAN strategic plan also recognises the importance of investment in the tourism sector as a driver of improved economic performance of the sector. ASEAN has been active in evaluating the impediments and opportunities for increased investment in the region with research on the opportunities of ASEAN Member Countries establishing an integrated ASEAN Tourism Investment Zone carried out in 2006. Subsequent workshops have also been held to promote tourism investment in the ASEAN region.

As the strategic plan identifies: “there are a number of obstacles facing investors such as different policies and approaches in every country, rules and regulations, unclear settlement issues and land titles”. In addition labour laws are protective and do not encourage doing business across national borders. As a result, the private sector has a difficult time in complying with existing rules on local and foreign nationals when establishing a new business.

Even with the agreements in place there is still a great deal of ground to be covered before there are even a common set of procedures and standards within the region”.

The strategy also recognises the primary role in investment promotion of specific agencies within governments such as Ministries of Commerce and investment promotion agencies, rather than the relevant tourism policy or promotion agencies.

These observations remain relevant and are particularly important when considering the broader APEC community of 21 economies with a greater variation in regulatory approaches and institutional arrangements.

World Bank “Ease of Doing Business” Report

The World Bank has, since 2003, carried out a global study of the ease of doing business in a wide range of countries. The most recent report published in 2012 covers 183 countries, including all the APEC economies⁵³. The survey provides a comprehensive study of business conditions in each economy. In addition, the report provides relative rankings of each economy on a wide range of variables that affect the ease of doing business. While the study is not tourism specific, aspects of the methodology mean that in general the findings will be highly relevant to many tourism businesses.

The study looks at domestic businesses, primarily small and medium sized enterprises and measures the regulations applying through their lifecycle. Based on standardised case studies the report presents quantitative indicators on business regulation that can be compared over time and between economies.

Eleven areas of business regulation are measured in the study. These are:

- Starting a business
- Registering property
- Getting credit
- Protecting investors
- Enforcing contracts
- Dealing with construction permits
- Getting electricity
- Paying taxes
- Trading across borders
- Employing workers

⁵³ The World Bank- Doing business (2012)

- Resolving insolvency

Using both quantitative measures such as the actual time and fee schedule for specific procedures, combined with an expert assessment of the time and costs associated with other procedures a score is calculated.

The report also presents an evaluation of the findings and makes a comparison with the OECD ranking on product market regulation and also the World Economic Forum rankings on global competitiveness. In both instances there is a strong correlation between the different studies, indicating that higher rankings in ease of doing business relate well to global competitiveness and OECD performance.

Table 3: Extract of APEC Economies rankings

Economy	Ease of Doing Business Rank	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Resolving Insolvency
Singapore	1	4	3	5	14	8	2	4	1	12	2
Hong Kong SAR, China	2	5	1	4	57	4	3	3	2	5	16
New Zealand	3	1	2	31	3	4	1	36	27	10	18
United States	4	13	17	17	16	4	5	72	20	7	15
Korea, Rep.	8	24	26	11	71	8	79	38	4	2	13
Canada	13	3	25	156	41	24	5	8	42	59	3
Australia	15	2	42	37	38	8	65	53	30	17	17
Thailand	17	78	14	9	28	67	13	100	17	24	51
Malaysia	18	50	113	59	59	1	4	41	29	31	47
Japan	20	107	63	26	58	24	17	120	16	34	1
Taiwan, China	25	16	87	3	33	67	79	71	23	88	14
Chile	39	27	90	41	53	48	29	45	62	67	110
Peru	41	55	101	82	22	24	17	85	56	111	100
Mexico	53	75	43	142	140	40	46	109	59	81	24
Brunei Darussalam	83	136	83	28	107	126	122	20	35	151	44
China	91	151	179	115	40	67	97	122	60	16	75
Vietnam	98	103	67	135	47	24	166	151	68	30	142
Papua New Guinea	101	84	138	20	87	98	46	106	99	163	116
Russian Federation	120	111	178	183	45	98	111	105	160	13	60
Indonesia	129	155	71	161	99	126	46	131	39	156	146
Philippines	136	158	102	54	117	126	133	136	51	112	163

A key finding from the table is that there remains much to be done in a number of economies to be over the 50% mark in a ranking of countries. Also there is a major diversity in ranking between different economies that indicates that there is significant potential for best practice to be documented, information transferred and new practices adopted. While this study does not provide a tourism specific look at ease of doing business, it provides a comprehensive overview of business conditions in the 183 countries studied. At a general level, starting a business and taxation issues appear to be two priority areas warranting further investigation for APEC economies.

Best practice is identified in the World Bank report with the following APEC economies being identified as having good practices in these key areas:

Topic	Practice	APEC Economy identified as a good practices example
Starting a business	Putting procedures on line	Hong Kong, China ; China; New Zealand; Peru, Singapore
	Having a one stop shop	Korea; Viet Nam
	Having no minimum capital requirement	-
Making it easy to pay	Allowing self- assessment	Canada; China

taxes	Allowing electronic filing	Australia; Singapore
	Having one tax per tax base	Hong Kong, China; China

WEF Travel and Tourism Competitiveness Report 2011

The 2011 report provides an additional chapter on investment: A key indicator of competitiveness in Travel and Tourism. This additional chapter explores the relationship between investment and competitiveness and finds that since the 1980s, tourism investment has shown good growth, especially between 2003 and 2008. But this has arguably occurred too quickly in some destinations and the report comments that perhaps China has overinvested in infrastructure.

The world recession and the end of relatively cheap, easily accessible finance have corrected some of this excess investment in some markets. Conversely, and potentially of great concern, is that underinvestment in some markets, even at the early stage of global economic recovery, may result in insufficient capacity and a future lack of competitiveness.

