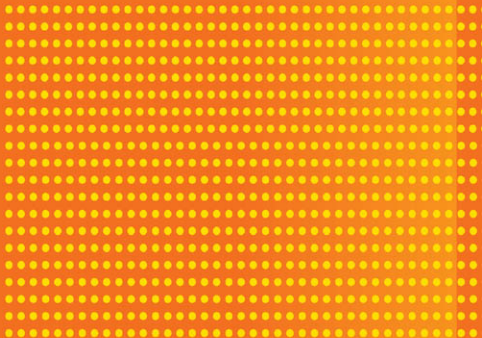


PEARSON NEW INTERNATIONAL EDITION

Fundamentals of Planning and Developing
Tourism

Bulent I. Kastarlak Brian Barber



Pearson New International Edition

Fundamentals of Planning and Developing
Tourism

Bulent I. Kastarlak Brian Barber

- Follow native customs as signs of respect, but refrain from acting and looking like a native.
- Be prepared to expect the unexpected at all times and act reasonably if it happens.
- Be flexible and ready to improvise when things do not work out.
- Enjoy the tourism experience.
- Recognize that haggling is a way of life in some parts of the world. Accept and practice it.
- Contribute to alleviating poverty in locally accepted ways. Respect the dignity of people who are trapped in that poverty and the conscience of local residents and officials who deal with it on a daily basis.

9 INCREASING TOURIST SPENDING

Tourism income comes to a region from various sources. One source is package tours, in which participants make all payments for the trip in advance to the tour organizer and, through him or her, to the service providers. The tour organizer promotes the destination and channels income to the region. For example, no cash changes hand aboard the ship during a cruise (except for extra tips). The cruise is prepaid on shore, and discretionary expenses including nominal tips are charged to the room at sea. They are collected at the end of the cruise by the bursar before the travelers disembark. All supplies, including fuel, are loaded on board the cruise ship at the port of embarkation. Payments go to suppliers and service providers at this port.

Ports of call receive income from various fees, taxes, bus tours, taxis, restaurants, gift shops, and other venues of discretionary spending by tourists. Additional out-of-pocket expenses incurred by the visitors in hunting for souvenirs or visiting nightclubs that are not on the travel plan create direct revenues for the local and regional economies. Home ports, where passengers start and end their cruise, include spending on hotels, local tours, restaurants, transportation, and other related items. Spending in home ports and ports of call is quite large. *Business Research and Economic Advisors*, in a June 2009 study of the economic impacts of cruise ships in North America done for the Cruise Lines International Association, reported that in 2008, \$1.72 billion was spent by passengers and ship crews in the ports of origin and ports visited. An additional \$2.04 billion was spent on air travel, and \$3.11 billion was spent on other transportation services in getting passengers to and from cruise ships from their home cities.

Room services, tips, and other discretionary expenses at destination hotels are charged to the room and are paid by the visitors according to American, European, or Full Plans in cash, or by checks or credit cards, before they leave the hotel. Suppliers and service providers receive their income from the hotel management. This leaves air, bus, or taxi transportation fares, entertainment, and food charges to be paid by the visitor at the destination. If the travel agent has booked the hotel room according to a package plan, he or she may include specific out-of-pocket expenses in the price of the package. Since visitors make most of their payments at the beginning of their travel, service providers and suppliers at the destination have to wait for their payments to filter down through the supplier chain.

An executive traveling alone to a destination as a tourist makes payments as he or she travels. After arriving at the destination, one of the tourist's first acts is to search for a money changer or a bank performing the same service. Usually, the most favorable exchange rates are found at the point of entry to the country, often at the airport concourse. Exchange rates offered by hotels, shops, or other service providers are less favorable. Commissions earned from exchanging the money stay with the establishment and the destination economy.

Determining who gets paid for what is generally determined by the marketplace. Aside from custom, visa, and port/entrance fees, government stays out of the workings of the market

system. Taxation works at the local level directly in the form of room taxes for overnight accommodations and meals taxes in restaurants, and indirectly through real estate taxes, income taxes (if any at the local level), and if any, infrastructure use taxes and fees. Tourists usually pay a minimum charge for gaining entrance to government-owned and -operated national parks and historic places. Revenues usually go directly to the national agency that administers such places. Local government treasuries do not see much, if any, of the income from admissions.

On balance, revenues from tourism flow directly from the tourist through travel agents or other service providers to the local, regional, and national economies at the destination. After the costs of services and suppliers from outside the destination are paid, and after taxes and fees are paid, the residual income stays in the local/regional economy. It changes hands several times through the income multiplier process. When more money stays and circulates, more jobs are created and more incomes are earned in the destination economy. Finally, the savings of workers provide some of the needed capital for potential investments in building and operating additional tourist facilities and for generating more income.

