



European tourism as a driving force for economic growth and job creation

European Commission 2014 - 2019

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This paper is based on meetings with representatives from the tourism sector, SME entrepreneurs and civil servants responsible for tourism from a diverse set of European member states.

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Executive summary

General

Tourism represents major socio-economic activity in the European Union with wide-ranging impact on economic growth, employment and social development. There are two types of European tourism: incoming European tourism, i.e. non-EU residents travelling to the European Union, and domestic European tourism, i.e. European residents travelling within the European Union. In recent years the European Union has faced a combination of short-term and long-term challenges, such as demographic changes, the euro crisis, globalisation and growing (youth) unemployment in Europe. Tourism can be a powerful tool in fighting economic decline and unemployment, especially in the Member States in southern Europe, where tourism represents a large section of the domestic economy. In order to achieve the desired results and to utilise this sector to its full potential, the European Union should appoint a European Commissioner for Tourism, equipped with adequate financial resources and supported by a sufficiently large and qualified taskforce in order to make a difference.

Objectives

In order to accomplish maximum results we strongly recommend that the new European Commissioner for Tourism implement an ambitious tourism policy framework, building on the efforts of the European Commission in the period 2009-2014. The policy framework should focus on two pillars and four specific areas of action.

Pillar 1: encouraging entrepreneurship in the tourism sector

In order to encourage entrepreneurship in the tourism sector, action is required to achieve effective regulation and easier access to finance, especially for SMEs.

Pillar 2: increasing the number of tourists in the European Union

To increase the number of tourists in the European Union, both Europeans and non-Europeans, and therefore retain Europe's position as the world's No.1 tourist destination, the European Commission should encourage investment in tourism infrastructure and regional development and increase efforts to market the 'European Brand' in cooperation with the Member States.

Outcomes

European tourism is a key priority, directly contributing to economic growth, European (youth) employment, social and regional development and responding to challenging demographic changes. Furthermore, tourism will encourage European enterprise. Unlike investment in other industries, investment in European tourism will provide European jobs, instead of creating outsourced jobs in other countries. Tourism therefore provides exceptional opportunities and is a powerful tool for creating economic prosperity for the regions of Europe.

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Introduction

The major value of tourism in economic terms

Tourism represents major socio-economic activity in the European Union with a significant impact on economic growth and employment. During the financial crisis, tourism has proven to be a resilient element in the European economy. Tourism is a driving force for job creation, and it is estimated that one job in the tourism industry creates about 1 ½ additional jobs. Taking into account the sectors that are connected to tourism, it generates over 10% of European GDP and employs 10% of European citizens.¹ The tourism industry represents numerous businesses, most of which are small and medium enterprises (SMEs). European tourism consists of two types: incoming European tourism, i.e. non-EU residents travelling to the European Union, and domestic European tourism, i.e. European residents travelling within the European Union. Domestic European tourism represents a significant part of the tourism industry, and has a greater economic impact than incoming tourism. However both may be seen as a driving force for economic growth.

Investment in the people of Europe is the key to economic recovery

In recent years the European Union has faced a combination of short-term and long-term challenges. After five years of economic crisis, the unemployment figure stands at over 26 million, including a significant proportion of young people (23.5%) and recovery is still not forecast.² Demographic changes, in addition, represent one of the crucial long-term challenges. Falling birth rates, a declining working population and a fast-growing 'army' of pensioners are changing society. Focus on healthy ageing, job creation and increasing quality of life can combat these challenges. Tourism could be a driving force for these positive changes.

Promising growth prospects

In 2013, the direct contribution of global travel and tourism to GDP is forecast to grow by 3.1%. Long-term prospects are even more positive, with an annual growth forecast of 4.4% per year over the next ten years.³ Tourism will play a vital role in future labour creation and will be a driving force for European economic growth and social cohesion. Furthermore, tourism contributes to people's well-being and quality of life, has beneficial effects on the protection of the natural and cultural heritage of Europe and brings social and economic benefits to the regions of Europe. Action by the European Commission and Member States is required to harness the full potential of tourism.

Tourism as a key priority: the appointment of a European Commissioner for Tourism

The European Commission already recognises the importance of the tourism sector.⁴ In the light of the future developments described above, tourism will become even more important in the period 2014-2019. Tourism could be a powerful tool in combatting economic decline and unemployment across Europe, especially in the southern Member States where tourism represents a significant

¹ Europe, the world's No 1 tourist destination – a new political framework for tourism in Europe." [Eur-lex.europa.eu](http://eur-lex.europa.eu). 30 June 2010. European Commission. 02 Apr. 2013

² "Unemployment Statistics." *Statistics Explained RSS*. Eurostat - European Commission, Mar. 2013. Web. 01 May 2013.

