FORESIGHT

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FORESIGHT is a monthly commentary on significant issues within the tourism sector. This month we take a look at how inbound tourism has evolved since the Development of Tourism Act received Royal Assent some forty years ago. Back then it would have been hard to imagine booking and paying for a holiday on a computer in your own home, but there are perhaps some aspects of travel and tourism that remain unchanged by the passing decades.

Making the news in 1969

The British Tourist Authority began life in the late summer of 1969 but this was by no means the only 'travel and tourism' story in the news. Certainly one of the most important milestones in the history of long-haul tourism came on 9th February 1969 when the first Boeing 747 aircraft took to the skies – possibly not even Boeing would have predicted that four decades later this stalwart of the skies would have transported more than 3.5 billion people.

Another aviation event of note in 1969 definitely not aimed at the 'mass market', but nonetheless representing a pivotal moment in the history of flight, was Concorde's very first test flight on 2nd March, with the first supersonic flight on 1st October.

An equally prestigious, though rather slower, mode of travel came to the fore in 1969 as the QE2 made its maiden voyage from Southampton to New York on 2nd May. Staying with a royal theme Her Majesty the Queen was kept busy on 17th April when she officially opened what is now Heathrow Terminal 1. In fact the west London airport handled 5 million passengers during the year as the jet age got well underway.

Still looking skyward one could perhaps argue that 1969 marked the beginning of the 'space tourism' age, with the Apollo 11 mission making its journey to the Moon in July and filming of Dr Who about to switch from black and white to colour.

1969: a snapshot of inbound and outbound tourism

'A record year for tourism' is a phrase that has been used quite often in recent years, but wind the clock back four decades and we discover the Board of Trade Journal trumpeting the exact same accolade about inbound tourism to Britain during 1969 thanks to a 27% jump in earnings from overseas residents and 21% rise in visitor numbers compared with the year before.

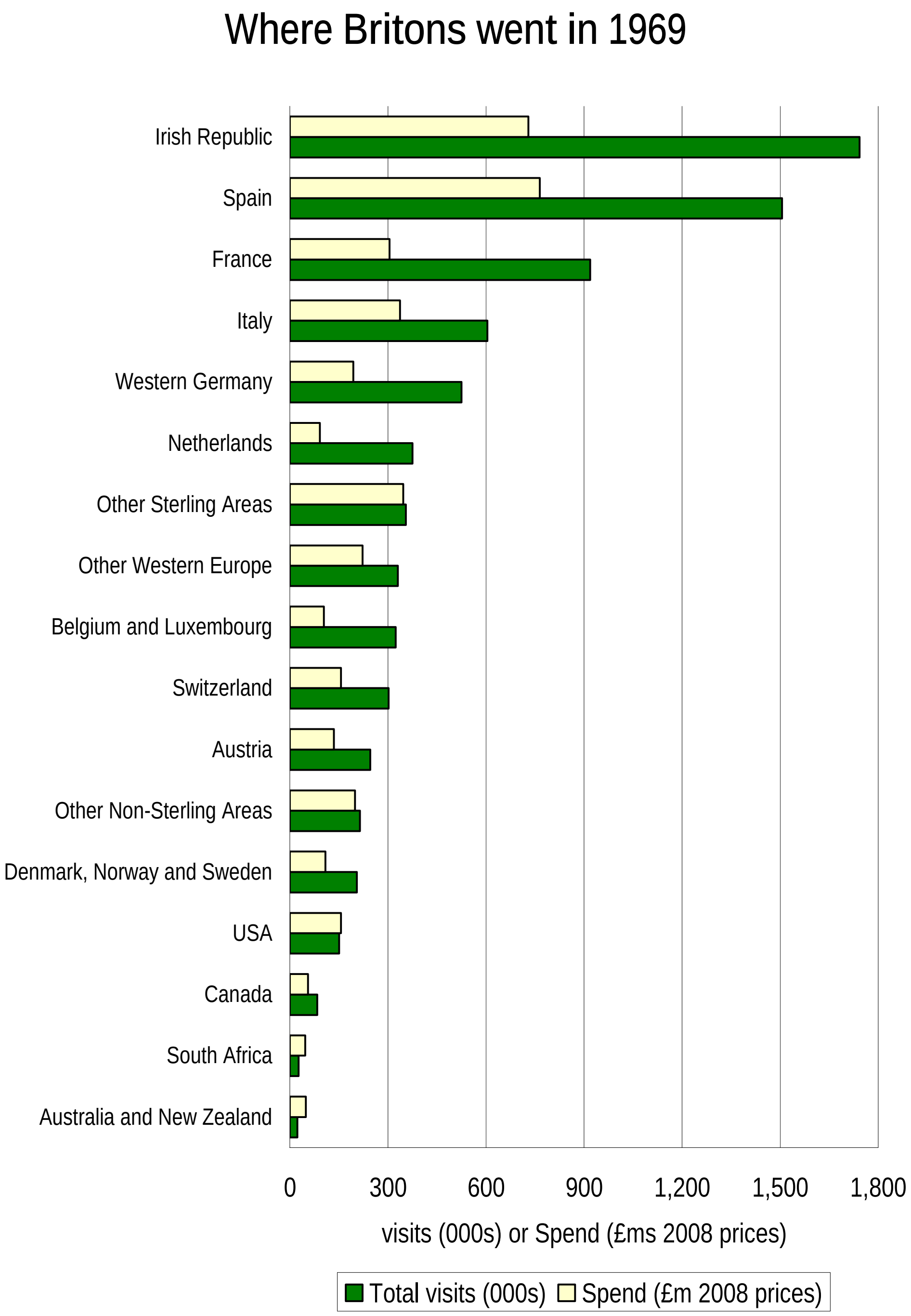
During 1969 5,821,000 overseas residents visited Britain, spending an estimated £359m, which in 2008 prices amounts to £4,432m. Meanwhile there were 8.1 million outbound trips made by Britons, with spending on these visits amounting to an estimated £324.1m, which in 2008 prices is equivalent to exactly £4bn.

