



Travel & Tourism 2011

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FOREWORD

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Foreword

Travel & Tourism is a truly global economic activity – one which takes place in destinations across the world, from leading capital cities and smaller towns and villages in rural and coastal areas, to some of the remotest points on the planet. It is one of the world's largest industries, or economic sectors, contributing trillions of dollars annually to the global economy, creating jobs and wealth, generating exports, boosting taxes and stimulating capital investment.

Nearly 260 million jobs worldwide are supported by Travel & Tourism – either directly in the industry or in related sectors. And these jobs are vital not only for the livelihoods of those employed, but also for their families and the wider communities in host destinations. Today there are few people who have neither contributed to the growth of Travel & Tourism through their own spending, nor felt the impacts of others' expenditure.

Over the past two decades, since the World Travel & Tourism (WTTC) was founded, substantial progress has been made in raising awareness of the importance of Travel & Tourism. But we still have a long way to go to get our message across clearly to all stakeholders.

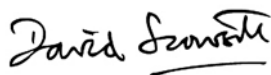
WTTC is the global business leaders' forum for Travel & Tourism and our Members are the Chairs, Presidents and Chief Executives of the world's foremost Travel & Tourism companies, representing all sectors of the industry – from air transport and accommodation to catering, entertainment and recreation – as well as related sectors. Our mission is to maximise the sustainable growth of Travel & Tourism and help ensure that the benefits are spread across countries and to all levels of the population.

Despite a whole host of challenges over the past decade – from terrorist attacks and health scares to natural disasters – international Travel & Tourism demand has shown phenomenal growth. And, while we will no doubt continue to face numerous, and unexpected, challenges in the future, our forecasts – as well as those of economic and industry experts generally – point to a further surge in demand over the coming decade, with competition intensifying to capture a share of the fast-growing emerging markets.

This means that the focus of our attention and efforts must shift. We must leverage Travel & Tourism's past accomplishments to build even greater awareness of the need to factor Travel & Tourism into all policy and decision-making in order to ensure that the growth is sustainable.

When managed responsibly, Travel & Tourism can be a significant catalyst for the economic and social transformation of less resource-rich countries and communities. In many small island states, for example, tourism provides the only feasible alternative to basic agriculture as a source of income for local residents. And, in an increasingly globalised world, Travel & Tourism is fundamental to international relations, business and cross-cultural understanding.

This first annual review of Travel & Tourism from WTTC contains some important messages. We look forward to your support in communicating them widely to stakeholders from government, industry, the media and the wider community.



David Scowsill
President & CEO
World Travel & Tourism Council

Why Travel & Tourism?

Travel & Tourism is one of the world's leading industries, or economic sectors, representing a major source of GDP, employment, exports and taxes. In 2011, the World Travel & Tourism Council (WTTC) expects it to contribute almost US\$6 trillion to the global economy, or 9% of global gross domestic product (GDP).

TRAVEL & TOURISM CONTRIBUTES US\$6 TRILLION TO THE GLOBAL ECONOMY, 9% OF GLOBAL GDP, AND SUPPORTS 260 MILLION JOBS WORLDWIDE

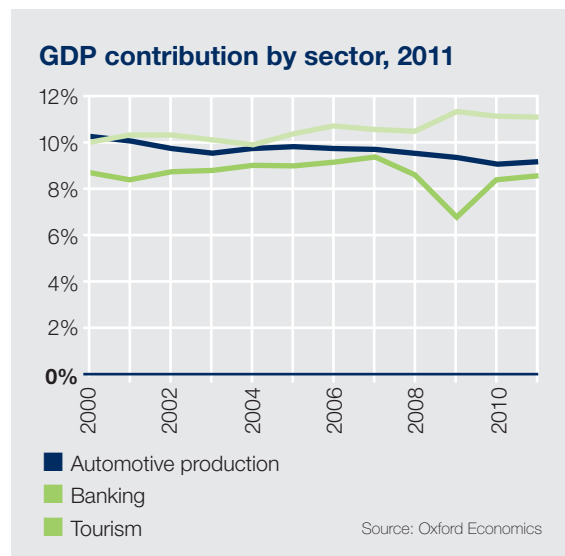
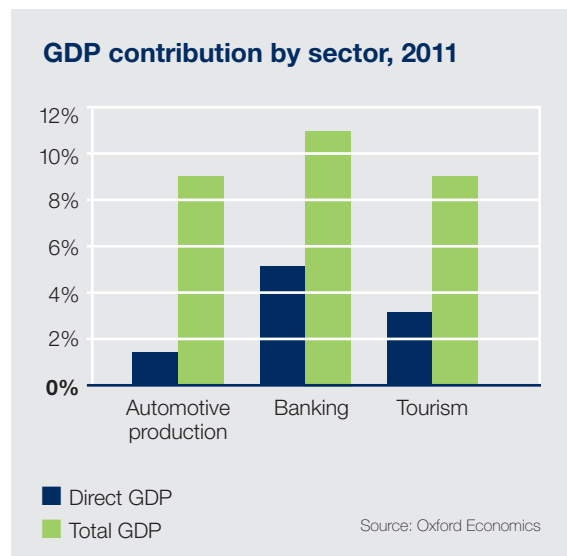
The rapid rise in global demand for Travel & Tourism over the past few decades has been spurred by the rise in living standards, in turn fuelled by growing wealth, coupled with the increased affordability of air travel. According to the World Tourism Organization (UNWTO), international arrivals worldwide have more than doubled since 1990, rising from 435 million to 675 million in 2000, and to 940 million in 2010. And these figures do not take account of domestic tourism which, by all accounts, generates up to ten times more arrivals than international tourism.

More than just visitor spending

The impacts of Travel & Tourism run deep into our economies. It is not just about the money visitors spend on travel, accommodation, activities and souvenirs – visitor exports – which, in 2011, is expected to exceed US\$1.2 trillion around the world. But, by its very nature, the industry stimulates the engagement and collaboration of communities, tourists, governments, local suppliers and businesses throughout the supply chain. And the 260 million estimated people around the world whose jobs are supported by Travel & Tourism (100 million of whom work directly in the industry) all spend a proportion of their own income on goods and services from all parts of the economy. Furthermore, demand for Travel & Tourism – both international and domestic – stimulates investment. In 2011 4.5% of total capital investment, or some US\$650 billion, will be driven by Travel & Tourism.



Travel & Tourism is one of the world's largest industries accounting for 9% of global GDP. This is more than the automotive industry which accounts for 8.5%, and only slightly less than the banking sector which accounts for 11%.



More significantly, while the last ten years have seen strong global growth helped by a rising share of the fast-growing high-tech industry, as well as rapid growth in service sectors such as banking and global finance, the next ten years are forecast to see a slower performance from these sectors. Continued growth in Travel & Tourism will therefore result in an increase in the sector's relative share of GDP. In short, Travel & Tourism will become more important to the global economy over the next ten years.

Why Travel & Tourism?

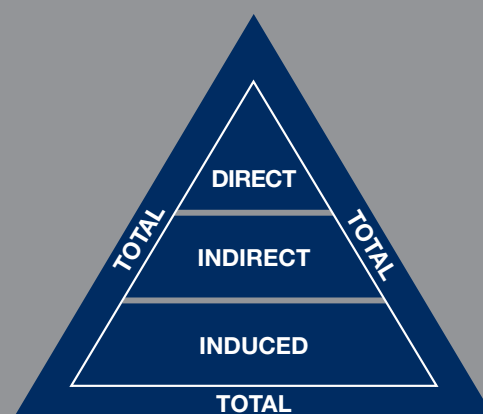
Defining and Measuring Travel & Tourism

Measuring the size and growth of the Travel & Tourism sector around the world is challenging, but it is critical for an understanding of its economic contribution.

WTTC, in partnership with Oxford Economics, has developed a complex methodology for producing consistent, comprehensive and comparable estimates, incorporating and compatible with the *Tourism Satellite Account: Recommended Methodological Framework* (TSA:RMF 2008) approved by the United Nations Statistics Division. It measures spending on Travel & Tourism by households, governments, businesses, overnight and same-day visitors, to fully capture the economic contribution of both domestic and international tourists, whether travelling for business or leisure.

Over the past 20 years, WTTC has continually reviewed and enhanced its methodology (details of which can be found in Appendix 1, developing a system for producing estimates for the economic contribution of Travel & Tourism to 181 countries, 20 regions and the world overall. Data for all countries can be accessed on www.wttc.org

These are not strictly Tourism Satellite Accounts (TSAs) – and are not intended to replace country TSAs – but the estimates are derived from official national TSA statistics, where available, as well as other published data, and are complemented by economic modelling, which allows for cross-country benchmarking. For those countries for which no relevant statistics are available, the importance of this research is that it provides a starting point for understanding the direct and indirect economic impact of Travel & Tourism and, ultimately, for better long-term planning.



A major strength of the research, in addition, is that it allows for timely comparisons across countries on a like-for-like basis, and notably for those countries that do not yet have the available resources to undertake full TSAs, which WTTC continues to endorse and encourage.

Travel & Tourism as a catalyst for growth

Travel & Tourism is a dynamic industry which boosts economies by generating income, employment, investment and exports, thus stimulating economic growth. But it also generates valuable spin-off benefits, either by developing infrastructure that other industries can use or by creating positive publicity for individual countries and destinations.

Simply through its own existence, Travel & Tourism boosts trade, skills and investment in other unrelated industries. To highlight a few examples:

- A recent study commissioned by WTTC showed that business travel was responsible for one third of the growth in global trade over the past decade.
- Of the US\$1.2 trillion of annual global foreign direct investment (FDI), around US\$76 billion is for local infrastructure such as transport links, hotels and convention centres.¹
- Many of the skills developed by Travel & Tourism training programmes, from high-end management to basic customer service, are transferable to other sectors of the economy. As their graduates find jobs across these different sectors, Travel & Tourism has a positive 'spillover' effect on productivity.

