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# Shaping the Government Agenda to Improve Tourism

UNWTO World Tourism  
Conference 2010

Dr. Jürgen Ringbeck,  
Booz & Company



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# Key trends in the global tourism market

## Growth Faces Growing Risks

- Travel growth fueled by Asia
- High sensitivity to crises
- Remaining macro risks – e.g. economic recovery, environmental disaster

## At Least Continuing Competition

- Capacity commitments stay significant
- Air Transport consolidation driven by open skies
- Continuing growth of new hotel capacity

## New Travel and Service Differentiation

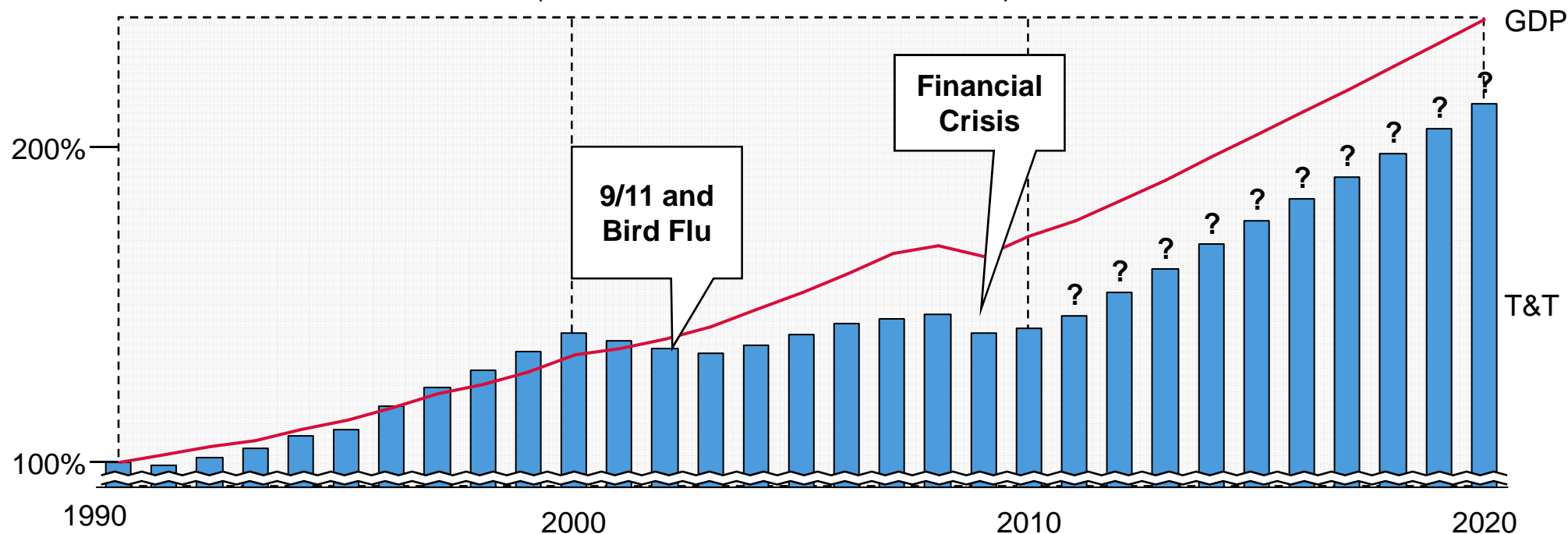
- Multiple purposes (e.g. health & wellness, managed adventure)
- Complex expectations about “regional experience”
- New regional customer groups/cultures (e.g. Russia, China)

## Sustainability – a Growing Concern

- Growing Cost of Energy (and Carbon)
- Sustainable Travel means social responsibility and prestige

# Historical Travel & Tourism growth has been pressed by crises

Global GDP vs. Travel & Tourism Spending<sup>1)</sup> per Period  
(in Real Values, in % as of 1990)



