FORESIGHT
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FORESIGHT is a monthly commentary on significant issues within the tourism sector. Each month, "Market Focus" discusses economic, social and political factors that underlie demand for tourism now and in the future. In addition, there will be a spotlight focused on significant tourism issues. This month Market Focus covers Greece, Romania, Bulgaria and Croatia and Issue of the Month looks at whether Britain's tourism industry should view our transport infrastructure a threat or an opportunity for its future prosperity.

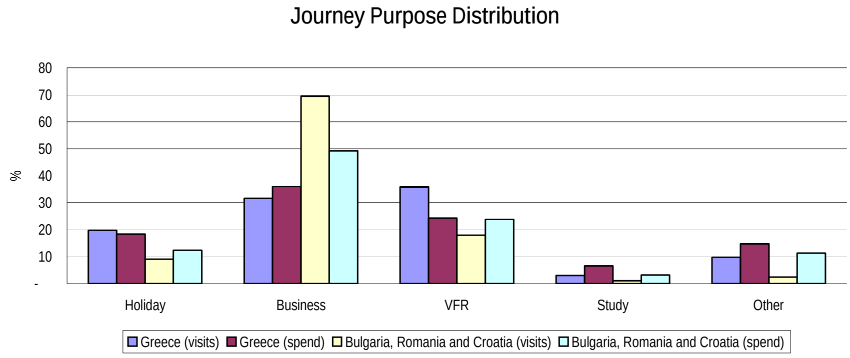
Market Focus – Greece, Romania, Bulgaria and Croatia

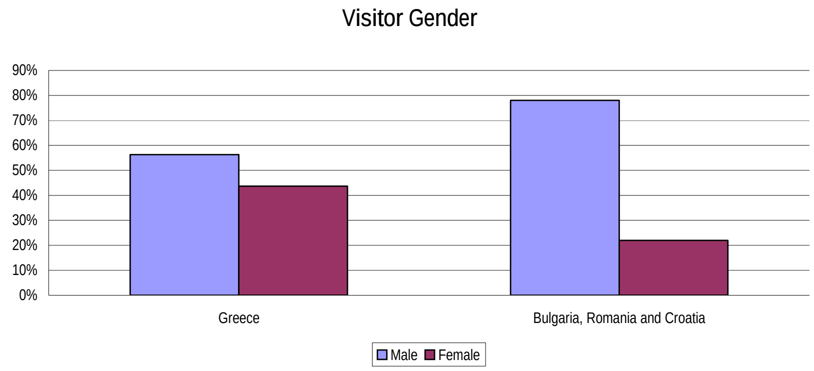
Greece is a vital inbound market for Britain, generating 185,000 visits in 2003 (that's 0.7% of all visits) worth an estimated £136m (1.1% of all inbound spend). The typical visitor from Greece spent £732 in Britain during 2003, with an average length of stay of just over 9 days.

The remaining three markets are of lesser importance, but over the medium term have significant potential to grow. Together, Romania, Bulgaria and Croatia generated 105,000 visits to Britain in 2003 (0.4% of total visits), accounting for £43m of spending (again 0.4% of total spend).

Differences exist in journey purpose splits found for Greece and the other 3 markets. Most striking is the dominance of visits for business (70% of visits and 50% of spend) for Bulgaria, Croatia and Romania.

Spend generated from study visits to Britain from Greece (7% of total) is important, but the biggest share of visits from Greece (36%) is to visit friends or relatives.





The high proportion of business visits from Bulgaria, Romania and Croatia results in a male dominated pool of visitors as can be seen from the chart. The gender mix from Greece is far more in line with the typical mature market.

Greece

Despite being on the periphery of Europe (London is a four hour flight from Athens) Greece has been a member of the EU for nearly 25 years and plays a full role in the organisation. It was among the first wave of countries to adopt the Euro as its currency in 2001.