The objectives of this process are to generate income and employment for local people, encourage savings, invest in economically productive activities including additional tourism-related ventures, and channel funds for local needs. This simple tourism development plan originates from the tourism product that happens to be marketable for international, national, and regional tourism. As the tourism economy grows, the mix of attractions and facilities grows with it. The circle of economic impact gets larger and includes new service providers and suppliers. In an emerging complex and diversified tourism economy, tourists find more attractions to visit, more facilities to patronize, and more activities to experience. Consequently, this expansion encourages tourists to stay longer and spend more money at the destination. Tourism, like other industries, grows more quickly from economies of agglomeration.

Training, entrepreneurship, capital formation, development regulations, investment in infrastructure, conservation, and distribution of income are among the issues to be considered in planning and developing sustainable tourism. It can be said that even the residents of remote areas of the world, like the plains of Patagonia in South America and the Gobi Desert in Central Asia, have the potential to benefit from tourism when they follow the model.

10 GEOGRAPHIC DISTRIBUTION OF BENEFITS FROM TOURISM

Regional development broadens the sphere of influence that the tourist destination has over its trade area. Spreading the benefits in proportion to the revenues generated by tourism depends on the national policy followed for sustainable development. The options are:

- Simultaneously addressing environmental concerns along with economic growth, even in the short run
- Placing higher priority on economic growth while addressing environmental concerns that can be dealt with at relatively low cost in the short run
- Placing higher priority on maintaining or restoring the environment in the short run

It is important to keep in mind the advantages tourism development has for reducing poverty in a region. By following the second of the above options, the principal goal of tourism development is not to provide entertainment for those who can afford to travel to distant lands. The principal goal of tourism development is to reduce poverty in the host areas, creating jobs and raising income by using sustainable tourism as a means to achieve it.

To spread the benefits of tourism for poverty reduction and income distribution, it is necessary to consider the following:

- Tourism is an export industry. It has direct linkages with other local businesses. Tourists must travel to a destination to consume the tourism product locally. The benefits are immediate. Other businesses may sell other products by exporting to distant lands, but they do not require the buyers to travel to the destination.
- Employment in tourism is relatively low-wage and labor-intensive, and tourism employs a high proportion of women. As a service industry, tourism demands long hours but offers less backbreaking working conditions than may be found in agriculture and other extractive industries common in LDCs.
- Tourism has the best potential for poverty alleviation in regions where there are few other job and income opportunities. Unlike other exports, tourism does not face tariff and non-tariff barriers in the countries of origin of most international tourists.
- Tourism may use assets that have limited economic value for other types of business pursuits. Culture, archeological and historical sites, mountains, and scenic views are assets that make the tourism product unique but seldom find other uses beyond the (nontourist) enjoyment of them by local residents.
- Tourism has a wide variety of contributing businesses that create a broad resource base from which many new businesses may emerge.
- International tourism is often the primary focus of tourism development. It can stimulate domestic tourism by bringing in and recycling economic benefits in the national economy.

Location of high-value attractions is the primary concern of tourism potential analysis. The location pattern of attractions determines where transportation corridors are needed for connecting regional destinations and forming a tourism network. This regional pattern, superimposed on an existing pattern of urban centers like villages, towns, and cities, forms a network that indicates where and how tourism development activities could take place.

Laborers employed in tourism-related businesses largely reside in support centers, like villages or towns located in the vicinity of destinations. Small arts and crafts and other cottage industries sometimes flourish in these settlements and bring in much-needed income. Employees engaged in supplementary services like house cleaning, automobile maintenance, gardening, landscape maintenance, and construction commute from these settlements to attractions and facilities within the tourism destination. Supplementary agricultural activities, like growing fresh vegetables, fruits, and perhaps poultry products, as well as fishing from the ocean or lakes and rivers, are also cultivated (most desirably) under strict public health controls.

The geographic distribution of the tourism product indicates what needs to be planned and developed in specific locations within the region. Destinations with high tourism potential for growth are planned and built first. These growth centers are connected to dependent satellite attractions and facilities. Proximity to transportation connections with major urban centers of the country is the primary reason for targeting these destinations. When these growth centers are reachable by ground and air transportation over international borders, tourism gains international market dimensions at these destinations.

