PRESS RELEASE

The Latest Global Travel Trends

2002-2003

In co-operation with

World Travel Market, ExCel Centre, London
Tuesday, 12 November 2002

TABLE OF CONTENTS

Rolf D Freitag
Chairman
IPK International

INTRODUCTION TO IPK'S PISA FORUM

For the ninth consecutive year IPK International – the World Travel Monitor Company – together with its partners, WTO, ETC, PATA, TIA and the US DOC, invited some 50 travel and tourism experts from more than 30 countries to Pisa, from 6-9 November, for two days of discussions on global tourism trends.

The discussions were based on the findings of more than 500,000 representative interviews in some 60 travel source countries in Europe, the Americas and Asia Pacific concerning outbound travel in the first eight months of 2002.

Twelve months ago, this same group of international experts, representing both the public and private sectors, forecast that international tourism would decline by only 1% in 2001 over 2000's level, despite the events of 11 September and the global economic downturn. This forecast has since been proved correct – the final results confirmed by the World Tourism Organization show a 0.6% decrease in international arrivals last year.

Last week's Pisa Forum concluded that 2002 would show a 1% increase worldwide, taking the total number of arrivals to at least the same level as that achieved in the record year of 2000. This forecast takes into account the impact of 11 September 2001, as well as the more recent terrorist attacks in Djerba, Bali and Moscow.

While some major markets – such as the USA, Japan and Germany – have continued to suffer from the impact of a depressed economy, emerging markets in Eastern Europe and Asia have shown remarkable growth in outbound travel. For 2003, the IPK Forum predicts a return to pre-11 September growth levels for world travel and tourism of some 2-3%, and this should progressively improve – to 3-4% in 2004.

The Pisa Forum assessed the tourism performance of all the major source markets and destinations around the world in 2002 and their prospects for 2003. In addition, it looked at the changing pattern of demand for travel and discussed whether the new trends identified are temporary, or whether they reflect a more significant change in the structure of global travel and tourism demand that has implications for destinations and other suppliers in the future.

IPK also shared some of the preliminary results of its Generation project, which analyses the impact of ageing populations on international travel and tourism demand over the next 20 years.

For further information, contact IPK at: info@ipkinternational.com

Francesco Frangialli
Secretary General
World Tourism Organization (WTO)

WORLD INBOUND TRAVEL SCENARIO, 2002

In 2001 international arrivals declined by 0.6%, the first year of negative growth since 1982. Does this mean that the 'good times' are over? Not necessarily. Had it not been for the sizeable increase in tourist arrivals witnessed in 2000, the results for 2001 would have been in line with the annual trend observed over the past decade.

Tourism enjoyed exceptional years in 2000 and 2001. In 2000, international tourism grew by 45 million arrivals, registering a growth level rarely seen before. The decline in late 2001 and most of 2002 requires us to re-examine the patterns of demand, the flexibility of tourism supply and the marketing know-how of destinations. Furthermore, we need to reaffirm our commitment to working together to try to alleviate the negative impacts of recent events on tourism, to heal where pain has already been caused, and to ensure that future tourism development is sustainable in economic, social and ecological terms.

As of November 2002, preliminary results from different regions show that Northern Europe has suffered the biggest decline in tourist arrivals in Europe. The other sub-regions have been more successful, especially the Mediterranean countries and 'new' destinations such as Turkey, Croatia and Bulgaria.

2002 has not been a good year for the Americas, especially the USA, which is currently down around -13%. The situation is somewhat better in the Caribbean and Central America, with the latter expecting a slight increase over 2001's level.

China has continued to show strong growth in 2002 (+10%) and good increases have also been registered by Hong Kong SAR, Japan, Thailand and Vietnam. However, the impact of the Bali tragedy on the region's tourism remains to be seen.

Inbound travel to Africa, with the notable exception of South Africa, has been hit heavily by 11 September since it is so dependent on airline traffic. Some destinations have even suffered double-digit declines, albeit from a low base. Heightened security concerns have negatively affected demand for travel from traditional Western source markets to North Africa and the Middle East.

The unfavourable situation does not necessarily imply there will be a prolonged slump in international tourism activity. The demand potential for travel remains strong and some destinations that are perceived as being 'protected' are showing renewed strong growth. WTO forecasts that 2002 will close with a slight increase in arrivals and receipts or, at worst, stagnation compared with 2001.

