Travel and Tourism: Impacts on Local Development

ZSUZSANNA E. HORVÁTH

Abstract Economies that rely on Travel and Tourism have an advantage over others in terms of the diversification of the economy and thus in the maintenance of resilience to external events and developments that can make national economies vulnerable. A diversified economy is less sensitive to fluctuations in any particular sector because risks are spread evenly across a number of industries. Travel and Tourism can also boost development in sectoral restructuring or transformation, in particular in dominantly rural and low-income countries and regions that previously relied heavily on agriculture and natural resource extraction. Other than the extended economic benefits and employment creation, Travel and Tourism development is capable of promoting cultural heritage and traditions. The chapter below will investigate and explore the reasons why and ways how tourism and travel development can impact local development. At the end of the chapter, a case study will offer parallels between the approach of two countries regarding heritage tourism as a specific driver of local development.

Keywords: • travel • tourism • planning • heritage • Hungary • Poland
1 Travel and tourism in the global economy

The significance of tourism in the global economy is demonstrated by the fact that 2017 has been designated the International Year of Sustainable Tourism for Development by The United Nations. Travel and Tourism (TT) is one of the world’s largest economic sectors, and by creating jobs and driving exports, generates prosperity at national, regional and local levels. According to the main authority in matters of tourism development and statistics, the World Travel & Tourism Council, in 2016 the sector yielded direct global GDP growth of 3.1% and generated six million net additional jobs. In terms of value, the contribution of TT to overall GDP amounted to US$7.6 trillion (10.2% of global GDP) and provided 292 million jobs. This accounts for one in every ten jobs in the global economy (WTTC 2017). The sector accounted for 6.6% of total global exports and almost 30% of total global service exports, outpacing global economic growth (2.5%) for the sixth successive year (UNWTO 2007).

Europe is acknowledged as the world’s number one tourist destination, measured by a record figure of more than 620 million tourist arrivals in 2016, just over half of the world’s total (50%) (ETC 2016). The competitive advantage of Europe as a destination in relation to volatile political and socioeconomic variables and against the threat of other rapidly emerging destinations lies in the ease of travelling, supported by improved air connectivity, low-cost flights, technological progress in transportation, and the diversification of accommodation that gives rise to various forms of shared consumption. Demand for European destinations remains strong, fueled by intra-European tourism demand (ETC 2016).

The major public and private stakeholders in the field have come to the conclusion that the role and share of Tourism and Travel in Europe cannot be maintained and further developed without a unified policy, leading to the publishing of a Tourism Manifesto for Growth and Jobs (Tourism Manifesto 2017). The legal background supporting the Manifesto is Art. 195 of the TFEU1 in the Treaty of Lisbon, bestowing on the European Union “the responsibility to promote the competitiveness of the European tourism sector by creating a favourable environment for its growth and development and by establishing an integrated approach to the travel and tourism sector” (Tourism Manifesto 2017, 1). The Manifesto refers to local development when it stipulates that “tourism often regenerates dilapidated areas and less developed regions, particularly rural ones”.

The development of responsible, sustainable, and universally accessible tourism through the dissemination of the Global Code of Ethics for Tourism2 has been the major target of the UNWTO (UNWTO 2007). While the scope of the activity of the organization is global, special focus is laid on emerging economies.

WTTC3 (2017) research that assessed the role that TT plays in the global economy in comparison to other key sectors asserts that it has unique advantages in driving global economic growth, and catalysing global economic integration. In order to map the contribution of
tourism to national economies at the macro-economic level, direct, indirect, and also induced impacts can be monitored.

The direct contribution of TT to GDP reflects “internal” spending on TT as well as government “individual” spending – on services directly linked to visitors, such as cultural assets (e.g. museums) or recreational ones (e.g. national parks). Consistent with output, TT’s direct contribution to GDP (in other terms, Tourism GDP) is expressed in National Accounting and is collected from tourism-characteristic sectors such as hotels, airlines, airports, travel agents and leisure and recreation services that deal directly with tourists. The significance of TT in the overall economy is measured by its wider impacts (i.e. indirect and induced impacts).