- The Travel & Tourism industry also plays a key economic role in facilitating international opportunities for work – important not only for highly skilled professionals but also for manual workers who repatriate at least part of their earnings back to their home countries and communities. There are some 214 million migrants across the world today² – up from 150 million in 2000 – and the remittances sent home by these migrant workers were estimated at over US\$440 billion in 2010.³
- The demand for many products and services is known to depend in part on the overall impressions of the country from which they come – and such ‘country-of-origin’ effects can be significantly enhanced and manipulated through Travel & Tourism. This helps countries to boost exports generally – eg Italian fashion or French fine wines – and to attract wider investment.
- The industry provides some of the most flexible employment and working practices found across the entire economy. Hotels and catering, for example, typically employ more women, ethnic minorities, older people and part-time workers than almost any other sector – a diversity reflecting the highly flexible nature of many jobs. Jobs can often be carried out in many different locations away from the conventional workplace, such as at home. For women, this can play an important part in promoting gender equality – empowering women at all levels of society.
- Globally, more than 50% of people now live in cities, and forecasts predict this figure will rise to a staggering 75% by 2025. This creates a big threat to the smaller, more remote communities. But Travel & Tourism can provide a lifeline to these same communities, allowing essential services and supplies to be delivered, as well as generating vital income from visitors.

BUSINESS TRAVEL WAS RESPONSIBLE FOR ONE THIRD OF THE GROWTH IN GLOBAL TRADE OVER THE PAST DECADE

The social benefits of Travel & Tourism

Travel & Tourism also generates spin-off benefits of a social and cultural nature. The industry directly helps to keep, or to bring, families and social networks together. A significant proportion of all international trips – up to a third of all arrivals for some large developed markets – are to visit friends and/or relations (VFR travel). In addition, Travel & Tourism indirectly promotes cultural heritage and global communication, helping to enhance understanding between people. This in turn can lead to improved international relations between governments, fostering world peace.

- Travel & Tourism provides a vital source of income and employment in many developing countries around the world. As an example, Travel & Tourism directly or indirectly supports 76% of all jobs in Aruba, 31% in Belize and 27% in Namibia. Without this economic lifeline, millions more people would live in poverty in these countries, or be forced to leave their home countries in search of work.
- The major cultural differences between people around the world can, and often do, create tensions and conflicts. By enabling people to visit, study and work in other countries, Travel & Tourism builds vital bridges to help overcome these problems. Indirectly, it can also promote the exchange of cultures and global dialogue, which in turn fosters understanding between people, boosting national pride, helping to preserve and promote cultural heritage, and protect indigenous people and their way of life.

¹ Source: World Investment Prospects Survey, 2009-2011

² Source: International Organisation for Migration

³ *Migration and Remittances Factbook*, 2011, World Bank



Aviation

Air transport lies at the heart of modern, globalised economies. Some 3 billion passengers and more than 50 million tonnes of freight are flown around the world every year. And about one third of the value of global trade in manufactured goods is transported by air.

Aviation is in itself one of the world's most important economic sectors. Oxford Economics has estimated that over 5.5 million workers are employed directly in the industry worldwide and that, if aviation were a country, it would rank 21st in the world in terms of GDP – with its US\$425 billion contribution considerably larger than that of some members of the G20 group of nations.

Aviation also generates further economic benefits. It enhances efficiencies through economies of scale, increased competition and innovation, and access to wider pools of human resources. In particular, the benefits to society of expenditure on research and development by the aerospace industry are very significant, adding 70 cents to GDP year after year for every dollar initially invested.



Cruise

Despite being hard hit by the global economic recession in 2008 and 2009, both in terms of passenger demand and global cruise value sales, the cruise sector has been one of the fastest-growing sectors of Travel & Tourism over the past ten years – and indeed over the last two to three decades. To illustrate the point, the average annual passenger growth rate for the (largely American) members of the Cruise Lines International Association (CLIA) has been more than 7.5%, reaching 14.8 million in 2010 (up 10% over 2009). This puts the total estimated cruise passenger count at more than 16 million worldwide.

While North America dominates the global cruise business, the share of other regions is increasing and Europe now accounts for more than 5 million cruise passengers annually, as well as showing much stronger value growth in the last five years. Industry experts believe the total number of Europeans taking cruises could more than double by 2020.

Global data for the economic impact of the cruise sector is hard to come by. However, recent research by the European Cruise Council estimates that, in 2010, the sector generated €14 billion in direct spending and accounted for nearly 300,000 jobs in the region. Less recent research in the Caribbean suggests that the sector generated 41,500 jobs in 2006 with US\$600 million in wage income to Caribbean residents.⁴

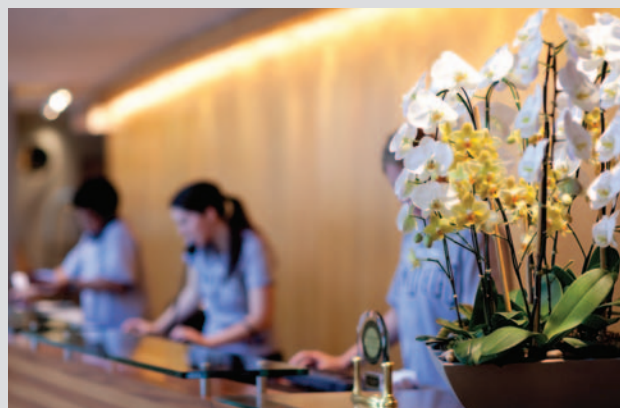
⁴ Bahamas Real Estate Association (BREA), 2006

Hospitality

The economic reach of the hospitality sector is uncommonly broad: its supply chain generates business activity for many other parts of the economy and, in particular, for the retail, recreation, transport and restaurant sectors. Hotels also provide a forum for business meetings, trade shows and conventions that are an important catalyst of economic growth.

Hospitality is a major global growth industry. There are now some 12.7 million hotel rooms around the world, including 4.9 million in the USA and 3.9 million in Europe. In total, the number of new rooms planned or under development (1.3 million) equates to more than 7% of the existing worldwide stock, while in the Middle East and Africa – which together are responsible for almost half the new rooms under construction – the share is more than 20%.

Jobs in the hospitality sector are occasionally considered to be inferior or ‘non-career’ posts. In reality, to keep any large hotel operating round the clock takes not only receptionists and room attendants, but also a diverse team of highly skilled specialists with backgrounds ranging from accountancy to information technology. At the same time, hospitality is an important employer as it offers a wide range of full- and part-time jobs for young people, first-time job seekers, minority groups, retired people, and working mothers. Research has shown that, in times of economic recession, hospitality can also take up unemployment faster than almost any other sector.



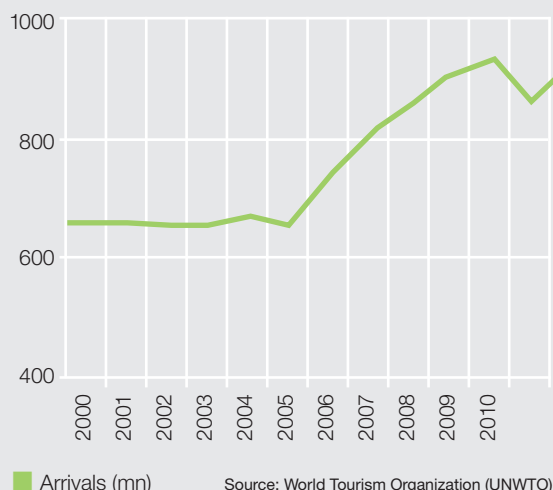
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A Decade of Challenge and Change

Travel & Tourism has clearly demonstrated its resilience over the past decade. Although the industry has weathered its fair share of disasters – from terrorist attacks, pandemics and other health scares, to a whole host of natural disasters including earthquakes and tsunamis, floods, cyclones and forest fires – the negative impact has usually been localised and short term.

This is highlighted by the growth in international arrivals worldwide from 2000 to 2010, as recorded by the World Tourism Organization (UNWTO). Over the ten-year period, average annual growth was 3.4% – from 674 million in 2000 to 940 million in 2010 – with emerging markets (5.6%) strongly outpacing advanced economies (1.8%).

International tourist arrivals, 2000-2010



Total arrivals volume declined in only three years during the decade.

- **2001:** the devastating terrorist attack on 11 September (9/11) in the USA had a major impact on global demand in the last quarter of 2001, but the final outcome was a year of stagnation rather than real decline (-0.1%).
- **2003:** a relatively modest 1.6% fall in arrivals was due to the combined effect of three significant factors: the Iraq crisis, the SARS outbreak and a persistently weak global economy.
- **2009:** the global economic recession that started in the second half of 2008 resulted in a 3.8% decline in arrivals worldwide the following year.



Overview of macro-economic trends, 2000 to 2010

Travel & Tourism achieved healthy growth levels by most macro-economic measures between 2000 and 2010.

Travel & Tourism's global economic contribution, 2000-2010

	Growth (%)
Travel & Tourism's direct contribution to GDP	9.7
Travel & Tourism's total contribution to GDP	16.6
Travel & Tourism's direct contribution to employment	8.3
Travel & Tourism's total contribution to employment	3.0
Capital investment	41.8
Visitor exports	20.1

Source: WTTC/Oxford Economics

Gross domestic product (GDP)

Between 2000 and 2010, the growth in Travel & Tourism's direct contribution to global GDP was volatile, with economic uncertainties, diseases and terrorist attacks all having an impact. The decade recorded a growth of 9.7% overall, with Travel & Tourism's direct contribution to GDP ending the period at US\$1,770 billion in 2010 (based on 2011 prices).