**CAGR:**

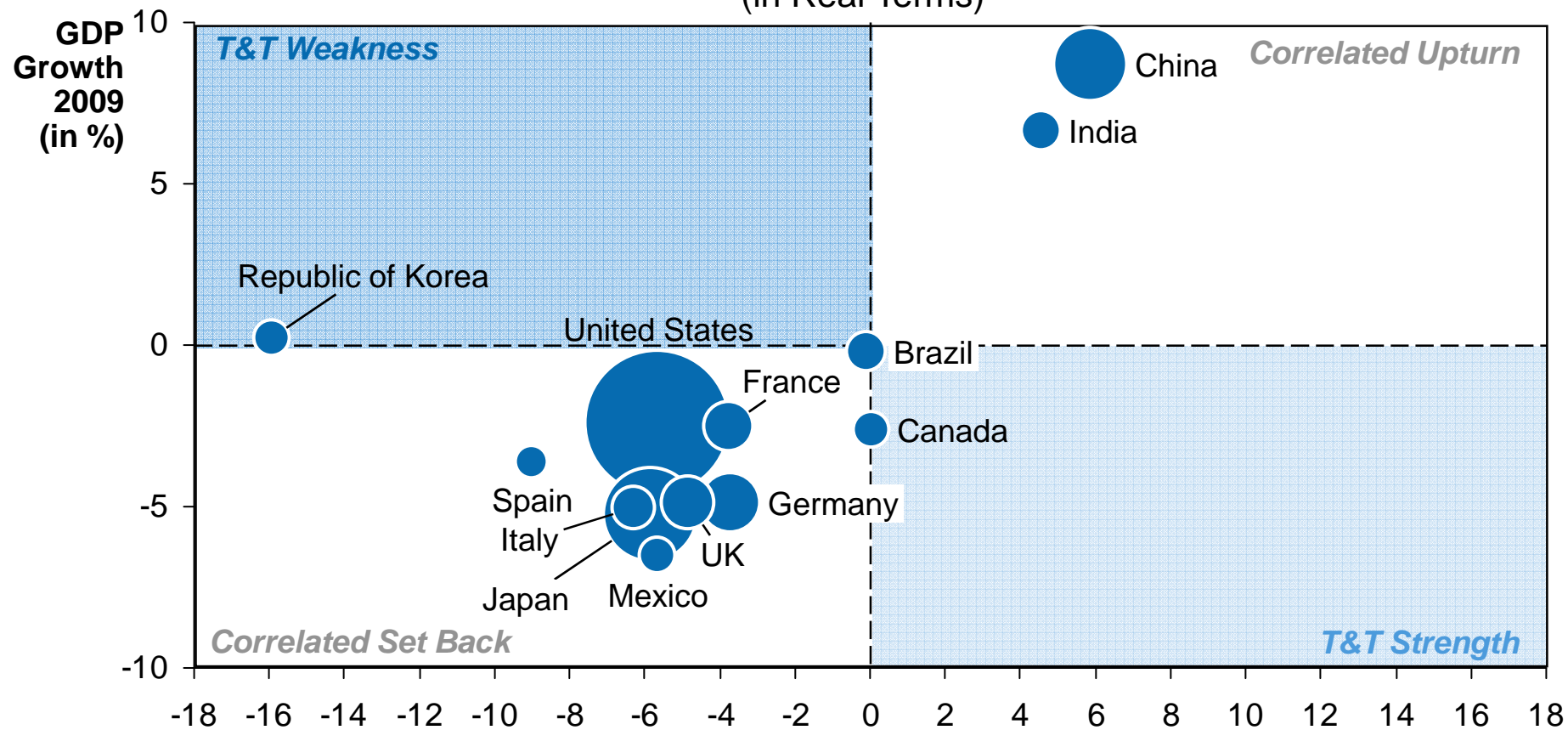
GDP	3.5%	0.1%	4.1%
T&T	3.0%	2.5%	3.4%
T&T/GDP	1.17	0.04	1.2

