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Development by Tourism

What are the chances of developing countries to improve their situation by receipts through tourism? We spoke with Dr Manfred Busche, Manager of ADB (Ausstellungsdienst Berlin — Exhibition Service Berlin) and Organiser of the Fourth International Tourism Bourse (ITB). And Carsten R. Moser wrote a commentary on the development of international tourism.

Dr Busche, in 1968 the receipts in foreign exchange from international tourism amounted to roughly DM 40 bn in the OECD-countries alone. When the International Tourism Bourse met for the fourth time in March 1970, what views were expressed by the participants as to the future trend of international tourism in the OECD-area?

Considering that the world turnover of the tourist business is estimated to be of the order of DM 250 bn, the first fact to be established is that the share of the OECD-countries is disproportionally large. This is hardly surprising, for the OECD-countries' share in world trade generally is equally out of proportion. Not only is their share in world trade and world tourism relatively much larger than that

of other areas; OECD-countries also enjoy much higher growth-rates than the rest of the world, and, as far as world tourism is concerned, this trend is likely to continue in the foreseeable future in view of expected further increases in Gross National Products, disposable incomes and free time for holiday trips. In the OECD-area, these increases should continue at an above-average rate.

Tourism in Developing Countries

The OECD-countries are, however, not alone in the field. Numerous developing countries, too, are competing for the custom of foreign tourists from industrial nations. Are they successful in their endeavours?

Yes, they are. Their tourist industries have achieved relatively

high growth-rates, but these percentage increases are based on figures which, in absolute terms, are very modest. The time-lag is still considerable, but it may be possible to close this gap fairly quickly.

The classical tourist countries are still enjoying such an exceptionally large share of the world's tourist business because of the close political, economic and cultural ties they have developed with each other in the course of centuries. Besides, the competitive position of the developing countries as far as international tourism is concerned has not been improved by the development of the classical means of transport—the railways in the first instance, then shipping and, more recently, the motorcar.

Generally speaking, however, developing countries should be in a position to profit increasingly from the expanding international tourist trade because:

□ economically, culturally and politically, the world is drawing closer together, is becoming smaller and, as formerly distant countries become more accessible, interest in them is growing;

□ recent advances in transport, particularly air transport with its faster and larger aircraft make cheap travel to distant continents easier (this applies, from a commercial point of view, above all to charter flights);

□ the special attraction of entirely new holiday venues can now be exploited by emphasising the most suitable seasons and climatic differences in comparison with conditions prevailing elsewhere;

□ in the developing countries themselves, tourism is encouraged in increasing measure, for instance by building up the infrastructure for tourism, and by the training of hotel and travel-agency staff, for the governments of these countries which are newcomers to the tourist-trade are increasingly becoming aware that in view of the rapid expansion of this service sector, investments in this field yield exceptionally high returns in foreign exchange.

Travel Balance in the Federal Republic

The Federal Republic has, in common with nearly all industrial nations an unfavourable travel balance. In 1969, it showed a deficit of DM 2.7 bn. Is this because what Germany has to offer as a tourist country is not attractive enough?

By no means. German landscapes are without doubt sufficiently varied to satisfy the tastes of all holiday makers. It is an open question, however, whether the commercial presentation of what is worth visiting in Germany could not be improved, in other words, whether the publicity directed to potential clients at home and abroad is all that it should be.

Many experts think the unfavourable tourist-balance is due to a lack of coordination on the part of the travel industry and to faulty marketing methods abroad. Are these criticisms justified?

This is a difficult question to answer because the "responsibility" in this respect is spread over an extremely large number of people. First of all, one would have to ask oneself whether the German regional travel organisations, their umbrella organisation—the German Travel Federation—and the German Tourist Board which is respon-

sible for publicity abroad, have in the past exploited all chances open to them or whether they are now applying methods which are more suitable to present-day conditions. A second question one would have to ask oneself is this: Have the numerous travel agents paid sufficient attention to the "incoming business"? The same question may be addressed to German hotels, the Lufthansa and other tourist-travel services. Thirdly, there are all the foreign travel businesses, the foreign airlines and other foreign organisations concerned in the tourist trade; they, too, are interested—or should be—in selling as many profitable tours to German holiday centres as possible.