Indirect contributions include the share of GDP and jobs that are created due to the following activities:

- TT investment spending – both current and future activity, such as the purchase of new aircraft and construction of new hotels;
- Government “collective” spending supportive of TT and benefiting the “community at large” – e.g. tourism marketing and promotion, aviation, administration, security services, resort area security services, resort area sanitation services, etc;
- Purchases of commodities and services by TT service providers – e.g. food and cleaning services by hotels, fuel and catering services by airlines, and IT services by travel agents;
- The “induced” contribution measures GDP and support for jobs derived from the spending of those who are directly or indirectly employed in TT (WTTC 2017, 2).

The wider economic impacts of TT are also substantial. Economies that rely more on TT have an advantage in terms of diversification and thus in the maintenance of resilience to external events and developments that can make national economies vulnerable. A diversified economy is less sensitive to fluctuations in any particular sector because risks are spread evenly across a number of industries. TT can also boost development in sectorial restructuring or transformation, in particular in dominantly rural and low-income countries and regions which previously relied heavily on agriculture and natural resource extraction. Other than the extended economic benefits and employment creation, TT development is capable of promoting cultural heritage and traditions. The wider economic impacts originating from TT are:

- Improved access to international markets and increased trading opportunities;
- Increased foreign investment;
- Investments in public and private infrastructure; and,
- Local economic development (WTTC 2012).

TT generates valuable spinoff benefits by developing infrastructure which creates externalities that other industries can use. It boosts trade, skills, and investments in other industries that are not directly related (WTTC 2017). As TT is essentially location-based,
requiring local production and development, it represents a major driving force in local
development (in many of its ramifications), and in the creation or revival of cultural and
historical heritage.

Oxford Economics\textsuperscript{4} found that TT as an industry has a bigger multiplication effect on
GDP than most other sectors, such as communications, financial services, education,
agriculture, and mining (WTTC 2012). Industries can also be evaluated on the basis of
how spending flows to households and to other parts of the economy. “The sectors most
supportive of economic development tend to be those that generate the most household
income and retain a higher share of expenditure within the local economy after
accounting for imports. For every $1 million in TT spending, $701,000 in income is
generated” (WTTC 2012, 5).

2 \textbf{Sustainable tourism (ST)}

UNWTO\textsuperscript{5} has acknowledged the significance of sustainable tourism by announcing 2017
as the year of Sustainable Tourism Development. The concept of sustainable
development as such was fully formulated at the Rio Conference of 1992, and its guiding
principles were adopted at the UN Conference on Sustainable Development (Rio + 20)
(UNWTO 2018b).\textsuperscript{6}

The principles that can guarantee long-term sustainability pertaining to TT encompass
the ecological, economic, and socio-cultural components of tourism development. Tourism development strategies must establish a careful balance between these three
dimensions. According to UNEP\textsuperscript{7}-UNWTO-relevant guidelines, sustainable tourism
should:

• “Make optimal use of environmental resources that constitute a key element in
tourism development, maintaining essential ecological processes and helping to
conserve natural heritage and biodiversity.

• Respect the socio-cultural authenticity of host communities, conserve their built and
living cultural heritage and traditional values, and contribute to inter-cultural
understanding and tolerance.

• Ensure viable, long-term economic operations, providing socioeconomic benefits to
all stakeholders that are fairly distributed, including stable employment and income-
earning opportunities and social services to host communities, and contributing to
poverty alleviation.

• ST development requires the informed participation of all relevant stakeholders, as
well as strong political leadership to ensure wide participation and consensus
building. Achieving sustainable tourism is a continuous process and it requires
constant monitoring of impacts, introducing the necessary preventive and/or
corrective measures whenever necessary.

• ST should also maintain a high level of tourist satisfaction and ensure a meaningful
experience to the tourists, raising their awareness about sustainability issues and
promoting sustainable tourism practices amongst them” (UNEP and UNWTO 2005, 11).