Regionally, the balance of growth was uneven. Africa and the Middle East saw Travel & Tourism's direct contribution to GDP rise by 69.6% and 64.7% respectively, while Asia Pacific and Latin America enjoyed increases of approximately 43%. Europe, meanwhile, suffered a decline of 9.9% over the same period, and the USA, the world's largest market in monetary terms, was down 5.3%.

If the GDP impacts created by investment and supply-chain effects are taken into account, the total Travel & Tourism industry was worth US\$5,760.9 billion in 2010 (in terms of its contribution to GDP) – a rise of 16.6% over its 2000 level, albeit down US\$98.2 billion on its 2007 pre-credit crunch peak.

Employment

Globally, direct employment in Travel & Tourism rose 8.3% from 2000 to 2010, equivalent to the creation of an additional 7 million jobs. But annual growth rates fluctuated sharply. The impact of 9/11, in particular, contributed to a decline of 3.1% in 2001, while 2004 saw the fastest growth of the decade, of 4.5%. An employment peak of 98.6 million was reached in 2006, and not exceeded until 2011.

The global distribution of growth in direct Travel & Tourism employment was again very uneven. Exactly two-thirds of worldwide growth occurred in Asia, where the number of Travel & Tourism jobs rose by almost 5 million between 2000 and 2010 – 2.8 million of which in China alone.

The fastest growth in percentage terms was in the Middle East, North Africa and Latin America, where policy-makers began to take steps to unlock the economic potential of Travel & Tourism, and individual destinations benefited from the rapid expansion of global air travel. The United Arab Emirates (UAE), for example, saw remarkable growth of 167.9% in direct Travel & Tourism employment over the decade as Dubai and, more recently, Abu Dhabi became premier international business and leisure tourism hubs.

A Decade of Challenge and Change

Employment growth in mature markets proved more difficult to achieve. Both Europe and the USA saw declines of 10.5% in direct Travel & Tourism employment between 2000 and 2010 – although the underlying trend appears more stable if the one-off effects of 9/11 and the 2008-2009 economic recession are discounted.

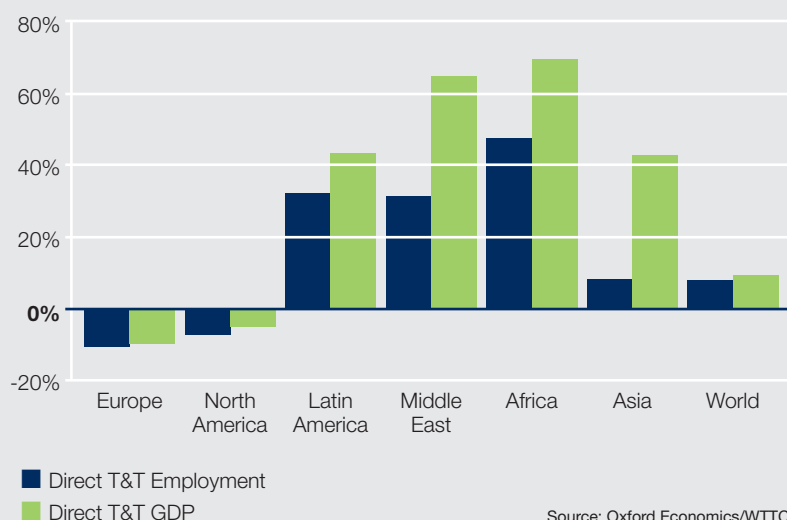
If the additional Travel & Tourism employment impacts generated through investment and the supply chain are included, the number of Travel & Tourism jobs worldwide increased by 17.6 million between 2000 and 2008 (peak to peak on the world economic cycle), and by 11.6 million between 2002 and 2010 (trough to trough).

Travel & Tourism investment peaked at US\$726.8 million in 2008 (2011 prices), with the Americas and Asia Pacific each accounting for 34%, and Europe for 23%, of the total.

All world regions have seen solid growth in Travel & Tourism investment since 2000, with the exception of Western Europe. In the USA, despite sluggish growth in industry GDP and employment, there has been a concerted drive in investment to remain competitive, with Travel & Tourism capital outlays up by a third from 2000-2008 and by 20% between 2002 and 2010.

The highest percentage growth rates in Travel & Tourism investment have predictably been seen in Asia, some parts of Africa and the Middle East. This includes overall growth of more than 600% in India from 2000-2010, and 230% in the UAE. However, in both cases this rapid growth stemmed from a very low base, and annual investment is still, in absolute terms, a small fraction of that made in the USA or Europe.

Growth in the direct contribution of Travel & Tourism to employment and GDP, 2000-2010



Capital investment

The decade through 2010 enjoyed a rapid rise in investment across the Travel & Tourism industry, as destinations became more competitive in their pursuit of increasingly affluent global travellers. Globally, Travel & Tourism capital investment rose by 41.8% between 2000 and 2010, and by 66.3% to 2008 – ie before the availability of development finance was hit by the credit crisis.

Visitor exports

Total worldwide visitor exports (ie spending by foreign visitors on Travel & Tourism goods and services, including transport, outside their home countries) grew by 20.1% between 2000 and 2010. This was significantly faster than the corresponding growth in industry GDP or employment over the same period.

**SPENDING BY VISITORS
ACROSS THE WORLD GREW BY
20% BETWEEN 2000 AND 2010**

Particularly strong growth in visitor exports was seen between 2004 and 2008, with annual growth of 8.7% in 2004 alone. This was in line with the wider economic climate of the time, with unprecedented levels of disposable income among consumers (and business profits), combined with a rapid expansion of airline passenger services and a significant rise in the demand for foreign travel for both business and leisure.

Although European and North American consumers still accounted for 60% of worldwide visitor exports by 2010, the most notable trend over the decade was the growing contribution of Asian travellers to the total, rising from a 19% share in 2000 to 25%. Growth in incomes in both emerging and developed Asian markets drove a rise in the region's visitor exports of US\$99.2 million from 2000-2010 – equivalent to more than half the overall global increase over the same period.

While the region's population is much smaller, the US\$33.1 million rise in visitor exports from Middle Eastern consumers in 2000-2010 – more than the corresponding increase generated by European and North American travellers combined – is also significant, and probably indicative of future trends.

The fast-changing operating environment

Driven in large part by the different events that coloured the first decade of the 21st century, but also by the economic environment, emerging markets and rapid advances in technology – notably in digital and social media – the Travel & Tourism industry was also confronted with a whole host of new challenges which have had a profound effect on the way the industry is structured.

Emphasis on safety and security

Arguably, 9/11 was one of the most influential events in terms of its impact on recent world history, not least on Travel & Tourism. Although terrorism was by no means new to the industry or the travelling public, 9/11 brought to the fore a host of issues concerning safety and security within the sector. Tighter border controls including stricter visa regulations, heightened airport security screenings and body scanners, as well as the introduction of biometrics for identification purposes, are just some of the measures introduced to address safety and security issues – and which, in the process, have added to the hassles of flying for the general public.

Low-cost carriers

The aviation sector has undergone a significant structural transformation over the past decade, with the birth of a new airline model, the low-cost carrier (LCC). With their focus on no-frills, point-to-point services, LCCs have had a significant impact on the demand for airline travel, making it suddenly affordable for a much wider segment of the population in all key world regions. Operating to/from less-used secondary airports, LCC services have also helped to open up and regenerate smaller regions, boosting employment and spreading prosperity. While the future growth of the LCC model is linked inextricably to the price of oil, the rapid growth of LCC services over the past ten years has also put significant pressures on full-service, legacy airlines to reduce fares and costs in order to remain competitive.

A Decade of Challenge and Change

The rise of internet and mobile communications

Not surprisingly, given the huge advances in technological applications for the Travel & Tourism industry – and, in particular, distribution – today's consumer is constantly plugged into the World Wide Web. Thanks to online research, tourists of all ages are also much more informed about available products and services when they make their travel decisions. They now tailor their own itineraries and packages, comparing prices and products – even controlling prices by putting in bids for products and services on sites such as Priceline. Mobile technology has taken this one step further and consumers are now able to research, book and review products on the move.

User-generated content and social media

Web 2.0 has had a profound impact on the way tourism products are marketed. While marketing material in the past, whether on- or off-line, was controlled, developed and distributed by the destination or company, consumer reviews are now part and parcel of any website. And third-party websites, such as TripAdvisor, have paved the way in giving consumers a voice. Social media has further extended the power of individual consumers to voice their opinions and make recommendations, often using real-time photos or videos.

Shorter, more frequent leisure trips

With travel becoming so much more accessible, in terms of destination and product choice as well as price, the ten years between 2000 and 2010 spurred a rapid increase in travel frequency, with the growth in short breaks not surprisingly outpacing that of longer leisure trips. Not only did this boost domestic travel but, at the market's peak in 2008-2009, a significant share of Europeans – especially those suffering time constraints – were taking upwards of four to five foreign short breaks a year, often at the expense of longer annual holidays. And the trend has spread to Asia, where the rising new middle classes have also been quick to take advantage of the new opportunities to travel abroad.

The changing consumer

Fast-growing emerging markets, such as Brazil, India, China and Russia (the BRICs), have also been a game changer, forcing the Travel & Tourism industry to focus greater attention in terms of marketing and product development on new travel source regions, especially Asia. The surge in demand from China, in particular, has resulted in hotels and other suppliers employing Mandarin speakers, introducing menus catering for Chinese consumers, and generally placing much more emphasis on specialised, on-the-job market training. In the Western world, an ageing population with time and money to spare has also had an important bearing on the industry's development, both in terms of product and marketing/distribution. Furthermore, the rise in 'green consumerism' – increased environmental awareness and concern about issues such as climate change – has led to a greater focus among consumers on authenticity in destinations, products and travel experiences.

