

TOURISM

Economic Activities and Sustainable Development



TOURISM IN THE MEDITERRANEAN: a driving force for sustainable development?

Mass tourism is a lucrative business for large international chains (hotel industry, tour operators and cruise companies). The link between the economic growth and the social transformation of destinations remains problematic. Profitability is not systematically correlated with economic viability and sustainable territorial development. Land-based mass tourism, concentrated in coastal areas, and the booming cruise industry are emblematic of the problems associated with economic leakage, the ability to create jobs and the redistribution of the tourism activity's benefits in the Mediterranean region.

Market developments in cruise and seaside resort tourism in the Mediterranean

Mediterranean tourism has grown from 58 million international arrivals in 1970 to 283 million in 2011, i.e. a 386% increase over 40 years (source: *World Tourism Organization*). The Mediterranean is one of the world's leading tourism markets with approximately 30% of international arrivals for more than 40 years. International tourism generated \$5.6 billion of revenue across the Mediterranean Basin in 1970. In 2011, it generated \$224 billion of revenue, a multiplication by a factor of 40 compared to 1970.

In spite of these remarkable figures, the link between tourism revenue and regional development is still questioned. A study into the cruise industry, which

is extremely economically successful and highly dependent on port infrastructures, reveals the problematic relationship between economic growth and the ability to generate regional development.

The Mediterranean cruise industry still holds a minimal share of the tourism sector

The cruise industry represents only 1.4% of international arrivals in 1985 (1.7 million) and 1.8% in 2009 (5 million), and just over 1% of overnight stays by international tourists in the Mediterranean in 2009 (18 million). As a consequence, supply is lower than that of coastal tourism, representing 2.5% of the total accommodation capacity in the Mediterranean in 2009 (number of beds).

Is the cruise industry more resilient than seaside tourism?

Although these numbers may seem low, the cruise industry has high growth potential. Over the past 25 years, cruises increased by only 3% between 1985 and 1990, then fell sharply (by 45%) between 1990 and 1995, before experiencing rapid growth: 106% between 1995 and 2000, 55% between 2000 and 2005, and 57% between 2005 and 2009. Comparing these results with those of Mediterranean tourism in general, the cruise industry appears to be more sensitive to crises in the tourism sector, but highly resilient, with growth far above that of Mediterranean tourism, which has stagnated at around 10% since the 2000s.

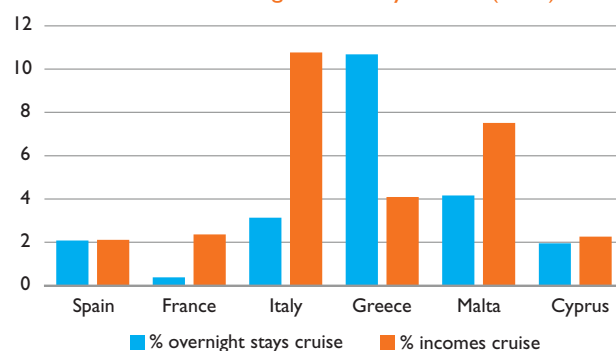
The economic outcomes of the cruise industry per country

What are the economic implications of strong growth in supply and demand for the cruise sector? Measuring economic performance in terms of consumption of overnight stays, revenue and economic performance for major Mediterranean cruise destinations reveals the differences between the countries: Cyprus, Spain, France, Greece, Italy and Malta, according to their port classification and the industrial activities and services in their territories.

A clear distinction between receiving passengers and generating revenue

Comparing the number of overnight cruise stays with the revenue generated illustrates the difference between Greece and the other countries (Figure 1). While cruises in Greece account for about 10% of total tourism demand, they generate only 4% of the country's revenue from tourism. Whereas in Italy, cruises represent 3% of overnight stays but are responsible for over 10% of revenue. Spain comes somewhere between these two examples with the number of overnight stays and cruise revenue at approximately 2% of tourism product. This approach reveals the ability of the cruise industry to produce added value but raises questions about the difference in economic performance between Greece and Italy.

Figure 1. Comparison between the share of overnight stays and the share of revenue generated by cruises (2009)



Source: Med Cruise Data, Plan Bleu, 2012

Port classifications: a discriminating factor in the production of added value

The cruise industry has high added value compared with tourism sector in general. In Italy, cruises generate, per night,

four times more revenue than tourism (€800 per night for the cruise industry compared to over €200 for tourism in general). In France, the ratio is approximately six to one (about €600 and €100). On the other hand, cruises in Greece generate three times less added value than tourism in general (€100 and €300).

These differences cannot be explained by the relative share of the ports receiving cruises in the Mediterranean, which is almost identical in Italy (35%) and in Greece (34%). In contrast, 63% of ports of departure are located in Italy (France is ranked second with 13%) and 42% of ports of call are in Greece (Italy is ranked second with 28%). The difference between Greece and Italy in the production of added value therefore lies in the distinction between ports of departure and ports of call.