Meanwhile Britons took 30.5 million holidays in Britain in 1969, half a million up on 1968, spending £600m in the process, an amount equivalent to £7.4bn in 2008 prices. This figure compares with total spending by Brits on holidays in Britain in 2007 of £11.5bn, (£12bn in 2008 prices) meaning that in the course of nearly four decades 'real' domestic holiday spending has risen by 55%. This is not very exceptional as growth rates go, being slightly more than 1% per annum, when one considers the increase in population and the greater wealth that they enjoy.

By comparison in 1969 Britons spent £216.7m on overseas holidays, which in 2008 prices is £2.675bn. By 2007 this had increased to £23.95bn. This means that 'real' spending on foreign holidays by Britons has increased at a rate of nearly 6% per annum.

From the following two charts we get a feel for who came to Britain from overseas and which the most popular destinations were for Brits venturing abroad forty years ago.

Who came to Britain in 1969



Our most important inbound market in 1969 was the USA, just as it was in 2007, and we consider this all-important market in more detail later. One market that has witnessed exceptional growth over the years is Spain, with the number of visits to Britain having increased from 72,000 to 2,227,000 between 1969 and 2007.

In terms of where Britons were going Ireland saw the most visits, but Spain captured the largest share of outbound spending with 19% of the total. Nearly 40 years on in 2007 once again Spain topped the table of top earners from outbound travel by Britons with a remarkably similar 18% of the total. It should be noted that currency controls were still in force in 1969 limiting the amount of cash that Britons could take to 'non-sterling' countries to £50 (£620 in 2008 prices).

Plus ça change?

The following are a few extracts from the very first British Tourist Authority Annual Report, and in certain cases it seems some things have not changed all that much over the years.

'promotion overseas has two broad objectives, firstly to maintain traditional markets, and secondly, to seek and develop new markets, both geographically and by concentrating upon specific types of travel'

'each year since the war there has been an increase in the number of visitors to Britain, but the average length of stay of those visitors has decreased'

'tourism is based upon a number of industries, the successful development of which is important to the economic welfare of the nation just as is the development of manufacturing industries'

'loan finance has been a problem too, particularly for the smaller individually-owned hotel'

'Britain today is a cheap country for the overseas visitor, a country of infinite interest, easy and delightful to explore'

'Explore Britain – discover much more of England, Scotland, Wales and Northern Ireland – it is believed that more and more visitors from overseas will do exactly this, and they will do so with satisfaction, and they will get good value for their money'

With hindsight we can certainly say that 'more and more visitors from overseas' did explore Britain. Talk of 32 million inbound visits in a single year probably seemed fanciful in the late 1960s but ambitious targets were being set; the British Tourist Authority was reckoning that inbound tourism would reach 10 million visits by 1975 from less than six million in 1969. History reveals that in 1975 the number of visits stood at 9.5 million, so the target was missed, but only just.

