

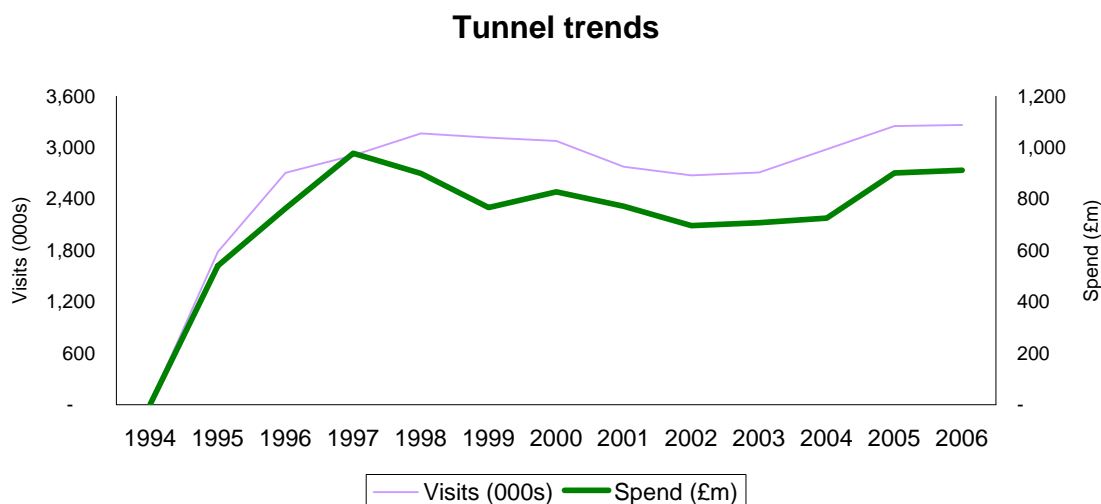


FORESIGHT is a monthly commentary on significant issues within the tourism sector. Each month, "Market Focus" discusses economic, social and political factors that underlie demand for tourism now and in the future. In addition, a spotlight is focused on a significant tourism issue. This month 'Market Focus' examines the trends and characteristics that typify inbound visitors using the Channel Tunnel, and 'Issue of the Month' considers how the opening of 'High Speed 1', that's the dedicated rail link between London and the Channel Tunnel, will influence UK tourism in the future.

Market Focus – Inbound visitors using the Channel Tunnel

One-in-ten inbound visitors use the Channel Tunnel (either a Eurostar train or Le Shuttle services) to reach Britain. However, this group of visitors accounts for only 6% of inbound visitor spending due to the fact that, on average, they stay for just five nights, resulting in an average spend per visit below £280 (the overall average for inbound visitors is £480).

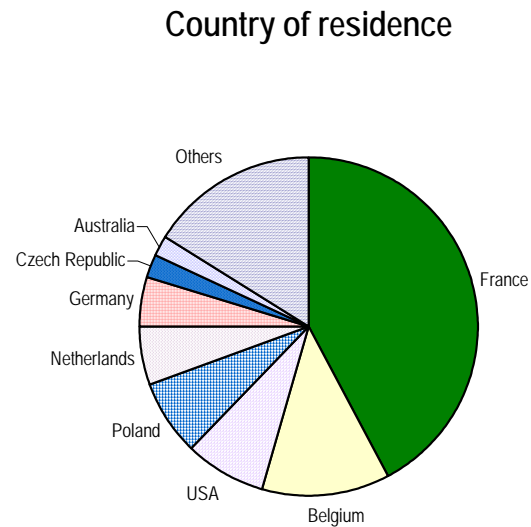
The following chart, based on data taken from the International Passenger Survey, plots the volume and value of inbound visitors¹ using the Channel Tunnel since it opened for business back in 1994. It is immediately clear that after a strong start the Tunnel struggled to attract increasing numbers of inbound visitors during the late 1990s, and despite more recent growth 1997 remains the record year for spending by inbound visitors opting to use the Channel Tunnel.



French and Belgians only?