The infrastructure of ports of departure also plays a major role (number and length of quays, depth of harbours). Of the ten largest ports in the Mediterranean that meet all the necessary infrastructure requirements, five are Italian.

The economic outcomes of the cruise industry for the local area

Does the added value created by the investment in infrastructure return to the local area? This is extremely hard to measure, especially for the cruise industry. On average, each passenger spends €50 per call when eating off the ship and 70% of passengers return on board for lunch. Cruise lines organise trips to capture as much as possible of their passengers' expenses. They make their largest profit margins on customer spending on board ship and from on-shore trips organised directly by the cruise company. The local benefits, especially for the ports of call, are limited and hard to measure.

In terms of economic outcomes, the ports of departure receive the most revenue, but these are still minimal compared to investment in infrastructure (dredging, quays, passenger stations, etc.). Cruise lines monopolise an entire segment of services and goods marketing, causing economic leakage from the local economy.

The ability of tourism to stimulate sustainable development in the local area

Employment indicators enable indirect measurement of the impact of tourism on sustainable development in the local area. For cruises, data is available only on the scale of the Mediterranean Basin as a whole. The job creation capacity of "land-based" tourism has been studied for 9 destinations: Torremolinos (Spain), Cabras and Castelsardo (Italy), Rovinj (Croatia), Alanya (Turkey), Matrouh Governorate (Egypt), Jerba (Tunisia), Tipasa (Algeria), the Tetouan Coast (Morocco).

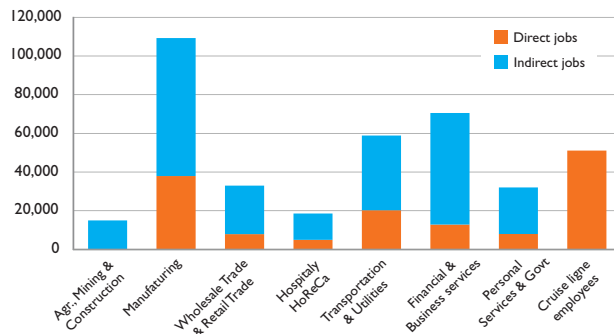
Do cruises create jobs?

Across the entire Mediterranean region, cruises create about 0.7 direct and 1.5 indirect jobs per bed, or a total of 2.2 jobs per bed. 32% of these jobs (direct and indirect) are located in Italy, since this is where most cruise liner shipyards are situated. Shipbuilding represents a total of 18% of direct employment by the cruise industry in the Mediterranean. Moreover, Italian ports of departure host a wide range of services, including

transport, which is responsible for over 30% of indirect jobs created by the cruise industry.

If the cruise industry's aim consists in generating economic benefits in the local area, countries must combine different factors: cruise ship production, a high ratio of ports of departure to ports of call and a considerable number of overnight stays. In the Mediterranean, only Italy manages to combine these different factors.

Figure 2. Distribution by employment sector linked to the Mediterranean cruise industry (2009)



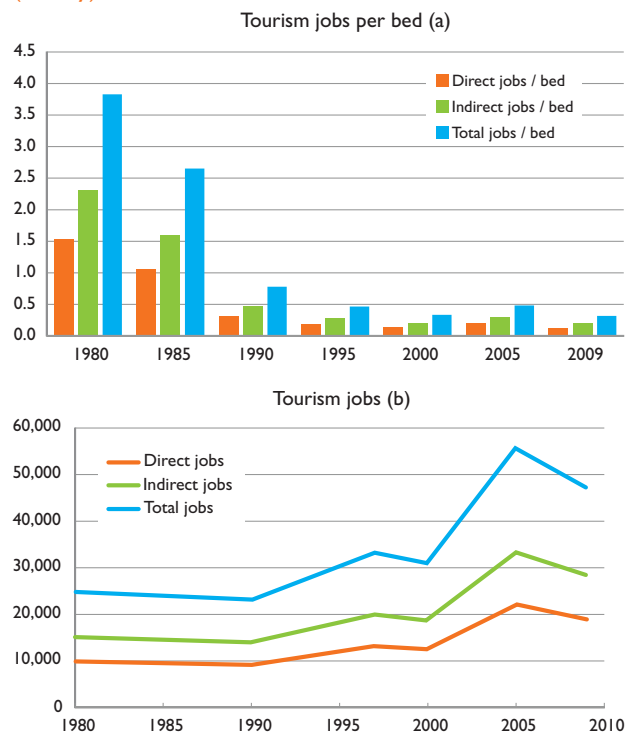
Source: Plan Bleu, 2012

Employment in the land-based tourism

For each of the 9 Mediterranean destinations studied, land-based tourism represents an average of 0.4 direct jobs per bed. In the case of Alanya in Turkey, which accounted for 14 million nights in 2008, the equivalent of 81% of overnight stays for the whole Mediterranean cruise sector for that year, tourism represents an ever increasing share of employment. Employment within tourism sector has increased from a 55% share of the tertiary sector in 2000 to 80% in 2009, and represented over 45% of total employment over the 2005-2009 period. The significant number of jobs per bed in tourism sector was characteristic of the launching of this activity between 1980 and 1985 (3.83 jobs per bed and 2.65 jobs per bed respectively). This number then stabilised at around 0.5 jobs per bed between 1990 and 2005, before finally dropping to represent only 0.32 jobs per bed in 2009 (including 0.13 direct jobs per bed) (Figure 3 (a)). This decrease of jobs per bed, directly resulting in a decline in the number of jobs in the tourism sector, is a sign of the rationalization of human resource management (Figure 3 (b)).