Environmental sustainability is now a central theme



The Travel & Tourism industry is undergoing a revolution in sustainable practices. More and more hotels, attractions and entertainment facilities, as well as transport companies, are signing up to basic environmental codes and to corporate social responsibility (CSR), and many are overhauling business models to incorporate social, cultural and environmental sustainability.

As consumer preferences evolve to demand better environmental performances by the companies from which they buy their travel, forward-thinking entrepreneurs are carving out lucrative new niches in the market – from eco-hotels to purpose-built, carbon-neutral convention centres, with holiday packages increasingly encompassing some form of ‘voluntourism’. Most importantly, Travel & Tourism’s close relationship with the natural environment – effectively its nine-to-five ‘office’ – is causing more and more of its leading companies to embrace the concept of optimal, rather, than maximum, profitability.

Travel & Tourism has strong inherent links to the environment. In some countries, the natural environment and its wildlife, flora and fauna are what distinguishes them from other tourism destinations. Industry, governments, investors, communities and travellers therefore have a clear vested interest in preserving the local environment and ensuring the sustainable use of its resources for the benefit of future generations.

Factoring the environment into the Travel & Tourism business model

Travel & Tourism companies increasingly appreciate the active role they can play in advancing environmental sustainability, and they understand the potential environmental footprint attached to their tourism activities. So it is more and more common to see companies mainstreaming sustainability strategies and techniques into their business models. Intense competition for resources such as land, water and food, coupled with the rapidly increasing population and mounting waste issues, put extreme pressures on the environment. This gives the industry a huge responsibility to ensure the sustainability of the environment on which Travel & Tourism so heavily depends.

In some areas, Travel & Tourism has been the driving force behind the conservation of fragile ecosystems on land and in the sea while protecting the natural species. Industry has lobbied governments for the protection of wildlife and marine resources that have been inappropriately used, either for food or gaming. It increasingly funds such ventures, thereby increasing the economic value of the area. In addition, preservation enhances environmental awareness among residents of the importance of the area's biodiversity, and opens up opportunities for alternative sources of income.

Climate change has taken centre stage

Climate change is a global issue that has moved to centre stage in the last few years and the industry has played an increasing role in addressing the related concerns since it acknowledges the impact of its operations on global greenhouse gas (GHG) emissions. Many Travel & Tourism companies and organisations around the world are taking proactive steps to mitigate carbon emissions and to help countries manage the adverse effects resulting from, or associated with, climate change.

This often involves investing in new technologies, changing or improving new and existing infrastructure, and implementing different policies and measures to increase the sustainability of their supply chains and the products and services they offer to consumers. In destinations, Travel & Tourism can help communities adopt practical strategies to deal with the impacts of a changing climate.



Showcasing sustainability

WTTC Tourism for Tomorrow Awards

Since 2004, WTTC's Tourism for Tomorrow Awards have been showcasing best practice in sustainable tourism around the world. The Awards celebrate destinations, organisations and businesses which embrace environmental, cultural and social sustainability as part of their everyday operations. Winners are selected after a rigorous, three-stage judging process that includes an on-site evaluation, and they represent the diversity of Travel & Tourism from small community projects to global businesses, located in all corners of the world. Recent winners include:



Accor, France

One of the world's leading hospitality groups with a philosophy based on respect for diverse cultures, incorporating environmental best practices in all its operations. The group's approach to holistic, sustainable management is based on two pillars: EGO, including programmes for local development, protecting children, combating epidemics and promoting healthy eating; and ECO, including the reduction of water and energy consumption, and the improvement of waste sorting and recycling, as well as the preservation of biodiversity.



Alpine Pearls, Austria

To ease heavy traffic congestion in one of Europe's most popular tourism areas – the Alpine communities of Italy, Germany, Switzerland, Austria, Slovenia and France – the 24-member Alpine Pearls network has developed an innovative approach to providing sustainable transport between villages, including solar-powered electric vehicles, low carbon public transport and the free use of bicycles for tourists who leave their cars behind.



Intrepid Travel, Australia

A group experiential tour operator that takes approximately 100,000 travellers to 130 countries each year. In addition to fair trade sourcing of its supply chain and environmentally friendly practices such as measuring, reducing and auditing its carbon emissions at 30 global offices, the non-profit Intrepid Foundation also actively supports health care, education, human rights, child welfare and sustainable development in the destinations visited by Intrepid Travel's customers.



Singita Pamushana, Zimbabwe

A luxury safari lodge which has been instrumental in the rehabilitation and protection of 123,000 acres of degraded wildlife habitat. The Malilangwe Wildlife Reserve now includes 38 different habitats that are home to 4% of all bird species in the world, along with rare and endangered animals, including the black rhino, white rhino, Liechtenstein's *hartebeest* and African wild dogs, among other wildlife. The lodge and the Trust employ over 200 staff, almost all local Zimbabweans, while providing clean, drinkable borehole water and a nutritional outreach programme to more than 10,000 villagers in the area.



Whale Watch Kaikoura, New Zealand

A 100% Maori-owned and locally operated company located in the small coastal town of Kaikoura, offering marine-based whale-watching tours year round. Profits from the tourism business have been used to secure land for the local Maori population, as well as benefiting the local community through employment, donations to the hospital, coastguard and fire brigade, and funding of marine research.

2011; A Mixed Picture



The last ten years have confirmed Travel & Tourism's resilience. Despite blips in the growth curve due to factors beyond the industry's control, demand has bounced back from terrorist attacks, natural disasters and political and economic crises. In 2011, this resilience is being tested to its limits with uprisings in tourism-intensive countries such as Egypt and Tunisia, social unrest in other parts of North Africa and the Middle East, the devastating tsunami and nuclear crisis in northeastern Japan, sovereign debt crises in several European countries, and the prospect of a double-dip recession.

However, while estimates for 2011 may yet be downgraded as a result of the renewed economic downturn and concerns about financial markets, there is no doubt as to the industry's future growth potential.

Travel & Tourism is already more important than the automotive industry, in terms of its contribution to GDP, and current trends suggest that it will overtake the financial sector in the foreseeable future.

**GLOBAL TRAVEL & TOURISM SPENDING
SUPPORTS NEARLY 1 IN 12 JOBS WORLDWIDE**

**THE OVERALL ECONOMIC VALUE
OF TRAVEL & TOURISM IS MORE
THAN THREE TIMES GREATER
THAN ITS DIRECT CONTRIBUTION**

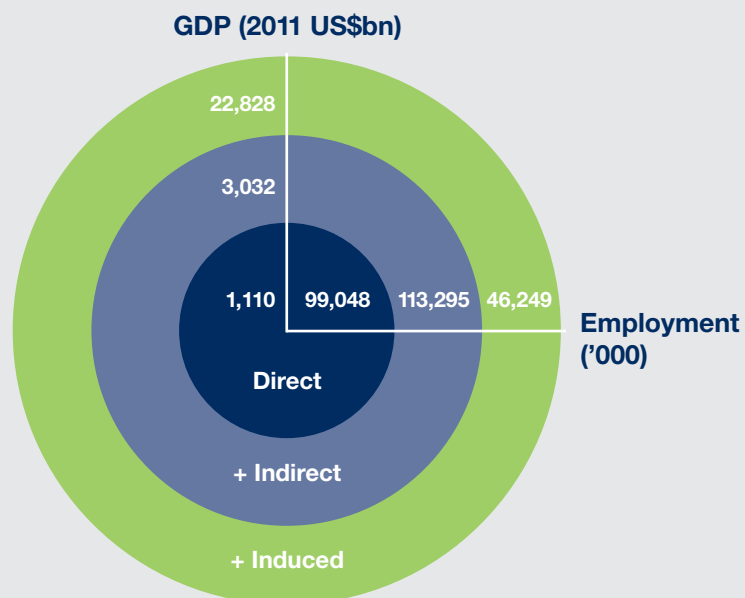
A US\$6 trillion global industry

The huge scale of the global Travel & Tourism industry is clearly illustrated by estimates of its economic contribution. Across the world, Travel & Tourism is expected to directly contribute US\$1,850 billion to global GDP in 2011, and to support over 99 million jobs directly in the industry. This means that the industry accounts directly for 2.8% of global GDP and for 3.4% of worldwide employment.

But Travel & Tourism's full economic contribution is much greater than even these figures imply. In fact, research by WTTC and Oxford Economics suggests that its overall economic value is more than three times greater than estimates of its direct contribution.

When the indirect and induced effects are added to the direct impacts – accounting for the wider effects from investment, the supply chain and the spending of Travel & Tourism industry workers – the total economic contribution of Travel & Tourism to global GDP is expected to be around US\$5,992 billion in 2011, while its total contribution to worldwide employment will be almost 260 million jobs. These figures represent just over 9% of global GDP and nearly 9% of employment – almost a tenth of the world economy.