As the global economy evolves, the implications of potential over- and underinvestment in different destinations will start to be felt. Even in destinations where existing tourism infrastructure is sufficient, or where there is excess capacity, changing consumer preferences and aging products mean there will be a continual need for investment. For APEC economies this will have significant consequences as the availability of credit shrinks there will be a need in all markets, irrespective of growth rates to invest in the tourism sector. Hence investment approaches will need to be efficient and effective to ensure that there is on- going investment in the sector.

Member Economy Views

Peru has identified the need to update regulation regarding tourism services as an important action by government to facilitate private sector development. In addition standardisation and coordination between all the government agencies was identified as an important requirement. To achieve this improvement coordination and clear communication between the private sector and government was identified as a key action for the private sector to carry out.

Infrastructure investment was highlighted as the prime requirement under the resource and infrastructure availability by Peru,

Access to capital for tourism development has also been identified as an impediment to growth in Mexico. In addition there are still ownership limits and controls on the repatriation of profits that are seen as limiting greater investment in tourism.

Brunei also reports that there is limited foreign ownership of tourism businesses and that priority is given to local interests.

Both the public and private sector responses from Chile highlight the need for investment in improved infrastructure.

Other key constraints to investment have been in the business start-up and establishment procedures that in a number of jurisdictions are perceived as difficult and long.

Most jurisdictions have development plans, either as part of national tourism strategies or as a broad desire to achieve economic growth through tourism

development. Australia is an example whereby there is a long term strategy that has focussed on the supply side of tourism and in particular the capability and requirements of the industry. The strategy emphasises information and research for industry, facilitating investment and regulatory reform, labour and skills development that will support tourism industry needs, business resilience in relation to challenges, excellence in product and service delivery and improving competitiveness. The strategy also contains clear performance indicators to track progress⁵⁴.

Other economies such as Hong Kong, China consider that there are no specific impediments to investment, and this is reflected in the high ranking that the economy receives in the WEF tourism competitiveness index. Similar views have also been expressed by Singapore and New Zealand.

Private Sector Views

Interviews with private sector entities indicated that companies and organisations were highly interested in the potential for improving the investment climate for tourism.

One accommodation provider which is in a strong expansion phase throughout the Asia Pacific region indicated that one of the most important issues in the current economic climate for them was access to capital. With an increasingly tight commercial environment where there is strong competition for capital, notwithstanding that interest rates are low (as at June 2012) there were real difficulties in raising capital for further tourism development in many parts of the APEC region. For accommodation the current room rates and therefore the revenue projections were seen as one limitation to getting funding for new developments. Low revenue in relation to build costs, combined with high land costs were seen as a difficult combination to fund. In general, tourism was seen as a volatile and comparatively low yield sector and therefore the risk premium attached to tourism developments was considered to be higher than for other sectors of the economy.

Australian private sector interests indicate that there are on-going issues with the complexity and time required for approval processes and that these are acting as disincentives to investment. One contribution to this complexity is the federal arrangement that involves approvals at multiple levels of government in this economy. Investment incentives were seen as one potential solution to enhance the tourism investment climate.

In Chile the private sector have indicated that the procedures to start a business are still long, but efforts to reduce the approval time and simplify the process are being implemented by government.

⁵⁴ <http://www.ret.gov.au/tourism/Documents/tmc/DRET%20Tourism%20Strategy.pdf>

Appendix 7: Priority: Labour and Skills-Background

APEC TWG Tourism Charter

In 2000 APEC Tourism Ministers adopted the APEC Tourism Charter within the goals of free and open trade established in the Bogor Declaration. One of the four policy goals was:

Goal 1: Remove impediments to tourism business and investment

In particular we (TWG) will seek to achieve this goal by:

- promoting and facilitating the mobility of skills, training and labour;
- promoting and facilitating productive investment in tourism and associated sectors;
- removing regulatory impediments to tourism business and investment; and
- encouraging liberalization of services trade related to tourism under General Agreement on Trade in Services (GATS).

In addition, in implementing Policy Goal 4: Enhance recognition and understanding of tourism as a vehicle for economic and social development, TWG sought to achieve this by:

- facilitating the exchange of information on tourism between economies;
- expanding our collective knowledge base on tourism issues in order to identify emerging issues and assist implementation of the Charter.

TWG Projects

Labour and skills issues have recognition as an integral component of the impediments facing the sector in 2000 and warranting active policy development. In the following 12 years the TWG has had an on-going programme of developing a comprehensive range of occupation skills classifications and training that has had 4 phases to date. The TWG Tourism Occupational Skills Standards Project (TOSS) has, as its rationale, the removal of impediments to tourism growth and improving the tourism movements and investments within the APEC region. The project has an underlying philosophy that if an APEC economy's tourism sector is operating at a high level of effectiveness, with a vigorous programme of human resource development in the sector, then the member economy will be better able to participate, with confidence, in the liberalisation initiatives that APEC and the World Trade Organization (WTO) are promoting.

The TOSS project has three objectives:

- Developing a set of APEC competency standards and a certification system based on the standards, that is seen as valuable by the four educational partners: learners, employers, training providers and government;
- Establish a system that would encourage the increased use of high quality workplace training and which would, by focusing training on closing critical training gaps, would produce an increased number of highly skilled, flexible workers within the tourism industry;
- Introduce common terminology, a framework structure and a quality assurance mechanism to enhance a shared understanding and confidence in member economy certification processes.

These objectives continue to be achieved through the region with the TOSS system having been widely adopted within APEC economies and the projects have formed the basis for considerable investment in training and development.

Much of the recent development and training has been led by Indonesia and this comprises an opportunity to better integrate the activities of ASEAN that has similar skills and training objectives with those of APEC.

With major growth expected in the APEC tourism sector labour and skills issues remain as a priority issue in many economies.

TWG Impediments Studies

In 2003 labour market issues were identified as one area of concern across the APEC region in the first impediments report. The report highlighted the two aspects of:

- movement of skilled and managerial labour, and
- some occupational categories reserved for nationals.