For further information, contact Rok Klancnik at: rklancnik@world-tourism.org

William S Norman
President and Chief Executive Officer
Travel Industry Association of America (TIA)

US TRAVEL AND TOURISM – HOW TRAVELLERS AND THE INDUSTRY ARE RESPONDING TO UNPRECEDENTED CHALLENGE AND CHANGE

Economic recession and 11 September have had a major impact on US travel. Business travel will decline more than 4% this year. Leisure travel will be up just 2%. Total travel expenditures, which declined nearly 6% in 2001, will not recover until 2004. Why? US travellers have altered their behaviour and traditional travel patterns.

Americans went back to the basics. They are travelling more domestically and closer to home. They are travelling more by car and less by air. They are travelling with family members and visiting heritage, cultural, and outdoor recreation sites more often. They are booking later and they are spending less.

The impact of these changing patterns has been uneven. Air carriers and urban business hotels in gateway cities have suffered greatly. The Atlantic and Pacific coasts experienced declines while the middle of the country saw little change. Businesses that depended on international visitors saw dramatic losses. But destinations, lodging, attractions, and cultural and heritage sites that rely on the leisure family drive market held up well. So, too, did cruises and travel by recreational vehicles. Is this a permanent change in travel patterns or is it a short-term cyclical downturn?

The industry is taking no chances. In unprecedented fashion they have formed co-operative marketing programmes and created partnerships that leverage their resources and increase their reach and impact. Many have discounted prices. Most importantly, they have taken advantage of this downward period to undertake major structural reviews of their operational practices, their staffing, their services and their marketing. In typical American fashion, the US travel industry is rethinking and reinventing its very self.

Where will it lead? Nobody knows for sure, but we forecast a stronger industry by 2004 when travel expenditures should return to year 2000 levels.

For further information, contact Dexter Koehl at: dkoehl@tia.org

Douglas B Baker
Deputy Assistant Secretary
Service Industries, Tourism and Finance
US Department of Commerce

NEW FORECASTS AND TRENDS FOR US OUTBOUND AND INBOUND TRAVEL

Travel and tourism is a significant economic export engine for the United States, bringing in over US$91 billion in 2001. Travel and tourism is the top services export, and the fourth largest export overall for the country.

The forecast of international travel projects that a record 60 million international visitors will come to the USA in 2006, a 32% increase over 2001. International visitation to the USA will return to pre-11 September levels by 2004.

For US travellers going abroad, we forecast that 2002 will show a 2% decrease, but it is anticipated to surpass the 2000 levels by 2004.

The global economic slowdown and safety and security concerns are inhibiting travel worldwide. In the USA, the administration has been aggressive in addressing these difficulties to contribute towards the recovery of the travel and tourism industry.

As our homeland becomes more secure, we believe that international travellers will respond positively. Together with the Tourism Policy Council, the foreign commercial service officers have conveyed the numerous enhanced safety and security measures undertaken by the US Government to potential international visitors.

Additionally, the Department of Commerce has undertaken a special Tourism Export Expansion Initiative with Japan to expand tourism trade between our countries. We have also discussed a collaborative approach between the public and private sectors that could be introduced in other key markets.

In an important sense, the attacks of 11 September did not usher in a new era but, rather, a clearer understanding of the world in which we had been living for some time.

The best message that we can convey is by carrying on with our lives. By working, by producing, we deliver a powerful message to those who would destroy our country:

"The United States of America is alive and well, and open for business!"

For further information, contact Victoria Park at: Victoria_Park@ita.doc.gov

Germán Porras
President
European Travel Commission (ETC)

TEN YEARS OF STAGNATION IN EUROPEAN TOURISM – A NEW GLOBAL TREND?

Once again the tourism industry has proved to be one of the most resilient and dynamic sectors of the European economy.

After a decrease of -0.6% in international tourist arrivals in Europe in 2001 (compared with the record year of 2000), preliminary figures for the first six to eight months of 2002 indicate a small decrease in European inbound tourism again this year (in the region of -0.2% to -0.3%).

Travel and tourism are already part of consumer behaviour so that, even with the problems related to the global economic slowdown and terrorism, travellers are still willing to travel more. However, the pattern has changed a little. Many European countries have observed increases in domestic tourism, more travel within the same region, more travel by road and rail, more individual trips, more direct booking, and an increased use of low-cost airlines. Some of these changes are probably temporary, but others may be structural.