Breakdown of Travel & Tourism total contribution to GDP and employment, 2011

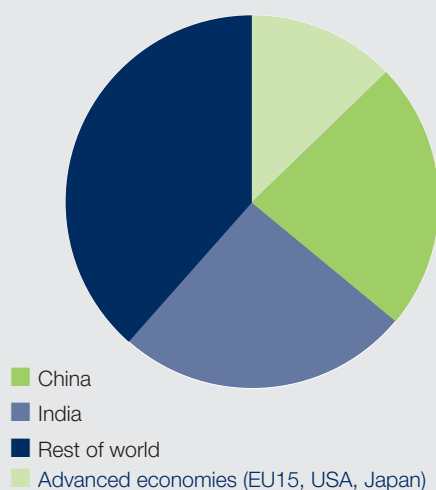


Source: Oxford Economics/WTTC



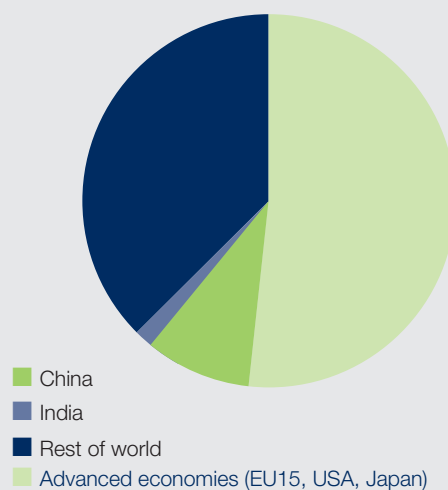
2011; A Mixed Picture

Regional contribution to world direct Travel & Tourism employment, 2011



Source: Oxford Economics/WTTC

Regional contribution to world direct Travel & Tourism GDP, 2011



Source: Oxford Economics/WTTC

Travel & Tourism benefits all world regions

All regions of the world benefit from Travel & Tourism to a substantial degree, although there are clearly important differences in the way they each contribute to the global Travel & Tourism industry. As an example, although China and India between them account for half of global Travel & Tourism employment, the world's two fastest-growing economies currently generate just 10% of global Travel & Tourism GDP.

The reasons for this are easy to explain. Productivity and income per worker, are much higher in advanced economies like the USA, Japan and the EU15. Together, these developed economies account for over half of world Travel & Tourism GDP despite a relatively low share of Travel & Tourism jobs. And this is despite the fact that productivity in emerging markets is typically higher in tourism than in the rest of the economy, while the reverse is true in developed economies.

In the **Americas**, the industry is expected to support a direct contribution to GDP of US\$629 billion in 2011, and to support 15.8 million direct jobs. When indirect and induced impacts are added, Travel & Tourism's total economic value will rise to US\$1,948 billion in GDP and almost 40.7 million jobs. Not surprisingly, the major contributor to Travel & Tourism in the Americas is the USA, which accounts for no less than 69% of industry GDP across the region. But Travel & Tourism still plays a crucial economic role in other countries in the region, both large and small, and many of the Caribbean islands are in fact among the most Travel & Tourism-dependent economies in the world. Antigua & Barbuda, for example, is dependent on Travel & Tourism for 74% of its total GDP.

Travel & Tourism in **Europe** is expected to contribute directly US\$555 billion to GDP in 2011, and to support 9.7 million direct jobs. Including the wider impacts, the total economic value of Travel & Tourism should be US\$1,535 billion in GDP and 28.1 million jobs. This contribution will be more evenly shared across the major destinations in Europe than is the case in the Americas, with the major beneficiaries being France (15% of total regional Travel & Tourism GDP), Spain (13%), Italy (11%), the UK (11%) and Germany (10%).

ALMOST 50 MILLION PEOPLE ARE DIRECTLY EMPLOYED BY THE TRAVEL & TOURISM INDUSTRY IN CHINA AND INDIA ALONE

In **Africa**, the direct contribution made by Travel & Tourism to GDP will be around US\$77 billion in 2011, while the direct contribution to employment is projected to be 7.8 million jobs. Adding the indirect and induced impacts will mean a total economic contribution of Travel & Tourism in the region of some US\$171 billion in GDP and 18.2 million jobs. Leading country contributors to these totals include South Africa (26% of total Travel & Tourism GDP), Egypt (22%) and Morocco (10%).

The **Middle East's** Travel & Tourism will directly contribute some US\$67 billion to the region's GDP in 2011, supporting just over 1.8 million direct jobs. Adding wider supply-chain, investment and spending effects, the sector's total economic value will be US\$160 billion in terms of GDP and 4.6 million jobs. Several of the Middle East economies are now established as foremost international Travel & Tourism hubs, notably the UAE (20% of regional Travel &

Tourism GDP), which has become a global leader in the higher-end leisure market. Nevertheless, security fears continue to undermine Travel & Tourism's potential in the region.

In **Asia Pacific**, Travel & Tourism is expected to make a direct contribution to GDP of US\$523 billion in 2011, and to directly support 63.9 million jobs. Once indirect and induced effects are added, Travel & Tourism's overall economic contribution should rise to US\$1,607 billion in GDP and 145.8 million jobs, with the leading contributor being China (accounting for 35% of regional Travel & Tourism GDP). The large number of Travel & Tourism jobs in Asia Pacific – clearly, mainly in Asia – is significant. Indeed, the share of Travel & Tourism in the region is higher than for any other continent, and is well above its share of the region's total GDP. Almost 50 million people are directly employed by the industry in India and China alone.



Source: Oxford Economics/WTTC

2011; A Mixed Picture

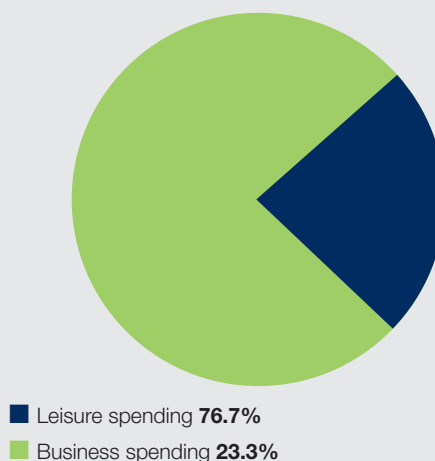
Business and leisure travel

Although the boundary between them is often blurred, the world Travel & Tourism market is commonly split into two segments: business and leisure. And, whether in terms of trip volume or expenditure, the dominant sector by far is leisure travel – encompassing holidays, visits to friends and relations (VFR travel) and trips for other private reasons. In 2011, worldwide leisure travel spending (both inbound and domestic) is expected to reach US\$2,962.6 billion, 77% of total expenditure, with business travel accounting for a relatively modest 23%, or US\$899.0 billion.

Nevertheless, the impact of business travel – which includes travel to conventions, meetings and exhibitions, as well as corporate-sponsored leisure travel (incentive trips) – should not be underestimated.

The USA dominates global Travel & Tourism spending, accounting for more than a quarter (26%) of the business travel market and a fifth (22%) of the leisure market in 2011. Business travel spending in the USA is greater than across the entire EU. Gaining ground from year to year, the second biggest spender in both markets is China, with global shares of 10% and 9% respectively.

World: Travel & Tourism's direct contribution to GDP - business vs leisure travel, 2011



Source: Oxford Economics/WTTC

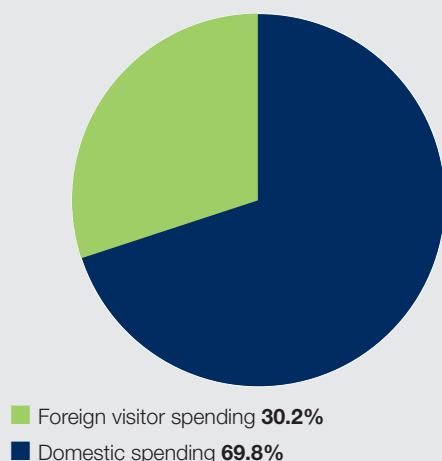
Business travel as a driver of economic growth

A recent study commissioned by WTTC, *Corporate Travel as a Catalyst for Economic Performance*, concluded that business travel improves global corporate productivity, yielding a return on investment of 10:1. In other words, one unit of new business travel spending produces incremental industry sales of ten units.

The study also showed that, if business travel were cut by 25% over two consecutive years, global GDP would be 5% lower than would otherwise be the case after a five-year period. This would mean 30 million fewer jobs than forecast under baseline assumptions for the same period – an average loss of 1% of global employment.

Domestic and foreign travel

World: Travel & Tourism's direct contribution to GDP - domestic vs foreign, 2011



Source: Oxford Economics/WTTC

Although there is general agreement within the industry that domestic Travel & Tourism is up to ten times more significant than the international market, in terms of arrivals, there is little data to support the argument on a global basis. Surprisingly few governments around the world have reliable data on either domestic tourism trips or spending. Nevertheless, by way of example, US outbound travel generated around 60 million trips in 2010, as against an estimated 2 billion domestic trips – only 1 in 33. And the respective ratio for the Chinese market is even more dramatic – 1 in 37, or 57 million outbound trips to 2.1 billion domestic.

WTTC's research suggests that around 70% of Travel & Tourism's direct global GDP contribution is generated by domestic travellers, a clear majority over the 30% share made by foreign visitors. Worldwide, domestic spending is projected to reach US\$2,636.6 billion in 2011, with foreign trips generating US\$1,162.7 billion.

The dominance of domestic Travel & Tourism over the international market – certainly in terms of spending and GDP – may seem surprising. But foreign travel, particularly for leisure purposes, is a very different proposition in different parts of the world, and for simple geographical reasons is much less costly in Central/Eastern Europe or Southeast Asia than in places like the USA, China and Australia.

This partly explains why the USA's share of global Travel & Tourism spending by foreign visitors is less than 15%, while European countries like Spain, France and Italy punch above their weight. And it also helps explain why Germany ranks as the leading country in the world for outbound international tourism spending (US\$79.2 billion in 2010), ahead of the USA in second place (US\$75.1 billion).

Although the value of domestic Travel & Tourism greatly exceeds foreign visitor spending in major economies like the USA and China, this is by no means the case in smaller places like Macau, which has the highest dependency on Travel & Tourism of any territory in the world, and where almost all revenues are provided by international visitors. In Macau's case, this share is no less than 98%.