1) Private and business spending within country and outbound; analysis limited to 176 selected T&T countries

Source: WTTC, IHS Global Insight, Booz & Company analysis

# The financial crisis highlighted - economic growth is key

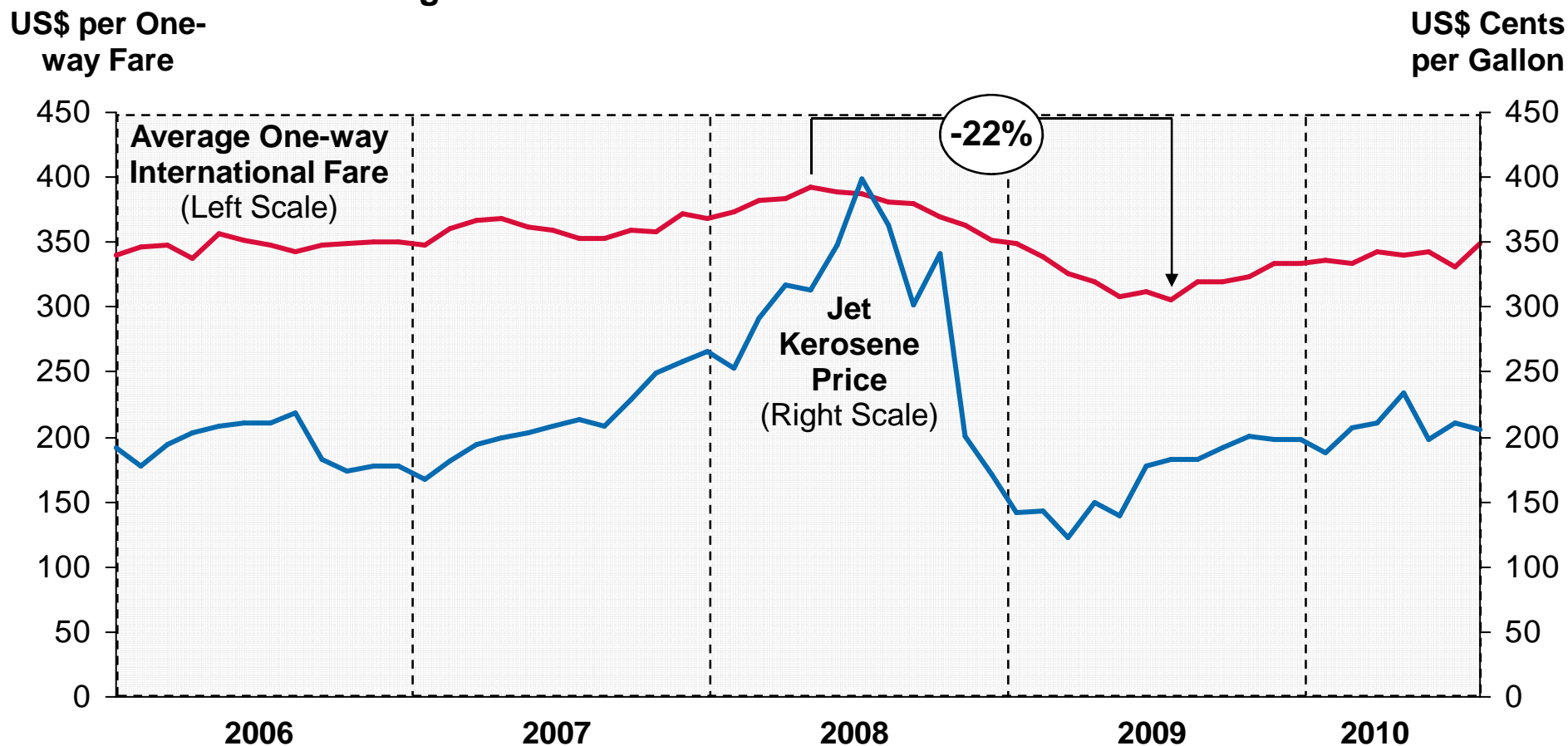
**Sensitivity of Travel & Tourism for Global Top-13 Economies**  
(in Real Terms)