We can get a feel for how the BTA was endeavouring to develop both traditional and emerging markets by taking a glance at the table showing the locations of its offices at the end of 1969. If one had to express in one word the difference between the locations of overseas offices 'then and now' that word is Asia.

BTAs Overseas Offices	
Argentina	Italy
Australia (Sydney and Melbourne)	Japan
Austria	Mexico
Belgium	New Zealand
Brazil	South Africa (Johannesburg and Cape Town)
Canada (Toronto and Vancouver)	Spain
Denmark	Sweden
France	Switzerland
Germany (Frankfurt and Hamburg)	USA (New York, Los Angeles, Chicago and Dallas)
Holland	

The BTA had taken over the principal responsibilities, and all of the funds, assets and liabilities of the British Travel Association, and was one of four co-equal statutory tourist bodies, with the others being the English, Scottish and Wales Tourist Boards. The BTA became responsible for promoting tourism to Great Britain from overseas as well as having responsibility for development and promotion of tourism and tourist facilities in Great Britain as a whole.

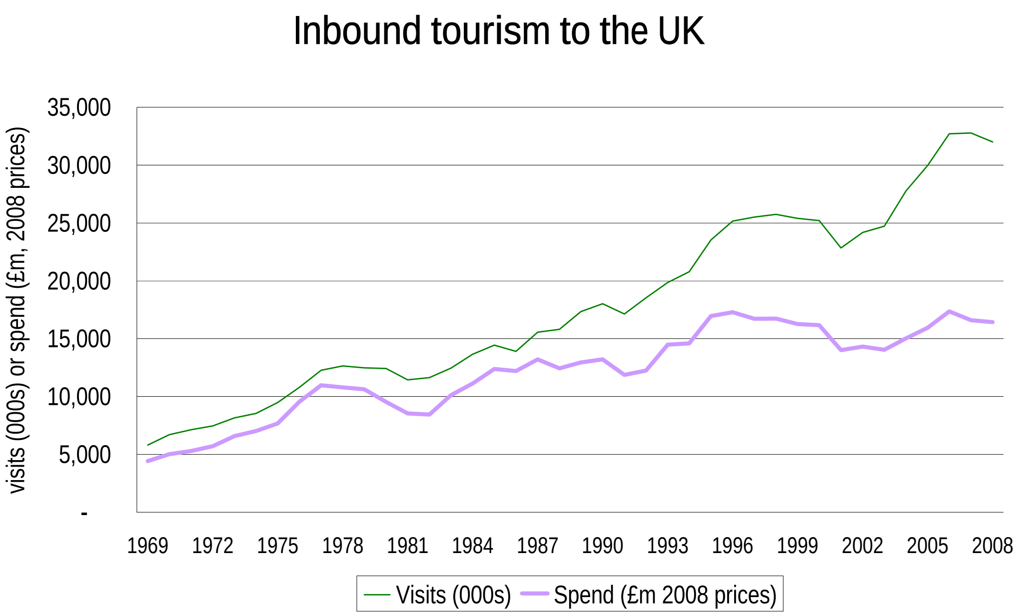
Forty years before the Development of Tourism Act the Travel Association of Great Britain and Ireland was registered as a company limited by guarantee with the objectives of increasing overseas visitor numbers, stimulating demand for British goods and services and promoting international understanding. Douglas Hacking, Secretary of Overseas Trade was appointed Chairman, with staff seconded from the Department for Overseas Trade. A year earlier it was agreed that the Commons would be asked to provide a grant of £5,000 to the Association.

By the end of 1929 the Association published 'The Travel Industry and its Value to the British Isles' in an attempt to drum up financial support from industry, and was successful in recruiting 242 members whose subscriptions amounted to £14,197 (about £680,000 in today's prices). In 1930 the Association appointed its very first overseas representatives in Argentina and the US.

