



## **PRESS RELEASE**

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### **State Benefits of Travel & Tourism Too Big to Miss**

The economic impact of travel & tourism (tourism) is too big to ignore, but unfortunately Russia is doing just that.

Consider the following statistics from the World Travel & Tourism Council, the tourism industry's global economic monitor and lobbying body:

- Tourism's direct contribution (hotels, restaurants, transportation, and events) in 2011 was 2.8% of global GDP (\$2 trillion) and created 98M jobs or 3.3% of global employment.
- Add the indirect contribution (investment spending on, and services & supplies to, the industry) and these numbers rise to 9.1% of GDP (\$6.3 trillion) and 250M jobs - nearly one of every 10 jobs on the planet.
- International visitor tourism expenditure ("visitor exports") accounts for 5.3% of total global exports of goods & services.

These already impressive numbers are expected to grow 4% annually through 2022, well above the expected global economic growth rate or that of most industry sectors, driven primarily by burgeoning demand from the emerging economies' "middle class" and an aging developed economy population with time and money to travel.

Not surprisingly, Russia's share of global tourism spend is well below the global and individual country averages; with the combined direct/indirect impact of tourism comprising 5.9% of GDP (\$106B), 5.4% of total employment (3.9M jobs) and visitor export revenue of \$16.1B or 3% of total exports, making it Russia's 3rd largest export earner after the extractive and chemical industries. In GDP terms, the Russian tourism sector ranks 3rd behind the extractive industries and financial services and ahead of (in GDP and employment) the much more prioritized automotive, chemical and communications sectors.

Compared to other BRIC countries, Russian tourism also lags, especially Brazil and China, by 3 times in GDP contribution and 2 times in expected sector growth. Indeed, China long ago identified domestic and foreign tourism as one of the 5 economic pillars of its published industrial policy. Does Russia even have an industrial policy?

And Russia is a big "net" export loser in tourism, with one of the world's fastest growing outbound tourism sectors taking double the trips abroad and spending over 3 times more than inbound tourists to Russia.

Yet, whilst lagging the global and BRIC economies', these numbers are still impressive as a percent of Russia's total economy, especially considering how little Russia has been to promote tourism. Russia spends around 0.6 euros per inbound tourist compared to a world average of 6 euros and ranks 91st globally in tourism promotion spending.

And most of what is spent is spent badly: the typical Russian federal or regional tourist body approach has been to travel to Cannes, Berlin or other tourist convention site, set up a stand and then go shopping - or worse. No surprise of little success. To make new friends (new business) you have to host the party, not just go to the party, even though the former is more work and less fun. Invite the key tour destination deciders (tour operators, travel writers, etc.) to Russia, entertain and show them the country in all its big, brash and - unusual but interesting - splendor. This is essential given the image deficit (part "cold-war" remnant, part self-inflicted) which Russia has (People still ask me about bread queues, babushkas and tanks on the streets), which is completely at odds with reality.

There are some positive signs on the tourism promotional front: the Russian government has agreed a federal tourism development programme and promised up to \$11B in funding through 2018 and Moscow has allocated funds - albeit too little- for advertising the city via internet media. The success of these efforts will depend not just on if - and how - the monies are spent, but how well the authorities listen to those tourism industry participants who know the market and what is needed.

On this note, the Chairman of the Moscow Committee for Tourism and the Hotel Industry, Sergey Shpilko, has been very active in gathering ideas from the city's tourism experts and in appearing at conferences such as the Russian Hotels Investment Forum to discuss better working relations between the city and the tourism industry. This marks a notable change from several years ago when the WTTC and other industry groups received less than hospitable receptions when offering development ideas, or the officials were "too busy" to meet those invested in the industry.

There are, of course, other reasons for Russia lagging as a tourism economy, despite boasting two of Europe's largest most artistically and culturally rich cities in Moscow and St Petersburg, and ranking globally 4th and 13th respectively in World Heritage nature and cultural sites. Inadequate and expensive transportation and accommodation infrastructure, poorly developed and (especially foreign) tourist unfriendly attractions with minimal adaptation for elderly or disabled visitors, perceived security concerns and - again - high prices all play a deterrent. These will take time to remedy.

But the easiest quick fix remedy to enhance Russian tourism would be not just modification - but abolishment - of Russia's expensive, time consuming and, frankly, self-defeating visa system. Really, what is the point: everything to steal has already been stolen; our "terrorist" threat is from the CIS Caucasus regions and they do not need visas to enter Russia. If it is national pride ("Foreign consulates treat us like s... when we travel, so let's reciprocate!"), then save face and adopt a "on arrival" visa regime (effectively a tourist tax) like Turkey/other countries. Be like Jesus; turn the other cheek, smile and let the tourists in and accept their tourist roubles. This is not just enlightened self-interest, but the cheapest and most effective foreign policy enhancement Russia could ever hope to achieve.

A strategic tourism development policy by the government that prioritizes the active involvement of industry participants in mapping its direction and allocating its resources makes too much economic sense to ignore. Diversifying the economy, whilst creating clean, safe and socially interactive (i.e., fun) jobs. And with the added benefit of delivering the international public relations boost Russia so dearly needs.

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