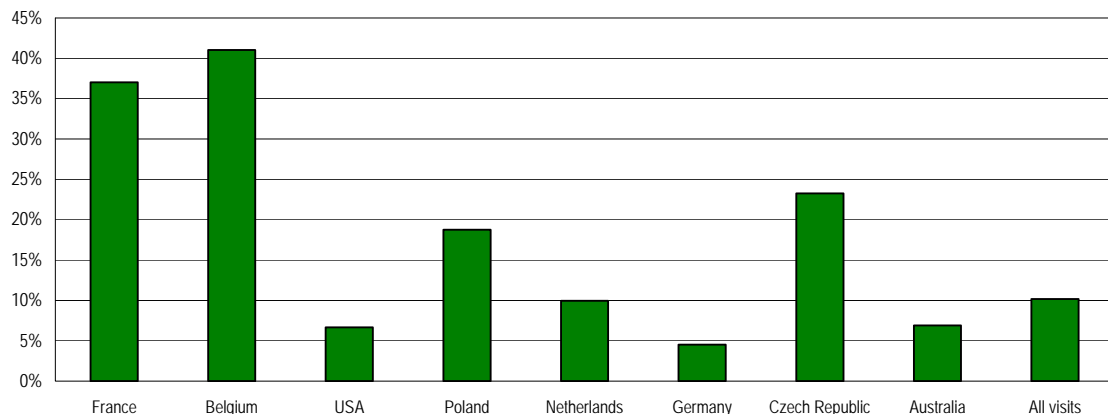
Well, not quite. As we can see from the pie chart a significant proportion of visitors coming to Britain via the tunnel are residents of France (42%), with a further 12% coming from Belgium.

Nonetheless, many other countries feature, reminding us that many of our inbound visitors are combining a trip to Britain with time spent in other countries, of particular note is the fact that 8% of visitors using the tunnel are US residents, potentially on a European tour.



Another way of looking at the importance of the Channel Tunnel in different markets is to consider the proportion of visitors from different countries who choose this mode of travel. We can see from the following chart that a greater proportion of Belgian than French visitors tend to arrive via the Channel Tunnel, and interestingly around a fifth of visitors from both Poland and the Czech Republic choose this route.

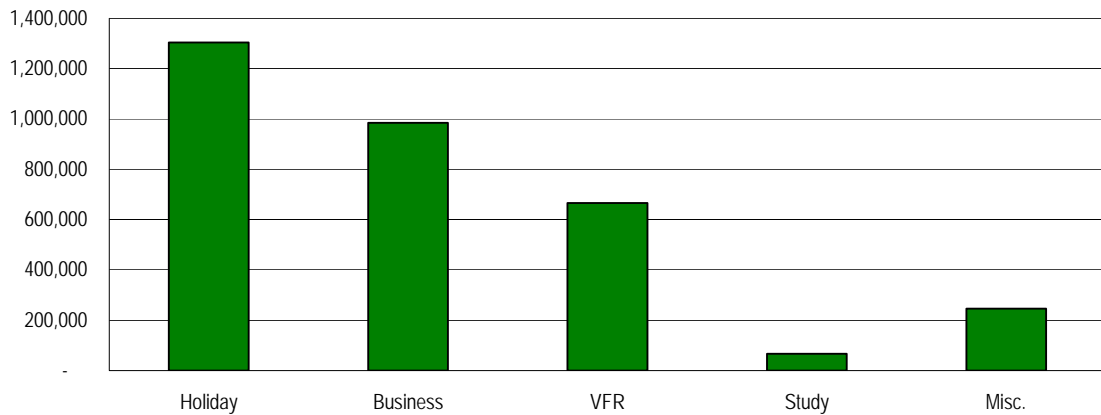
Proportion of visits using Channel Tunnel by market