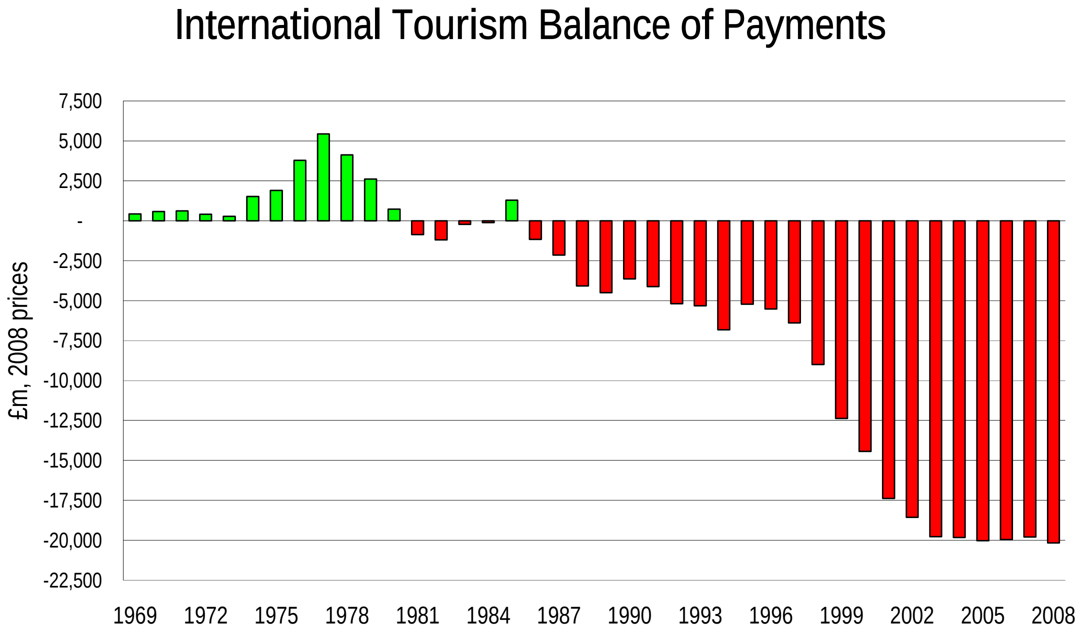
The only way is up?

It is often helpful to look at what a statistical series does over the long term, and figures on inbound tourism tell us that, on average, visitor spending to Britain increased by 3.8% per annum in real terms during the past forty years. However, there is an inherent danger in assuming that just because this has been the long-term average it will continue to be so for years to come. Indeed, if we break the past forty years down into chunks we soon find that while annual inbound spending growth reached an astonishing 12% in real terms over the period 1969 to 1977 this was followed by five straight years during which spending declined in real terms, at an average rate of 5%.

During the years 1983 to 1995 inbound visitor spending increased at a very healthy 6% per annum in real terms, but if our focus is on what has happened in the period 1996 to 2008 the story is far less upbeat; average annual growth in inbound visitor spending over the past thirteen years is zero percent. The story is easier to spot from the following chart.



It is well reported that Britain has a significant international tourism balance of payments deficit, but this has not always been the case. We can see from the following chart that there was last a surplus in 1985, and that a surplus was the norm throughout the period 1969 to 1980 with 1977, the year of Her Majesty the Queen's Silver Jubilee, witnessing a balance of payments surplus of almost £5.4bn in today's prices.



All important Americans

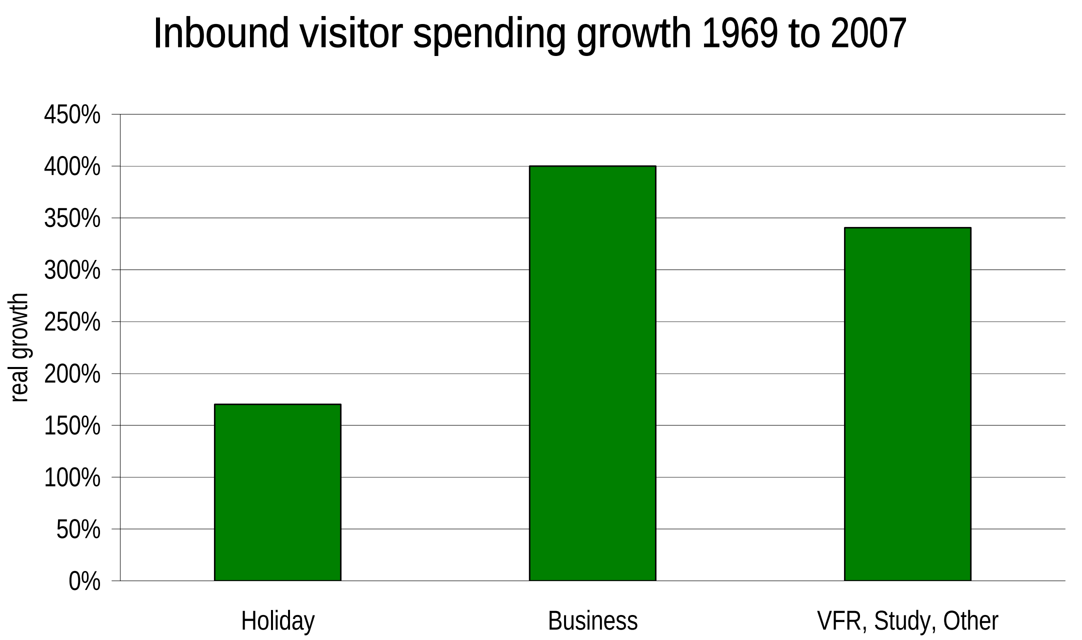
The US represented Britain's most valuable inbound market by a considerable margin back in 1969 and in this regard nothing has changed. In 1969 27% of inbound visitor spend came courtesy of American visitors, with this group constituting 22% of all visits. Wind the clock forward to 2007 and the equivalent figures are 16% and 11% respectively. So, while remaining our top market the proportion of visitors and visitor spending accounted for by the US has diminished dramatically over the past four decades. There are two broad reasons for this; Britain now attracts visitors from a far wider array of markets and Americans are less likely to choose Britain as a destination now than was the case back in the late 1960s.