Greece has a population of 11 million, a third of whom live in the Greater Athens region, having easy access to the much-improved Athens International Airport offering regular daily flights to a number of British destinations. The largest age groups within the population are those aged between 30 and 39, but the only age groups set to grow in number during coming decades are those aged 55+.

Figures from the European Travel Commission's New Media Review show that access to the Internet in Greece stood at 25.5% in 2004, relatively low compared to the EU average but increasing at a steady rate.

Olympics

It is estimated that the Athens Olympics cost £6.2bn to run, excluding the costs of infrastructural improvements – this being twice the expected cost. This is one of the explanations for Greece having again breached the agreed target of Government borrowing not exceeding 3% of GDP, initial estimates for 2004 set the figure at 5.6% of GDP. Hotel room occupancy in Athens during the Olympics was 20% below that which had been forecast and the number of international visitors to Greece in the first nine months of 2004 was 4% down on the equivalent period of 2003.

Economic performance

Economic growth of less than 4% was recorded in 2004, and the expectation is that this will slow to 3% during 2005 and 2006. Whilst not in the doldrums to the extent of many of Europe's major economies the Greek economic performance is currently rather mediocre. Unemployment stands at around 10%, which is close to the EU average, but the nation's shipbuilding industry is receiving a boost courtesy of demand from the rapidly expanding Chinese economy.

Visitor characteristics

We have seen that spend on study visits from Greece represents a fifth of total spend and it is not surprising then that the Foreign and Commonwealth Office estimate that there are currently 40,000 Greek students in Higher Education in Britain.

Virtually all travel to Britain from Greece is undertaken independently (as opposed to part of a package tour), and in 2003 it is estimated that 58% of all visits consisted of lone travellers. The combination of these trip characteristics leads to a predominantly young visitor market from Greece to Britain, with virtually 50% of those visiting in 2003 being aged under 34.

An ever-expanding European Union

The current wave of investment in countries such as Poland and Czech Republic will, in the next few years, push further east to Bulgaria and Romania, both set to join the EU in 2007 or 2008. Investment is likely as businesses seek to take advantage of the relatively well-educated workforce and very low labour costs. As increased investment flows into these countries the population will start to enjoy an improved standard of living, thereby enabling more of the residents to afford overseas travel.

If the explosion in low-cost air routes being developed from the 2004 Accession States is a foreteller of what we can expect to see once the EU expands further east we can expect to see Bucharest and Sofia joining the route networks of many low-cost operators. In turn this will generate new flows of outbound visitors for leisure, business and to study. Croatia is due to begin membership negotiations later this year, but as yet no definite entry date has been agreed.

Romania

Romania joined NATO in March 2004 and it is expected that April will bring the signing of an accession treaty enabling Romania to join the EU in 2007, subject to sufficient progress being made on economic reforms. The centre-right President elected in December has promised to strive towards EU entry, but a four-party coalition government may find decision making a protracted process. Corruption remains a major stumbling block to Romania being given the green light to EU membership.

The Romanian population, estimated to be around 22 million (but forecast to decline to 21 million during the next twenty years), have the lowest income per head of any country in central Europe according to the Economist and the CIA Factbook notes that 45% of the population is living below the poverty line. However rapid progress is being made, with economic growth exceeding 8% in 2004.

Britain is the fifth largest foreign investor in Romania, and this solid business relationship is bound to strengthen the closer full EU membership becomes for Romania. As a result we can look forward to further growth in business travel during the second half of the decade.

Cultural ties between Romania and Britain are strong too, with the British Council noting that its second busiest library worldwide can be found in Bucharest.

Bulgaria

Just as with Romania, an accession treaty will be signed in April, but Bulgaria will only be invited to join the EU if it makes sufficient progress on reforms. The EU has observed that better progress is being made in economic and social reforms than is the case in Romania, but the Bulgarian population, especially those in rural areas, have a very poor standard of living.

Parliamentary elections due later this year might result in a change in Government, but most commentators believe that there is not likely to be any major policy shift, with the focus remaining very much on achieving EU accession requirements.