AROUND 70% OF TRAVEL & TOURISM'S GLOBAL GDP IS GENERATED BY DOMESTIC TRAVEL

The online world of Travel & Tourism



Travel & Tourism moving increasingly online

Thanks to the growth and spread of internet penetration and usage, the last ten years have seen an unprecedented rise in online travel – from ‘looking’ (research into travel and destination options) to booking. According to Internet World Stats, internet penetration has grown from 0.4% of the global population (16 million users) in 1995 to 30% (2 billion) in 2011. And the many different sources of online travel data all substantiate the growth trend.

Use of the internet for booking tends to be higher in countries that have high internet penetration levels and usage of credit cards, eg the USA and UK. But the highest levels, interestingly, can be found in some smaller Travel & Tourism markets such as Scandinavia (65% and higher) and Australia. Globally, different estimates suggest that more than 50% of leisure trips and 40% of business trips are booked online.

Online travel facts and figures, 2010

Country	(%) of population online	Mobile penetration (%)	(%) of travel booked online	Value of online travel market (US\$ bn)
China	32	58	18	11
India	4	36	25	4
Brazil	38	92	20	4
USA	74	91	40	93
UK	74	129	47	26

Source: PhoCusWright, 2010

Changes in online customer behaviour

The implications of this growth for the travel industry have been significant, not least because it has made it much easier for consumers to access the information they need, facilitating booking.

It has also resulted in a shorter lead-time for bookings, with consumers making last-minute decisions, often based on special offers, tailoring their own packages from a suite of options. According to hotelbook.com, one in five people book their holiday less than five days before departure. And Carlson Wagonlit's experience with the corporate travel sector suggests that only a third of business trips are booked at least two weeks in advance.

Gaining share of the global Travel & Tourism market in volume and value

The global online travel segment, valued at nearly US\$256 billion in 2010 by PhoCusWright, represents 30% of the total travel market. From 2010-2012, global online travel bookings are forecast to accelerate twice as fast as the market overall, to reach US\$313 billion. This means that, by the end of 2012, one third of the world's Travel & Tourism sales will be made online.

Supplier websites, which generate an estimated 63% of Travel & Tourism sales worldwide as against 37% for online travel agencies (OTAs), have been losing share, which is now down from 66% in 2008. Although the industry is fighting back to regain lost ground, OTAs are growing rapidly, especially in emerging markets, challenging local and regional players.

A breakdown of total global travel sales by supplier shows that airlines represent 43% of the overall market. But they dominate online sales with a much higher 61% share. The respective shares for hotels, which are the lowest-performing sector online, are 36% and 17%.



The rapid growth of mobile coverage and smart phones has had a further major impact on the industry. Increasing numbers of travellers are connected as the number of mobile phones has outstripped the world's population. Travellers are now empowered with advanced smart-phones able to deliver new functionality related to location, payments and real-time information flows. By 2014, over 3 billion of the world's adult population will be able to transact electronically via mobile or internet technology with a 90% mobile penetration rate and 6.5 billion mobile connections.

The internet's increasing role in social networking means that the online experience has shifted from searching and consuming to creating, connecting and exchanging. Previously passive consumers and web surfers are now generating content, collaborating and commenting. Traveller reviews, photos, trip planning and sharing, and blogging, are all influencing how travellers of all ages connect to and interact with suppliers, products and services.

4

The Next Ten Years

While the global economic recession of 2008-2009 had a significant impact on Travel & Tourism, it was relatively short-lived, and the recovery has been sustained through 2011 so far. More significantly, the growth of Travel & Tourism is expected to outpace that of the global economy over the next decade:

- The direct contribution of Travel & Tourism to global GDP is expected to rise by 54% in the next decade to over US\$2,860 billion by 2021, accounting for nearly 3% of global GDP.
- The Travel & Tourism industry is expected to create an additional 21 million (net) direct jobs over the next decade, taking total direct employment to over 120 million (more than 3.5% of total employment).
- Including the wider effects from investment, the supply chain and income impacts, the total contribution of Travel & Tourism is forecast to reach nearly 10% of global GDP (US\$9,227 billion) and 10% of global employment (325 million jobs) by 2021.

TRAVEL & TOURISM IS EXPECTED TO CREATE 21 MILLION NEW DIRECT JOBS OVER THE NEXT DECADE

World Travel & Tourism outlook



The global recession had a damaging impact on almost all large industries. Across the world, Travel & Tourism started to see a drop-off in international tourist arrivals growth from the beginning of 2008. From enjoying average annual growth in arrivals of around 5% in the middle of the decade, the industry suffered 18 months of decline from mid-2008.

Nevertheless, a strong recovery has restored growth to pre-2008 levels since the start of 2010. And the coming decades are expected to see average annual growth of international arrivals in line with UNWTO's just published long-term forecast *Tourism Towards 2030* in a range between 3.0% and 3.5% per annum. The fastest rate of growth is forecast to occur in Brazil, equivalent to around 12% a year, followed by Montenegro and Argentina with around 9% each.

The Next Ten Years

At a country level, the fastest anticipated expansion of employment over the current decade will be in Montenegro, where direct Travel & Tourism jobs are expected to more than double over the period – equivalent to total growth of 115%.

Growth in Travel & Tourism industry GDP from 2011-2021 will also be driven by emerging markets, albeit countries that are quite geographically dispersed around the world. The league table winners are expected to include Montenegro, Namibia, China, Azerbaijan, Thailand and India, all of which should see their direct Travel & Tourism GDP more than double in real terms.

Top ten country ranking, 2011-2021

(% annual growth in Travel & Tourism's contribution to GDP)

1.	Montenegro	12.4
2.	Azerbaijan	9.4
3.	China	9.1
4.	Namibia	8.8
5.	India	8.8
6.	Chad	7.6
7.	Thailand	7.5
8.	Cape Verde	7.3
9.	Fiji	7.2
10.	Malawi	6.9

Source: WTTC/Oxford Economics

With regard to Travel & Tourism investment between 2011 and 2021, WTTC's forecasts shed light on which countries will likely pour most future resources into the sector, in relative terms, to boost their global competitiveness.

As might be expected, China (with average Travel & Tourism investment growth of 8.5% per annum) and India (nearly 9% a year) make up the top ten. But by far the fastest growth is again anticipated in Montenegro (more than 16% a year), where the tourism sector – and indeed the entire national economy – is making up for lost time following the country's exclusion from the tourism scene during the Balkan War.

Emerging markets

RISE OF NEW MIDDLE CLASSES WILL BE A MAIN DRIVER OF GLOBAL GROWTH...

The growth of Travel & Tourism in the next ten years will be underpinned by many factors. These include rising real incomes, increasing competition between destinations and Travel & Tourism businesses, the emergence of new destinations in developing countries, and the continuing globalisation of trade and information.

The most rapid growth over the decade from 2011 to 2021 is likely to be in emerging market economies such as China, Brazil and Mexico. In China, for example, thanks to a rapid rise in the middle classes with the disposable income necessary for foreign trips, Travel & Tourism's direct contribution to GDP is expected to increase by 140% between now and 2021, to more than US\$1,350 billion.

The volume of international tourist arrivals is already growing many times faster in emerging markets than elsewhere. In China they were up 78.5% between 2000 and 2010 (equivalent to an extra 25 million foreign visitors a year), while in Malaysia they rocketed by more than 140% to place the country in the top ten destinations worldwide – ousting Austria and Canada from the leaders' ranking.

...WITH THE MARKETING AND INVESTMENT FOCUS MOVING AWAY FROM TRADITIONAL MARKETS

The global recession will only serve to accelerate the rise of the emerging markets relative to the developed world. Unburdened by debt and ageing populations as in many advanced nations, Travel & Tourism investment will soar and entrepreneurship will flourish to realise industry growth rates well in excess of those in established destinations. Already, subtle signs of the global transition are evident: average hotel room rates increased by 11% in Asia Pacific and by nearly 8% in Latin America during 2010, but stalled almost everywhere else.

The rise of the emerging markets has two major implications:

- First, emerging destinations will take a greater share of world Travel & Tourism spending, and compete strongly against established locations. Brazil, for example, should attract significant growth in the next decade. Currently attracting a relatively modest 4.8 million international tourist arrivals a year – even fewer than in 2000 – the country is expected to capitalise on a buoyant domestic economy, plus the double public relations’ coup of hosting the soccer World Cup and Olympic Games, to boost Travel & Tourism investment and income. Visitor exports are forecast to rise faster in Brazil over the next decade than anywhere else on earth. This will mean that, by 2021, Travel & Tourism’s total contribution to GDP in Brazil should be more than US\$291 billion – a rise of 56%, moving the country ahead of France and Spain to become the world’s fourth largest Travel & Tourism economy.
- Second, rising incomes and wealth in emerging nations will create a huge new market segment for overseas destinations seeking to attract new visitors. Countries at the top of the World Economic Forum’s *Travel & Tourism*

Competitiveness Index, like the Switzerland, the USA and UK – which are among the most desirable destinations for foreign travellers – should possess the business acumen to generate strong growth in Travel & Tourism income from this segment. The Chinese outbound tourism market is particularly important, with an extra 125 million travellers set to generate an additional US\$100 billion in overseas spending by 2021.

CHINA WILL BE THE LARGEST AVIATION MARKET IN THE WORLD BY 2020

Goldman Sachs, in 2010, suggested that the BRICs (Brazil, Russia, India and China) between them could represent 35% of the global aviation market by 2020, and 50% by 2050. By 2019, China could become the largest aviation market in the world. The report also indicated that the most significant impacts of the BRICs’ Travel & Tourism spending power would be in the global aviation industry as domestic and international travel would sharply increase. This would make the BRICs the primary growth drivers for the global aviation industry and all related businesses.

The dramatic growth in air passenger traffic forecast should generate substantial demand for airlines, aircraft equipment manufacturers, aircraft maintenance, repair and overhaul, pilots and other businesses, such as travel agencies and catering services. Aircraft manufacturers and suppliers will also benefit, as well as companies involved in airport construction and the hotel industry.

