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Travel Markets

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Annual subscription rates 2004:

£350 / €590

The Travel Business Partnership

The Travel Business Partnership provides strategic research and market intelligence on the international travel and tourism industry. In addition to *Travel Markets*, it publishes the monthly *City Profiles*, as well as a range of customised research reports.

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Symbols for tables

na = not available

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ISSN 1473-6330

Comment

Conclusions of the annual Pisa Forum ...

This issue of Travel Markets provides an overview of the conclusions of the latest annual Pisa Forum, organised by IPK International from 29 October through 1 November 2003. This overview broadly reflects the presentation made by IPK at World Travel Market (WTM) last month, including updates of trends presented at WTM but not included in the WTM Global Travel Report issued to the media at the event.

This year's forum, the tenth annual event of its kind, was unique for a number of reasons. Most importantly, it was planned in co-operation with a wide range of high-level partner organisations. In addition to the World Tourism Organization, the European Travel Commission and the Pacific Asia Travel Association, new partners included the Office of Travel & Tourism Industries of the US Department of Commerce, the World Travel & Tourism Council, Global Insight and the International Air Transport Association (through its outgoing head of research).

At the same time, in addition to bringing together IPK International's established research partners from key tourism source markets in Europe, North America and Asia, the Forum welcomed the participation of partners and experts representing all sectors of the travel and tourism industry. In total, the Pisa meeting involved some 50 heads of research and/or marketing representing national tourism organisations, research institutes, industry associations and individual companies and organisations from over 30 different countries.

For the third consecutive year, The Travel Business Partnership was also honoured to be an active participant in the event, responsible for producing the annual Guide to Global Travel Trends (see below).

... the 'think tank' of global tourism

The Pisa Forum has a growing reputation as the annual 'think tank' of the global tourism industry. This summary report can only provide a brief overview of the wealth of information on travel and tourism demand exchanged by the participants in Pisa, but it does highlight the main conclusions of the three days of intense discussions.

The prime objectives of the meeting were to analyse the state of the industry in 2003 – identifying important trends in key and emerging source markets – to assess prospects for 2004, and to look at challenges facing the industry that will have an impact on longer-term trends. We will be looking more closely at these different challenges in next month's issue of Travel Markets.

For those interested in more comprehensive statistics and analysis, a 200-page report based on the Pisa Forum deliberations, Guide to Global Travel Trends, 2003-2004, is available for purchase from IPK. Please contact us for further details about the report, or for information on how to purchase it.

World tourism in 2003

Trends in travel demand

2003 has been another difficult year ...

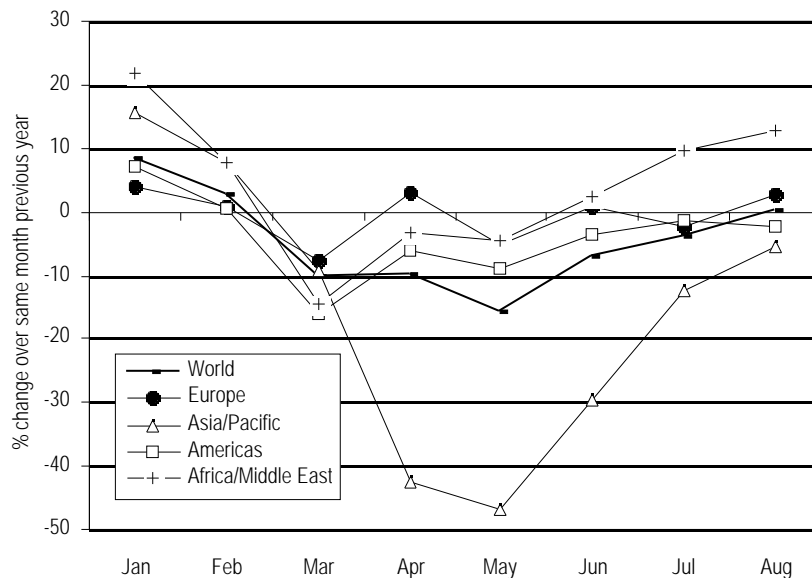
2003 has been another difficult year for world tourism. After a good start to the year, which many saw as the beginning of the recovery, global tourism demand was severely affected by a series of events. First, there was the build-up to the Iraq war which, combined with continued terrorism threats and the economic slowdown, proved more damaging in some markets than the war itself.

Markets were just beginning to show signs of a recovery again when they were hit by the outbreak of SARS. It will take some time to count the full toll, but preliminary estimates suggest that its impact on travel was greater than any other event in history. All regions of the world were affected, but the biggest impact was felt in the Middle East and North America, with the month of May recording the worst declines globally.

... but recovery is now clearly in sight

By the end of August, the recovery was once again in sight, reflecting the resilience of the industry and consumers' pent-up demand for travel after one of the biggest confidence crises in the history of tourism. Preliminary estimates for travel demand in the last four months of 2003 are positive, although there is still a long way to go before pre-11 September 2001 levels are regained.

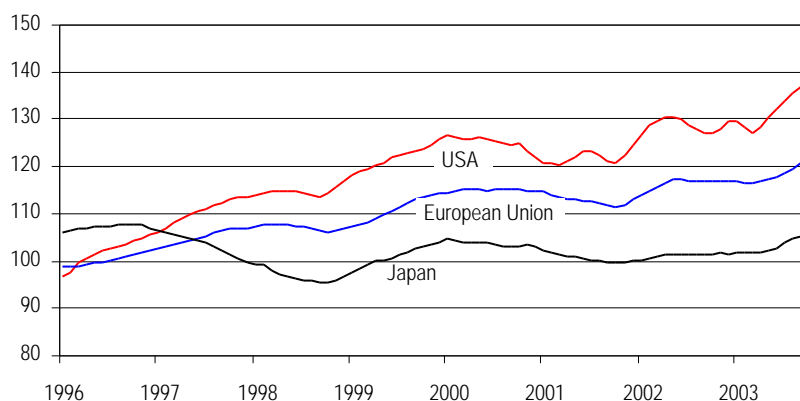
Evolution of international tourism, January through August 2003



Source: WTO World Tourism Barometer

Recovery is being driven primarily by economic growth and, given the feeble state of the economy in many countries, it is expected to take a few years before the required level of stability is regained allowing travel and tourism demand to return to 'normal'. This also assumes, of course, that there will be no major terrorist attack or other negative developments.

OECD leading economic indicators, January 1996 through October 2003
(trend-restored composite index)



Source: OECD

Mixed performances from one region to another

Travel and tourism's improved performance worldwide masks wide fluctuations from one destination region to another. In the first four months of 2003, results were influenced by the Iraqi conflict and, from April, by the emergence of SARS. While travel confidence was gradually restored after the war, it was further dented by terrorist attacks in Riyadh, Casablanca, Jakarta and Mumbai. However, these had far less impact than expected as the travelling public seems to have grown used to living in an unsafe world.

The Pisa Forum agreed that, while the Middle East & Africa – and possibly even Europe – will show positive growth for the full 12 months of 2003, international arrivals in the Americas and Asia Pacific will end the year below 2002's level. The Americas are likely to record a fall of around 2%, but the decline for Asia Pacific could be as dramatic as 9%. Only the Americas and Asia Pacific are certain to end the year in red figures. As a result, international tourism globally is likely to decline by between 1-2%.