³ "Economic Impact of Travel & Tourism 2013." *Wttc.org*. The Authority on World Travel and Tourism, 27 Feb. 2013. Web. 05 Mar. 2013

⁴ "Europe, the world's No 1 tourist destination – a new political framework for tourism in Europe." [Eur-lex.europa.eu](http://eur-lex.europa.eu). 30 June 2010. European Commission. 02 Apr. 2013

sector of the domestic economy. In order to achieve the desired results and to utilise this sector to its full potential, the European Union should appoint a European Commissioner for Tourism, equipped with sufficient financial resources and supported by a sufficiently large and qualified taskforce in order to make a difference.

The first specific action points would be to encourage enterprise by cutting red tape and giving SMEs access to finance. Secondly, in order to increase the number of tourists in the European Union, both European and non-European and therefore retain Europe's position as the world's No.1 tourist destination, the European Commission should encourage investment in tourism infrastructure and regional development and increase efforts to market the 'European Brand' in cooperation with the Member States.

Facilitate enterprise, stimulate economic growth and create jobs

In this way tourism will contribute to economic growth, employment, social cohesion and regional development and quality of life in the regions of Europe. Unlike other industries, investments in tourism will deliver European jobs instead of creating jobs in other countries. The return on investment in tourism is therefore exceptional and may be viewed as a powerful tool in creating economic prosperity for the citizens of Europe.

1. Effective regulation for the European tourism industry

Cutting Red Tape

In order to encourage entrepreneurship in the tourism sector, the European Commission should eliminate unnecessary burdensome regulation. The growth potential of the European tourism industry is being held back by unnecessary redtape. Tourism is highly regulated, thus reducing the competitiveness of the sector. Most of the companies in the European tourism industry are SMEs and micro-businesses, on which burdensome regulation has a disproportionate major impact. Action is required to stimulate enterprise, avoiding unnecessary regulatory costs.

New legislation should support entrepreneurship in the tourism sector

New or revised regulation needs to be framed with entrepreneurs in mind, especially SMEs and microbusinesses. We recommend that, during the course of their work, the European Commissioner for Tourism assess the impact on the tourism industry of new regulation from other Directorate-Generals. The effect of new regulation on tourism enterprises should be explicitly gauged in a European impact assessment. Adjustments and revisions to legislation should aim to deliver smarter and less burdensome legislation.

Translate strategy into successful action

We present a specific action plan on effective regulation for the European tourism industry. The European Commission should cut red tape by implementing the specific actions below. Adjustments and revisions to current burdensome regulation should allow the industry to reach its full potential, encourage entrepreneurship, stimulate European economic growth and directly contribute to employment for the people of Europe.

Action plan: “removing legislative bottlenecks for the European tourism industry”

- Working Time Directive – clarification of status of inactive time in call
- Age Discrimination
- Measure the impact of new legislation on tourism business
- Tourism safety standards
- Recognition of international driver’s license

2. Facilitate access to finance for European tourism SMEs

The road to economic recovery

In order to encourage enterprise in the tourism sector, the European Commission should facilitate easier access to finance for tourism-related SMEs and microbusinesses. The European tourism industry, with numerous businesses, represents major socio-economic activity in the European Union. There is no doubt that the European Commission understands the importance of SMEs for economic recovery.⁵ SMEs are seen as the driving force of economic growth, they are credited with creating jobs, delivering innovation and raising productivity. Tourism is considered to be a high-potential market. In the current financing environment in Europe, however, there is a risk that this potential will not be realised. The tourism sector has specific financing needs and requires capital-intensive funding. For this reason it requires specialised expertise and attention.

Lack of access to finance for tourism SMEs

Although European financial institutions (banks) have received significant funding from the ECB, many are using the money to strengthen their balance sheets in order to regain access to market funding. Lower bank lending rates are important for economic growth, because the vast majority of small and medium enterprises rely on lending from banks. SMEs cannot directly access capital markets and the European venture capital markets are underdeveloped. SMEs have been particularly affected by tighter credit conditions and financial instability. This creates difficulties in financing growth and innovation, especially in the tourism industry. Getting an innovative tourism enterprise off the ground or expanding an existing business requires money.