Note: Size of bubbles relative to Country GDP  
 Source: WTTC, IHG Global Insight, Booz & Company analysis

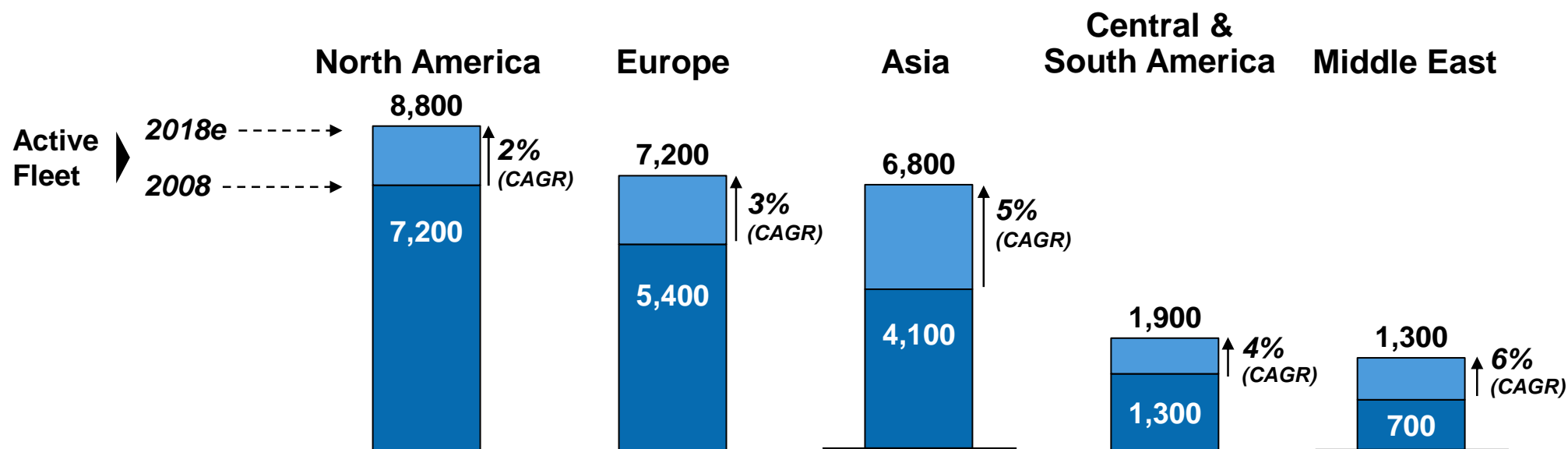
# ... and a major negative impact on international fare prices

Average International Fares and Jet Kerosene Prices



Note: International Fares and Jet Kerosene Price in nominal values  
 Source: IATA, Platts, Booz & Company analysis