Regarding the supply, there are two main elements: the destinations and the industry. Among the destinations there are some losers and some winners, and their future depends largely on their ability to adapt to demand.

In the industry the effects are more visible. The airlines, in particular the American carriers, and European tour operators have been hit harder by the weakness of the outbound markets, later booking, the tendency towards shorter length of stay, and cost-cutting on business trips. The industry has to adapt to these new facts. The demand is still there.

European destinations and the European travel and tourism industry are world leaders in inbound and outbound tourism. They have shown their capacity to change in the past, and they will know how to respond to the new challenges in order to remain the world's number one destination and first outbound market.

For further information, contact Lisa Davies at: l.davies@planetinternet.be

Peter de Jong
President & CEO
Pacific Asia Travel Association (PATA)

PACIFIC ASIA – THE NEW ENGINE OF GLOBAL TOURISM GROWTH

Pacific Asia (the region representing PATA's member countries, including North America and Mexico) is the powerful new engine of global tourism growth.

Consider the following: Pacific Asia is the world's fastest-growing region, demographically and economically. It already has two-thirds of the world's population.

Travellers to the PATA region spend over US$170 billion annually – around 40% of global tourism receipts. High GDP performances in China (PRC), India and Korea (ROK) suggest this trend will continue.

Despite 2001 and 2002 being trying times for tourism, the Pacific Asia region – for the most part – is still doing well.

Northeast and Southeast Asia are driving the region's growth – both as destinations and as markets.

During 2001, almost 65% of international visitor arrivals in Northeast Asia came from within Northeast & Southeast Asia. For destinations within Southeast Asia the proportion was over 64%.

In 2001 international visitor arrivals in Northeast Asia increased by 3%, and in Southeast Asia by 5.2%.

In the first eight months of 2002 foreign arrivals in China (PRC) increased by more than 16%. The average monthly inbound figure is now over one million. Similar double-digit growth rates can also be seen for Hong Kong SAR and Macau SAR.

Arrivals in Thailand in the first seven months of this year are up 6%. Vietnam is up 10%. International arrivals into Cambodia are up 8%.

Outbound traffic from Korea (ROK) is up more than 16% this year to date.

Both as a destination and as a market, the tourism scales are dipping increasingly in favour of the PATA region.

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PRESS RELEASE

IPK's Ninth Pisa Forum

2002-2003

In co-operation with

Pisa, 6-10 November 2002

List of Speakers: IPK's Ninth Pisa Forum, 6-10 November 2002

- Rok Klancnik, Chief of Press & Communications, World Tourism Organization, Madrid: *World Inbound Travel Scenario, 2002*
- Leslie Vella, Chief Executive/Head of Strategic Information, Malta Tourism Authority, Valetta: *Two Years of Stagnation in European Tourism – A New Global Trend?*
- Suzanne D Cook, Senior Vice-President Research and Technology Planning, Travel Industry Association of America, Washington DC: *US Travel and Tourism: How Travellers and the Industry are Responding to Unprecedented Challenge and Change*
- Helen Marano, Director Office of Travel and Tourism Industries, US Department of Commerce, Washington DC: *The New Forecasts and Trends for US Outbound and Inbound Travel*
- John Koldowski, Director Strategic Information Centre, Pacific Asia Travel Association, Bangkok: *Pacific Asia: A New Source for Global Outbound Growth*
- Tony Glynn, Manager Market Research, Canadian Tourism Commission, Ottawa: *North American Travel Trends from the Canadian Perspective*
- Dennis Pyka, Data Management World Monitor, IPK International, Munich: *European Travel Monitor Results, 2002*
- Etienne Pauchant, Head of International Marketing and Development, IPK International, Aix en Provence: *First Results of the New Pacific Asia Travel Monitor* and *how Ageing Populations will Change Global Demand*
- Stephen O'Neill, Executive General Manager Marketing, Australian Tourist Commission, Sydney: *Travel Trends in Oceania from the Australian Perspective*
- Hidetoshi Kobayashi, Director of Tourism Marketing Division, Japan Travel Bureau, Tokyo: *Japanese Outbound Travel, 2002 and Beyond*
- Jamal Kilito, Marketing Director, Moroccan National Tourist Office, Rabat: *North African Year of Tourism: The Moroccan Case*
- Gautam Sengupta, General Manager World Travel Monitor, Arabian Gulf/Middle East, Dubai: *Middle East Travel Trends, 2002 and 2003*
- Thies Rheinsberg, Director World Wide Company Development, TUI AG, Hanover: *Rising Gap Between Travel Demand and Destination Capacities*
- Uwe Klenovski, Head of Marketing Strategy & Research, Thomas Cook AG, Frankfurt: *Travel Supply Falls Short of New Customer Behaviour*
- Philippe Doizelet, Head of Research, ACCOR, Paris: *Trends in Business Demand within the European Lodging Industry*
- Mara Manente, Director of CISET, University of Venice: *Outbound Travel Forecasts 2003*
- Reinhard Schober, Director Institut für Verhaltensanalyse, Munich: *Excursion to Omikron 2050 – A Holiday Science Fiction*
- Herman Bos, Director of Research, Tourist Recreation Netherlands, Amsterdam: *Mega Travel Trends*