A rather stark figure is that according to US Department of Commerce figures back in 1969 56% of all visits to Europe from the USA were to Britain, whereas in 2007 our share of the 'US to Europe' market has halved to 27% of all trips. This tells us that Americans are now more willing, and as air routes develop, able, to explore a wider array of destinations, but perhaps of more importance that competition for the US tourist Dollar has got a whole lot tougher in the past four decades.

With all the discussion in recent months about the weakness of the US Dollar, and more recently weakness of Sterling it is useful to look back and see just how much Americans have had to pay for Sterling. In 1972 £1 cost as much as $2.50 but a steep fall in the value of Sterling meant that this was $1.75 by 1977; perhaps helping to explain why this was such a strong year for inbound tourism. Britain definitely offered great value for money to US visitors in 1985 with £1 costing as little as $1.30. Looking to the less distant past we can observe the persistent rise in the cost of visiting Britain from America throughout the period from 2001 to 2007. As we know, this situation has gone in to a dramatic reversal over the past few months with £1 once again costing as little as $1.45.

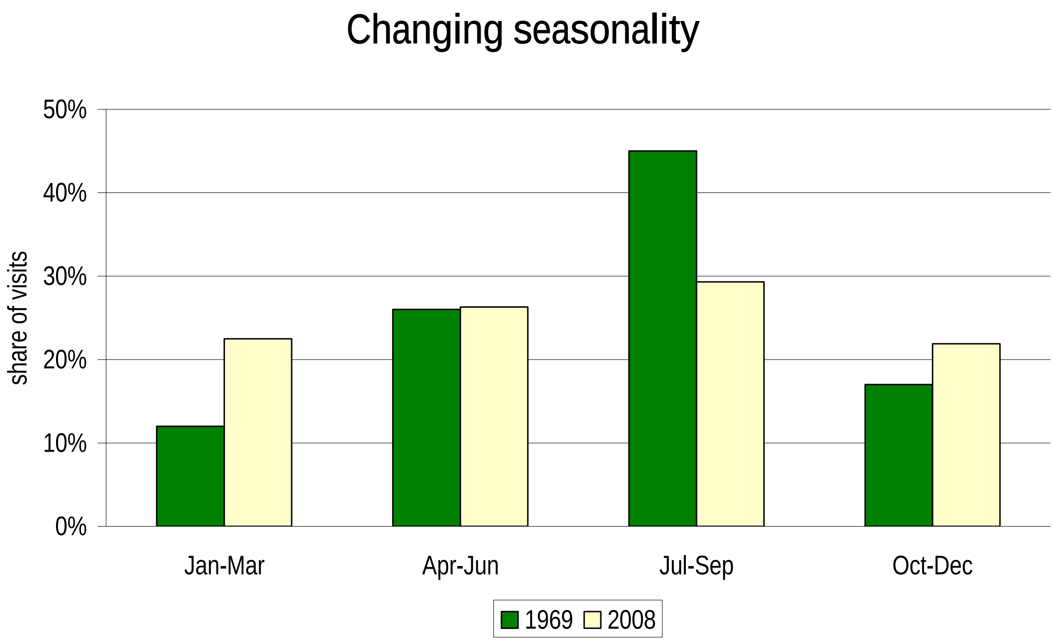
Purpose of visit

Behind the headline figures we discover that growth in inbound visits has not been evenly spread across the different journey purpose categories. The following chart reveals that 'real' inbound visitor spending has increased for each journey purpose but that holiday spending has put in a lacklustre performance in comparison with that for both business tourism and 'other' purposes (dominated by trips to visit friends and relatives, but also including study visits and visits for miscellaneous purposes).