Trends in arrivals worldwide by region, 2003
(% change on 2002)

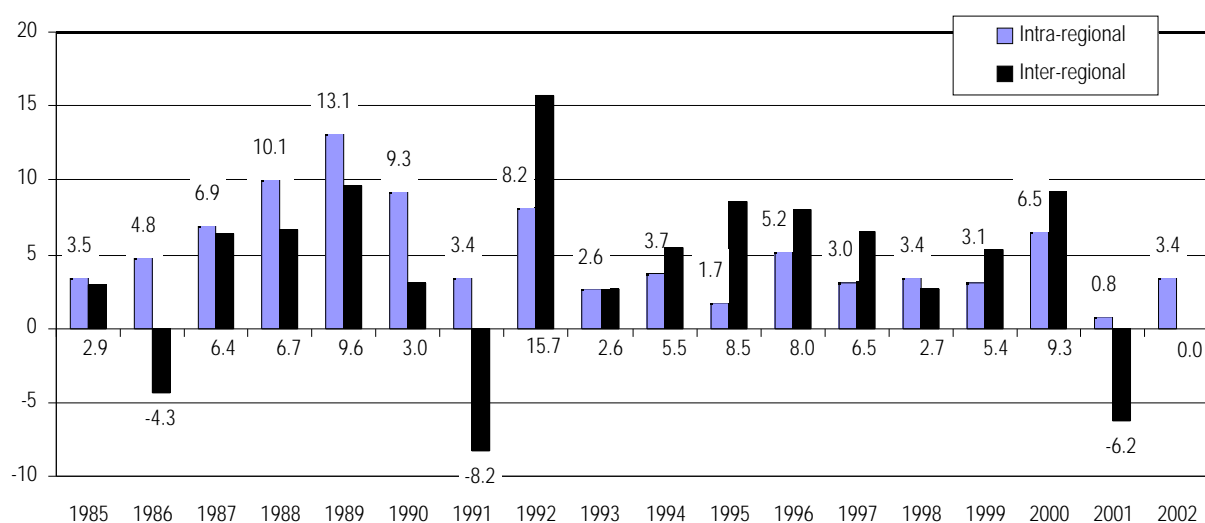
Region	Estimated Jan-Aug	Forecast Jan-Dec
Europe	-2.0	0.5
Americas	-5.0	-2.0
Africa/Middle East	5.0	6.0
Asia Pacific	-17.0	-9.0
World	-4.3	-1.7

Source: Pisa Forum

Intra-regional travel continues to outpace inter-regional travel

One trend that has intensified since it emerged after 11 September 2001 has been the preference for short-haul, or intra-regional travel, at the expense of long-haul/inter-regional trips. The trend has been even more noticeable since inter-regional travel grew at a much faster rate than intra-regional travel throughout most of the 1990s, except during the immediate post-Gulf war period. However, as the following chart shows, there was a strong rebound in 1992 – something that many in the industry are expecting to happen again during 2004.

Trends in international tourist arrivals by source region, 1985-2002
(% change on previous year)



Source: WTO

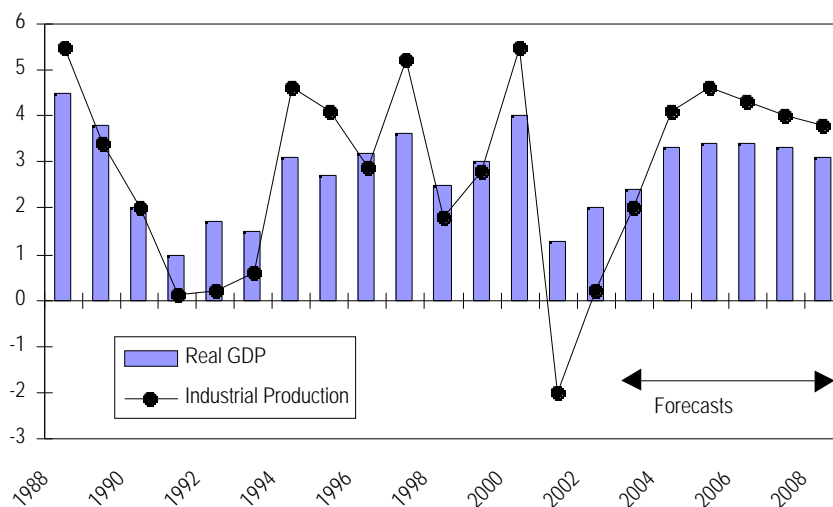
Economic trends

Improving, but the pace of recovery will remain uneven across regions

Despite the clear signs of a revival in travel and tourism demand, it is important to note that the current recovery is taking place against a relatively weak economic background. The world economy is considered to be in recession when GDP growth falls below 2% – as it has done over the past one to two years. And even if economic activity is picking up strongly in some regions, profits (in an over-supplied and very competitive environment) are still poor. This pattern is also evident in the tourism sector: even in regions where arrivals are growing strongly again, yields are still very depressed.

Nevertheless, the economic situation is forecast to continue improving, and industrial production is also picking up. Global Insight says the US rebound should lift the rest of the world, although the pace of recovery will be uneven across regions. World real GDP growth will pick up from 2.4% this year to 3.3% in 2004. But global output will remain below potential.

Growth in the world economy, 1988-2003 and forecasts 2004-2009
(% annual change)



Source: Global Insight

Weak domestic demand, inflexible policies, and the appreciation of the euro are holding back western Europe and Japan, Global Insight says. Meanwhile, Asia’s expansion, disrupted by SARS, is regaining strength.

Among the other indicators likely to influence travel and tourism demand, house price inflation has been significant in many key travel source countries, boosting consumer confidence. Over the seven years to 2002, the value of people’s homes has soared, especially in Ireland, the UK and the Netherlands.

House price inflation, 1995-2002
(%)

	Nominal	Real
Ireland	219	152
Britain	125	89
Netherlands	121	83
Spain	95	58
Sweden	68	56
Australia	83	53
Belgium	57	39
France	45	31
USA	51	27
Eurozone	35	19
Italy	29	8
Canada	18	2
Germany	-5	-13
Japan	-20	-19

Source: Compiled by Global Insight

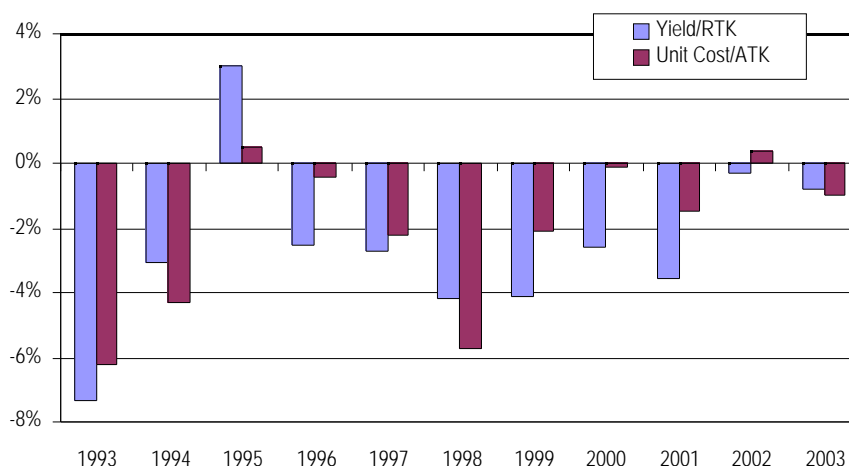
Air transport

Light at the end of the long tunnel

There is also good news for the air transport industry, which has suffered three years of increased costs against declining demand. In the past ten years, in fact, data from member airlines of the International Air Transport Association (IATA) shows that average yield only recorded an increase in one year, 1995.

IATA airlines are expected to end 2003 on a slightly more positive note than in recent years, although their combined projected loss will be US\$4.9 billion – as against a loss of merely US\$3.8 billion in 2002.

IATA airlines' average yield and unit cost, 1993-2003
(% change on previous year)



Note: RTK = revenue tonne-km; ATK = available tonne-km

Source: IATA

The improved outlook, which could produce a positive result for 2004, is due in no small part to the fact that the industry has learnt how to manage crises better and to control capacity. Seat load factor has risen sharply in 2003 – IATA airlines achieved the highest monthly level ever in August on international scheduled services – thanks largely to capacity cuts and a continuing squeeze on prices.