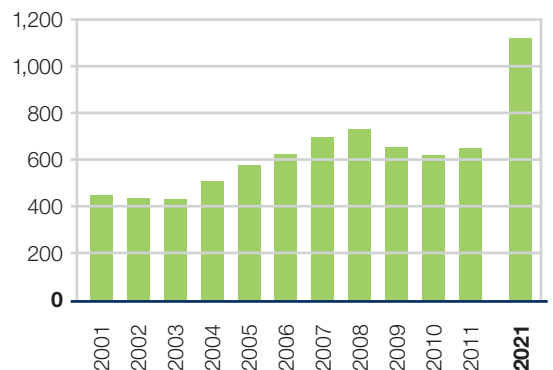
Investment in Travel & Tourism

Investment is integral to destination performance

Investment in Travel & Tourism products and infrastructure is not only essential for destinations to maintain and expand capacity, but it also allows for and encourages improvements in quality, competitiveness, productivity and sustainability. Research has proved that new capital projects and major refurbishments – both of which are classified as investment – are integral to current and future destination performance.

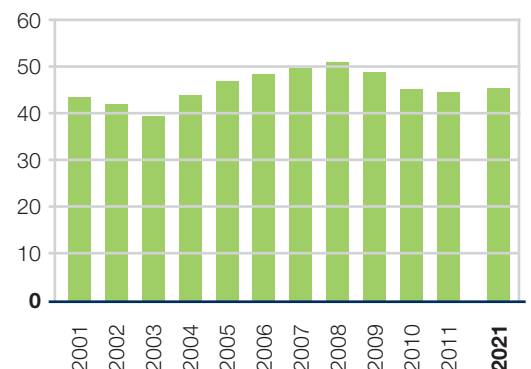
Between 2011 and 2021, global Travel & Tourism investment is forecast to increase by an average of 5% per annum – or 73% overall in real terms, faster than Travel & Tourism GDP and employment growth – to reach US\$1,490 billion by 2021. The industry's share of total capital investment is expected to rise only modestly, by 0.1% a year.

Constant 2011 US\$



Source: Oxford Economics

Travel & Tourism capital investment a (%) of whole economy capital investment



Source: Oxford Economics



Travel & Tourism investment can take many forms...

- Accommodation development and major maintenance, including new building and refurbishment of hotels and holiday homes;
- Passenger transport, such as aircraft and cruise ships, for specific tourism use;
- Capital projects and refurbishments designed to attract visitors; and
- 'Green' investments within the industry, such as solar and retro-fit schemes to enhance energy efficiency.

Travel & Tourism investment is important for a number of reasons. First, it increases the sector's capacity to support more travellers and visitors. As an example, in early 2011 some 1.3 million new hotel rooms were either under construction or in the pipeline around the world. Second, investment helps to maintain existing capacity and standards through major refurbishments. And third, in the case of 'mega-projects', such as Dubai's US\$1.5 billion Atlantis Hotel or its US\$3 billion Meydan sports and meeting complex, investment can stimulate completely new demand and boost market share.

Investment in Travel & Tourism is often of strategic national importance and the ratio of investment to the industry's contribution to GDP can be extremely high.

Notable examples in 2011 include Qatar (where investment in Travel & Tourism was 138% of the industry's contribution to GDP), Singapore (135%) and Antigua & Barbuda (108%).

WTTC's forecasts of Travel & Tourism investment between 2011 and 2021 shed light on which countries will pour most future resources into Travel & Tourism, in relative terms, to boost their global competitiveness. As might be expected, China (with average Travel & Tourism investment growth of 8.5% per annum) and India (nearly 9% per year) make the top ten, but by far the fastest growth is anticipated in Montenegro (over 16% per year), where the tourism sector – and indeed the entire national economy – are making up for lost time following the country's absence from the world tourism stage during the 1990s' Balkan War.

Top ten country ranking, 2011-2021

(% annual growth in Travel & Tourism's contribution to total capital investment)

1.	Montenegro	16.4%
2.	Singapore	9.3%
3.	Azerbaijan	9.1%
4.	Thailand	8.8%
5.	India	8.7%
6.	Lithuania	8.5%
7.	China	8.5%
8.	Egypt	7.8%
9.	Myanmar	7.7%
10.	Fiji	7.6%

Source: WTTC/Oxford Economics

Investment in Travel & Tourism

The Chinese, and indeed Asian, share of global Travel & Tourism investment is growing rapidly in importance. By 2021, WTTC's forecasts indicate that China will have overtaken the USA to invest more in Travel & Tourism annually than any other country (a 19% share of global investment). In turn, India is expected to have overtaken Japan to become the third highest global Travel & Tourism investor (with a 5% share), while Singapore is also set to rise strongly from 13th to 6th position in the global league table ranking.

Of course, one critical concern is whether China has over-invested in Travel & Tourism. This concern is based on the estimated slower growth in Travel & Tourism spending over the same period during which investment has expanded rapidly. Clearly, China has been investing for the future, since a rapidly expanding middle class and international business travel market should easily sustain strong growth in Travel & Tourism spending in the years ahead.

But there is still, nevertheless, a risk of under-utilised capacity and low returns on investment. By contrast, in Europe, where Travel & Tourism investment expansion has been much more aligned to actual demand trends, which fell back sharply during the world recession, there is a risk of under-investment. This could have implications for future capacity, productivity and competitiveness.

As the global economy moves on from the important crossroads it has now reached, the implications from potential over- and under-investment in different destinations will start to be felt. Even in destinations where existing Travel & Tourism infrastructure is sufficient, or where there is excess capacity, changing consumer preferences and ageing products mean there will be a continual need for investment and re-investment.



Showcasing investment



Montenegro

Since it re-emerged onto the world tourism stage at the end of the 1990s, and especially since its independence in 2006, Montenegro has given top priority to the redevelopment of its Travel & Tourism industry – an industry which, prior to the Balkan conflict of the 1990s, earned it worldwide fame and prestige through its outstanding natural beauty. In 2011, a third of all capital investment in the country (33.4%) was made in the Travel & Tourism industry – one of the highest rates in the world.

Although the global economic crisis resulted in major delays, and even in the suspension of some new Greenfield projects and the upgrading of existing hotels and resorts, private investment is now pouring into major projects. These include Porto Montenegro – a luxury yacht marina, resort and residential complex expected to rival Monte Carlo – and Orascom's integrated Luštica resort development, as well as the symbolic redevelopment of historic and cultural treasures such as Sveti Stefan. Government plans to modernise transport and services infrastructure are also beginning to gain momentum.

This growth in investment is already paying dividends in terms of Travel & Tourism competitiveness. Montenegro is one of the most rapid risers on the *2011 World Tourism Competitiveness Index* (produced biennially by the World Economic Forum), gaining 16 places to 36th overall, now just behind its more established neighbour Croatia. The obvious room for improvement in ground and air transport infrastructure – on which the country still ranks 109th and 62nd in the world respectively – also hints at strong returns to future investment in terms of Travel & Tourism competitiveness.

Looking ahead, WTTC and its research partner, Oxford Economics, forecast that Travel & Tourism capital investment will grow faster in Montenegro – at an average of 16.4% a year (over the ten-year period 2011-2021) – than in any other country in the world, and twice as fast as in India and China. The environmental impacts of the development boom will require careful management, but a return to Montenegro's tourism heyday of the 1960s is firmly on the cards.

Showcasing investment

Hainan Province, China

The investment potential of Hainan, China – currently the subject of a major study by WTTC and Oxford Economics – is equally impressive. If Hainan Province were a country, it would already rank 15th in the world terms of absolute investment in Travel & Tourism, with a total expected to exceed US\$11.80 billion in 2011, according to WTTC/Oxford Economics. And in terms of Hainan's Travel & Tourism investment as a contribution to total capital investment in the province, its 50.9% share ranks it at the top of WTTC's world league table.

The Hainan provincial authorities' focus on tourism development, which emerged more than ten years ago, was intensified following a declaration in late 2009 by the Chinese Government that Hainan had been earmarked to become an international island resort, on a par with world-renowned destinations such as Hawaii and Bali.

China's southernmost province, the only one enjoying a tropical climate, certainly boasts a vast range of natural attractions – from white sandy beaches to mountains, forests, caves, an extinct volcano crater, waterfalls, hot springs and unique flora and fauna, not to mention historical and cultural sites and unique, indigenous groups within its 9 million population.

Thanks to the national and provincial governments' support in terms of building the necessary infrastructure, recognising the importance of sustainable development to ensure long-term growth in leisure and business travel demand for the destination, leading international hotel brands have been quick to establish a presence on Hainan Island. And both Chinese and foreign airlines are vying with each other to gain traffic rights for new domestic and international services. All this augurs well for future investment.

Indeed, current forecasts suggest that, over the ten years from 2011 to 2021, the growth in Travel & Tourism investment in Hainan Province will increase by around 9.5% a year – second only to Montenegro's growth – reaching US\$29.3 billion by 2021 (in 2011 constant prices and exchange rates).



5

Making it Happen



Algeria



Algeria



Albania



Angola Nathan Holland / Shutterstock.com



Zambia

WTTC's economic impact research demonstrates clearly that, despite a few blips in the long-term growth curve, Travel & Tourism has proved its resilience since the beginning of the 2000s and is set to show further strong growth over the next ten years. Yet, while the positive forecasts are good news for the industry and for governments at the highest level – given Travel & Tourism's significant contribution to GDP, employment, exports, investment and trade generally – they raise new concerns about how to ensure that the growth is sustainable, and that it brings benefits to all stakeholders.