3 The need for planning

Planning is essential for securing the viability of any development activity, regardless of its scope or scale. Owing to the multi-sectoral, complicated and fragmented character of TT, its development requires planning, and project development coordination is necessary. Planning creates the rational basis for development staging and project programming. Because of the specific nature of tourism, its development has a direct impact on a variety of stakeholders, including the ecosystem it is nested in. Governments around the world should consider TT as an integral part of their economic development strategy, as the policies which foster the development of TT generate a broad set of benefits that extend throughout the entire economy. The viability of tourism development can be secured by carefully matching tourist markets and products in the initial planning process. Integrated planning will enable the optimization of direct and indirect economic benefits, and eliminate or diminish various socio-cultural problems that are liable to occur.

Tourism development strategic plans. In harmony with broader strategic development objectives, detailed planning objectives encapsulate the rationale for the implementation of the planning phase before any ST development intervention (Walker and Walker 2010, 125). Such objectives can be summarized as below:

- “To determine the optimum level of tourism that can result in the achievement of environmental conservation objectives.
- To ensure that natural and cultural resources are indefinitely maintained in the process of development.
- To upgrade and revitalize existing outmoded or badly developed tourism areas and plan for new tourism areas in the future; and
- To satisfy the manpower skills and capability requirements of ST development”.

The success of the implementation of tourism development plans at a local level depends on a number of driving factors, the significance of which differ in magnitude. For example, stakeholders may all have very different agendas, driving them to follow a variety of paths, although ST is about finding a balance between conflicting interests (Maxim 2015). A proxy for the successful implementation of sustainable tourism policies and consistent strong economic returns is the collaboration of stakeholders, oriented and supervised by efficient destination marketing and management (TDM). UNWTO in its official policy documents advises national policy-makers to encourage private sector actors to take responsibility and work in partnership with local authorities in the framework of so-called Destination Management Organisations (DMOs) (UNWTO 2007).
The role of DMOs is ever increasing as travel customers, in an era of post-modern tourism consumption, seek and respond to a diversified set of value clusters (i.e. combinations of experiences, products and prices that suit their individual preferences). Destinations must design, promote and coordinate a satisfying total visitor experience that maximizes the economic contribution to the destination, and one that stimulates return intention and referral behaviour (Horváth 2016). A truly competitive destination provides satisfying, memorable experiences in a profitable way, and contributes to the well-being of destination residents and preservation of ecosystems.

4 Heritage tourism as a driver of local development

In this section, the impact of ST development as exerted on local (socioeconomic and cultural) development will be discussed through the lens of a particular type of tourism: heritage tourism. Heritage tourism can incorporate tangible or intangible products, such as a castle hotel (tangible, and pertaining to historical/cultural heritage) or Easter customs and traditions (intangible, and pertaining to cultural heritage). Heritage-based tourism is a sector of tourism that, par excellence, represents sustainability: elements of history are preserved and revived in a modern setting. While historical heritage is nested in history, thus providing the framework and/or setting for it, heritage is a contemporary commodity purposefully created to satisfy contemporary consumption (Ashworth 1998). The creation of tourism attractions using existing assets – whether natural, cultural, or built – negates the need for the building of new facilities, allowing communities to “look to the past for a sustainable future” (Hargrove 2002, 10).

Heritage-related projects and activities (such as the restoration of historic buildings and provision of hotel services in them) impact local community development in a variety of ways: they lay the foundations of long-term orientation and stability, provide employment opportunities, create the need for ancillary goods and services to diversify the heritage site’s original offering, and for the further development or enhancement of local heritage-related activities (Horváth 2013). Depending on the planning considerations and the strategic decisions made in the process, heritage sites’ and projects’ local and regional impacts may be economic, social or ecological, both quantitative and qualitative, and hopefully positive. In some cases, however, owing to poor planning practices or the avoidance of following sustainability principles, the impacts may be detrimental and thus cause serious damage to ecosystems and communities.