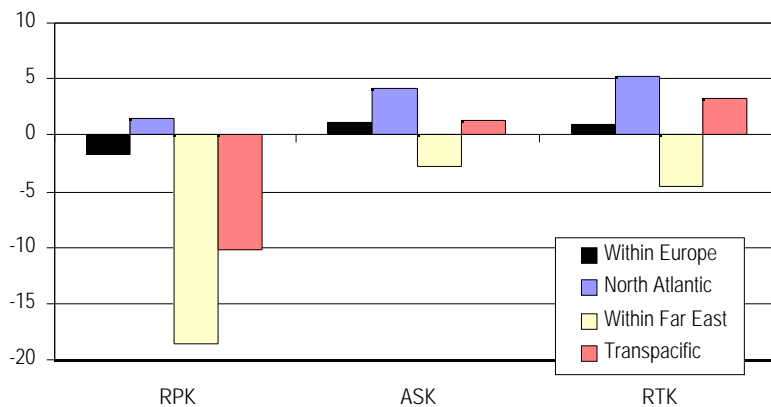
Asia Pacific suffers sharpest fall in air travel demand

IATA's statistics highlight the fact that, in the first half of 2003, the regions to suffer most in terms of traffic declines (expressed in revenue passenger-km, or RPK) were route networks within the Far East and the transpacific. In fact, before the impact of SARS, the Asia Pacific region was showing strong signs of recovery post-11 September – much stronger than for other regions of the world. But SARS changed all that.

By the end of August, Europe was the only region of the world to be back on track, in terms of airline traffic demand, although pent-up demand in other parts

of the world coupled with reduced capacity are expected to have stimulated growth generally for the full 12 months of 2003.

Regional traffic and capacity on IATA international scheduled services, Jan-Jun 2003
(% change on previous year)



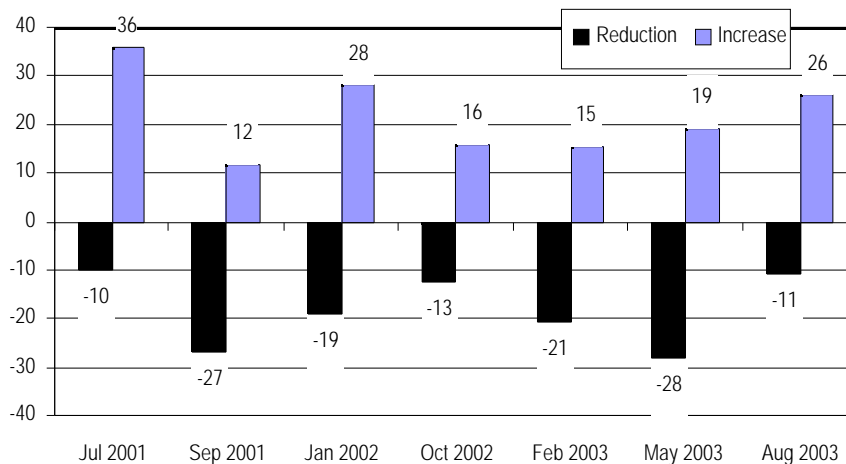
Note: RPK = revenue passenger-km; ASK = available seat-km; RTK = revenue tonne-km

Source: IATA

Cautious optimism from the corporate travel sector ...

The corporate sector, which has arguably been the hardest hit in the past couple of years, is still cautious about making travel plans, but significant postponed demand may prove beneficial to the airline industry, IATA believes. According to the results of its latest *Corporate Air Travel Survey (CATS)*, there is growing confidence in the likelihood of increased demand for flights from corporate travellers, while fewer than in the past couple of years expect declines.

Expected trends in corporate demand for air travel (flights), July 2001 through August 2003
(% of respondents expecting an increase or decrease)

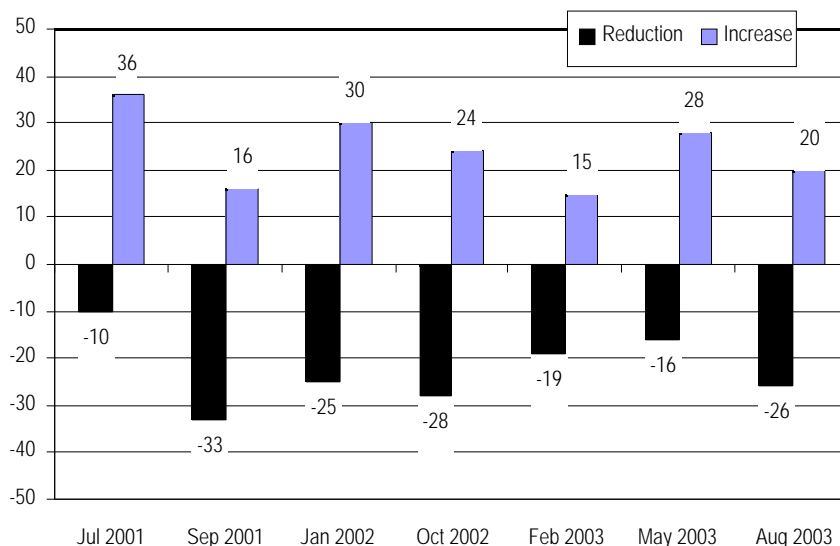


Source: IATA's *Corporate Air Travel Survey*

... but travel budgets are still more likely to shrink than to expand

Nevertheless, more corporate travellers still expect their air travel budgets to decline than to increase over the foreseeable future. In fact, the 26% share of respondents to the IATA CATS survey in August 2003 who expected a negative trend in budgets was higher than at any time since October 2002.

Expected trends in corporate air travel budgets, July 2001 through August 2003
(% of respondents)

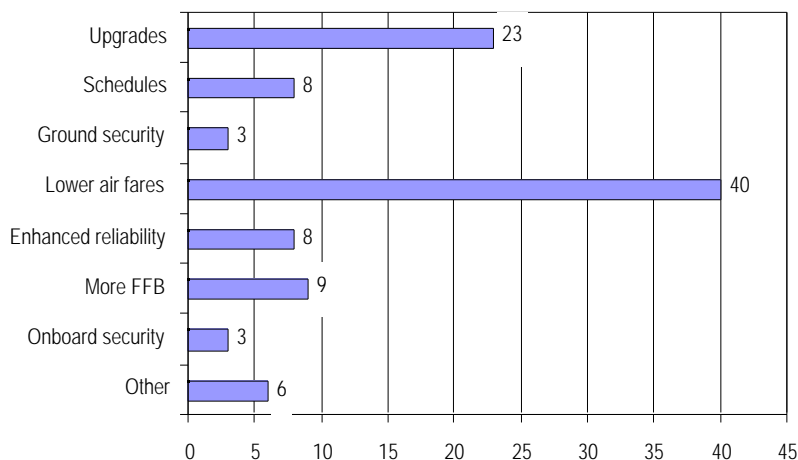


Source: IATA's Corporate Air Travel Survey

Lower airfares are the main draw

Asked which actions would encourage them to fly more frequently, 40% of corporate air travellers responding to the August IATA survey cited lower airfares. This compared with 23% who opted for upgrades. No other action suggested attracted more than 8% of responses.

What actions would encourage you to fly more frequently?
(% of respondents)



Source: IATA's Corporate Air Travel Survey, August 2003

Key outbound travel markets

European outbound travel stimulated by the euro's strength ...

European outbound travel has been stimulated in 2003 by the appreciation of the euro and the widespread availability of low-cost flights, although demand is still constrained in some markets by high unemployment and low consumer confidence. Germany is an obvious example.

In the first eight months of the year, outbound trip and overnight volumes declined by 2% for the 16 major origin markets that account for 90% of all European outbound travel, and expenditure on travel abroad fell by 3%.