Diversifying the tourism product induces tourists to lengthen their stay and spend more money. Diversification is faster and requires minimum investment for tourism infrastructure when it focuses on event attractions of the local culture. Drum beating, local dances, hair braiding, village tours, storytelling, handcrafts, botanical tours, local cooking classes, local fashions, and demonstrations of local social customs and etiquette are examples of such events.

Tourists are willing to stay longer in the destination region when there is more to do and see. They modify their schedule and visit other attractions in the vicinity. This leads to tours and more tourist spending. When new attractions are discovered or developed, the tourism product is further diversified. More tourists, longer stays, and more spending have the economic impact of demanding more labor, more goods, and more services from regional sources. The ultimate economic impact comes from replacing imported goods and services with domestic ones. Economic leakage is reduced and multiplier effects are improved. The trickling of economic benefits turns into a stream.

Once destination areas are selected, infrastructure facilities like roads, sewer and water systems, telecommunications, and power and transmission systems are planned and scheduled for development by the government. International technical and financial aid could expedite these projects. With more tourist money coming in, tax revenues improve. The benefits from government improvements are spread over the entire population of the region. Linkages between businesses and urban settlements are diffused from growth centers of tourism toward the periphery and eventually cover the entire region. Community participation and government leadership result in starting new businesses. When economic and spatial integration is achieved, poverty will be reduced and income distribution will be improved in the region. Poverty reduction will likely occur more rapidly if specific pro-poor policies and practices are adopted.

It is important to emphasize that this simple scenario will take years, perhaps decades, of planned development to complete. The scenario assumes that political and social stability of growth centers and region are established, and that poverty-caused afflictions like antisocial behavior, drug and alcohol addictions, and crime are controlled and are not impediments to tourism development. When social problems are extensive, they overwhelm social and political stability. Enthusiasm for self-betterment, escape from poverty, and the model for planned tourism development suffer. When social and political problems grow, only the social cohesion and determination of the community and government will overcome them and open the way to sustained tourism development.

The *sustainable implementation* of these policy principles is similar in large and small, rich and poor tourism destination regions; only the scale is different. A recent example from one of the world's most favored tourism destination regions is enlightening. Paris is considered the world's tourism capital. Tourism is the single most important industry in a region of ten million people. Its tourism economy generates more than \$10 billion income annually and creates one hundred fifty thousand jobs. Too much of a good thing also brings problems, however. By some estimates, Paris will attract 75% more visitors annually during the next twenty years. This is where the capacity to absorb this extra influx of tourists becomes an issue. Tourists converge on the center of the city, where major attractions are located. Congestion is inescapable. But the center of the city is controlled by strict zoning regulations and expansion is not possible. What can be done? The government and tourism authorities have adopted a policy of developing **satellite tourism destinations** around Paris to reduce and disperse the impact of tourism on the region. St. Dennis, La Defense, Clichy, and Pantin were chosen for redevelopment as new satellite destinations. In La Defense, for example, high-rise office buildings are rising; old neglected historic monuments like the Basilica de St. Dennis, where ancient royalty was buried, is being restored; and a gigantic gateway, La Grande Arche de la Defense, welcomes visitors with its grandiose architecture. Open markets, shops, cultural events, and creative artists add to the vibrant atmosphere. New site and event attractions are created. Duplicate attractions are used where necessary. The result of this redevelopment policy is that tourists are induced to stay longer in the Paris metropolitan region and spend their money at these new destinations. Congestion at the center of the

city is relieved. The tourism product is further diversified and distributed in new satellite destinations. Many new infrastructure projects are planned to implement this policy in the next twenty years (*source: Time magazine, March 9, 2009*).

11 REGIONAL ECONOMIC INTEGRATION BY TOURISM

Tourism is a complex industry. Its composition is seldom the same from one destination to another, or from one region or country to another. This complexity results in its uniqueness. Planning tourism requires selection of specific economic elements of the region where industries and businesses contributing to tourism economy are identified.

In substantially undeveloped areas where subsistence activities, herding animals, agriculture, and resource extraction industries prevail, the tourism industry consists of only the essentials. Camping at the outback for overnight accommodation; water and canned food brought from outside the region; walking, trekking, horses, or mules for land transportation; canoes or boats with outboard engines for water transportation; and guides for information services pretty much complete the industry mix of tourism.