For Immediate Release **Pisa, 9 November 2002**

WORLD TOURISM EXPERTS CONFIDENT OF 2003 RECOVERY IN INTERNATIONAL TRAVEL & TOURISM

The tragic events of 11 September in the USA and more recent terrorist attacks in Bali and Moscow have had, and will continue to have, a severe impact on travel and tourism demand. Yet there are clear signs of a recovery, reflecting the resilience of the industry and consumers' demand for travel after one of the biggest confidence crises in the history of tourism. Pre-11 September growth levels should start to resume from 2003, and growth from some key source markets will even be positive in 2002.

This was the main message to come out of three days of intensive discussions between world tourism experts gathered in Pisa from 6-9 November for the ninth World Travel Monitor Forum. The meeting was organised by IPK International in co-operation with the World Tourism Organization (WTO), the European Travel Commission (ETC), the Pacific Asia Travel Association (PATA), the Travel Industry Association of America (TIA) and the US Department of Commerce.

The forum comprised some 50 heads of research and/or marketing representing national tourism organisations, research institutes, industry associations and individual corporations from over 30 different countries. These included all major European outbound travel markets, the USA, Canada, Australia, Japan, the Gulf Co-operation Council (GCC) countries and Morocco.

"After a decline of 1% in international tourism in 2001, we now expect a 1% increase for 2002," said Rolf Freitag, President of IPK and founder of the World Travel Monitor. "This forecast, which is based on the results of the World Travel Monitor – as well as the findings of our partners and other tourism experts from around the world – would mean a return to the record level achieved in 2000."

World growth should start to return to pre-11 September rates by 2003, confirmed WTO's Rok Klancnik. Next year should see a 2-3% rise and growth will pick up slowly to around 3-4% by 2004.

As predicted 12 months ago at the last Pisa Forum, the USA has been one of the source markets and destinations hardest hit by the events of 11 September 2001, the continuing threat of terrorism in 2002 and the economic recession. Outbound trip volume fell by 12% in the first half of this year.

Nevertheless, according to Suzanne Cook and Helen Marano, representing the Travel Industry Association of America and the US Department of Commerce at the

Pisa Forum, US outbound travel demand expressed in terms of total spending is forecast to fall by a relatively modest 2% for the full 12 months of 2002, after a decrease of 5% in 2001. As a destination, the Americas overall are expected to suffer a 6% drop in demand this year.

The outlook for Europe is much less pessimistic, although international arrivals in the region will probably show little change over last year's level.

"In terms of outbound volume, however, Europe should record a 1% increase, following a 1.2% decline in the first eight months of 2002," said IPK's Dennis Pyka. "This compares with our original forecast of a 2% rise for the year immediately after the events of 11 September 2001. The growth in demand for outbound travel by Europeans should accelerate in 2003."

In terms of percentage growth the best performers among European outbound travel markets in the first eight months of this year were Hungary, Norway and Slovakia – all with increases of between 5-10% over the same period in 2001. But there was also relatively healthy growth from some of the region's leading source markets such as the UK, Netherlands and Austria.

Germany, France, Sweden, Denmark and Switzerland, on the other hand, recorded declines of -2% or more.