European outbound travel trends, January through August 2003

	% change on Jan-Aug 2002
Total trip volume	-2
of which:	
Holidays	-1
Business	5
VFR and other leisure	0
Short-haul	1
Long-haul	-9
Overnights	-2
Expenditure	-3

Source: European Travel Monitor, IPK International

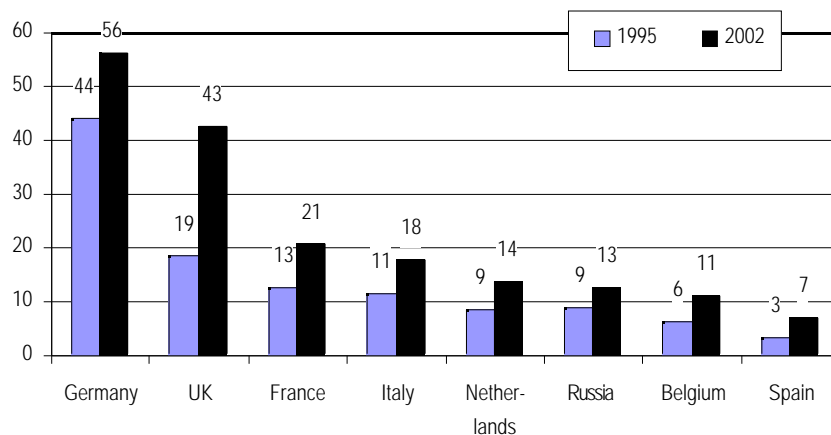
There was a 9% decline in European long-haul travel, with Asia Pacific recording an 18% drop out of Europe as against a modest 1% decline for North America. Short-haul travel increased by 1% and the Caribbean showed a healthy double-digit growth after a disappointing 2002 from most markets.

Winners and losers in Europe

The strongest growth markets in Europe, in terms of outbound trips in the first eight months, were Austria, the Czech Republic, Hungary, Netherlands and Norway. A sharp decline in UK demand for France this year has had a marked impact on the figures for UK outbound travel – although they were still up around 2% on 2002's level – and French demand for the UK also appears to be well down. Germany has recorded another year of decline, although some segments of the market appear to be picking up.

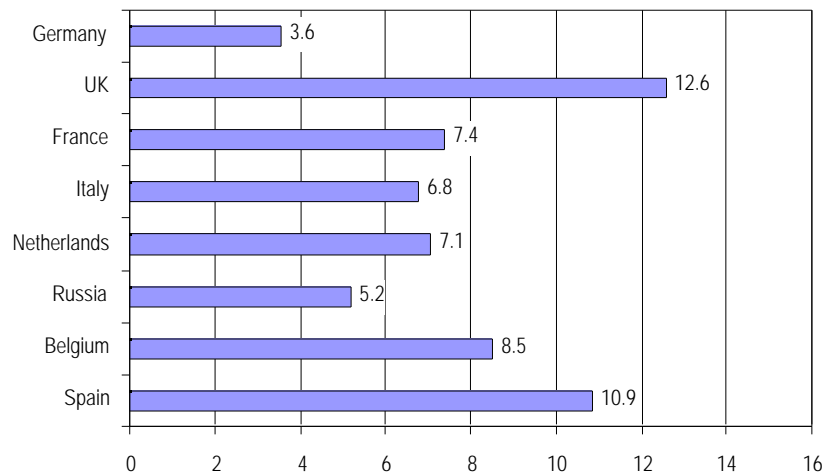
Germany still leads in terms of spending on travel abroad, as the following charts show. But its lead over the UK has been eroded since 2000 and is likely to shrink further in 2003. The UK in fact registered the highest average annual growth in spending abroad from 1995 to 2002, followed by Spain and Belgium. Russia's average growth was relatively modest over the period after the market suffered sharp declines in 1998 and 1999, but growth is now firmly back on track.

**International tourism expenditure by leading European source markets, 1995 and 2002
(€ bn)**



Source: WTO

**Growth of international tourism expenditure by leading European source markets, 1995-2002
(average annual % change)**



Source: WTO

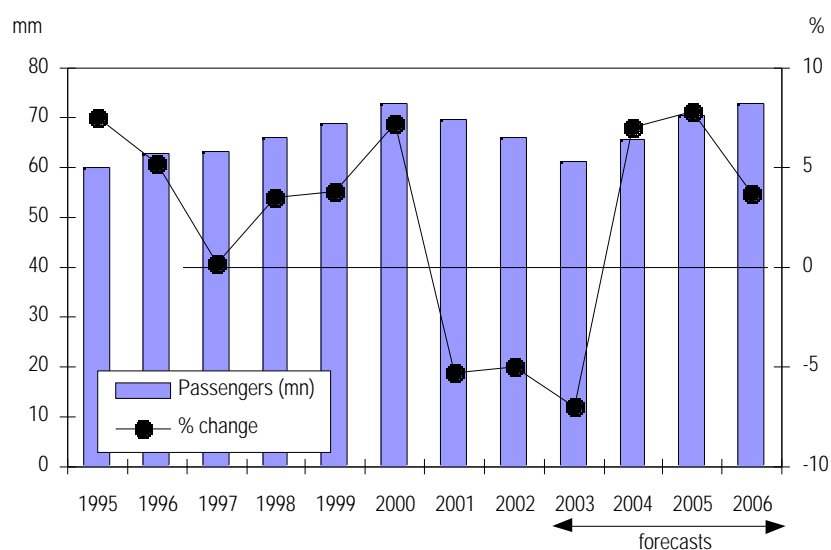
In line with the continuing search for increased value for money, destinations like Bulgaria and Croatia have attracted the strongest growth this year out of Europe. Meanwhile, traditional Mediterranean sunspots, such as Spain, Portugal, and Italy, have lost ground. There have also been declines for France, Greece, Cyprus, the Nordic and Benelux countries, Switzerland, the Czech Republic, Hungary and Poland.

USA turns in another disappointing performance

The USA is an extremely important source market for many destinations in Europe and other parts of the world. Yet its performance over the past few years – even well before the events of 11 September 2001 – has been anything but dynamic. US outbound overall declined by 4.8% in 2001 and by more than 5% in 2002, according to Global Insight's *Global Tourism Navigator*, and – as at September 2003 – was projected to post another year of decline this year.

However, since mid-2003, the market has picked up and the decline could be much less significant than initially feared. A number of indicators are looking increasingly positive. As an example, the USA lost 2.8 million jobs from February 2001 through August 2003, but the employment situation began to recover last autumn.

US outbound travel^a, 1995-2002 and forecast 2003-2006



^a Arrivals in all destinations

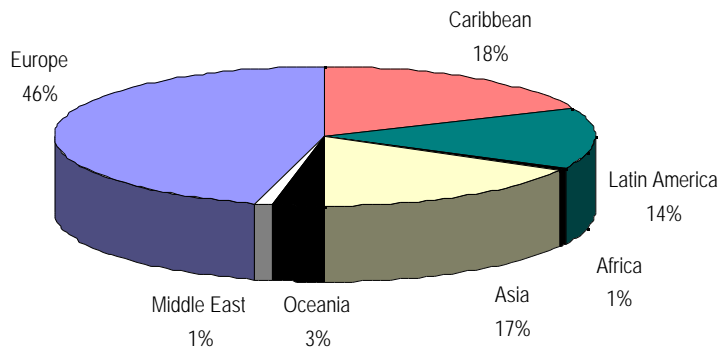
Source: Global Insight's *Global Tourism Navigator*

One factor which may restrain the recovery in outbound tourism is the depreciation of the US dollar, which has been falling against other major currencies since the second half of 2001. It is now down 27% against the euro from its 2001-02 peak, by 18% against the yen and Canadian dollar, and by 16% against sterling.