Another shared characteristic with Romania is that the population is in decline, with the current 7.4 million residents forecast to fall to 6.3 million by 2025 according to the US Census Bureau. One of the main causes of this decline will be the availability of higher wage rates in the more developed EU economies attracting intra-European migration during the next few years.

Croatia

No longer war-torn, Croatia is making substantial economic headway and accession talks with the EU will commence in 2005. Measured in US Dollars, the average income per head was a little of $2,000 back in 1992, but figures from the IMF suggest that in 2005 this will be close to $8,000 per head, more than twice the figure seen in either Romania or Bulgaria. Croatia has a population of just 4 million.

There are regular scheduled air links to Britain from the Croatian capital, Zagreb, with the addition of seasonal flights from the southern cities of both Split and Dubrovnik.

Mr Mesic recently won a second 5-year term as President, and both he and the Prime Minister are keen to see EU accession talks make progress during 2005, but stumbling blocks still remain in terms of the speed with which Croatia is handing over suspected war criminals to the United Nations.

A positive outlook

Figures for the first nine months of 2004 from the International Passenger Survey show that the number of visits to Britain from Greece increased at an annual rate of 15% with spend increasing by 10%. On the back of this strong growth VisitBritain recognises the importance of the continued potential of the Greek market and intends to have a full time representative in Athens working out of the British Council office within the next few months. This will help ensure that Britain retains, or even improves, its current fourth place in the league table of outbound destinations visited from Greece.

Meanwhile over the next two years we can expect fairly stable revenues from Romania, Bulgaria and Croatia, but subject to successful accession discussion with the EU, these are three markets that offer significant growth potential over the longer term.

Issue of the Month – Britain's transport infrastructure

Rarely does a sentence featuring the words "Britain's transport infrastructure" get written without the insertion of an adjective such as "crumbling", "decaying" or "congested". This month we investigate some of the facts and figures in order to establish the extent to which transport problems constrain the tourism industry.

Domestic Leisure travel trends

We can gain a number of insights into Britain's domestic leisure travel habits by taking a look at figures from the National Travel Survey. The NTS takes place each year and involves more than 19,000 people from around 8,000 households keeping a record of all the journeys they make. The purpose of each trip is recorded, enabling us to explore trends in the amount and nature of "discretionary" travel – that is journeys that aren't done by necessity such as those to and from work, the shops etc.

We can see from the table that the most frequent leisure journeys had VFR as their purpose. Not surprisingly the longest journeys in both distance and time were those to or from a base for a holiday. Britons make an average of 25 leisure "day trips" per year, typically to a destination less than 20 miles from their home.

Leisure Travel in 2003 (National Travel Survey)

Activity	Trips per person per year	Average trip length (miles)	Average trip time (minutes)
VFR at private home	118	9	24
VFR elsewhere	44	6	19
Entertainment/public activity	45	8	24
Sport (participate)	20	6	19
To/from a holiday base	11	53	88
Day Trip	25	16	38

Focussing just on car travel, the NTS tells us that the average car occupancy on a leisure trip is 1.8 persons, and for holiday or day trips it is 2.2 persons. The number of holiday or day trips undertaken by car rose steadily from 18 per person per year in 1985 to peak at 32 in the mid 1990s, but has now fallen back to 27 per year.

International connectivity

CAA figures reveal the number of nations with direct air links to Britain in 2003 stood at 143, with 337 individual worldwide cities enjoying a direct air link to Britain. This undoubtedly makes Britain one of the best internationally connected nations of its size in the world.

In addition England, Scotland and Wales all have numerous international ferry links and the Channel Tunnel provides yet another means of accessing Britain for those who wish to bring their own vehicle with them, or to travel by rail rather than air or sea.

Types of transport used by inbound visitors

Around one in three inbound visitors used a bus or coach, taxi or a London Underground train during 2003. Around one quarter of visitors used a car that was either their own, or that of a friend or relative whom they were visiting, with a similar proportion using mainline trains. Ten percent of inbound visitors used a hire car during their stay. For many foreign visitors Britain's public transport is an attraction in its own right, for example the iconic red London Bus.