However this first tourism impediments study does report that the level of impediments has reduced when compared with a previous study carried out in 1996.

The second impediments study carried out in 2004 explored labour issues in the five economies studies. It found that there were a range of labour issues acting as impediments to tourism growth. Canada was facing a shortage of labour in its tourism industry, and issue that was expected to impact significantly on the industry. Causes highlighted with difficulty in obtaining visas, lack of awareness about employment opportunities in the industry, and a need for greater recognition of national occupational standards in the industry. Chile identified a general lack of skilled tourism employees due to the newness of the industry as an employer of staff. In addition there was a general lack of language skills in front line staff to meet the needs of international visitors in many locations in Chile. This language skills issue was also raised by the Philippines. Peru focussed on a limitation on the percentage of foreign workers allowed to be employed and the limitations that this placed on certain companies. Otherwise there were seen as few limitations at that time. One example that was cited to address labour skills issues was the negotiation of a labour co-operation agreement with Canada to supply short terms seasonal worker to Canada.

The third impediments study which investigated Viet Nam and Papua New Guinea identified a similar suite of labour and skills issues in these two economies. Both identified a shortage of suitably skilled labour in the tourism industry as an impediment to growth. Viet Nam also identified the need for a standardised curriculum and competency standards in the education system to enable greater participation and mobility in the labour force that is participating in the tourism industry.

Based on the three studies carried out since 2001 there remains an important and on-going issue of ensuring that tourism trains and retains a skilled labour force to meet visitor expectations. This is particularly the case when visitor patterns, technological innovation and quality expectations are changing rapidly. Appropriate levels of investment across the APEC region are vital to ensure that there is a well-trained labour force for tourism in the future.

OECD Perspective

In the 2010 report on Tourism Trends and Policies the OECD identified labour market issues as being of fundamental importance for tourism development⁵⁵. The OECD observed that competition for labour from those sectors of the economy showing higher productivity growth, an ability to pay more and offer better career development opportunities, is leading to growing labour or skills shortages in tourism in many developed countries. This has increased pressure for access to immigrant labour. There are also perceptions of poor conditions, career paths and pay rates relative to other industries which are likely to continue. In many labour markets the tourism industry faces a number of challenges:

- The industry industries that attracting the best employees and in retaining and developing them over the longer term.
- The industry constantly needs new skills to meet changing tourism trends.
- A failure to deal effectively with labour or skills shortages may impede tourism's growth, because low quality can diminish productivity and damage the industry's competitiveness.

The OECD view education and training as a key area for the promotion of innovation and for the achievement of productivity improvements in the tourism industry. The long-term prospects for tourism growth are good and the need to attract, train and retain high quality labour is central to the industry's longer-term growth. Within the education and training system there is a need to upgrade the skills of tourism-sector workers for several reasons

- to raise the industry's productivity
- to equip tourism-sector workers to respond to the realities of the knowledge economy, and
- to ensure that skills exist in areas such as sustainable tourism practice and in the increasingly important area of green practices within the industry.

The introduction of a culture of life-long learning is one area where further attention needs to be paid in order to raise both skill levels within tourism and enhance career development opportunities, thereby making it easier to retain key staff.

An ageing population may also present opportunities for re-skilling for industries such as tourism.

Education and skills development is important for all tourism destination countries, but OECD is of the view that for emerging countries, education and skills training will present a very large challenge, particularly in those countries experiencing the most rapid tourism growth. Developed countries, facing increased competition from lower wage competitor countries and increasing pressure on service quality standards, will also be forced to pursue training and skills development as a means of increasing productivity if they are to maintain competitiveness.

The predominance of SME's in tourism service provision presents particular challenges in ensuring that training and skills improvement programmes are available to these smaller businesses. Solutions for SME's might include improved networks with other enterprises, government agencies and industry associations to provide joint and common approaches to skills development. On the other hand, the growth of large operators presents different opportunities with a greater capacity for training and often global standards of training for their employees.

⁵⁵ OECD Tourism Trends & Policies 2010

New high growth markets often involve changes in the cultural characteristics of visitor patterns and present particular demands for new language and cultural skill. For APEC economies, the rapid growth of China and India as they take up a growing share of international tourism flows will generate these demands.

OECD sees productivity as becoming an increasingly urgent issue within the tourism industry, notably to moderate price increases in the sector, to allow better labour conditions and to design new attractive products, attract fresh investment and innovate. Poor labour conditions exacerbate high labour turnover within the industry and weaken its ability to compete in tight labour markets. To deal with these issues, both supply and demand side policies are required that will enhance revenue and enable greater investment in capital and labour to ensure that service quality remains high by making appropriate use of skilled human resources.

Attention will also need to be paid to the issue of migrant labour, currently an important source of tourism-sector employees in many destination countries but an issue that also places special demands on the education and training providers. This also spills over to visa policies and the use of backpackers and other visitor categories in the tourism industry as short term and seasonal labour. Working holiday visas and other short term visas are an important tool of human resource management for the tourism sector in some economies. While there can be benefits in terms of language abilities and additional skills, those seeking a particular authentic national experience will be disappointed.

In Canada, the Temporary Foreign Worker Programme saw changes to help streamline the time required to employ a foreign worker while also extending the length of time lower skilled workers could stay in the economy. A new scheme has also been launched to help employers facing labour shortages, with high demand occupations such as tourism selected for the faster processing of applications.

Several other OECD countries are also using migration policies to address skills shortages in tourism. In many OECD countries, the salaries in the accommodation sector are uncompetitive and jobs cannot be filled with nationals whose wage expectations are high, which leads to a reliance on migrant labour.

World Economic Forum Report on Tourism Competitiveness 2011

The World Economic Forum (WEF) is a Swiss non-profit foundation, based in Cologny, Geneva. It describes itself as an independent international organization committed to improving the state of the world by engaging business, political, academic and other leaders of society to shape global, regional and industry agendas. Its 1,000 member companies, with the typical company being a major global enterprise in a relevant sector, fund the foundation.