Trip characteristics

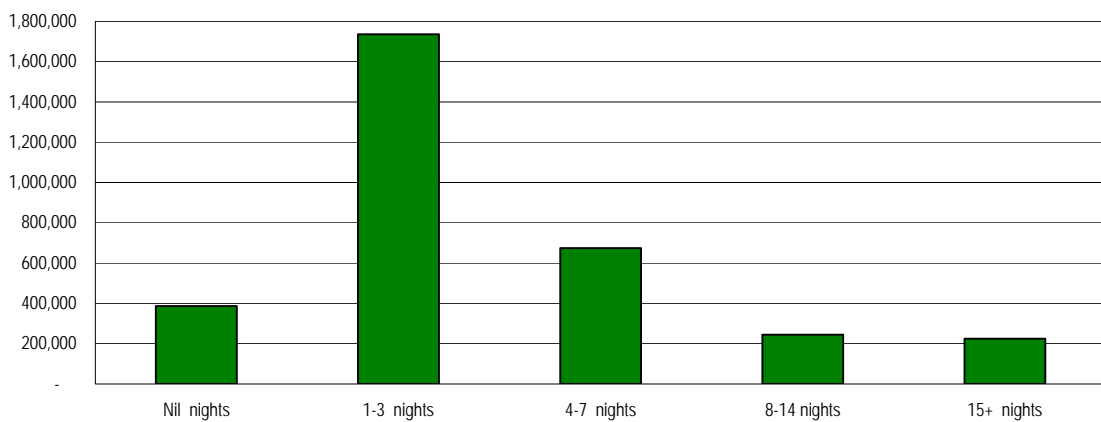
Looking at the journey purpose mix for visitors using the Channel Tunnel we discover that over one and a quarter million visitors using the tunnel are in Britain for a holiday, that's 40% of all visitors using the tunnel. It is likely that both holiday and business visitors are attracted by the city-centre to city-centre nature of Eurostar services, and Le Shuttle enables families to bring their own vehicle, or travel on an organised coach trip, characteristics that are particularly appealing to holiday visitors.

Purpose of visit



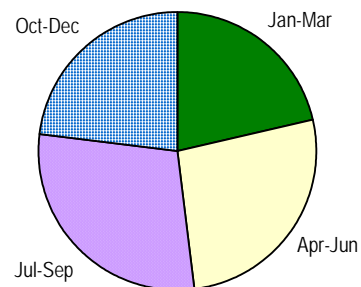
It is evident from the next chart that the Channel Tunnel attracts visitors with a low average length of stay, 53% of trips lasting for between 1-3 nights, and one-in-eight visiting Britain on a 'day trip'. The fact that 14% of visitors using the tunnel stay for 8 nights or more explains why, despite such a large proportion being short-stay, the overall average number of nights in Britain for visitors travelling through the tunnel is 5.6.

Duration of visit



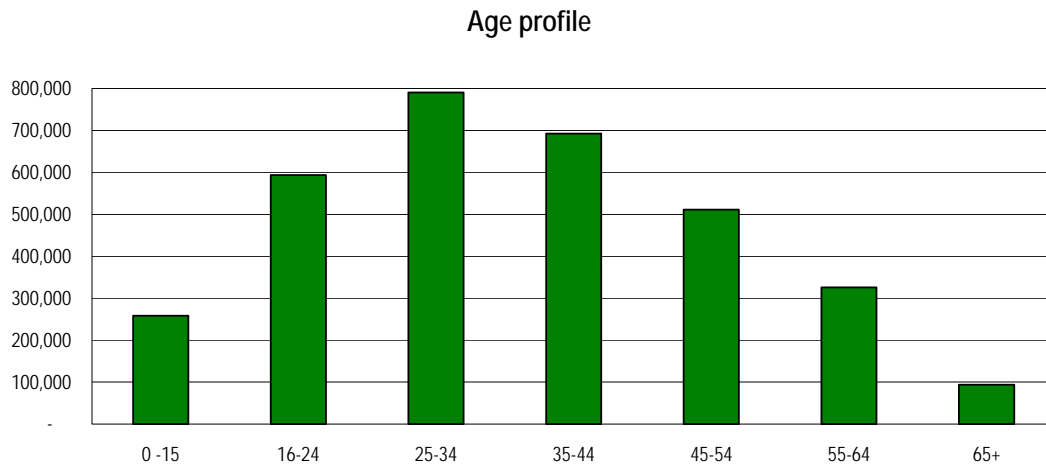
Seasonal variation?

Finally we discover that although there is a slight bias for inbound visitors to be using the Channel Tunnel during the summer months, the overall seasonal spread of visitors travelling by this mode is fairly uniform, ranging from 21% in the first three months of the year to 29% between July and September.



Visitor characteristics

Looking at the gender mix of inbound visitors using the Channel Tunnel reveals that 57% are male, with 43% female. About one-in-eight inbound visitors who use the Channel Tunnel report that they are on a package tour, whereas the overwhelming majority are travelling independently. The following chart tells us that just over a quarter of all visitors using the Channel Tunnel are aged under 24, with only one-in-eight aged 55 or older. These figures suggest that the tunnel seems to appeal to a slightly younger demographic than air travel, as only 16% of visitors who travel by air are under 24 with nearly one-in-five aged 55 or older.