WTTC maintains that this will require a major industry effort, with all sectors of Travel & Tourism working together in partnership with governments and local communities, in order to plan ahead wisely and to factor Travel & Tourism into all policy- and decision-making.

Making it Happen

Government support is critical...

Although Travel & Tourism is an activity sustained mainly by private initiative, governments have traditionally played a key role in its development and in the promotion of their countries as tourism destinations. Their role is clearly more important in developing countries, or countries in which tourism is in a transition stage, where government support can be crucial to jump-starting growth. While there is arguably less need for public sector support of the tourism industry in countries at a high level of economic development, it can easily be justified by the industry's economic importance.

It therefore seems paradoxical that, at a time when governments' recognition of Travel & Tourism's economic importance is at an all-time high, they are increasingly questioning the rationale for their continued involvement in, or support of, the industry.

We understand the need for governments to curb public expenditure, given the increasing constraints on public sector budgets generally, and we sympathise with their concerns about using taxpayers' money to support and promote tourism development. Yet the return on investment is surely ample justification for their support.

... facilitating and removing barriers to growth

Moreover, we are not calling for direct financial subsidies or bail-outs, as other industries have done. We are simply asking for a level playing field and the removal – or even reduction – of all unnecessary barriers to growth and investment, such as discriminatory taxes, excessively harsh immigration and visa restrictions, and unfair controls on access to capital and capital flows.

What we as an industry need for tourism to develop in a sustainable manner is an appropriate physical, regulatory, fiscal, legal and social framework. And this can only be provided by governments who are also generally responsible for the basic physical infrastructure necessary for tourism – such as roads, airports and communications.

Managing tourism growth responsibly

The responsible management of Travel & Tourism, on the other hand, is a task that needs to be shared by the public and private sectors. Effective management of the relationship between tourism and the environment is pivotal to the development and long-term success of the Travel & Tourism industry – globally, and in individual countries and regions. In areas in which this relationship is planned, effectively executed and monitored, a balance can be – and has been – struck between the sustainability of the environment and the development of tourism. However, if this relationship is not managed appropriately, the environmental footprint of Travel & Tourism activities can be detrimental to sustainable growth.



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The challenge therefore rests on government and industry to harness Travel & Tourism's economic benefits while ensuring the sustainability of ecosystems and the communities which they support. Managing tourism responsibly will involve:

- Establishing partnerships at all levels of society – industry must join hands with governments, communities and other stakeholders to ensure a sustainable tourism product;
- Empowering local residents through consultation and participation so that sustainability strategies are accepted and upheld;
- Influencing consumers to effect change since they have an integral role to play in driving the demand for, and development of, sustainable tourism products;
- Creating the necessary policy framework to enable tourism and encourage it to thrive;
- Investing in technological systems and applications to encourage and promote sustainability – as well as incentivising industry to do so;
- Ensuring a level playing field free of restrictions to trade; and
- Consulting the industry in designing and developing environmental policy infrastructure which could potentially impact its livelihood.

Turbulent waters ahead

Yet, even with a level playing field, there is little doubt that Travel & Tourism will continue to face challenges due to factors beyond its direct control – such as terrorist attacks and natural disasters, economic and currency crises, and the fluctuating price of oil. A raft of mainly environmental, compliance-based regulations are expected to be introduced over the next few years, explaining why some sectors – not least the cruise industry – are looking ahead with some trepidation.

As far as the airline industry is concerned, it only moved back into profit in 2010, and its current outlook remains perilous. IATA is expecting a 46% slump in profitability in 2011 on the back of slowing demand and high oil prices. Business prospects for the traditional travel trade are far from bullish, so that only those with a clear travel consultancy niche can be sure to survive.

Adjusting to the constantly evolving marketplace

Perhaps the most important developments set to change the face of Travel & Tourism are demographic and social. The rapid ageing of the population in mature Travel & Tourism source countries, the rise of the middle classes in emerging markets, and the transformation in the global composition of the Travel & Tourism economy – all these will increasingly influence demand and supply.

By 2020, Asians will account for 32% of outbound tourism spending, compared with 21% in 2008, and Europeans for just 41%, as against 51% in 2008. For the first time ever, the advanced economies – the EU, USA and Japan – will generate only a minority of Travel & Tourism industry GDP.

Making it Happen

Harnessing mobile technology

Increased mobile penetration around the world, not least in emerging markets where fixed-line communications are much less widespread, has already proved a major stimulus for online 'looking and booking', and it is clear that mobile technology will be a major game changer in the next few years. Some 20% of Expedia's sales in Indonesia, for example, are through mobile applications. And Air Asia is now allocating 50% of its advertising spend to Facebook since the social media site generates more than 13% of total sales online – largely through mobile apps.

Trends in more mature markets add weight to the forecast growth in mobile technology for Travel & Tourism over the next few years. By 2012 – less than 12 months away from now – nearly 25 million US mobile users are expected to research travel information on their mobile devices before making a trip. And nearly 12 million US mobile users will use mobile to actually book their trips. Meanwhile, 18% of smart-phone users and 16% of mobile internet users will use these channels to make bookings.



New consumers,
new technologies and
new expectations...

This means that those working in Travel & Tourism will also need new skills and high levels of cultural awareness and adaptability. We as an industry must prepare for this future - both the short and the longer term.



Tokyo, Japan. Venue for the WTTC 12th Global Summit. April 2012.

Appendix 1: Methodology

The global economic contribution of Travel & Tourism, as defined by the World Travel & Tourism (WTTC) in collaboration with Oxford Economics, is consistent with the United Nations Statistics Division-approved *Tourism Satellite Account: Recommended Methodological Framework* (TSA: RMF 2008), in terms of what is measured. But the global research does not constitute a TSA in itself and should not be considered a replacement for individual country TSAs.

WTTC and Oxford Economics ensure that country-level measures are as consistent as possible with TSA data reported by the relatively small number of countries around the world that have undertaken all the required, detailed calculations and have full TSAs. However, since the majority of countries still do not have full TSAs – some 70 have developed full or partial TSAs, or are in the process of developing them – the WTTC/Oxford Economics' calculations depend on benchmarking to try to ensure that the estimates for all other countries are on a consistent basis for all TSA components.

The TSA:RMF 2008 quantifies only the direct contribution of Travel & Tourism. WTTC, on the other hand, recognises that Travel & Tourism's total contribution is much greater, and aims to capture its indirect and induced impacts through its annual research. The resulting calculations are consistent with the "wider effects" specified and defined in the TSA:RMF 2008 for the required ten TSA tables, as well as with the wider indirect and induced effects acknowledged in the TSA:RMF annexed methodology document.



The direct economic contribution of Travel & Tourism only includes a part of the respective government's overall spending. Unless this is fully quantified, it is not possible to determine the total economic contribution of Travel & Tourism activity. As an example, only individual government spending is included – ie public sector spending on the provision of tourism services that directly benefit visitors exceeding any costs paid, eg the costs of museums, etc. Total government spending on Travel & Tourism exceeds this narrow measure and further collective spending should also be counted, consistent with Table 9 of the TSA:RMF 2008. This covers government provision of services such as security, administration services and tourism marketing and promotion, all of which have a notable impact on economic activity and employment.

The industry's total contribution to world GDP is roughly three times larger than its direct contribution, and supports roughly one in every 11 global jobs. By way of illustration:

- A typical mid-to-large hotel might employ people in dozens of occupations, from a laundry lady to a head chef and from a concierge to a manager – plus numerous external contractors for construction, maintenance and specialised services.
- A simple cruise ship docking of just a few short hours might require the services of dozens of local companies, from food and drink suppliers to tug boat operators, and from cleaners to tour guides – sometimes providing an economic lifeline to remote communities.
- The many millions of Travel & Tourism employees around the globe all spend a proportion of their own income on goods and services from all parts of the economy, helping to support additional jobs and spending both locally and further afield.
- Governments and businesses invest billions of dollars in Travel & Tourism infrastructure every year, both to attract tourists in the first place – by making destinations unique and improving their transport accessibility for visitors – and to avoid problems such as congestion when they arrive.

Investment spending is also included in WTTC's/Oxford Economics' calculations of the total economic contribution of Travel & Tourism, consistent with Table 8 of the TSA:RMF 2008. While this is not directly related to current Travel & Tourism activity, it is essential for maintaining or expanding capacity and any future activity. This associated spending and related jobs should therefore be counted as part of the total economic contribution of the sector.

Further broader economic impacts are calculated as acknowledged in Annex 6 of the TSA:RMF 2008, notably indirect supply-chain impacts and induced impacts.

Supply-chain impacts are calculated to measure the full effect of economic activity through the economic activity and employment supported by Travel & Tourism in the wider domestic economy. As with any industry, Travel & Tourism activity requires large amounts of purchases both from the domestic economy and abroad. Importantly, imported goods are treated as leakages and are not counted. Domestic purchases by Travel & Tourism businesses and the associated GDP and employment should be included as part of the total economic impact of Travel & Tourism.

Induced impacts measure the effects of wider spending of household income that is generated by those employed in Travel & Tourism, and is typically included in any full economic impact study.

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With the Chairs and Chief Executives of the 100 foremost Travel & Tourism companies as its Members, WTTTC has a unique mandate and overview on all matters related to Travel & Tourism.

WTTTC works to raise awareness of Travel & Tourism as one of the world's largest industries, supporting around 260 million jobs and forecast to generate over 9% of global GDP in 2011.

Together with its research partner, Oxford Economics, WTTTC produces comprehensive reports on an annual basis – with updates whenever required – to quantify, compare and forecast the economic impact of Travel & Tourism on 181 economies around the world. It also publishes a World report highlighting global trends.

To download one-page summaries, the full reports or spreadsheets, visit **www.wttc.org**



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