Caribbean gains share of US overseas trips

Although Europe still dominates as a destination region for US overseas travel (ie excluding travel to Canada and Mexico), the Caribbean has been gaining share this year – it posted 11% growth out of the USA in the first nine months – and now accounts for some 18% of total trips. Asia, not surprisingly, has lost share but the trend is likely to reverse from 2004.

US overseas travel^a by destination, 2003



^a Excludes Canada and Mexico

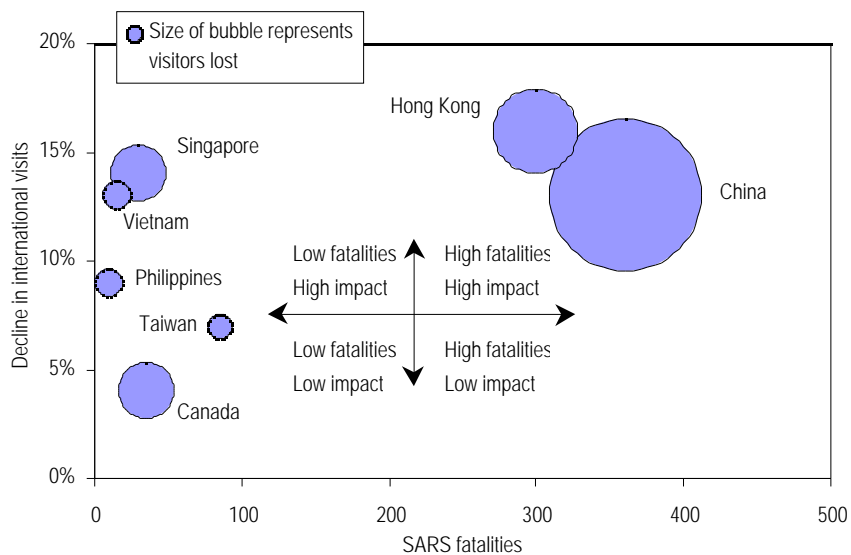
Source: Office of Travel & Tourism Industries (OTTI), US Department of Commerce

SARS will leave an indelible mark, especially on Asia

The Pisa Forum participants agreed that SARS will leave an indelible mark on global travel in 2003. The damage to travel demand has been greater than any other event probably in the history of travel and tourism. East Asia's arrivals plummeted in the first eight months, led by double-digit declines for both China and Hong Kong.

A second set of countries, including those in the Pacific, south and southeast Asia, traditionally depends on tourism demand from SARS-affected countries. Travel in these markets has been shaken by the dual effects of outbound declines in the northeast Asian markets and the fear of exposure from travelling to or through northeast Asia.

Impact of SARS on selected countries, 2003



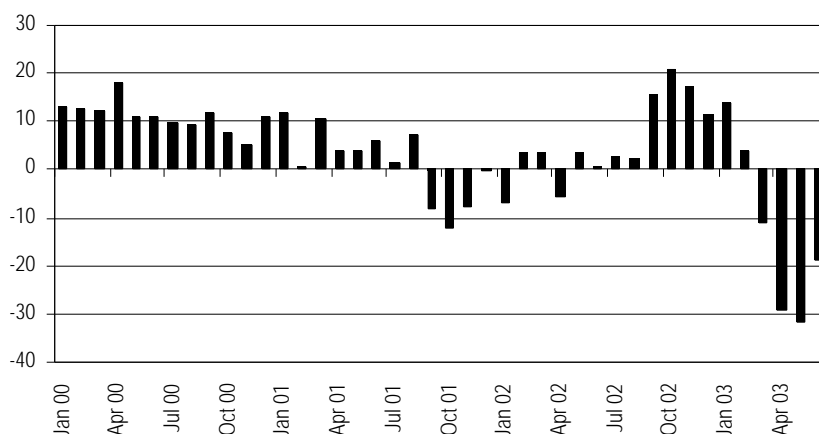
Source: Global Insight

Has the Asian tiger lost its teeth?

The difficult operating environment of the past several months has made some in the industry question whether or not the Asian tiger has lost its teeth. The next graph highlights the dramatic effect of SARS on monthly international visitor arrivals in the region – a decline unprecedented in the history of Asia Pacific tourism. By comparison, the impact of 11 September looks almost modest.

However, as confirmed by the Pacific Asia Travel Association (PATA) during the Pisa Forum, the market is in fact about to explode, and signs of the recovery were already apparent before the last quarter of 2003.

Asia Pacific international visitor arrivals, January 2000 through June 2003
(% change year on year)

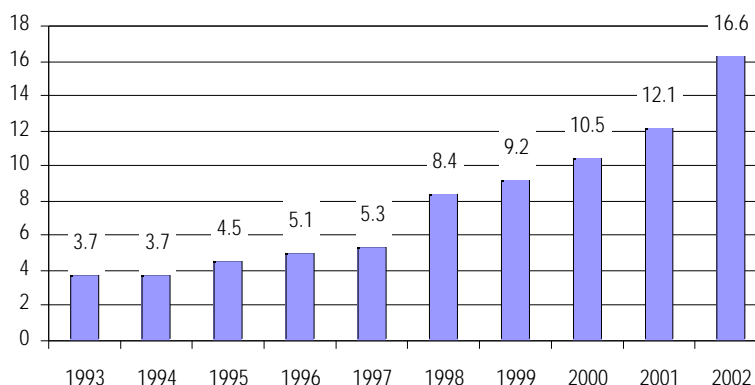


Source: Pacific Asia Travel Association (PATA)

China is now Asia's major travel source

The Chinese outbound market ousted Japan from top position in the Asia Pacific outbound ranking in 2002 and is forecast to increase its lead in 2003. Outbound trip volume from the Chinese market, which is to be the subject of a *Travel Markets Special Report* in early 2004, has risen almost five-fold in the past ten years, and double-digit annual increases are almost guaranteed for the foreseeable future – barring a recurrence of SARS.

China (People's Republic) outbound departures, 1993-2002
(mn)



Source: China National Tourism Administration

Japan outbound lags behind

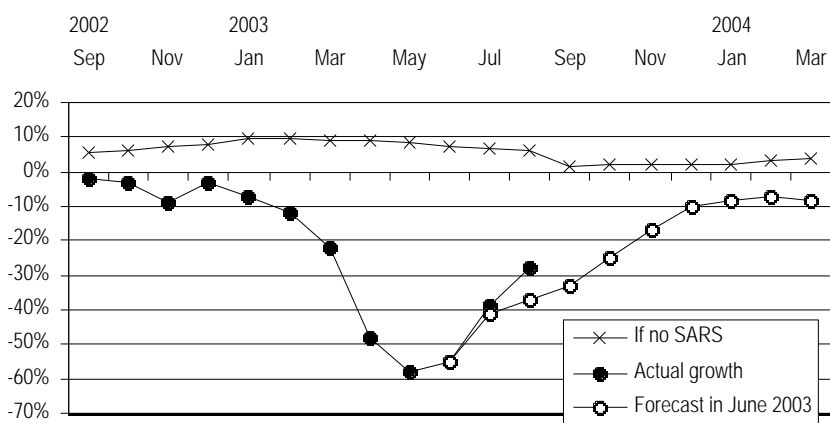
Japanese outbound travel, which totalled 16.5 million trips in 2002, up 1.8%, is expected to fall by 18% in 2003. It is interesting to note, however, that travellers from Japan who have made ten or more outbound trips in their lifetimes, have been least affected by the different crises of the last few years.

Nevertheless, the JTB Foundation believes that business travel has already turned around, with the market now back to its pre-crisis level, and that leisure travel demand should start to show a strong recovery from the end of 2003.

Leisure demand slower to recover than business travel

The leisure travel market has taken longer to recover because travellers aged 50-plus are the main drivers of leisure travel growth but, at the same time, they are very sensitive to crises such as SARS. In addition, the destination most affected by SARS was China, which is one of the most popular destinations among older Japanese travellers. Other destinations, such as Europe and Australia/New Zealand, will regain popularity in a matter of months, the JTB Foundation maintains.