# Overcapacity and deregulation will drive airline consolidation



## Market Consolidation



Announced  
Mergers/  
Shareholding

Further Candidates/  
Options

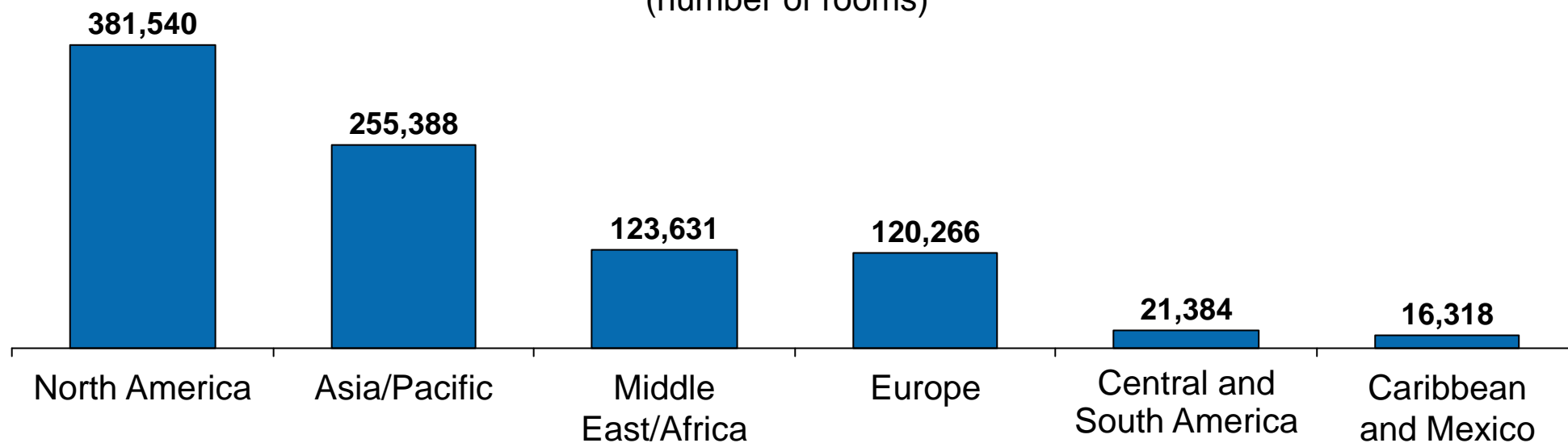
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Note: Without Africa (fleet growth <1%)

Source: Press releases; SRS Analyzer; RATI; OAG Fleet Forecast 2009; Booz & Company analysis

# Hotel construction booms, especially in the Middle East and Asia

Hotel Constructions Pipeline by Region<sup>1)</sup>  
(number of rooms)



Pipeline in % of Existing Supply

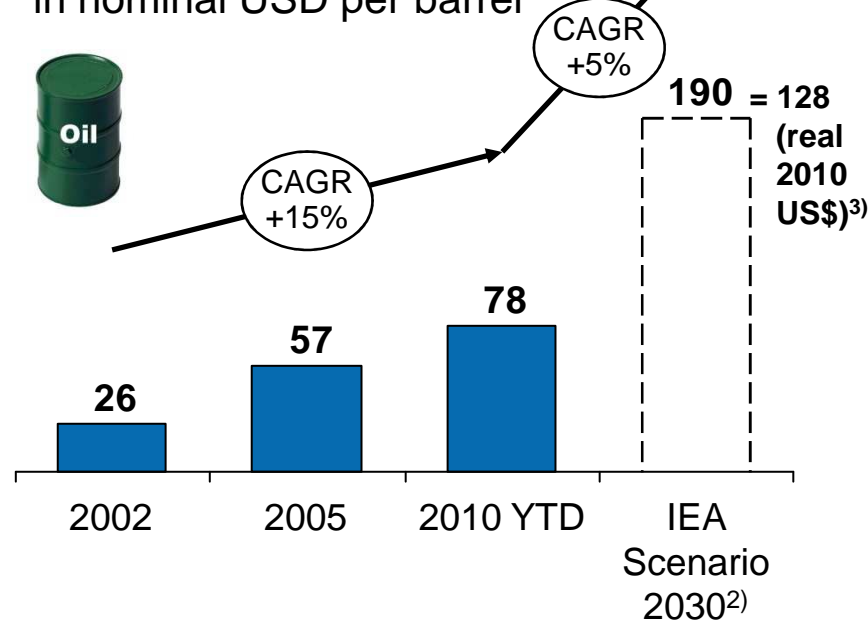


1) As of Jul 2010 for US, Jun 2010 for Canada, all others Aug 2010 - includes projects in construction, final planning and planning phases  
Source: STR Global, Booz & Company Analysis