As part of the activities of the forum, it publishes a range of reports that focus on a wide range of global issues and forward thinking topics. In addition the Forum produces a range of economic reports on different sectors. One of these reports, The Global Travel and Tourism Report presents information on the relative competitiveness of different countries.

The Travel and Tourism Competitiveness report has been undertaken four times since 2008 and the most recent report was released in 2011. The report covers 139 countries and uses over 70 indicators to develop a range of competitiveness rankings. An interactive report can be reviewed at <http://gcr.weforum.org/ttci2011/>.

Labour issues are one of the 14 pillars of assessment that contributes to the overall measurement of tourism competitiveness as prepared by WEF. The elements assessed are:

- Primary educational enrolment
- Secondary educational enrolment
- Quality of the educational system
- Local availability of specialised research and training services
- Extent of staff training
- Hiring and firing practices (a proxy for labour market flexibility)
- Ease of hiring foreign labour (degree of restrictive labour regulation)
- HIV prevalence
- Business impact of HIV/AIDs
- Life expectancy

While the measure are intended to give an overall picture of the labour capability of individual countries, some of these measures would appear to relate more to health status, than tourism skills and training relevant to TWG aspirations. In addition the underlying education system, while fundamentally important to overall skill levels and training opportunities is outside the sphere of influence of the tourism sector except at a general economy level. Rather than taking an assessment of the overall group of elements an extract of the training and skills aspects of labour market for the APEC economies has been extracted from the WEF report. This is detailed below for the APEC economies studied:

Table 4 WEF labour related measures: rankings

APEC Economy Rank	Local availability of specialised research and training services	Extent of staff training	Hiring and firing practices	Ease of hiring foreign labour
Australia	20	20	79	107
Brunei	115	60	37	98
Canada	11	12	15	75
China	50	57	62	14
Chile	31	33	111	27
Hong Kong, China	15	27	1	19
Indonesia	52	36	38	35
Japan	13	6	121	114
Korea	39	42	115	106
Malaysia	25	13	50	77
Mexico	55	84	120	97
New Zealand	29	21	83	41
Papua New Guinea	-	-	-	-
Peru	73	78	102	45
Philippines	77	46	116	117
Russia	67	90	75	124
Singapore	19	4	2	8
Chinese Taipei	21	31	26	125
Thailand	69	62	31	85
United States of America	10	10	6	56
Viet Nam	104	58	34	60

From 139 countries reported

Source: 2009/2010 WEF opinion survey

The WEF data outlined in the table indicates that there is generally good performance in availability of training and uptake of that training by business, with the majority of APEC economies in the upper two quartiles of the global ranking. The APEC economies have a much more mixed report card on the two labour mobility parameters. Again Hong Kong, China and Singapore are consistently ranked highly which also reflects their high ranking overall. Given the variability in the ranking between different economies and the comparatively high performance on training elements there would appear to be good potential for best practice examples to be identified within the APEC economies and this best practice transferred to other economies in the region.

UNESCAP Plan of Action for Sustainable Tourism

The United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) in 1999 adopted the Plan of Action for Sustainable Tourism Development in the Asian and Pacific Region (PASTA). PASTA aims to ensure long-term prosperity in Asia and the Pacific by increasing the contribution of tourism through responsible action by governments and stakeholders at the national level, with supporting action at the regional level in order to bring benefits to wide segments of society.

PASTA contains proposals for action at these two levels and aims to strengthen capabilities and promote regional cooperation in sustainable tourism development. The plan comprised six theme areas. One of which was human resources development in the tourism sector

Many countries and areas in Asia and the Pacific lack strategies and policies designed to develop human resources for the tourism sector. Some specific concerns include:

- the quantity and quality of human resources for a sector that is labour intensive and requires a high standard of specialized skills in cross-cultural working environments;
- the shortage of tourism training infrastructure and qualified trainers in many countries; and
- the lack of national legislation or guidelines to improve working conditions and career opportunities in the tourism sector.

In this context, the following actions were proposed:

Actions at the national level:

- Governments should assess present and future training requirements for human resources development.
- Governments should consider formulating national strategies for tourism training and human resources development.
- Each country should establish a national tourism training committee consisting of representatives from the government, training institutes and the tourism industry.
- Each country should consider active participation in the Network of Asia-Pacific Education and Training Institutes in Tourism (APETIT).
- Each country should consider setting up a national network of tourism education and training institutes to further strengthen cooperation.

Supporting actions at the regional level:

- UNESCAP, UNWTO and other international and regional organizations involved in tourism should extend their full support to ensure effective operation of APETIT with a view to promoting human resources development in many countries.

The work of APETIT was organised into five activity groups with a member institute acting as the responsible regional focal point for each activity. The five activity groups are:

- information management
- communication links
- training and advisory services
- sharing experiences and
- research and development.

UNESCAP has cooperated with member institutes to organize a number of meetings and seminars to promote participation and development of cooperative approaches.

One area of special focus was on countries with tourism industries at an early stage of development, which faced constraints in their tourism education and training systems. Countries in the early stages of tourism development were encouraged to take a number of remedial actions that would enable their education and training systems to respond to the growing demands of their tourism sector. While most of these measures were the responsibility of each country and area, cooperative efforts through APETIT were also encouraged.

A second area of special focus was the Pacific sub region, where countries displayed great diversity and unique obstacles to the delivery of training across vast geographical distances.

APETIT was a successful cooperative endeavour in the Asian and Pacific region in view of the rapidly increasing membership, the growing number of activities involving sharing and exchange and the continued donor support. UNESCAP also published two studies on human resources development. One was on regional cooperation in human resources development in the Asian and Pacific region and one on human resource development requirements of the tourism sector in India. A second phase of the project operated from 2006 to 2012.