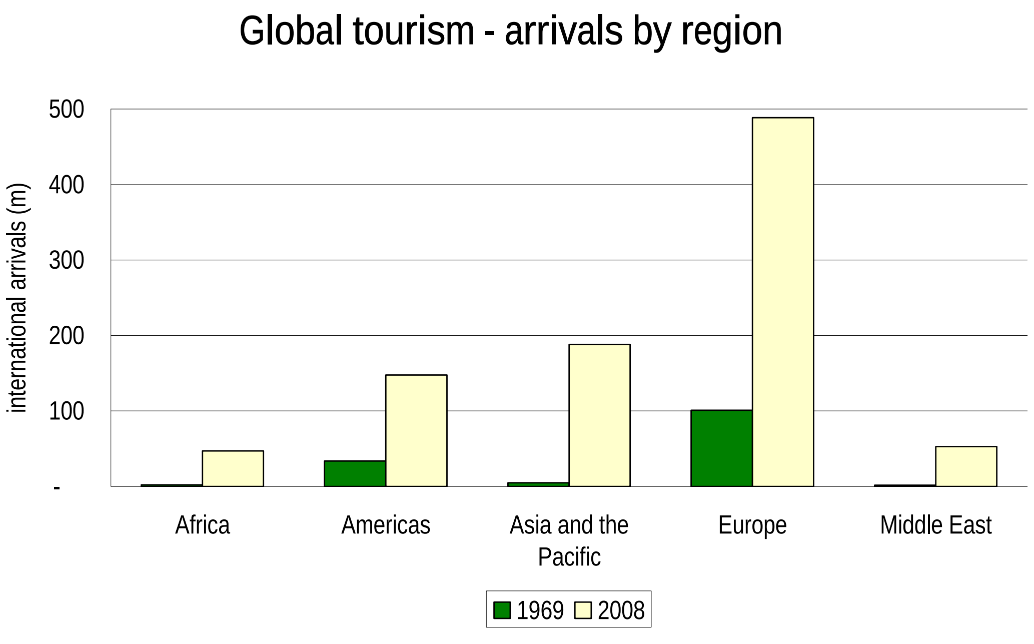
Time of year

One definite change in the nature of inbound tourism during the past four decades relates to the seasonal spread for inbound tourism. Back in the late 1960s 45% of all visits took place in the peak summer months of July to September but in 2008 this had fallen to 29%, so still the most popular time of year, but now Britain welcomes 45% of its inbound visitors in the first and final three months of the year whereas in 1969 the figure stood at a mere 29%.