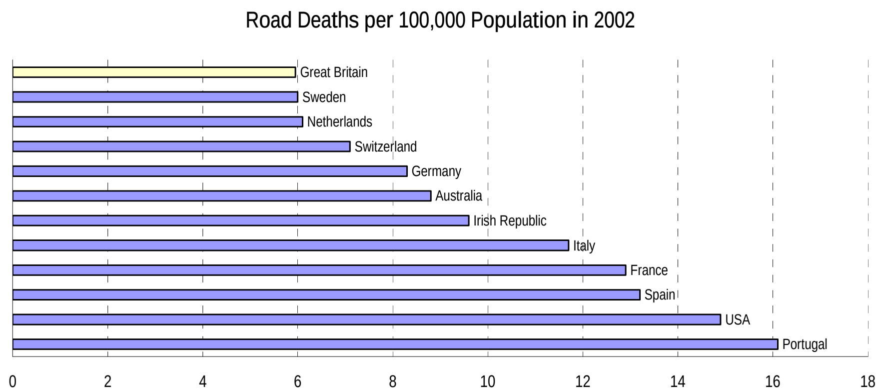
Protecting the environment

In parts of rural Britain there is a very real dilemma. Narrow roads make for slow journey times, which it is argued deters potential visitors to an area, but in turn the relative inaccessibility and tranquillity of these areas is their USP (unique selling point). Having wide, high-speed roads running through the landscape may simply destroy the very essence of the destination's attractiveness.

In terms of roads, railways and airports a constant balancing act is required between facilitating travel in order to sustain economic vitality, not least that of the tourism industry, and protecting the environment. Many decisions offering huge potential gains to one locality may in turn harm the attractiveness of other areas and businesses.

Car Travel

Road deaths in Britain declined during the 1980s and early 1990s, but have stabilised at around 3,400 a year. The graph shows Britain to have a much lower fatality rate due to road accidents than many other developed countries.



The overwhelming majority of leisure travel in Britain takes place by car, but this can often be seen as a stressful pastime due to congestion, getting lost in unfamiliar areas and difficulties finding a parking space. Government figures show that average speeds on trunk roads for off-peak journeys have remained fairly steady over recent years, being 55.4 mph back in 1995 and 54.6 mph in 2003.

Attitudes towards traffic congestion

A recent poll conducted for the Department of Transport found that 54% of those questioned said that they felt road congestion "had got worse" in the past two years with a similar proportion of those asked saying that congestion was "a serious problem" in towns and cities. The survey revealed that it is "unexpected" congestion that causes the greatest frustration, with 58% saying congestion is acceptable if delays are predictable.

Three out of five of those questioned said that the main cause of congestion is "too many cars on the road" with only 8% saying that the main cause is "not enough roads". When shown a list of possible consequences of traffic congestion just 7% of people said that they were not able to make some journeys due to congestion. Indeed, when not presented with a list of possible consequences only 0.5% of people spontaneously mentioned being unable to make some journeys. This is compelling evidence that congestion is not acting as a significant deterrent to travel for leisure purposes.

Despite the overall figures for average off-peak speeds having remained fairly constant over recent years there are of course various bottlenecks that can disrupt travel times outside of the normal Monday to Friday peak hours. Many motorways become vary congested in the early evening on a Sunday, and there are other hotspots for congestion that are masked by the overall average, be these in Surrey, Cornwall or Cumbria.

Congestion charging has been in operation in London since February 2003, but this will remain the only major scheme in Britain, as in Edinburgh residents recently voted three-to-one against the Council proposal for a £2 daily charge. The current London scheme operates solely in the central area, but there are plans to extend it further west. Transport for London claim that the scheme has reduced congestion in central London by 30% and reduced the amount of time people have to wait for a bus by nearly 50%. The Government has said that once reliable appropriate technology exists it believes that congestion charging may be a viable means of reducing congestion on trunk roads.