# Cost of Energy has become the highest strategic risk factor

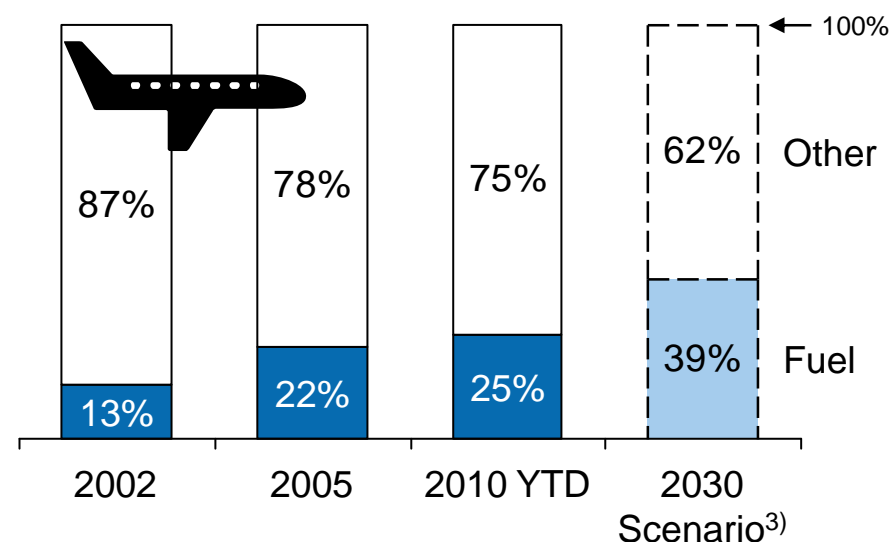
## Oil Price Development<sup>1)</sup>

WTI, annual average spot price in nominal USD per barrel



## Fuel Expenses relative to total airline operating expenses

%



**"On the supply side the cheap oil era is over...The bulk of cheap oil in the (industrialised) countries has been exploited and what is left is deep-water offshore and the oil sands in Canada....", Dr. Fatih Birol, Chief economist IEA, Sep 2010**

1) Oil price refers to WTI Cushing Spot Price

2) As of November 2009

3) Assuming 2% yearly inflation (for "Other" expenses)

Source: Bloomberg, IATA

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# Implications on the government travel and tourism agenda

## Growth Faces Growing Risks

- Give Travel and Tourism a priority for economic growth and deployment
- Proactively manage Infrastructure development – long lead times
- Mitigate global risk factors e.g. more flexible investments and financing schemes

## At Least Continuing Competition

- Consider deregulation of air traffic
- Create an attractive environment for local investors
- Allow global competition to work