Member Economy Views

The survey of governmental agencies carried out for this report brings out a number of common themes in relation to labour issues. First the priority given to labour is not generally at the top of the priority list of impediments; rather it appears as a second or third priority issue.

Second there are two components to the labour and skills issue. First the adequacy of supply of labour in a number of economies, such as Brunei, Australia and the Philippines, even in the current recessionary times is a concern. In general this is a result of competition from other parts of the economy that are growing strongly or are paying more than the tourism sector. Australia presents the most graphic example with the mining sector attracting labour with significantly higher wages. This has affected the tourism industry in areas where mining is a major part of the economy and also the competition has affected the supply of labour in outlying areas where there is a very limited supply of skilled people for the tourism industry.

Third the issue of skills within the tourism labour force is an almost universal issue and is seen as a barrier to growing the tourism economy in many areas. The skills that are reported as being in the greatest shortage in Mexico, Peru, and USA are language skills, to meet current visitor flows and their language requirements and also future language requirements to meet the future visitor flow expectations. In addition there is a shortage in some economies of hospitality and accommodation skilled staff and also managerial staff.

Chile has a very strong emphasis on skills and training and this has been reinforced in its recent strategy released in January 2012. This new tourism strategy is based around the concept of 'buen turista, buen anfitrión' (good tourist, good host). The aim of the strategy is to improve customer care and hospitality standards across Chile to boost the number of tourists visiting the economy. As part of this campaign there is a very strong focus on topics such as sustainable tourism and the importance of tourism to the economy. The campaigns will also highlight poor tourism practices, such as overcharging and not sticking to agreed schedules. There is a continued focus on improving the 'tourist experience' for visitors to Chile, which is expected to help the economy increase the number of inbound visitors. Over the past five years, Sernatur, the Chilean tourism promotion agency has given tourism training to about 47,000 people involved in the industry. However there remains more to be done and Chile has reported that the level of training is still low in the tourism workforce and this adversely affects the quality of service in the industry. Solutions identified include:

- improved language training,
- implementing more courses on the hospitality sector within the education system,
- public private dialogue to develop a strategy and collaborate on training and education.

Many countries recognise labour and skills as an integral requirement of national tourism strategies. One example is Canada, which has a four-point federal tourism strategy "Welcoming the World"⁵⁶. Priority four addresses the labour issues with the following goal:

- Fostering an adequate supply of skills and labour to enhance visitor experiences through quality service and hospitality.

The Conference Board of Canada forecasts that the Canadian tourism sector could face a shortage of more than 64,000 workers by 2015. This may limit the Canadian tourism industry's ability to realize its potential.

The Federal government works closely with provincial and territorial governments, and supports the Canadian Tourism Human Resource Council (CTHRC), to address labour market issues and promote professionalism in the tourism industry.

In April 2010, Human Resources and Skills Development Canada committed \$19.8 million to support the CTHRC over three years to address significant skills shortages and foster a human resources development culture in the tourism sector.

The CTHRC brings together tourism business operators, members of labour unions and associations, educators and government representatives. It supports strategic human resources and business management practices with tool kits, training guides and business tools and promotes the advantages of working in the sector. Through its *emerit* brand, the CTHRC has developed occupational standards and

⁵⁶ Canada's Federal Tourism Strategy: Welcoming the World. www.tourism.gc.ca

professional certification programs. It also runs the Ready to Work program, which provides skills development to facilitate the recruitment and retention of workers who are members of vulnerable groups, and the Canadian Academy of Travel and Tourism, an industry education partnership that promotes tourism career opportunities and actively engages high school students in the tourism workforce. These initiatives contribute to the productivity and professionalism of the tourism workforce.

For employers and professionals in the Canadian tourism sector, *emerit* is the most recognized training and certification brand. It has become synonymous with excellence, credibility and professionalism with the *emerit* website offering access to career development resources for tourism professionals.

Canada provides an example of an integrated approach to labour and skills development for tourism with an integrated approach, from forecasting and planning through to service delivery of training and skills development.

Australia's Tourism 2020 Strategy has identified labour and skills as one of the issues that needs to be addressed to ensure the long term viability and success of the tourism industry in Australia. The government has recognised that there is a shortage of suitably qualified and skilled workers for the tourism and hospitality industry. To support the industry and facilitate the projected growth in the tourism sector, the government has developed a Tourism and Workforce Development Strategy that is administered by Skills Australia. The workforce development strategy focuses on four key priorities:

- The creation of a highly skilled workforce.
- Access to quality employment.
- Shaping the future through better workforce planning.
- Expanding the traditional workforce

As part of the implementation of the strategy the Commonwealth Government has supported a number of pilot projects to improve tourism and hospitality workforce recruitment, retention and skills development. The current requirement identified by the Government is to rapidly promulgate best practice throughout the industry from the strategy.

In terms of human resource availability, Indonesia has enough technical skilled resources as there are many vocational schools at high school level providing technical skilled labour including housekeeping, front office, restaurant and food and beverage services. The challenges are the quality of their output, which needs to be standardized in order to meet workplace requirements particularly in the developing areas.

University level training in tourism and hospitality as part of the education system is also available in Indonesia, particularly in provinces where tourism is a major part of the economy. In addition there are also four institutes that are directly under the supervision of Ministry of Tourism and Creative Economy (in Bandung, Bali, Makassar, Medan) which is a unique approach to training and skills development.

Since 2008, the Indonesian Government, through the Ministry of Education, has acknowledged Tourism as an important field of study at university level, like other fields of studies (e.g. Architecture, Math, English). This has had a positive impact on the tourism educational programme with new degree courses be added to vocational training.

The emphasis on skills development and training aligns with the National Tourism Development Master Plan of Indonesia with the four principles of pro-poor, pro-growth, pro-job and pro-environment.