Investments are the primary driver of economic growth

In order to fully reap the benefits which tourism can bring to economic recovery, the conditions must be created which make it easy to develop and facilitate investment in the tourism sector. Investments and innovation in the tourism industry are not possible without adequate access to finance. The European Commissioner for Tourism and the European Investment Bank should develop a workable solution designed to meet the specific needs of tourism SMEs. Doing this, they will minimise the negative impact on financial markets of current financial legislation burdens.

Investment policy framework for tourism SMEs

Easier access to finance will harness the full potential of the sector, encourage enterprise, generate European economic growth and directly contribute to employment for the people of Europe. Increased investment opportunities in the industry boost the sector's contribution to economic growth and European employment. Investment in tourism has the potential to increase tourism earnings by increasing tourist arrivals and raising per-visitor expenditure through product development and quality upgrading.

⁵ "SMEs: Better access to finance and boosting entrepreneurship." <http://ec.europa.eu/>. European Commission. 01 May 2013

Crucial bottlenecks in access to finance for tourism SMEs

We would like to see the Commission pursue all possible routes to encourage the banking sector to improve lending capacity for small and medium sized enterprises (SME's).

- *Easier access to finance for tourism SMEs.* The European Commission, the EIB and the industry should cooperate to facilitate easier access to finance for tourism SMEs and microbusinesses.
- *Remove financial legislation burdens and barriers.* Tourism enterprises are facing legislative burdens and barriers which are causing difficulties in accessing finance investment institutions.
- *The COSME programme (2014-2020).* We believe that programme funding is inadequate, as the planned budget is too small. Also, if the money supply is directed through national financing institutions, COSME may be considered a failure. We recommend that the European Commission mandate the EIB with supervisory and scrutiny powers and the responsibility to promote the availability of finance to SMEs and micro-businesses.

3. Europe investing in socio-economic and regional development

Tourism empowers socio-economic activity

In order to increase the number of tourists in the European Union, and keep the European tourists in Europe, the European Commission should invest in tourism development in the regions of Europe. Furthermore, development of tourism improves quality of life in and accessibility to the regions and is the driving force behind the turnover of shops in Europe's city centres. There is a cumulative relationship between tourism development and socio-economic development.⁶ Tourism is increasingly important because of its potential to contribute to local and regional economic development and its potential to create beneficial effects for Europe's natural and cultural heritage. Commercial tourism opportunities are often cited as means by which the most remote, rural and under-served regions can develop and grow in new ways.

Europe's challenges in the 21st century

In recent years the European Union has faced a combination of short-term and long-term challenges. After five years of economic crisis, the unemployment figure stands at over 26 million, with a significant proportion of young people (23.5%), and recovery is still not forecast.⁷ Demographic changes are considered to be one of the crucial long-term challenges: falling birth rates, a declining working population and a fast-growing 'army' of pensioners are changing society. A focus on healthy ageing, job creation and increasing quality of life can serve to combat these challenges. Tourism could be a driving force for such positive changes in the regions of Europe.

Tourism as a key priority for European funds

The European Commission has laid out the financial prospects of the European Union in the 2014-2020 multi-annual framework. In line with the consolidation strategy in the Member States EU leaders agreed to cut the budget. However, in order to enhance growth and jobs, funds for research, innovation and training have been increased. We are concerned about the relatively low priority given to tourism in these funds, in spite of its major contribution to European employment and social development. In the 2021-2027 multi-annual framework tourism should be a key priority for the European Union.

Encourage European regional development

In the coming years, the European Commission should stimulate investment of European funds in tourism by the Member States and regions by promoting Best Practice. Subsequently, the European Commission should explicitly take into account the interests of the tourism sector when drafting policies for European infrastructure, facilitating better European hospitality education and investing in broadband internet networks for the most remote regions.

⁶ Sharpley, Richard, and David J. Telfer. *Tourism and Development: Concepts and Issues*. Clevedon: Channel View Publications, 2002. Print

⁷ "Unemployment Statistics." *Statistics Explained* RSS. Eurostat - European Commission, Mar. 2013. Web. 01 May 2013.

Tourism strengthens social development

Tourism ensures viable, long-term economic activity, which provides socio-economic benefits in the regions, including stable employment and opportunities for income generation and will provide regional communities with social services. Investment in tourism infrastructure will contribute to the accessibility of the most remote and under-served regions of Europe. Furthermore, tourism development will provide increased social entertainment and leisure, stimulate healthy ageing and improve quality of life. As a key priority for European funds, tourism will be a powerful tool in fighting economic decline and (youth) unemployment across Europe, especially in the southern Member States, such as Spain, Greece, Italy and Portugal, where tourism represents a large part of the economy. However, the regions in northern European countries will also benefit from investment in tourism.