First, direct, indirect and induced economic impacts are considered: local community revenue and number of jobs, public sector revenue, and real estate market implications must be taken into account. Developments will have multiplier effects when suppliers (generating indirect multiplier effects) and employees of heritage sites and tourist businesses (generating induced multiplier effects) are locally (regionally) recruited and embedded (Murzyn-Kupisz 2013). Heritage tourism initiatives will have culturally integrated effects, manifesting in local community-based enhancement of cultural
identity and sense of history and place. This will further enhance the revival of value-awareness and realization of commercial potential, benefiting crafts and small entrepreneurship regionally and locally. “For instance, if the local community does not have sufficient knowledge, skills or capital to launch heritage-related tourism businesses, it may benefit to some extent from jobs created in the hospitality sector, but the lion’s share of the profits will go to externally based owners of hospitality establishments. Similarly, tourist shops may be interested in selling locally made, unique souvenirs but unable to do so if they cannot find local producers willing to supply them, or if local craft traditions have been forgotten” (Murzyn-Kupisz 2013, 160).

Heritage tourism’s other externalities such as their contribution to the knowledge economy and the creative sector should also be taken into account. Moreover, built heritage often forms an integral part of local or regional regeneration strategies as a form of inspiration, or even their central component and catalyst. In terms of social dimensions, heritage tourism can directly induce an increase in the quality and standard of life, helping to fulfill local communities’ leisure, cultural and aesthetic needs. Local communities’ social capital can be fostered by the definition or reinforcement of local identity, a sense of pride and belonging, and inter- and intra-generational communication. A newly developed and consolidated image may attract more visitors, as well as offer the potential for new residential projects.

Castle hotels belong to the category of themed accommodation that are located in historic buildings and as such constitute one of the most in demand genres of tourist accommodation. These historic buildings once served a different function, were built by aristocratic families, and are nowadays renovated by private investors. Converted castles abound in Europe and have become a preferred form of accommodation for luxury tourists and even business travelers. This unique form of lodging is called the parador in Spain and pousada in Portugal and signifies a luxury hotel transformed from a formerly aristocratic edifice.

These buildings, due to the special status of the aristocracy, were a marker of social standing and the focal points of the arts during previous centuries – almost all branches of the arts: architecture, design, interior decoration, painting, furniture-making, sculpture, inlay, goldsmith’s work and textiles are represented therein. These residences give an insight into the social stratification of former noble families, their wide range of relationships, habits and lifestyles. Therefore, a castle can be an essence or a symbol of the national cultural heritage from the period in which it was built and decorated (Godsey 1999). Such buildings were also the centre of the period’s theatrical, musical, and scientific life. Moreover, castles became salons of literature, especially in the Reform Era (the latter part of the nineteenth century), when they served as the locales of reading nights.

Services offered by castles also make visits to the area more attractive to tourists who do not use them as hotels but stay in other accommodation. Most castles organize a range of
events that are open to the general public, such as balls, concerts, plays, exhibitions, antiques auctions and seasonal fairs, creating an additional, though rather elite cultural and leisure offering for both local residents and outsiders. Establishments that offer tourist accommodation in the area often refer to palaces as important local cultural assets. Palace owners and managers have also recognized the advantages of visibly grouping similar establishments across the district and the benefits of cooperation, especially for the promotion of an entire area and broader efforts to preserve unique cultural landscapes.

5 Case study: comparison of castle hotels in Poland’s silesian elysium and in northern Hungary

5.1 Poland

The Silesian Elysium is the allegorical name for a concentration of castles situated in the Jeleniogórska Valley, close to the Czech-German border in the southwest of Poland, near the industrial city of Wroclaw. Eight palaces in Jeleniogórska Valley currently operating as hotels together offer 246 rooms and 502 beds. In 2005, the cultural cluster of castle hotels established the brand the “Valley of Palaces and Gardens,” evoking associations with the best-known such clusters in the world such as the Loire Valley. The cluster is currently applying for inclusion on the UNESCO World Heritage Sites list.