## New Travel and Service Differentiation

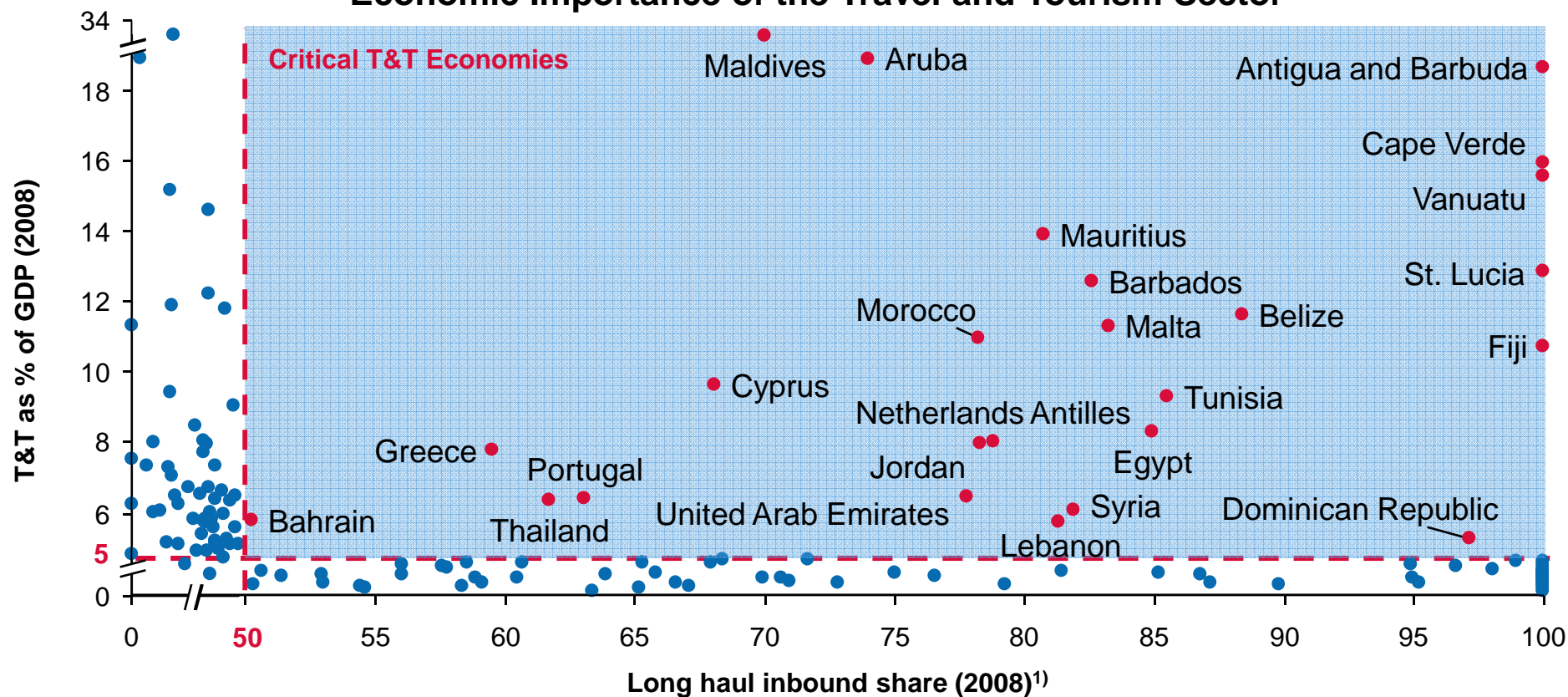
- Understand the local experience opportunity
- Develop a strategic market segmentation strategy
- Build strategic capabilities to participate in “upgrade” options

## Sustainability – a Growing Concern

- Investigate in current weaknesses and strategic impact
- Set up a comprehensive program for sustainable development
- Leverage new international funding opportunities e.g. CDM

# Countries with high exposure to long haul traffic endangered

Long and Medium Inbound Air Travel Dependency vs. Economic Importance of the Travel and Tourism Sector

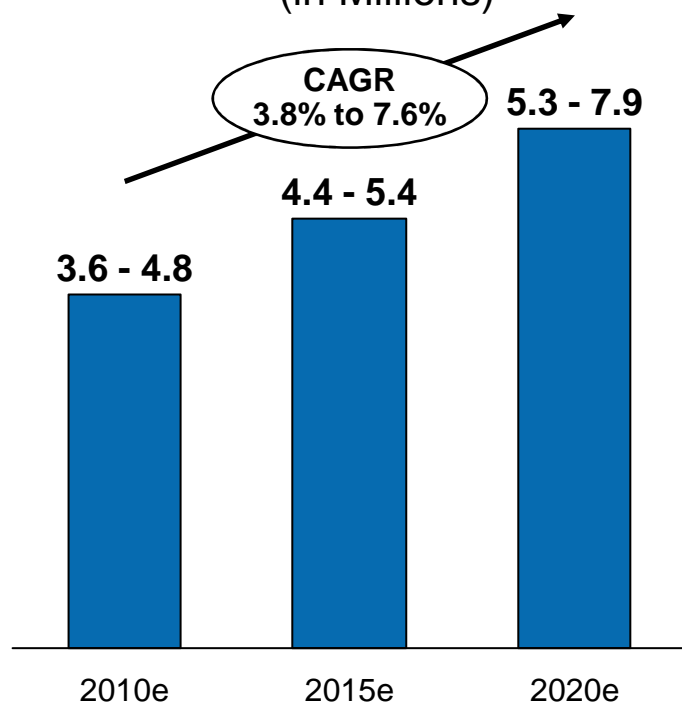


1) Share of all inbound air transport passengers in 2007 on medium and long haul connections including domestic traffic based on IATA data  
 Note: Short Haul < 1000 km, Medium Haul 1000-3000 km, Long Haul > 3000 km Stage Length  
 Source: IATA, WTTC, Booz & Company analysis