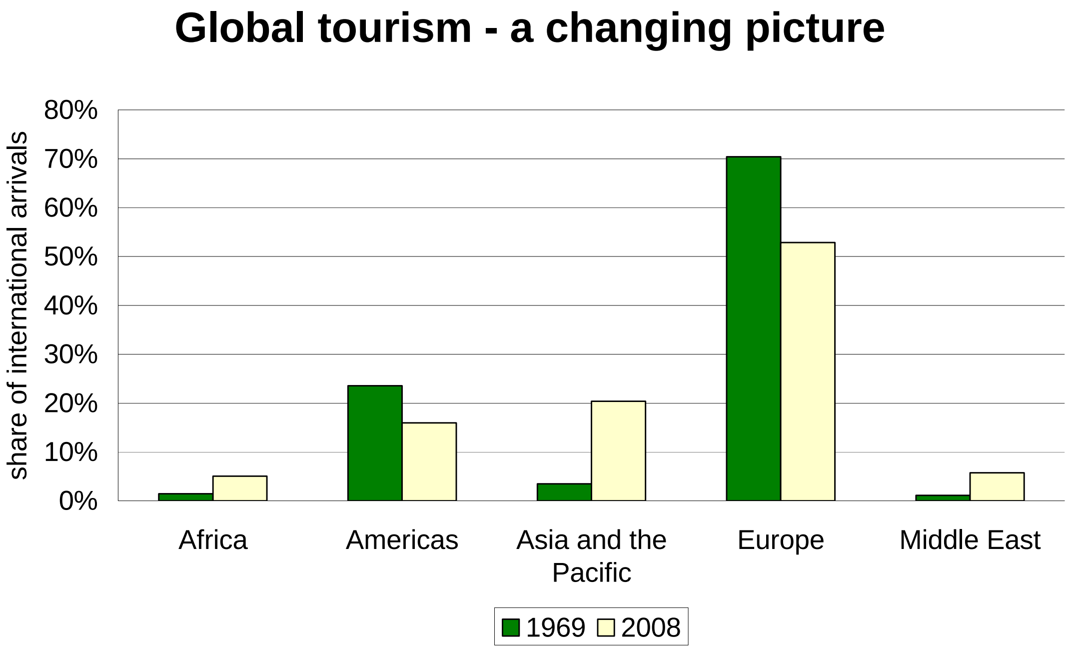


Global trends

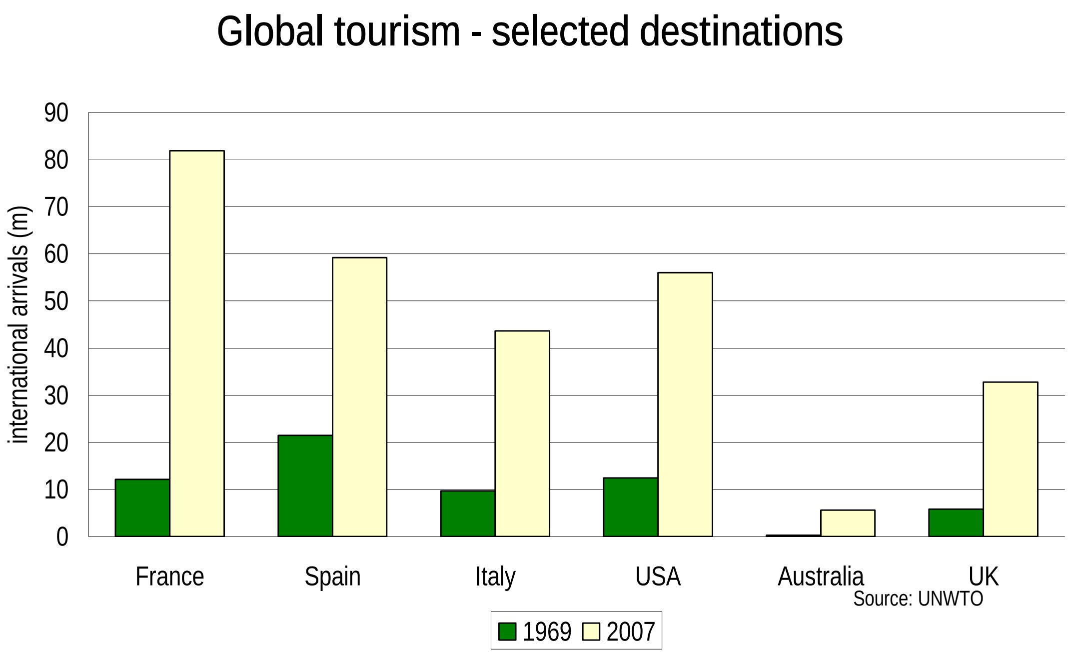
In its latest 'Barometer' the United Nations World Tourism Organisation predicts that 'at best' global international tourism will stand still in 2009 and may contract by 2% in terms of arrivals. A reduction in trip volumes is a rare thing. The following chart highlights that international tourism has grown in all regions since 1969 and that Europe remains the most visited region.



The way in which data is presented can sometimes hide as much as it reveals and if we opt to show the above figures as 'global shares' it is evident that Europe, though still the most visited global region, has seen a dramatic fall in its 'market share' as international tourism becomes affordable to millions of people across Asia, and the Middle East.



We are privileged in Britain when it comes to looking at trends in international tourism to our shores as we are one of only a handful of countries that has been conducting a survey of visitors in a consistent and continuous way for many decades. Looking at figures from some of the top global destinations for international tourism we can see that there has been growth across the board. In percentage terms Australia has seen three times the growth of any of the other destinations shown, but Britain has more than held its own against the other destinations. It is noteworthy that Spain has seen growth at a rate less than half that enjoyed by the UK.