Private Sector Views

In a study of industry competitiveness in Hong Kong, China the authors note that training and retention of skilled labour and managerial talents is a serious challenge to Hong Kong, China tourism⁵⁷. The report consider it to be an ironic problem that while competitors struggle to provide high quality training in tourism and hospitality staff, Hong Kong, China's labour and talents are so well trained that they have become the target of poaching and talent importation policies in Macau, China and Mainland China.

In the private sector, various hotels, tourist agents and convention and exhibition firms have launched their own initiatives to provide internal training and on-the-job education programmes for staff. In order to curb rising labour cost in the long term, these companies have realised that apart from retaining staff with a higher salary than what is offered in other competitor locations, providing professional growth opportunities of staff is going to be increasingly important for the industry.

Some private sector respondents indicated that there are serious shortfalls in labour availability. Reliance on short-term employees exacerbates the problem of building a professional labour force with high investments in training and developments not returning a dividend back to the organisation.

Respondents are divided, depending upon the location and type of business, about which areas of the labour market are in short supply. The highest shortage is in skilled and managerial expertise. Unskilled labour while in short supply in some economies, and notably the advanced economies where there is strong competition from other sectors and comparatively low wages in the tourism sector, is not a universal issue across the APEC region.

Some private sector businesses acknowledged their role in improving industry education and training and saw this as an important contribution to the work needed to overcome the current impediments and prepare for future growth and in particular to enable economies and companies to respond to future opportunities and changing markets.

Australian business was of the view that there needed to be changes to the immigration rules to enable easier access of labour from selected countries and improved working holiday visas (to enable some visitors and tourists to work part time while also on holiday in the economy).

⁵⁷ Study of Hong Kong Industry Level Competitiveness – The Tourism Sector
www.strategicaccess.com.hk

Appendix 8: Priority: Infrastructure - Background

APEC TWG Tourism Charter

APEC TWG adopted the Tourism Charter in 2000 which serves as a statement of Ministerial purposes and intent to further develop the tourism economic contribution in the APEC region and for the respective APEC economies. Much of the activity subsequently has been focussed the goals of strengthening the economic development of the region.

Infrastructure is largely recognised through the initiatives that promote investment in the region, namely;

- promoting and facilitating productive investment in tourism and associated sectors;
- removing regulatory barriers to tourism business and investment;
- facilitating seamless travel for visitors;
- enhancing visitor experiences;
- foster ecologically sustainable development opportunities across the tourism sector, particularly for small and medium sized
- enhance capability building in the management and development of tourism.
- promoting comprehensive analysis of the role of tourism in member economies in promoting sustainable growth.

There is no specific recognition of infrastructure as a separate entity however what has been recognised in the current process of investigating future tourism growth in the region is the vital role that infrastructure plays in destinations as an ingredient of attracting visitors and also facilitating private sector investment.

As a result, careful planning and investment combined with efficient and effective regulatory processes that support quality tourism infrastructure as seen as vital to tourism development.

Other APEC Initiatives

It has been estimated by the Asian Development Bank that the APEC region must spend a further \$US8 trillion over the next 10 years on critical energy, transport, communications and other physical and social infrastructure. All economies share this issue to varying degrees and are seeking new and innovative ways to ensure that the infrastructure in energy, transport, and information technology meets the expectations of communities and visitors alike. Much of the new infrastructure is vital to ensure continued economic growth in a wide range of sectors and not just tourism.

In 2009 APEC launched the APEC Infrastructure Pathfinder Initiative that is aimed at developing a harmonised road map for private sector infrastructure provision. The focus of the project is on the role of public private partnerships (PPP) in delivering infrastructure projects⁵⁸. Liaison with this initiative would give an insight into the challenges and opportunities in progressing infrastructure developments to meet the needs of tourism.

⁵⁸ http://publications.apec.org/publication-detail.php?pub_id=1080

TWG Impediments Studies

The first TWG impediments study, completed in 2003 studied five economies and reported on the range of impediments identified across all APEC economies. Infrastructure limitations were reported as one of the five key impediments identified by the report.

Australia at this time reported limitations on infrastructure that limited capacity at key destinations visited by international travellers. Thailand reported that continued visitor growth at key destinations was placing significant demands on infrastructure such as airports (with Bangkok reaching capacity – and subsequently building a new airport) and cruise facilities. While hotel developments were seen as keeping pace with demand, they were in turn placing pressure on infrastructure capability to supply water, waste and transport services.

In the second impediments study, which researched the issues facing the five economies of Canada, Chile, Indonesia, Peru and the Philippines infrastructure was highlighted again.

The report states “every member economy expressed frustrations about the level of infrastructure required to support tourism. While investments were being made in every member economy, governmental financial constraints or competing demands for scarce resources mean that improvements are still needed in areas such as:

- Airports;
- Border crossing facilities;
- Highways and bridges;
- Ferries and ports;
- Water and sanitation systems;
- Urban streets and sidewalks; and
- Pollution control systems.

The third impediments study found similar concerns with the economies studied. Both Papua New Guinea and Viet Nam reiterated the need for investment in infrastructure by the public and private sectors. Also the telecommunications networks, mobile phone and internet service were added to the needed infrastructure to support tourism growth.

Related Research

Tourism infrastructure investment and its role in promoting inclusive and sustainable economic and social development in the Asia-Pacific region has been investigated in a report prepared for UNESCAP in 2001⁵⁹. The report presents the findings of a seminar held in Korea in 2000 and found that there is an urgent need for governments and agencies at all levels to create a climate for investment that ensures equitable distribution of benefits, and clear and transparent decision-making. If countries, regions and communities are to take advantage of tourism as a form of economic development, a number of changes will be required and specific programmes will need to be put in place to encourage investment in infrastructure. Such changes and programmes include:

- Better tourism planning and management practices and Ensuring tourism strategies and plans are linked with a broader set of initiatives and community or economic development plans;

⁵⁹ http://www.unescap.org/ttdw/Publications/TPTS_pubs/pub_2133_tor.pdf

- Improved coordination, both at the policy and action levels, of all levels of government operations;
- Improved cooperation between businesses and communities, as well as between the public and private sectors; Models of tourism partnerships to be explored in the areas of planning, management, marketing, and funding for tourism ventures;
- Improved impact assessment and monitoring practices;
- The design and delivery of a wide range of tourism-related educational and training opportunities;
- The provision of marketing and promotional assistance;
- More equitable access to employment, promotion, education and training for marginalized population groups;
- The establishment of tourism support and resource centres.

