

Editor's comment from *City Profiles* No. 17 – March 2004

The public sector's role in tourism

Although 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. The state's 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 kick-starting growth. Arguably, there is less need for public sector support of the tourism industry in countries at a high level of economic development.

Nevertheless, it is generally recognised that for tourism to develop in a sustainable manner, an appropriate physical, regulatory, fiscal and social framework is required. And this can only be provided by governments. They also usually provide the basic physical infrastructure necessary for tourism – such as roads, airports and communications – as well as creating the legal framework within which the industry operates.

Increasing signs of disengagement

Over the past 15 years or so, however, there have been increasing signs of a disengagement from tourism by the public sector – notably at national or central government level. This has resulted in the relinquishing of a number of governments' traditional responsibilities and activities in the field of tourism in favour of both local authorities and the private sector.

The trend is even causing concern for international, inter-governmental organisations such as the World Tourism Organization (WTO), whose membership is declining in some parts of the world as national tourism administrations (NTAs) effectively cease to exist. Under the current WTO Statutes, neither an autonomous region, such as Flanders, nor a national tourism organisation (NTO), can replace its government/NTA as a full WTO member, or even become an associate member – unless the NTA is a full member. Some believe this will lead to a review of WTO's statutes and an eventual restructuring of the organisation.

Continued constraints on public sector budgets

In many ways, it might seem paradoxical that at a time when governments' recognition of tourism's importance to national economies is at an all-time high, they are increasingly questioning the rationale for their continued involvement in tourism.

The trend partly reflects the increased efforts on the part of governments to curb public expenditure. But it is also due to the growing climate of liberalisation over the past decade – not to mention the political and economic shift to market driven economies – which have encouraged a re-examination of activities traditionally undertaken by the public sector.

This has been particularly marked in Europe and North America. But, motivated by the lending rules of international aid agencies like the International Monetary Fund and World Bank, the divesting of government-owned tourism assets has also become increasingly common in other parts of the world. And this has been followed by efforts to involve local authorities and the private sector more closely in tourism management and promotion.

To some extent, the trend would seem to be a natural consequence of the decentralisation which, in many countries, has resulted in powers of decision-making being shifted to provincial and local authorities. The organisation of tourism is clearly strongly influenced by a country's particular historical, political and cultural circumstances.

A changing political and economic climate

Nevertheless, governments' main concern, given the increasing constraints on public sector budgets generally, is how they can continue to justify the use of taxpayers' money to support and promote tourism development when there has generally been a decline in such funding and support for other industries.

These issues are compounded by the fact that traditional points of reference are no longer valid, whether they be political, sociological or economic. Government support of the industry is, for example, no longer necessarily in national interests because, with the trend towards globalisation and concentration of the industry, travel and tourism companies are increasingly becoming multinational concerns.

A number of countries are also concerned that the effects of governments assuming a marketing and promotional role – one which, in other industry sectors, is seen as a private sector responsibility – may be a misallocation of government funds. Moreover, they admit that it can also result in a marketing organisation that is less responsive and entrepreneurial than it should be. As a result, they are looking more and more to the private sector to take on some of the promotion and marketing functions traditionally assumed by government, usually in some kind of partnership with the public sector.

The trend is also apparent at regional and local levels

The trend towards public-private sector partnerships in tourism marketing and promotion is not only apparent at national level, but is increasingly spreading to provincial/regional and municipal/city levels – especially in states with federal or decentralised political systems. In some countries, in fact, the central government strategy regarding public-private sector partnerships has actually been influenced by what is happening at local level.

It is also interesting to note that many cities have far more sophisticated public-private partnership operating environments than those that exist at national level, and several generate up to two-thirds of their budgets through commercial activities involving the private sector. There are clearly some lessons to be learned by NTOs from these examples.

In our next issue of *City Profiles*, we will be publishing a Special Report on this subject, highlighting trends at national, state/provincial and local/city levels in a number of key – largely European – countries. As an hors d'oeuvres, in this issue we have included a summary of the findings of a *US Survey of State and Territory Tourism Office Budgets*, which was carried out by the Travel Industry Association of America. We hope the different surveys and studies will provide plenty of food for thought and discussion.