Outlook for the Japanese market after SARS, September 2002 through March 2004



Source: JTB Foundation

Outlook for 2004

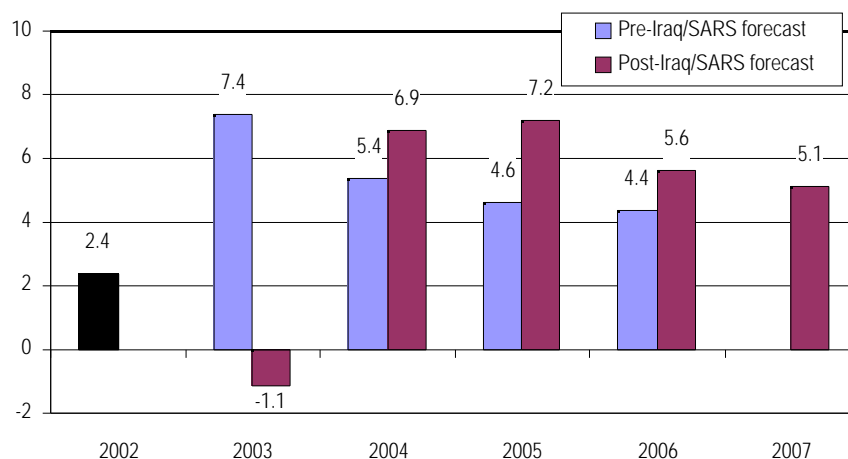
Traditional versus low-fare airlines

Traffic demand back on track – but more than two years late

IATA passenger forecasts, which confirm the World Travel Monitor findings presented in Pisa, suggest that growth in international scheduled airline traffic will take off next year from where it was disrupted after 11 September 2001. In other words, current expectations are that traffic will increase by close to 5% a year between 2004 and 2007 and that the average annual growth for 2004 and 2005 should be in the order of 7%.

This latest forecast from IATA for its member airlines is rather more bullish than 2002's forecasts were for the years 2004 through 2006, but they highlight the fact that traffic is now expected to be back on track by next year – two years later than would naturally have been the case without the Iraq war and SARS.

IATA's forecasts of growth in international scheduled passenger traffic, 2002-2007
(% change on previous year)



Source: IATA's passenger forecasts

Bullish prospects in the short to medium term

As the following chart shows, even the most pessimistic scenario for traffic growth in 2004 projects a 6.5% increase. And capacity growth, in all events, is expected to remain well below the respective growth in traffic as IATA airlines, like all network carriers, are reluctant to adjust capacity upwards for fear of adding to their problems – notably increased competition from low-fare carriers.

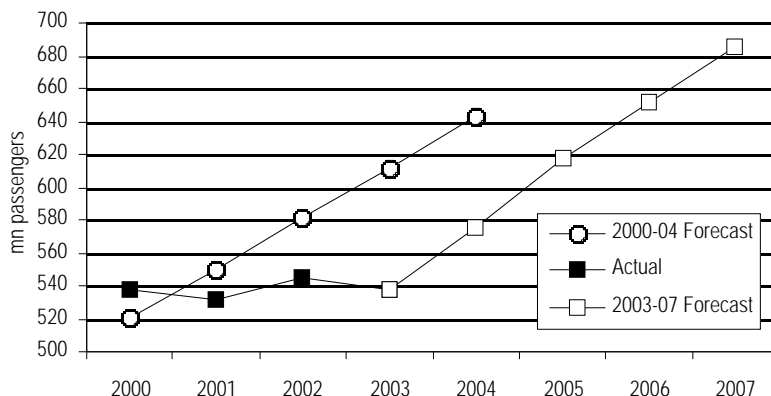
However, the most optimistic scenario for 2004 forecasts only a 2% drop in IATA airlines' unit costs and a 1% increase in yield. As a result, they stand to make an operating profit in 2004 of at most US\$5.4 billion – barely enough to cover 2003's expected loss. And, at worst – even assuming there are no more major disasters or negative events to affect demand – their combined results will produce a loss of around US\$1.9 billion.

IATA's scenarios for 2003-2004
(% change on previous year)

	2003 Central	2004 (based on 2003 central scenario)		
		Optimistic	Central	Pessimistic
Traffic	1.3	8.0	7.0	6.5
Capacity	2.5	5.0	6.0	5.5
Yield	-0.8	1.0	1.8	-0.5
Unit cost	-1.0	-2.0	-1.9	-1.5

Source: IATA, 2003

Actual and forecast international passenger growth, 2000-07



Source: IATA's passenger forecasts

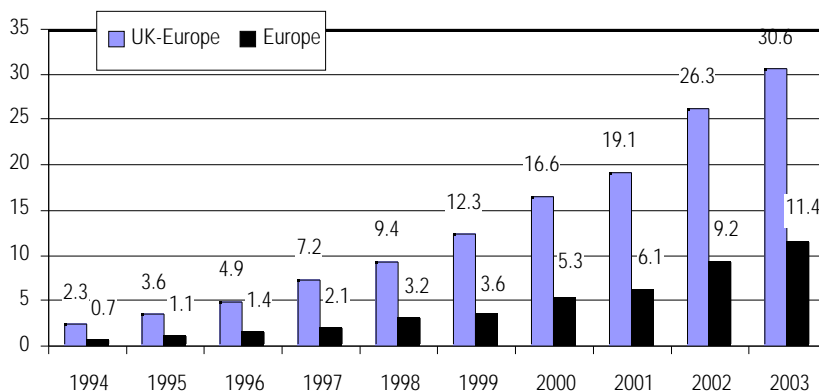
Best growth in 2004 for intra-Asia Pacific and Europe

Intra-European routes will be the second most successful international routes in the world for IATA carriers in 2004 – second only to intra-Asia Pacific. IATA airlines are forecast to achieve 7% growth in traffic in 2004 – measured in revenue passenger-km (RPK) – with an annual average of 4.7% projected for 2002-07.

Low-fare airlines will continue to stimulate demand

The rise in number of low-fare carriers operating with 'new wave' business models is expected to stimulate demand from a number of new markets, such as the former East European bloc. And there is already clear evidence that the concept is (in various forms) spreading from North America and Europe to other key tourism regions of the world, such as Asia Pacific.

Rapid rise of 'new wave' business model in Europe, 1994-2003 (% of departing seats)



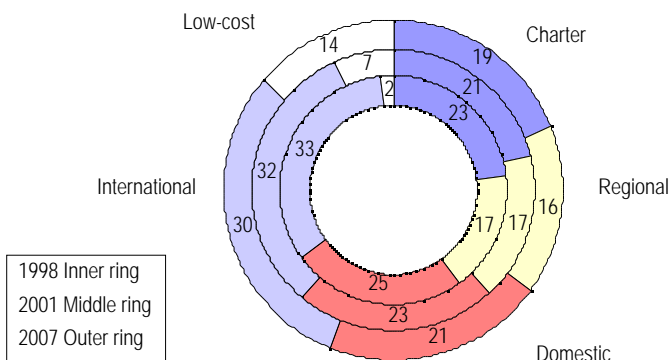
Sources: Airclaims; OAG analysis

The success of the new business model is due in no small part to the fact that there are underlying problems with the legacy model – namely declining revenues alongside rising costs. Yields for network carriers have fallen by one-third since 1995.

A growing share of the market

The low-fare/low-cost airlines are expected to continue to stimulate demand from business as well as leisure travellers, and will have an increasing influence on destination choice. A study by McKinsey suggests that they will capture a growing share of the market. In Europe, for example, their share is forecast to double in the six years to 2007, mainly at the expense of charter carriers.