Trekking in the Namcha Bazaar region of the Himalayas in Nepal and canoeing and boating down the Amazon River basin in Brazil are such examples. All tourism-related industries are located at the starting point of these expeditions. Supplies are brought in, transportation is secured, and a guide is found at the base location. As tourism grows, fresh food is brought to local markets, where local growers substitute it for imported dry food. At the base village, outdoor camps are replaced with lodges and restaurants with sanitary facilities built and operated by former guides who have now become entrepreneurs by pooling and investing the revenues of villagers obtained from tourism. When the government opens an unpaved, stabilized road by widening foot trails to the base location, four-wheel-drive vehicles take the place of mules and horses. Gradually, with the coming of the road, auto service facilities are developed to stand side by side with barns where pack mules are waiting to take expeditions into the interior. Now that major accessibility and service problems at the base have been solved, scenic trails are extended to ecologically sensitive areas where tourists engage in adventure tourism under close government supervision.

Development of tourism continues to evolve in the destination region. When natives give permission, tourists begin to attend cultural events and visit sacred site attractions. Respecting rituals and cultural sensitivities, guides advise tourists to stand clear, observe the ceremonies from a distance, and refrain from taking pictures if asked. When exposed to local culture, tourists begin to appreciate the specimens of that culture. Art dealers begin to visit to purchase, sometimes illegally, original specimens for their clients abroad. Arts, crafts, and souvenir cottage industries may prosper. When demand increases, suppliers for cottage industries broaden their search for material in the countryside. Although they appreciate their newfound prosperity, villagers recognize that cutting rare species of trees to supply wood carvers would soon deplete these species. Knowing that the sustainability of their tourism economy depends on replenishing and protecting their environment, village elders establish and enforce protective measures.

At the entrance to the destination village, construction of the lodge and restaurant progresses. Local people pool their collective labor and construction abilities and turn them into a viable construction contracting business. With increasing prosperity, a school, a clinic, and even a government office come into existence. Prominent visitors, like Sir Edmund Hillary, the first person who climbed Mount Everest with the Sherpa guide Tenzing Norgay, offer help and contribute money for building and operating needed facilities. The trade area of the village widens to

include distant settlements, and the village becomes the service center of the region. When reciprocal spatial and economic integration between center and hinterland is established, tourism has done its job and has helped to remove the region from its cycle of poverty.

12 ENCOURAGING COMMUNITY PARTICIPATION AND ENTREPRENEURSHIP

Local leaders play a critical role in interpreting tribal laws and cultural taboos. When community participation and entrepreneurship are needed for building a tourism project, leaders make it possible. The tribal chief, *damyo*, *sirdar*, or *imam* and, further up the ladder of political influence, the mayor, governor, and minister, have wisdom and influence over their people. They are in a position to understand the intent and consequences of tourism projects proposed in their community, region, or country. If the project is desirable, they rally their people and mobilize the resources of the community.

Endorsement of leadership is essential for raising awareness and motivating entrepreneurship. The measure of success is the ability to lift the community out of poverty and dependence on government handouts. Economic survival and prosperity from tourism demand communication and education as prerequisites. Demonstration effects combined with formal education and effective community leadership open the doors to creativity, risk taking, and entrepreneurship. They change the traditional society that tries to avoid risk taking by adhering to tested and tried customs, traditions, and collective decision making for ensuring their survival. Change, however, does not come easily. When positive results are shown, a new way of life with increased benefits is gradually accepted.

Authorities give destination communities a voice in deciding on tourism development strategies and projects. Community leaders discuss the proposed development guidelines and projects in their traditional community meetings with sheiks, emirs, and other higher authorities. If these guidelines and projects are accepted by consensus, they are implemented with community participation. Initially, government authorities persuade local leaders to invest community labor and material resources in essential tourism infrastructure projects. Government provides technical and financial assistance and invests in major portions of these projects.

In most cultures, negotiations with local leaders are preceded by the courtesy presentation of appropriate gifts. These are not bribes. The importance of this courtesy cannot be overemphasized. The outsider offering only inexpensive beads in exchange for asking community leaders to help create a prime location for a planned resort will be shunted aside politely. Someone who is so ignorant of local values and gestures of courtesy has no place doing business in that community. Learning at least a few words of the local language will go a long way toward bridging the cultural gap and gaining acceptance. But the entrepreneur offering to build a road, drill a well for water, generate electricity, or bring some other substantial benefit to the community will be rewarded handsomely by the community as a result of the goodwill built. The local government will assign an official, or a young intern or two, to the developer of the tourism project for on-the-job training and for learning the technical and business aspects of the project.

Follow-up is natural. One exceptionally successful project begets another. The hold of the demonstration effect on the locals will stimulate further pooling of community resources. Entire families will participate in the venture. They will be eager to contribute their labor, knowledge, and money to the cooperative effort. The profit motive and individualism, the two basic tenets of market system economics, are learned with practice. The influence of community leadership over the individual will be gradual. Traditional values, customs, and practices will not, and should not,