The study also identified a need to encourage financial institutions to play a role by working with local communities and entrepreneurs to help provide investment funds and to ensure there are clear government policies on foreign investment in tourism (addressing forms, types, profit distribution, etc.) so that clarity and certainty is provided to the investment community.

ASEAN Tourism Strategic Plan

The ASEAN tourism strategic plan recognises the interaction of tourism with the plans and programmes of other agencies with primary responsibilities for infrastructure:

“Within any country there are a number of ministries and departments who are responsible for developing plans, policies and programs that will facilitate the development of tourism across the region. Ministries and departments of tourism, foreign affairs, immigration, investment, airports, ports, roads, education, vocational training, natural and heritage interests, urban and rural development, construction etc. all have essential roles in ensuring sustainable tourism while providing for a unique and memorable set of tourism experiences. The private sector is an essential player given its role in providing many of the services and in some cases the tourism products themselves. “

Notwithstanding this, the ASEAN plan, in ensuring that the infrastructure of the region meets future visitor expectations has the following guiding principles of;

- Integrated and Structured Tourism Development
- Sustainable and Responsible Development
- Wide-Ranging Stakeholder Collaboration

ASEAN has also been active in promoting tourism infrastructure investment in the past with the ASEAN Tourism Investment Guide, which was first produced in 1998 and updated in 2008. The Guide contains information on the 10 ASEAN Member Countries, namely, Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam.

WEF Travel and Tourism Competitiveness Report 2011

The WEF as part of the 14 pillars that are used to assess tourism competitiveness uses a number of parameters related to quality of infrastructure. Four measures are particularly relevant to the issues of quantity and quality of tourism infrastructure.

The measures of air transport infrastructure comprise measures of availability of aircraft seat, airport density, number of airlines and qualitative measures of network

and infrastructure quality. Ground transport has similar measures of quality of roads, rail and ports and the network structure. There is also an additional measure of road density included. Availability and quality of transport services relate largely to the ease of shipping goods to and from destinations and as such is less relevant to visitor travel. Finally, the Information and Communications Technology (ICT) measure records internet use, broadband subscribers, telephone lines and mobile phone subscribers.

In total the measures provide an indication of quality and quantity of tourism related infrastructure that a business and a visitor might experience in each economy. The rankings for each APEC economy are outlined below:

Table 5

APEC Economy	Air Transport Infrastructure	Ground Transport Infrastructure	Availability and quality of Transport	ICT infrastructure
Australia	3	51	11	24
Brunei	-	-	-	-
Canada	1	33	25	14
China	35	59	18	73
Chile	52	55	64	54
Hong Kong, China	12	1	9	4
Indonesia	58	82	73	96
Japan	23	6	4	28
Korea	40	18	21	8
Malaysia	34	36	17	52
Mexico	47	79	67	75
New Zealand	11	50	39	23
Papua New Guinea	-	-	-	-
Peru	78	121	94	84
Philippines	80	114	38	98
Russia	31	95	70	46
Singapore	14	2	1	20

APEC Economy	Air Transport Infrastructure	Ground Transport Infrastructure	Availability and quality of Transport	ICT infrastructure
Chinese Taipei	46	24	15	9
Thailand	24	56	26	81
United States of America	2	28	16	21
Viet Nam	85	77	31	67

Member Economy Views

Peru has identified a shortage of infrastructure investment as a key impediment and in particular investment in the transport network. This is similar to Chile and the Philippines, where additional road infrastructure is required to enable visitors to reach tourist attractions around the country. Investment incentives and an improved approvals process are identified as two ways of overcoming this impediment.

Both Mexico and the Philippines have also identified the provision of utilities such as power, water and sanitation as important limitations on tourism growth.

Poor public transport services and limited aviation connectivity are the key infrastructure issues in Brunei with improved policies regarding landing rights seen as potential solutions.

Aviation infrastructure is also identified by Australia as an important impediment to improved dispersal of visitors around the country with high costs and limited ability of local government owners to improve infrastructure and services. USA has recognised that although the current aviation infrastructure meets current demand, projected growth is not going to be met and there will be a requirement for significant investments in infrastructure in the future.

Hong Kong, China with its limited land availability is severely constrained in its ability to expand infrastructure. With growing numbers of visitors there is a shortage of sites to build new hotel infrastructure to meet the current and forecast demand.

Infrastructure is identified as the number one impediment to tourism growth by Indonesia. In particular capacity and connectivity of services for aviation, land and sea transport have been identified as the first priority. This is partly as a result of the dispersed physical nature of Indonesia with about 17000 islands. Other infrastructure aspects include capacity and quality of hubs such as airports and seaports, and tourism destinations throughout the economy are considered to not meet current visitor expectations and are unlikely to have sufficient capacity for future growth.

Private Sector Views

Private sector respondents commented on the important role that provision of infrastructure plays as a facilitator of private investment and reducing the risk of private investments where there is limited infrastructure the funding of new tourism development can be hampered. Encouraging hotel development without parallel new airport or highway development was cited as an example where difficulties can arise. Infrastructure development is also seen as a supporting contributor to guide private sector timing to invest and develop in tourism locations.

Commentators observed that lack of quality infrastructure lead to tourism development only occurring in existing tourism locations because of the guarantee of services to support the development. Infrastructure was identified as a valuable mechanism for an economy that has a policy of improving geographical spread of tourism activities. Rather than concentrating development, quality infrastructure enables investment to occur over a wider area, thus reducing congestion and other adverse environmental effects of development.

