

Jean-Claude Baumgarten
President World Travel & Tourism Council
Eco-tourism and Ethnic Cultural Heritage Protection
September 9, 2004

Good morning [insert list of govt VIPs], distinguished guests, ladies and gentlemen.

For those of you who are not yet acquainted with the Council let me explain briefly our structure and purpose.

We are the forum for global business leaders comprising the presidents, chairs and CEOs of 100 of the world's foremost companies. WTTC is the only body representing the private sector in all parts of the Travel & Tourism industry worldwide and it is our mission to raise awareness of the full economic impact of the world's largest generator of wealth and jobs - Travel & Tourism. Our Mission statement, called the Blueprint for New Tourism, is a three pronged policy recommendation focusing on the recognition by governments of Travel & Tourism as a top priority, secondly, ensuring that businesses make decisions which balance economies, culture, people and environment and finally that there is a shared pursuit of long-term growth and prosperity in the sector.

It was nearly one year ago that WTTC launched its groundbreaking report on the opportunity and challenges for Travel & Tourism in China.

Now, although a year has passed and many events and steps forward have been made, let me remind you of some of the messages from the WTTC Report which has now been downloaded more than 30,000 times from the WTTC website. It's our number one best seller.

Here are some of the key messages we heard in our analysis of the policy situation:

- ◆ China has the potential to become one of the world's great tourism economies – in terms of inbound, domestic and outbound travel
- ◆ However, the scope and depth of effort necessary for China to build a world-class tourism economy is staggering
- ◆ China's late entry onto the world tourism stage has helped to protect its resources from excessive exploitation and unsustainable development
- ◆ On the opposite side, it has also limited the benefits that Travel & Tourism can deliver economically and socially
- ◆ The SARS situation of last year has proven that China's Travel & Tourism is vulnerable to external events
- ◆ China's extraordinary success and newly discovered reliance on the industry have forced government officials into a difficult position of trying to keep up with events and fast paced development
- ◆ China's official tourism structure needs to adapt to the changing requirements and needs of the market, its producers, consumers and external events
- ◆ There is widespread speculation – mostly understated – about Travel & Tourism's current and future contribution to the national economy, but more importantly also about the structural factors that still constrain its true potential
- ◆ As we see it, the Chinese Government has moved quickly and decisively to transform itself in only a few short years, implementing a policy of opening up, moving to a market-based economy and achieving massive growth and development
- ◆ However, despite this success, the industry still requires a new vision of openness, collaboration and cooperation between the public and private sectors

With that said, and knowing full well the theme for this conference is focused on Eco-tourism and Ethnic Cultural Heritage Protection, our groundbreaking report of last year contains a very detailed policy analysis for industry and government on these issues and a whole host of supportive issues for Travel & Tourism.

If you will allow me, I would like to remind you of the major recommendations.

First the most difficult issue and recommendation – Tourism Management.

Central government leadership for Travel & Tourism is perhaps the most important recommendation we can make. Based on our experience in the best tourism countries around the world, China must re-orient, clearly define and communicate the structure, organization, portfolio and funding of the China National Tourism Administration.

The newly designed CNTA should do planning and policy-making, tourism development and management as well as coordinating, facilitating and driving the country's new market economy-based approach to Travel & Tourism.

To make sure this happens, we recommend elevating tourism to a ministerial portfolio with expanded responsibilities.

It is our collective experience that the best organized, best funded, best equipped Travel & Tourism countries in the world put Travel & Tourism at the highest level of the cabinet and focus its resources to make it work.

Second, to ensure that China competes effectively with the world's leading tourism destinations, we suggest that it spin off and properly fund the marketing and promotional responsibility of CNTA into a newly created public-private sector managed China Tourism Board.

It should focus on tourism marketing and development as well as domestic Tourism. It should also serve as a national convention bureau, a focal point for Travel & Tourism research, market intelligence and information management.

However, in order to effectively compete in the new world market, it should follow international best-case practice and operate under the collective wisdom of a public and private sector board of directors.

Third, to reach China's objective of creating 40 million jobs in Travel & Tourism over the next ten years, it will need to create a true working partnership with the private

sector in planning and operation. Existing trade associations need to become independent contributing bodies, possibly emulating the Shanghai Mayor's Round-table forum, providing briefings, an exchange of views and ongoing discussion.

And the last of the major recommendations. The tourism policy, which we have reviewed in detail is visionary. We have summarized the plan in the WTTC report so those who are not familiar with it can see for themselves how visionary it really is.

However, with that said, our experience suggests that it still needs to go further. It needs to pay greater attention to the free-market re-orientation of the tourism business environment in China and specify more comprehensive strategies and plans on how this vision is to be achieved. Develop your strategy, provide guidance, make and direct long-term plans for the industry and remove barriers to growth. This will serve you well.

There are a whole host of analyses and recommendations in the report that also touch on:

Domestic Tourism, where we recommend China add two weeks of additional paid vacation to help spread the seasonality for Travel & Tourism and provide for a more stable and sustainable year-long industry.

Outbound Tourism, where China must rapidly eliminate approved destination status, ADS, requirements to ensure that outbound tourism is strong.

Product development, diversification, marketing and promotion and legal, regulatory and financial systems, where the Chinese Government needs to prepare the groundwork for the largest mass tourism economy in the world.

Budget hotels where our experts agree, unlocking the potential of domestic tourism is directly related to developing this sector.

Meetings, incentives, conventions and exhibition business, which is big business and where China should establish a National Convention Bureau to coordinate, orchestrate and operate the marketing, leads, sales and allocations.

Timeshare, where China needs to draw up sound regulations that protect the consumer and allow legitimate developers to grow their business.

The development of Western China, where it is critical that the tourism infrastructure, strategic plans and objectives be followed by detailed action plans for tourism marketing and promotion, training and education and sustainable development.

Human capital, where China will need to exempt the industry from permanent residence requirements and open its doors wider to external expertise that can assist in accelerating information and technology transfer.

Financial services, where reform and liberalization is needed for China to keep pace with Travel & Tourism demand.

Aviation where serious operational issues in China are rising from the tremendous growth in traffic.

Open skies, where China should continue to liberalize aviation agreements and provide for greater commercial incentives and viability, especially on routes where capacity is limited or lags behind growth in demand.

Finally financing, where attracting sustained capital investment in China's Travel & Tourism industry from domestic and foreign sources is key.

Ladies and gentlemen, that is just a quick snap shot of the major recommendations from our report. The report is now just a year old, and has already had a great impact on how Travel & Tourism is perceived in China and where industry and government should focus their attention in the coming years to move us forward.

As the theme of this forum suggests, the future for China, its economy and its Travel & Tourism industry have a great deal of responsibility to and contribution from eco-tourism and China's ethnic and cultural heritage. Paying close attention to these issues will pay endless dividends for your country.

Thank you