We highly recommend that the Commission:

- *Improve accessibility to the regions.* This requires improvement to European transportation networks and higher-quality infrastructure (airports, inland waterways, cycle routes and road innovation).
- *Facilitate a European Tourism Investment Fund (ETIF).* This should stimulate new initiatives and innovative ideas or stimulate the use of 2014-2020 European funds to boost tourism in the regions of Europe.
- *Invest in tourism & education, investing in valuable hospitality education.* The hospitality sector needs more people trained in the skills required to compete in the modern tourism industry.
- *Invest in broadband internet for the most remote and under-served regions.*⁸ Tourism SMEs need improved and easy access to broadband internet networks. As the internet becomes increasingly important in the tourism industry, the European Commission needs to find efficient ways to give users internet access and ensure fair competition between large tourism enterprises and SMEs.
- Identify tourism as a *key priority in the next multi-annual framework* for 2021-2027.
- *Support a common distribution system (switch) for the European camping industry.* When it comes to online sales and electronic distribution camping is today far behind all other sectors in the travel industry. In order to stimulate growth the industry needs help to strategically invest in a distribution switch which allows campsites to deliver its available capacity in multiple distribution channels. This will not only help the campsites to develop it will also give the consumer better and faster access to available products. It will also stimulate a healthier and more competitive reseller network"

⁸ "The European Tourism Market, its structure and the role of ICTs." TourismLink.eu. TourismLink. 22 Apr. 2013

4. Retaining Europe's position as the world's No. 1 tourist destination

Europe is a unique tourist destination

In order to increase the number of tourists in the European Union, and keep the European tourists in Europe, the European Commission should invest in improving the 'Visit Europe' experience. Europe has a large variety of top cities and popular travel destinations, with the highest density and diversity of tourist attractions. Europe is a high-quality tourist destination and offers a wide variety of products, involving many different stakeholders. Europe differs from other tourist destinations, because it aims at sustainable and high-quality tourism, plays to its comparative strengths, in particular the diversity of its countryside and extraordinary cultural wealth. Europe offers a transnational tourism experience, an experience other world tourist destinations cannot offer.⁹

Emerging tourism destination markets

Over the past six decades, tourism has experienced continued expansion and diversification, becoming one of the largest and fastest growing economic sectors in the world. Many new destinations have emerged, challenging traditional ones, such as Europe. As a result, the market share of emerging markets will reach 57% by 2030.¹⁰ International travel will double by 2030, to approximately 1.8 billion. The most significant increases are expected in markets such as China, the Americas, Asia and the Pacific. Other countries, such as the USA and China, are implementing national strategies to promote domestic and international tourism opportunities. The EFCO & HPA warns that if the European Union does not act now, it will fall behind emerging tourism markets.

Remaining number one

Europe's position as the world's No. 1 tourist destination cannot be taken for granted. To retain Europe's number one position the European Commission should invest in the 'Visit Europe' experience, the accessibility of Europe for tourists from outside Europe and invest in marketing the 'European Brand', focussing on regions like North Middle and Southern Europe. The European tourism industry includes a large variety of stakeholders. Despite shared interests there is a perceived lack of cooperation between these various tourism stakeholders. The European Commissioner for Tourism could be a uniting force, integrating the various elements in the European tourism sector.

A stronger European tourism market

As a result of stronger cooperation between the various Member States and stakeholders, Europe's competitive position will improve and incoming tourism will increase. By implementing efficient visa procedures, tourists will gain easier access to the European Union.

⁹ "Cultural tourism." Ec.europa.eu. 04 Feb. 2013. European Commission. 02 May 2013

¹⁰ "UNWTO Tourism highlights 2012 edition." UNWTO.com. 2012. World tourism organization. 09 Apr. 2013

We recommend that the European Commission implement the following action points.

- *Facilitate cooperation in the tourism industry*, further developing the European travel experience.
- *Implement efficient visa procedures*, making it easier for tourists to visit Europe.
- *Invest in marketing the European Brand*, together with the Member States and industry, to promote Europe's image in the world, thus attracting more tourists.
- *Open the skies of Europe to international low-cost carriers*, generating a greater volume of incoming tourism arrivals to Europe. The European Commission should allow low-cost carriers to fly intercontinental routes and ensure the development of regional airports. This will improve the accessibility of Europe and increase incoming tourism.
- To keep the caravan and camping industry competitive, *the European Union should maintain the reduced VAT rates for the caravan and camping industry* that are so valuable in supporting jobs and growth.

Appendix I. Impact assessment: European tourism policy framework