Air

Last autumn's Government White Paper set out recommendations for the future of aviation during the next thirty years. Key elements of the strategy included a second runway at Stansted by 2012 and continued expansion of regional airports. In the longer term the Government has said that a third runway at Heathrow will need to be considered, but in the meantime airport operator BAA should investigate ways of utilising the existing runways more effectively.

A recent High Court challenge to the White Paper proposals resulted in a ruling that upheld the main thrust of the Paper including the proposal for two new runways in the South East, but the ruling did say that the Government must ensure full local consultation and ought not to have pinpointed the exact location of the proposed second runway at Stansted.

The vitality of inbound tourism to Britain is hugely dependent on an efficient aviation sector, and the White Paper set out to tackle a number of the existing threats to the sector. Congestion is perhaps the biggest issue needing to be tackled as it impacts on aviation across a number of dimensions; air traffic control delays reflect the growing congestion within our skies, plane congestion can occur on the ground at busy airports, terminal buildings need to expand as passenger numbers grow as does the provision of private and public transport infrastructure to access and egress the airport.

The airport operator BAA will submit a planning application for a second runway at Stansted in about a year from now, is continuing to investigate ways of making better use of Heathrow's current two runways at peak times.

Rail

Britain's rail network regularly comes in for widespread criticism, sometimes in the form of light-hearted quips about "leaves on the line" but in more recent times due to a number of high profile accidents involving loss of life. Despite these incidents it remains the case that the safety of travelling by train is far greater than that of car travel.   We need to distinguish between the types of journey that someone makes for leisure and those made for commuting – as the needs of each customer will be very different.

For example, the leisure market is more concerned about the availability of space for luggage, facilities for young children and a guaranteed seat than is the person on a thirty minute commute. A renaissance in long-distance rail travel over the past decade has seen the number of annual journeys rise from 54 million in 1994/5 to 81 million in 2003/4. The size of the rail network has remained stable for a number of years at around 15,000 miles of passenger carrying track. The less palatable news is that getting trains to run on time remains a problem, with figures from the Strategic Rail Authority showing that in 2003/04 just 81.2% of trains were unhindered by cancellation or delay.

Ongoing investment, including schemes such as the upgrading of the main arterial route from London to Birmingham, the North West and Glasgow, should help to deliver faster and more reliable long distance rail travel in the coming years.

The recently announced Community Rail Development Strategy should breathe new life into many of Britain's rural branch lines that currently see low patronage. The plan is for the local communities to have a greater say in running the railway and an increased scope to use the railway for special events, an example cited by the SRA being jazz trains. A number of these lines have great potential to boost tourism as they serve attractive destinations, often journeying through spectacular scenery – for example pilot projects include routes from Middlesbrough to Whitby through the North York Moors National Park and St Erth to St Ives in Cornwall.

In Search of the Holy Grail

In an ideal world, we would see far more integration of public and private transport and walking and cycling made safer and more attractive as alternatives to the car. We would see greater use of so called "demand responsive" public transport, meaning that vehicles run when there is a definite need, and are able to deviate slightly from a specified route in order to pick up or drop off customers. We would see much more effective use of satellite positioning systems reducing the chance of drivers getting lost, and being able to avoid congested roads.

Strides are being made in this direction, for example journey planning is being addressed through the Transport Direct project (www.transportdirect.info), but there remains a long way to go. Progress is essential as congestion in the skies, in airport terminals, on roads leading to the coast or through countryside all have the potential to diminish growth prospects for inbound and domestic tourism over the longer term if there is insufficient investment and forward planning.

Britain's transport infrastructure today is not without defects, and certainly not without detractors, particularly with regard to the cost of travel. Nevertheless, Britain is blessed with an extensive, relatively well-maintained, safe road network, along with a mainline rail network serving no fewer than 2,500 stations.

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