While often country dependant transport infrastructure is vital, and for many economies aviation infrastructure is critical in opening new areas to tourism development. Private sector respondents considered that in many countries this was the key to development as low cost carriers entered the market, combined with rising incomes and propensity to travel significant visitor market demand became rapidly established. As an example, Australian private sector respondents observe a limitation in aviation and airport expansions at key gateway locations. In addition lack of funding at regional locations is also restricting the development of aviation facilities and services in the regions.

In addition, in Australia, new private infrastructure such as new hotel developments and convention centres are perceived as not meeting future demand.

Integrated planning is a concern of a number of private sector respondents. In particular the integration of transport networks and ensuring that there is interconnectivity between different transport modes is considered to be lacking in many locations. While not necessarily a barrier to growth this is seen as an area where improvements could be made in planning and implementation to improve visitor experiences.

Appendix 9: APEC TWG Projects

TWG projects: Operational Account

No.	Project No.	Title	Year
1.	TWG 01/2001	Best Practices on Development of Tourism Satellite Accounts	2001
2.	TWG 02/2001	Tourism Research Network	2001
3.	TWG 04/2001	Tourism Impediments Stage 1	2001
4.	TWG 01/2002	Tourism Occupational Skill Standard Development in the APEC Region Stage III	2002
5.	TWG 01/2003	Small to Medium Size Tourism Business Development Needs	2003
6.	TWG 02/2003	Best Practices and Ideas in Safety and Security for APEC Economies to combat terrorism in tourism	2003
7.	TWG 01/2004	Tourism Impediments Stage 2	2004
8.	TWG 01/2005	Tourism Occupational Skill Standard Development in the APEC Region Stage IV	2005
9.	TWG 02/2005	Best Practices In Sustainable Tourism Management Initiatives For APEC Economies	2005
10.	TWG 01/2006	Strengthening Safety & Security Best Practices Against Terrorism For Sustainable Tourism Development	2006
11	TWG 01/2008A	Training on the Application of APEC Skill Standard Concept and System	2008
12	TWG 02/2008A	Capacity Building on Community Based Tourism As A Vehicle For Poverty Reduction and Dispersing Economic Benefits At The Local Level in Developing Member Economies	2008
13	TWG 01/2009A	Best Practices in Key Rural Tourism Resources Managed by Local Communities. (e.g. Thermal Resources)	2009
14	TWG 02/2009A	Identification of best practice in the Use of clean technologies as a main source of energy in hostelry (e.g. Rural Hostelry)	2009
15	TWG 04/2009A	Best practice management of visitor carrying capacity issues for cultural, heritage and natural sites in the APEC region.	2009

TWG projects: TILF Special Account

No .	Project No.	Title	Year
1.	TWG 01/2001T	Tourism Information Network	2001
2.	TWG 02/2001T	Application of Electronic Commerce to Small & Medium Tourism Enterprises in APEC Member Economies	2001
3.	TWG 03/2001T	Best Business Practices for access to Tourists with Restricted Physical Ability	2001
4.	TWG 04/2001T	Training for Sustainable Development in the Tourism Industry	2001
5.	TWG 05/2001T	Public-Private Partnership for Sustainable Tourism	2001
6.	TWG 01/2004T	Public and Private Partnership for Facilitating Tourism Investment in the APEC Member Economies	2004
7.	TWG 02/2004T	Exploring Best Practices of E-Commerce Application to the SMTEs in the APEC Region	2004
8.	TWG 01/2006T	Tourism Impediments Stage 3	2006
9.	TWG 01/2008T	Capacity Building on Tourism Satellite Account as basis for promoting liberalization and facilitation on tourism services	2008

Abbreviations

ABAC - APEC Business Advisory Council

ABTC-APEC Business Travel Card

AICST – APEC International Centre for Sustainable Tourism

ADB - Asian Development Bank

APEC - Asia-Pacific Economic Cooperation

API-Advanced Passenger Information

ASEAN - Association of Southeast Asian Nations

BMG – Business Mobility Group

CTHRC - Canadian Tourism Human Resources Council

GATS – General Agreement on Tariffs and Services

G20 - Group of Twenty Finance Ministers and Central Bank Governors (of the 20 Economies)

GDP – Gross Domestic Product

IATA- International Air Transport Association

ICAO- International Civil Aviation Organization

ICT- Information and Communications Technology

IDB- Inter American Development Bank

IFC – International Finance Corporation

MRTD- Machine Readable Travel Documents

OECD - Organization for Economic Co-operation and Development

PATA - Pacific Asia Travel Association

PPP- Public Private Partnership

SME - Small to Medium Enterprise

TFI – Travel Facilitation Initiative

TOSS- Tourism Occupational Skills Standards

TSA - Tourism Satellite Account

TWG - Tourism Working Group

UN - United Nations

UNESCO - United Nations Educational, Scientific and Cultural Organization

UNESCAP- United Nations Education and Social Commission for Asia and the Pacific

UNWTO - United Nations World Tourism Organization

WEF – World Economic Forum

WTO- World Trade Organization

WTTC - World Travel & Tourism Council

APEC Project Number: TWG 01 2011A

Produced by:

Ray Salter

TRC Tourism Ltd

Level 5 Aviation House

12 Johnston St

Wellington

New Zealand

Telephone: (64) 4 473 3114

Fax: (64) 4 473 0020

Email: info@trctourism.com

Website: www.trctourism.com

For:

APEC Economic Cooperation Secretariat

35 Heng Mui Keng Terrace

Singapore 119616

Telephone: (65) 68 919 600

Fax: (65) 68 919 690

Email: info@apec.co.nz

Website: www.apec.org

© 2012 APEC Secretariat

APEC#212-TC-01.2