Forty years from now

At the fanciful end of the spectrum by the late 2040s tourism might routinely involve trips that leave Earth behind enabling tourists to experience 'space travel' or 'virtual holidays' whereby we take a break without leaving our own home. However cutting edge such prophecies may seem it is likely that the overwhelming majority of trips forty years from now will be recognisable both in terms of their nature and motivation. The real 'revolution' in the past decade or so has been in the way holidays are planned and booked, along with the new-found freedom to 'share' an assessment of holiday experiences, both good and bad, with the world. This revolution does not seem to have run its full course as yet.

The 'credit crunch' will be the stuff of economics text books, but a new economic reality may well have established itself as the current so-called G8 leading economies is superseded by a new G2, namely China and India, with the position of Tokyo, New York and London as pre-eminent cities for 'doing business' challenged by the likes of Shanghai and Mumbai. As discussed last month in *Foresight* the possibility exists that within a decade or two from now visitors from overseas will be spending Euros not Pounds while on holiday in Britain and the European Union will have expanded further to encompass the likes of Croatia, Turkey and possibly even Morocco.

Despite the Government's recent confirmation that it believes a third runway at Heathrow Airport is essential and should be operational by 2020 the project has many hurdles to overcome before it becomes a reality. In far less doubt is the fact that Dubai will be competing fiercely for the mantle of 'world's busiest international airport'; construction of the first of six runways at the Emirate's new airport was recently completed and the facility will be fully operational and capable of handling 120 million passengers per annum (nearly twice as many as currently use Heathrow) by 2017.

This underscores the fact that competition for international tourists will almost certainly intensify in the years ahead, with more people having the time, money and inclination to engage in foreign travel, and more governments around the world seeking to maximise the earnings and employment creation potential that attracting international tourists can deliver.

In the past four decades 'high speed rail' has become well established in a number of countries and it is to he hoped that by the late 2040s Britain will be truly plugged-in to the European high speed rail network, with visitors from across the English Channel able to reach not just London, but also the West of England and Wales, Midlands, North of England and Scotland quickly and easily by train.

One unknown for 2049 is the type of fuel that will be underpinning international travel and tourism. Oil will definitely still be helping to power planes, trains and automobiles, but there is a high chance that efforts will be well advanced at finding alternatives, both to address environmental issues, but also reflecting the fact that oil is a finite resource, indeed, it is already twelve months since Virgin Atlantic became the first carrier to conduct the world's first ever flight by a commercial aircraft powered by biofuel.

Trading of 'carbon allowances' between countries and/or businesses looks set to be the norm forty years from now, but far less certain is the nature and level of any taxes designed to curb aviation emissions imposed either at the national or international level.

At the core of any environmental taxes will be 'climate change', but all of the forecasts suggest that the climate will continue to change for many decades to come based on past emissions regardless of what happens in the next few decades. For the UK as a destination this is predicted to mean that average temperatures will increase, rainfall amounts will be higher in winter and lower in summer and that 'extreme events', such as very high temperatures or heavy rainfall, will be far more common.

A further point to ponder is whether international travel will be quicker or slower than it is today in four decades time. As mentioned earlier, Concorde was heralding the dawn of a 'supersonic' travel era in 1969, but the final Concorde flight took place more than five years ago and there is little prospect of aircraft cruising speeds approaching these levels again in the foreseeable future.

Twenty, and possibly forty, years from now Britain will still be twenty-three hours flying time from Sydney. So, what about the journey elements before take-off and after landing, will these be quicker than today? Arguably the amount of time it takes to progress through airport formalities has increased over recent years, but new technologies such as iris-scanning should help to reduce the burden in terms of queuing in the future.

These are just a handful of the many issues that will determine the travel and tourism landscape of 2049. We can predict with some certainty that the most significant influences will fall into the one of the following broad categories; economic, socio-demographic, technological, environmental, infrastructural, geo-political and political/regulatory. A fuller discussion of tourism 'factors of change' can be found in a comprehensive report commissioned from TEAM during 2008 to help inform the British Tourism Framework Review. The report is available through www.tourismreview.co.uk.

To conclude, one last observation from the very first British Tourist Authority Annual Report; the front cover shows a BTA office, in the window of which a large banner proclaims '800 ideas for a day out'. The diversity of tourism activities on offer in Britain has only expanded over the passing years, though today we would doubtless proclaim '800 ideas for a great experience'. Two core realities remain as relevant today as they were in 1969 if Britain is to be a successful international tourism destination; our visitors must go home having had a fantastic trip and consider that their money has been well spent.

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