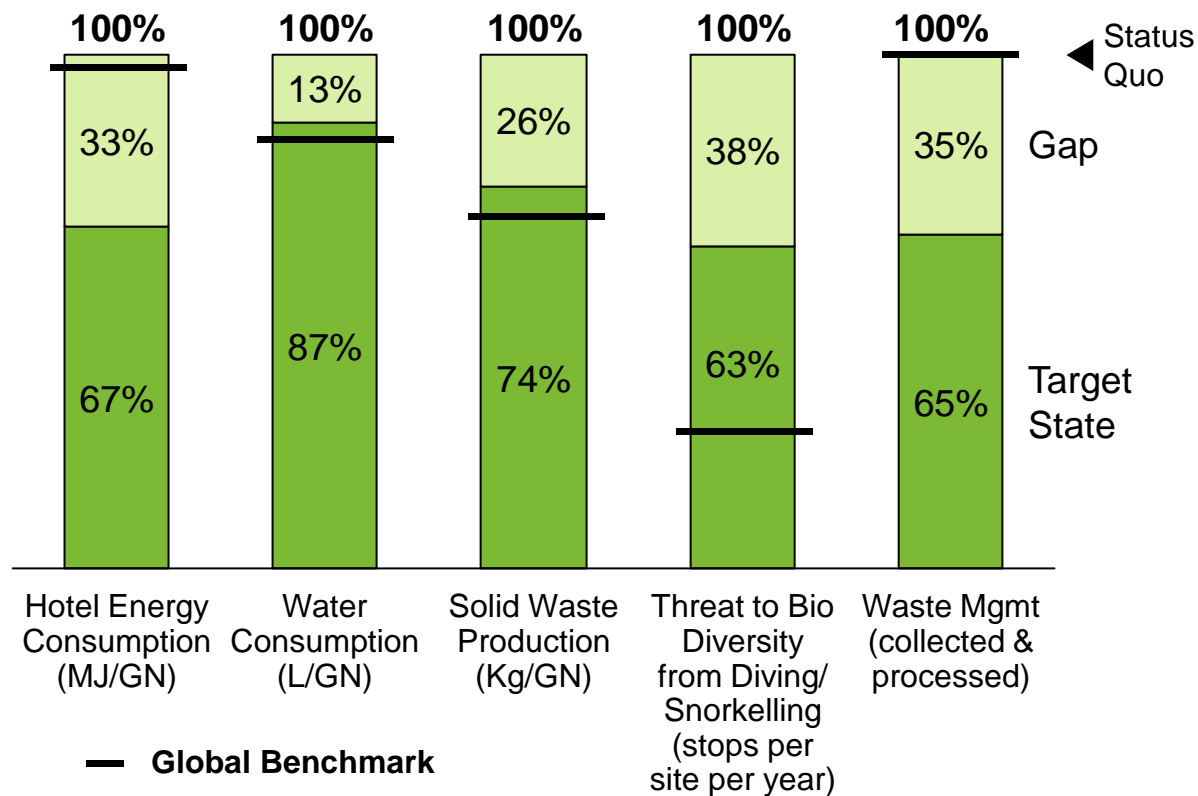
# Sharm el Sheikh - a comprehensive approach to sustainability



**Estimated Evolution of Sharm El Sheikh Tourist Arrivals**  
(in Millions)



**Key Measures and Targets - Sharm El Sheikh**  
(Target State as % of Status Quo)



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**THANK YOU FOR YOUR ATTENTION**