A financial black hole?

Although there is only the one tunnel, two entirely separate company's offer passenger services along the twenty-three miles of track deep beneath the English Channel. Eurostar provides direct train services to London from Paris and Brussels, whereas Le Shuttle runs back-and-forth between Calais and Folkestone with cars and coaches loaded onboard its trains.

For much of its existence Eurotunnel, the operator of the tunnel itself, has been in financial difficulties, often reported to be on the brink of bankruptcy as projected passenger numbers failed to materialise and traffic through the tunnel was severely disrupted by a major fire in 1996. Recently Eurotunnel won approval from 87% of its shareholders for a restructuring and 'share swap' plan that will see its debt reduced from £6bn to under £3bn, and deliver a more secure future for the company.

As Eurostar and Eurotunnel are completely separate companies, (with Eurostar being Eurotunnel's largest customer) Eurotunnel's financial struggles do not impact on those travelling through the tunnel. Indeed, later this year we will see a reduction in journey times and step change in the reliability of Eurostar operations that is certain to cement the company's viability. This step change comes about thanks to the opening of 'High Speed 1' and we take an in-depth look at this topic in 'Issue of the Month'.

Issue of the Month – ‘High Speed 1’ - the Channel Tunnel Rail Link

The big move

On the evening of November 13th this year the final Eurostar train will arrive at London Waterloo International. From the start of service on November 14th Eurostar trains will travel through North Kent along the second phase of the Channel Tunnel High Speed Rail Link into a dedicated new terminal at St Pancras International. A few days later, on November 19th, Ebbsfleet International station will open, situated close to the M25 Dartford River Crossing. Not only will the overnight move from one terminal to another represent an impressive logistical feat, but will have significant ramifications for travel to Britain from the near Continent on a number of fronts.

Britain joins the European high-speed rail network

From November Eurostar trains will travel from the Channel Tunnel to London at speeds of up to 186mph, on a par with high-speed train services on the other side of the tunnel. An easy connection in Brussels between European Thalys trains and Eurostar will enable residents of cities such as Cologne and Amsterdam to reach London within four to five hours without flying.

Route	Journey Time
Paris to London	2hr 15
Brussels to London	1hr 51
Lille to London	1hr 20

It can be seen from the table that the new high-speed track will mean that London is less than two hours away from Brussels by train, and only 2 hours 15 minutes from the centre of Paris, whereas those living in Lille will be able to be at St Pancras International in just 80 minutes. The fact that trains will run along dedicated track will lead to further improvements in the already commendable punctuality of Eurostar services.

Regions set to benefit

St Pancras International station is strategically located, served by no fewer than six tube lines, less than 5 minutes walk from St Pancras and Kings Cross stations and only ten minutes walk from Euston station. This represents an enormous opportunity for many parts of Britain to attract inbound visitors who do not wish to fly to their destination, with each station offering regular high-speed trains throughout the day. The table highlights just how quickly visitors will be able to reach destinations in the Midlands, North of England and Scotland.

London Station	Destination	Journey Time	Typical Frequency
St Pancras	Derby	1hr 40	2 per hour
	Nottingham	1hr 40	2 per hour
	Sheffield	2hr 20	1 per hour
Kings Cross	Leeds	2hr 20	2 per hour
	York	2hr 00	2 per hour
	Newcastle	3hr 00	2 per hour
	Edinburgh	4hr 25	1 per hour
Euston	Birmingham	1hr 30	2 per hour
	Manchester	2hr 15	2 per hour
	Liverpool	2hr 30	1 per hour
	Oxenholme - Lake District	3hr 00	every 2 hours
	Glasgow	5hr 10	every 2 hours

Research carried out in 2006 by Scott Wilson on behalf of East Midlands Tourism (EMT) highlighted the possibility that the High Speed Link might well deliver extra inbound visitors to the regions who arrive by rail, but that some of these will simply be 'switching mode' – that is to say they would have visited anyway, but either flown or taken a ferry. The EMT analysis correctly asserts that this form of switching is most likely in the case of a mature market, for example Paris or Brussels to London, but less of an issue in more developing markets.