All that can be said in answer to your question is to cite a few examples taken from the sphere of the tourist-trade organisations. Here, too, little has been done in the past generally and particularly in the field of coordinated sales promotions along modern lines, but some promising starts are now discernible. Among them is for instance the recent agreement between the Lufthansa and the German Tourist Board to co-ordinate their publicity. Another welcome innovation is the publication by the Tourist Board of a holiday-catalogue.



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State-help

Do you think the German tourist industry is receiving enough support from the Federal Government?

Generally speaking, the German tourist trade would certainly not require any support from the state and would probably even refuse such aid. It is, however, a different question whether the tourist-trade organisations in Germany should receive more money from the Federal Government, the individual states and local authorities for the purpose of giving advice on how to make holiday offers more attractive and on how to improve publicity abroad. In this field there undoubtedly exists a considerable backlog of work. This backlog exists not least in the area of collecting relevant data and of coordinating future activities. Many European countries neighbouring on Germany can teach us something in these respects.

The standing of German travel firms in the international tourist trade is not particularly impressive. Are there any prospects of still closer cooperation at home and of mergers with European firms so that their position may be consolidated?

I must contradict you here. I am sure that the position of German travel agents is quite considerable even when measured by international standards. There exist some very large firms with annual turnovers of some hundred million DM; some of them dispose of extensive and efficiently operating sales organisations. The purchasing power of German travel firms in European holiday areas and also overseas is in some cases exceptionally strong.

They should, however, become even stronger by reorganising

their internal structures. Besides, it must be pointed out that in the past ten years some newcomers have entered the travel business and, thanks to their special sales methods on the German market, have achieved turnovers of between DM 50 and 200 mn. There are few travel firms operating in the international market that can equal the annual turnover of DM 500 mn achieved by the "Touristik Union International"—the group comprised of Touropa, Scharnow, Hummel and Dr Tigges.

Nonetheless, many firms seem to be making efforts to achieve closer cooperation with foreign partners. But international mergers on a larger scale can hardly be expected in the near future. The legal provisions governing property and companies seem to preclude such a development. Besides, the financial strength of German travel firms is such as to make international mergers on a larger scale fairly unlikely.

Direct Investments by Tourist Firms

German tourist firms are increasingly investing in accommodation abroad with a view to enlarging their capacities and to making sure of a share in the available hotel space. Can one expect that such German direct investments will grow still further in the future?

I doubt whether these direct investments will grow very much in the near future, nor am I sure that they will ever reach considerable dimensions in absolute terms. The strength of German travel firms does not necessarily lie in their financial power. Present-day property laws and company legislation make it difficult in principle to obtain fresh capital. Surprising though it may

seem, up to the present no shares of any travel firm can be bought on the stock exchange. But even if by conversion into a joint-stock company it were possible to obtain capital on the stock market, there would still be the problem of finding suitable uses for this scarce and expensive capital. In many respects it would perhaps be more profitable to invest funds internally, for instance by introducing electronic data-processing machines. Another question that would have to be gone into is whether any additional capital should not be used by the company to acquire its own means of transport, i.e. passenger aircraft. One single plane can however cost considerably more than ten or twenty hotels with 200 to 300 beds.

In the last resort, the question must be decided in the light of market conditions. In areas where hotel beds are abundant and cheap, additional investments are uneconomic, and that applies in like measure to German direct investments. In areas where hotel beds are scarce and expensive, it may possibly be advisable to take over, or even build a hotel. But permanent commitments in the property markets are particularly risky undertakings. Holiday-makers are quick to change their preferences from one area to another, if staying in one country or even in one resort suddenly becomes unpleasant or expensive. Besides, taking over a hotel means as a rule also running it under one's own management, and this adds yet another burden to the already high staff and organisational costs any travel firm has to bear. In the long run therefore, travel agents will probably continue to prefer booking hotel beds freely, but possibly for longer periods.