Leisure travel has fared much better than business travel but, as predicted, price has continued to be a key factor influencing Europeans' holiday decisions. This is reflected in the sharp increase in popularity of lower-cost destinations such as Bulgaria, Croatia and Slovakia, Leslie Vella explained to participants at the Pisa Forum, quoting European Travel Commission data. Short-haul destinations have generally benefited at the expense of long-haul destinations, with demand for North America (-13%) showing the greatest fall in demand.

"The main long-haul destination to buck the trend has been China, as seen by both the results of the European Travel Monitor and data gathered by PATA," John Koldowski off the Pacific Asia Travel Association said. "But a number of other Asian destinations and South Africa have similarly recorded double-digit growth out of Europe this year."

China has also been a major contributor to world tourism growth as a source market this year, outranking all other world markets in terms of percentage growth. If its rapid rate of expansion continues it will soon overtake Japan which, according to the JTB Foundation's Hidetoshi Kobayashi, is currently forecast to record modest growth in 2002 (of a maximum 1-2%) after a 9% decline in 2001.

India is another Asian source that appears to have recorded strong double-digit growth in 2002, and IPK has plans to add it to the list of markets surveyed on a regular basis by the World Travel Monitor.

Australian outbound travel is predicted to show a very modest increase in 2001, said Stephen O'Neill of the Australia Tourist Commission – down from the 4% forecast one year ago – but the overall annual growth forecast for the market over the next ten years is as high as 6-7%. During this period there will be a continuing shift towards shorter-haul Asian destinations.

Not surprisingly, there has also been a marked change in the preferred destinations of travellers from Gulf Co-operation Council countries, said Gautam Sengupta of Market Vision, the World Travel Monitor partner in Dubai. Demand for Turkey, the USA, Spain, the UK and Greece has shifted to destinations within the Middle East region, Southeast and South Asia, Australia and New Zealand. Even when/if the threat of war with Iraq subsides the traditionally popular destinations may find they are competing with these new favourites, which have made concerted efforts to understand the markets' needs and to facilitate access through the abolition or simplification of visa procedures.

Not all Arab destinations have suffered declines out of Western markets, either. Dubai is one example of a destination that continues to sustain its appeal, and Morocco expects to end 2002 only 2-3% down on last year's level, according to Jamal Kilito of the Moroccan National Tourist Office. "This compares with a projected (WTO estimate) 20% decline in arrivals for Tunisia," he said.

Interestingly, the exchange of market intelligence among the participants of the Pisa World Travel Monitor Forum highlighted the fact that current trends are remarkably similar in key markets around the world. Among the trends identified, the most important are:

- Continuing, and possibly even growing, concerns over safety and security
- Shorter and more frequent holidays, but fewer short/weekend breaks of 1-3 nights long
- A shift to domestic and intra-regional travel
- A shift from air to ground transport, despite a parallel increase in demand for low-cost airlines
- A continued trend towards late booking and increased use of the internet to buy travel
- Increased demand for partly packaged, or customised/independently tailored, holidays at the expense of traditional inclusive tour packages
- Greater interest in holidays offering an experience rather than a preference for a specific destination or product
- Increased demand for authentic experiences including local culture and closeness to nature

Participants representing the leading travel and tourism operators at the Pisa Forum – TUI, Thomas Cook and the ACCOR Group – also expressed their concerns about the rising gap between travel demand and supply. Tourism products do not provide sufficient added value to meet today's customer needs and more attention needs to be paid to new holiday programmes and new accommodation products.

Whether or not the trends identified in Pisa are temporary, or are part of a more fundamental change in the overall structure of travel demand from maturing markets, is as yet unclear. These trends will be the focus of research by the Pisa Forum participants over the next 12 months.

But the single most important factor expected to influence demand for outbound travel in the future is the changing demographic profile of key source markets, and notably the rapid ageing of the population in Europe and Japan. IPK International expects to release the preliminary results of its Generation project in March 2003, highlighting the impact of ageing populations on international travel and tourism demand over the next 20 years.

A complete overview of the presentations made at the Pisa Forum, as well as a summary of conclusions from the discussions, will be available in a 200-page report from IPK International at a cost of EUR 490 from early December.

Introduces the

Guide to Global Travel Trends

2002-2003

In co-operation with

Munich, December 2002

Guide to Global Travel Trends 2002-2003

Contents:

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