As such the East Midlands looks set to benefit courtesy of improved awareness levels among potential visitors. Clearly awareness won't just materialise out of thin air, it will be dependent upon marketing activity and 'packaging' of a destination undertaken by Eurostar and its chosen partners, be these other rail companies, national or regional tourist bodies.

Eurostar is bullish about prospects and recently forecast that the East of England may see an additional 60,000 annual visitors from France courtesy of improved journey possibilities available from mainline stations in close proximity to St Pancras International. In the south east of England fewer trains will call at Ashford International station, but the new Eurostar station at Ebbsfleet will give improved access to those visiting North Kent, Essex and East Anglia.

All signals are set to 'Green'

Eurostar recently launched its 'Tread Lightly' campaign, highlighting the fact that a Eurostar journey is reportedly ten times less polluting than flying. The company plans to reduce carbon dioxide emissions per passenger journey by 25% between now and 2012. In the meantime Eurostar will offset, at no cost to individual travellers, in order to offer 'carbon neutral' journeys from 14th November, the day on which 'High Speed 1' and St Pancras International commence their operational life.

The company has introduced a 'ten point plan' in order to demonstrate the ways in which it plans to reduce its environmental footprint, with commitments that include ensuring onboard disposable items are either biodegradable or fully recyclable, and replacing train air-conditioning refrigerants with less environmentally damaging units.

Clearly Eurostar believe that this approach will help the company to generate additional journeys and hence revenue, but what is important for inbound tourism is whether or not these journeys would have been made anyway, but by aeroplane. Indeed, there is clear evidence that Eurostar is becoming a dominant player on the Paris-London and Brussels-London routes, with several airlines operating flights on these routes recently announcing a scaling back of their operations. It is estimated that Eurostar now has around 70% of the Paris-London rail/air market, and more than 60% of the Brussels-London market.

Moving away from the capital, we have already highlighted the improved journey connections to the north of England that will be available once St Pancras International opens, but a new competitive challenge to Eurostar recently emerged on one of these corridors in the shape of bmi introducing flights from Lille (served by regular Eurostar trains from Brussels) to Leeds Bradford – two cities that are between two and three hours train ride north from Kings Cross.

A landmark hotel

The Grade I listed former Midland Grand Hotel that fronts St Pancras station has sat empty for a number of years, but in the not too distant future new life will be breathed into the Victorian

Gothic style structure. It will reopen in 2009 as the five-star Renaissance St Pancras Hotel London. At the top of the building will be 67 new luxury apartments, with the original main building containing 52 guest rooms, meeting rooms, restaurants and other public spaces. A new sympathetically designed extension to the hotel will be added at the rear and act as the main bedroom wing. The hotel is just one element of a much larger redevelopment of the entire Kings Cross and St Pancras area. This should help ensure that the 'all important' first impression of inbound visitors alighting from Eurostar trains is a positive one.

London 2012

The £210m Stratford International station on the route into St Pancras International has now been completed, and will play a vital role in enabling thousands of participants and spectators to access the main venues for the London 2012 Olympic and Paralympic Games. The station will be served by high-speed domestic services from Kent from 2009, but as yet Eurostar has not made a final decision about stopping its trains at the station.

Eurostar points out that the station is currently in the middle of a massive construction site and does not enjoy easy connections with domestic train services using Stratford station, a further consideration is that calling at Stratford International would add an extra eight minutes to journey times between Paris/Brussels and London, thereby eroding some of the journey time benefits being delivered by the completion of 'High Speed 1'.

A bright light at the end of the tunnel...

The French are well acquainted with the benefits of long-distance high-speed rail travel and may, therefore, be open to marketing campaigns encouraging them to visit UK regions accessible by high-speed trains from St Pancras, Kings Cross and Euston once Eurostar migrates from Waterloo to St Pancras International in November.

The rapid expansion of low-cost airlines in the past decade has certainly helped to make the regions of the UK more accessible to thousands of Europeans, but the opening of 'High Speed 1' will bring a further dramatic improvement. The population of the greater Paris region is close to ten million, and that of the metropolitan area around Brussels is two million. This vast catchment area represents an enormous opportunity for both London and regions across central, eastern and northern Britain to attract new visitors from France and Belgium who wish to travel by rail rather than by air or sea. The decision to come by train could be taken for environmental reasons, or thanks to reduced journey times and increased reliability of Eurostar, but in either case it will have been brought about courtesy of Britain's first dedicated high speed rail artery.

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