The ability of tourism to create jobs influences the attractiveness of a region for job seekers and can transform regions that were traditionally emigration areas into immigration areas, particularly in international 3S destinations (*Sea, Sand and Sun*), such as Jerba. Nevertheless, the effects of seasonality determine the type of employment (permanent or seasonal) and labour requirements. When the effects of seasonality are limited, as in Torremolinos, the monthly employment rate is better spread out over time (at approximately 10% per month) and contracts for tourism employees are less precarious. Over 55% of employment contracts in Torremolinos are permanent, whereas in highly seasonal destinations, such as Castelsardo in Sardinia, approximately 80% of contracts are temporary.

Figure 3. Change in jobs in the tourism sector in Alanya (Turkey)



Source: Data supplied by Cevat Tosun and Caner Caliskan, Plan Bleu, 2011

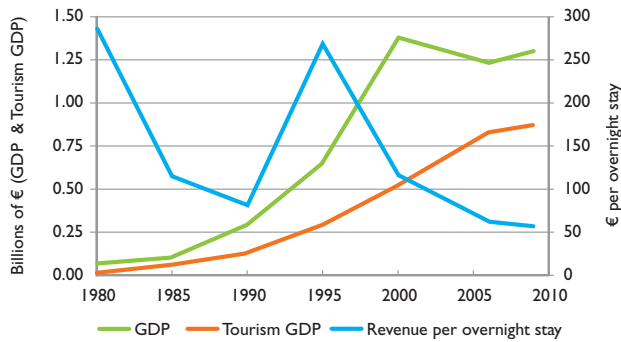
There are also still gender inequalities in access to jobs in the tourism industry. This inequality in access to jobs in the tourism industry between men and women exists in most of the destinations studied. In Northern Mediterranean destinations (Torremolinos, Rovinj and Cabras), this phenomenon is less pronounced as around 45% of posts are held by women, except in Castelsardo where the situation is still very inequitable as is the case in Southern and Eastern Mediterranean countries.

How are the benefits of growth redistributed within destination countries?

In Alanya, tourism GDP accounted for 59% of local GDP in 1985 and 67% in 2006. Tourism's large share of local GDP and the share of tourism employment are two signs of the dependence of Alanya's economy on tourism. Although no reliable data exists on economic leakage from Alanya, it is estimated that nationally between 51% and 60% of revenue from package tours organised by foreign tour operators is not injected into the Turkish economy. Tosun and Caliskan (2011) believe this leakage may be as high as 85% of Alanya's tourism revenues.

In Alanya, income per capita is rising steeply and GDP per capita has been growing continuously since the 1980s, from around €1,000 per capita in 1980 to approximately €5,500 per capita in 2009. This increase in average per-capita income does not necessarily reflect a balanced distribution of the revenue from tourism throughout the whole population. The situation remains inequitable and differences are becoming more pronounced. The share of GDP reaped by the wealthiest elements of Alanya's population increased from 44.4% of GDP in 1980 to over 56% of GDP in 2009.

Figure 4. Changes in revenue from tourism in Alanya (Turkey)



Source: Data supplied by Cevat Tosun and Caner Caliskan, Plan Bleu, 2011

Recommendations

One reason for the difficulties faced by the dominant model of Mediterranean tourism development to meet sustainable tourism objectives is due to the disconnection between tourism and the places where it operates, in terms of their economic, social, environmental and cultural contexts.

This disconnection is principally caused by:

- conflation of the concept of economic growth and regional development;
- the tendency for public regional development policies to subscribe to the "cargo" myth, the belief that investment in infrastructure will necessarily bring wealth to the region;
- insufficient tourism management on an international, national and local level.

This can sow the seeds of socio-political instability and lead to popular rejection of overly "selective" development, monopolised by few and offering minimal prospects for vulnerable local populations, such as people with low levels of formal education, women and young people.

It is thus necessary to situate tourist destinations within territorial projects, in other words, to plan tourism strategically, in line with other activities and the economic, social, environmental and cultural potential of each area.

There are two possible routes of action for **pilot tourist territories**:

- Working closely with local players to structure public spaces for participation and governance fora so as to share and confirm diagnoses of the degree of sustainability of these tourist areas, and collectively outline possible futures, in order to develop a local plan of action aimed at enhancing local potential, advantages and heritage;
- Supporting decision-making processes and introducing mechanisms for observation and monitoring of the sustainability of tourism activities and their economic, social and environmental outcomes and impacts.

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