Breakdown of intra-European passenger traffic by type of airline, 1998, 2001 and forecast 2007 (%)



Source: McKinsey

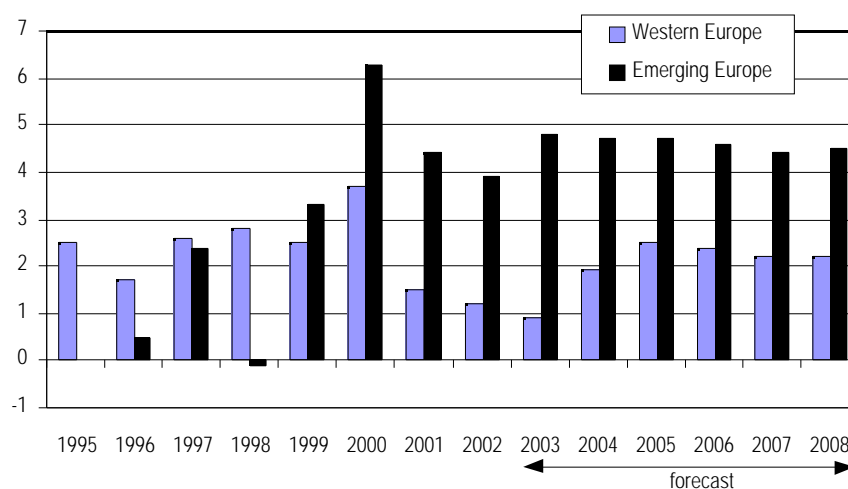
The main growth markets

New EU members will drive much of Europe's outbound travel growth

Prospects for European outbound travel are fairly bullish, in part because of the weakness of the US dollar, on which prices in many long-haul destinations (in addition to the USA) are based. More significantly, perhaps, is the expansion of the European Union next year to include many former members of the East European bloc.

These markets, which have shown sharp fluctuations in demand over the past decade – as they swung from euphoria at the opening of their markets to dismay at their lack of disposable income and back again – are now expected to be one of the main drivers of demand out of Europe for the foreseeable future. The continuing appreciation of the euro – which most of them are keen to adopt as their national currencies – will of course be a major contributor to this explosion in travel demand.

Real GDP growth in Western Europe and emerging Europe^a, 1995-2002 and forecast 2003-2008
(% change on previous year)



^a Eastern Europe and former Soviet Union

Source: OECD

Value for money is key

Nevertheless, concern over price:quality ratios – ie value for money – will be a major determinant of travel trends in the next few years. As already indicated, the results of the August 2003 IATA *Corporate Air Travel Survey* show that lower airfares are considered the most important motivating factor by travellers. It should be noted that, in the November 2001 survey conducted by IATA – less than two years earlier – improved security was the major concern of interviewees, 50% of whom cited it as the major deterrent to more frequent travel.

Business travel demand should continue to pick up – possibly even at a faster rate than leisure travel over the next few months – but low-fare airlines will benefit at the expense of the network carriers as a result of the continuing demand for low fares.

Traditional package tour is not obsolete

Although many tour operators are themselves creating their own low-fare airlines in an effort to compete with the competition, research by TUI, Europe's leading tour operating and retail travel group suggests that there is still demand for the traditional package tour. In fact, some 94% of European clients interviewed believe it still offers good value for money.

However, it is clear that, with the increasing use of the internet to research travel options and book trips, fully inclusive packages are likely to fall further in popularity.

USA needs more time to recover ...

Although the US market should see a turnaround in 2004, outbound trip volume is only expected to reach its 2000 peak in 2006. And performance will vary from one state to another, with the Pacific and Southeast regions of the country forecast to lead the recovery. Short- to medium-term prospects of the US market will be looked at in more detail in a future *Travel Markets Special Report*.

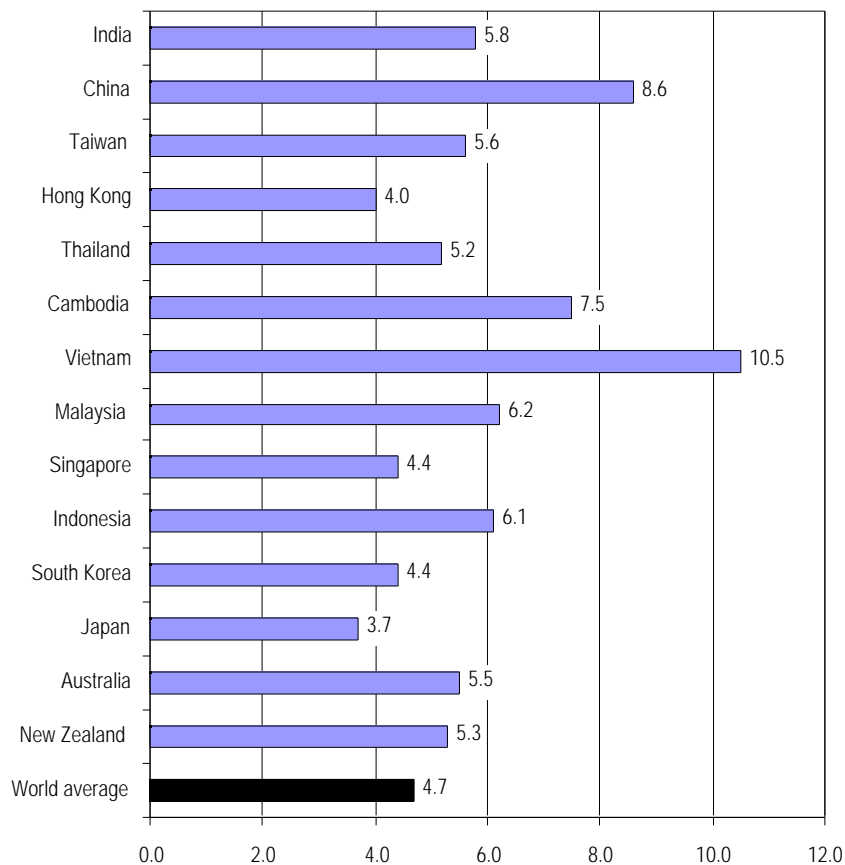
... but the market holds huge growth potential

The medium- to longer-term outlook remains bullish. Although American travellers are much more sensitive to perceived threats to their safety and security, and consumer confidence in the national economy plays an extremely important role in dictating travel trends, the US travel and tourism market is relatively untapped, and therefore probably has greater scope for expansion than any other market in the developed world.

The sleeping tigers are waking up

IATA forecasts point to very strong growth in air traffic demand to/from Asia Pacific to 2007, with average annual growth rates for individual countries well above world averages. The best growth is projected for Vietnam and China – 10.5% and 8.6% respectively over the next three to four years.

IATA's forecasts of growth in international scheduled passenger traffic in Asia-Pacific, 2003-2007 (average annual % change)



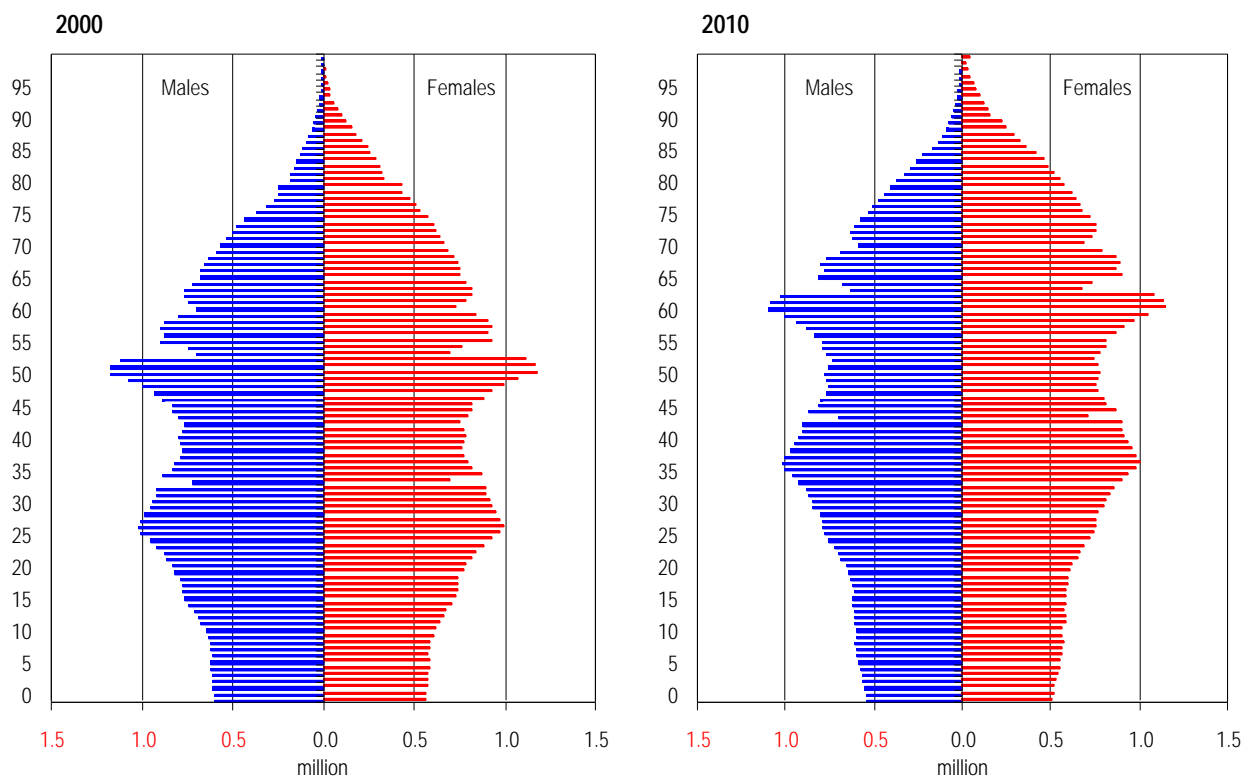
Source: IATA airline passenger forecasts

China outbound will return to very strong growth in 2004, and prospects for all other emerging Asia markets are likewise considered good – especially for South Korea. However, the Japanese market is also expected to pick up in line with the projected economic recovery.

Japan's population pyramid complicates marketing decisions

Japan's population – now about 125 million – is growing only slowly, and it will start to shrink in absolute terms from 2010. But it is one that has an unusual distribution by age, and which is ageing relatively rapidly. By 2010 Japanese aged over 50 years old will account for more than half the adult population (ie those aged 20 years or more). Their share will continue to increase to around 60%, or 50% of the total population, by 2050.

Age structure of the Japanese population, 2000 and 2010

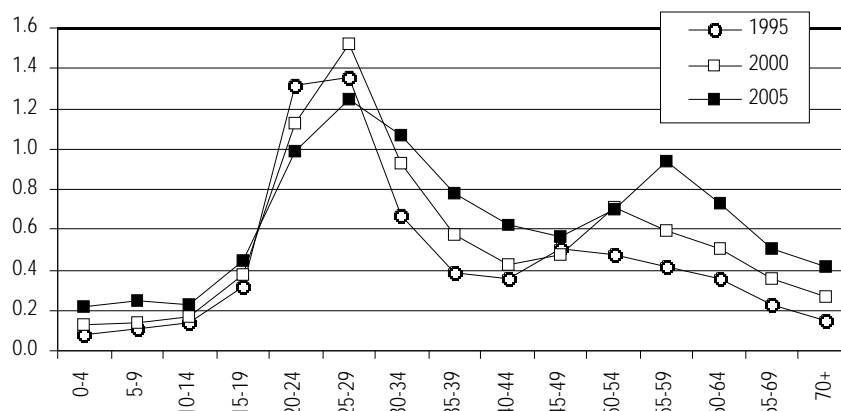


Source: Source: JTB Foundation, from national statistics

Time to focus on middle-aged Japanese females

The best growth over the next few years should come from middle-aged female Japanese travellers. Although they were one of the sectors most affected by 11 September, the Iraq war and SARS, older (50-plus years old) Japanese women are expected to be the age segment showing the most sustained growth over the next couple of years. Forecasts for the remainder of 2003 and 2004 are optimistic, as shown in the following graph.

Japanese outbound travel departures by age (female), 1995, 2000 and 2005
(mn departures)



Source: JTB Foundation

Demand should also return fairly rapidly from the 30-39 year-old age segment of Japanese women. On the other hand the difficult economic situation will most likely have a negative impact on business travel in the short to medium term, as well as on travel by younger, salaried Japanese.

Pisa Forum is optimistic about 2004 ...

All the participants at the Pisa Forum expressed optimism about 2004 – mainly due to the level of postponed travel in 2003 and earlier, and the resulting pent-up demand. But, although they agreed that numbers are coming back, they all stressed that yields are still well down – and are a long way from being viable, economically speaking.

... but warns that one should look beyond the arrivals numbers

A CNN headline news report during the first days of November – while participants at the Forum were in heated discussions in Pisa – showed that depressed demand for travel by Americans in summer 2003 had seriously affected sales of film. This brought home the fact that tourism is not just a matter of counting arrivals and departures.

It was a timely illustration to back up the Forum's conclusion that it is important to look beyond the basic numbers and understand tourism's wider impact on the economy and on job creation.

Trends to watch

Most of the key trends identified by the Pisa Forum are in line with trends forecast 12 months ago. Most importantly, while many of the changes in market demand have been a direct response to 11 September 2001 and other, more recent but equally damaging, events and developments, these have also acted as a catalyst, leading to a more fundamental shift in consumer and travel market behaviour. The message is clear – things may never again be the same as they were pre-11 September.

Among the current trends in demand discussed in Pisa:

- There are continuing concerns over safety and security, but it is clear that people are growing more accustomed to living in an unsafe world. Tourism demand has bounced back much more quickly after the more recent terrorist attacks.
- The same can probably be said regarding travellers' attitudes to health risks. But governments and the industry cannot be complacent. They must work together to prepare for a recurrence of SARS, or the outbreak of another similar epidemic, and put in place contingency plans to minimise the impact of such outbreaks on tourism, employment and the wider economy.
- People are continuing to take shorter and more frequent trips, but long-haul travel demand is expected to recover in 2004. Nevertheless, some markets will continue to favour domestic and intra-regional travel for some time yet.
- The growth in demand for low-fare airlines has been unprecedented, and it is likely to continue unabated as new carriers emerge in different regions of the world and as people continue in their search for 'good value'. But high-speed rail could attract passengers away from air travel, especially given the current moves to introduce aviation fuel/environmental taxes.
- Similarly, there will be a sharp increase in use of the internet to plan and book travel – booking will grow faster than 'looking' – and this is expected to result in a continuation of the late-booking trend.
- Nevertheless, the leading tourism groups believe the package tour is a long way from being obsolete, even if demand is increasingly for partly packaged, or customised holidays at the expense of traditional all-inclusive tour packages.
- Tourists are also increasingly looking for an experience – say, the opportunity to carry out a particular activity – rather than selecting a specific destination. This means that national tourist offices and destination management organisations will need to be much more creative in their marketing and promotions.
- Demand for authentic experiences, including local culture and closeness to nature, continues to increase, especially among the older age groups. Also of growing importance are wellness – prevention is better than cure! – and educational programmes, which allow people to improve their knowledge while on holiday.
- Finally, watch out for the hybrid consumer – looking to combine five-star deluxe accommodation with a low-cost flight, or opting for a fast-food dinner one evening and a slap-up meal the next. And do not expect the same level of destination or product loyalty that the industry became accustomed to in the past. Those days are definitely over.