The cluster’s specific feature is that while its members, innovative in the local context, are competing but also cooperating with each other and with many other local and sub-regional firms, and generating diverse positive effects at different spatial scales. These include strictly economic effects leading to multiplier effects and positive changes to the local economic structure, as well as numerous indirect and non-economic effects on local identity, aesthetics, the cultural calendar and quality of living. The activities of the businesses in these historic residences are respectful of and well inscribed in the area’s cultural landscape, appreciating and creatively using its ecological and cultural resources.

Palace owners and managers have initiated a one-of-a-kind gentrification process. They have taken on the role of the “new gentry” in the rural setting. Their arrival in the area and their appreciation of the economic and cultural potential of an existing material heritage has driven the recreation of pre-war relations, links and dependencies between the palaces and their environment in a completely changed post-war social milieu. Like their German predecessors prior to the war, they employ local residents, purchase goods and services from them, and serve as a point of reference in terms of lifestyle, care for property, and the provision of tourist services. They also play a key role as new local stakeholders and leaders, inspiring the rediscovery of both material heritage and immaterial cultural values “dormant” in their localities.
5.2 Hungary

The abundance of castles and mansions in the present territory of the Republic of Hungary can be explained by the fact that the nobility, the proprietors of these properties, made up a proportion of the population larger than anywhere else in Europe other than Poland. The majority of Hungarian castles and mansions were built – for reasons of defence against intruders – in mountainous areas such as the northeast of the country during the eighteenth and nineteenth centuries. Once there were 4,500 castles and mansions on the territory of the Kingdom of Hungary, but many of them have been ruined through the tribulations of history. At the end of the twentieth century there were approximately 3,500 historical buildings left standing (National Trust of Monuments for Hungary 2019).

In the area of observation, the NUTS-II statistical unit of Hungary (i.e. the Northern Hungary region), there are currently 38 castles used for government or commercial purposes, of which 16 function as municipal historical heritage museums, and 22 as accommodation. Of the latter, 12 castle hotels proper are in commercial use, operated by business entities; the remaining 10 are managed as various types of accommodation (lower-category tourist bed-and-breakfasts, hunting lodges, etc.). A survey by Horváth (2016) investigated visiting guests’ attitudes and perceptions of the services of the castle hotels embedded in the given environment. The general and common characteristics of the hotels included in the survey – although belonging to different categories (four- and five-star commercial accommodation) and with varied room capacity – include the fact that they were built in the same period, have similar architectural characteristics both in terms of exterior and interior design, and possess identical amenities:

- Geographical location: small villages in mountainous areas, number of residents is less than 2,000, except for Tarcal (2,912 inhabitants).
- Minimum one-hour drive by car from the capital.
- Buildings are older than 100 years, in private ownership.
- Properties are Listed National Heritage Buildings and therefore strictly protected.
- Buildings are surrounded by large, landscaped parks.
- Amenities include wellness and open-air sports facilities.
- Comprehensive information or exhibition about Architect, Builder Family and former utilization of castle on display.
- Availability of cultural, training and leisure programs and events.
- Year-round opening.
- Renovated or extended in the last ten years.

As part of the National Castle Program, 32 Hungarian castles will be renewed by 2020. The Program is embedded in the National Tourism Development Strategy of Hungary 2014–2024, and is supported by the operative objectives of developing heritage tourism product categories that represent outstanding features, authentic values and potential which are also spatially focused and rely on integrated thematic TDM.
6 Conclusion

Sustainable destination practices are recognized by UNWTO organizations and institutions as they guarantee adequate stakeholder involvement, thus assuring the long-term viability of tourism projects, whether old or new. Specifically, this chapter sought to explain both conceptually and by concrete examples how Travel and Tourism development is capable of promoting cultural heritage and traditions, in addition to creating extended economic benefits and employment creation.

Furthermore, an attempt has been made to clarify how the wider implications of destination management and sustainable tourism development practices are intricately intertwined. Through the lens of community-based cultural and historic heritage conservation, the practices of two regions in two different countries, Poland and Hungary, were presented to demonstrate their efforts to tackle the issue of destination management. The message to take away from the examples is that:

- Tourism is a growing contributor to national GDP, hence related planning strategies must be carefully developed and delivered,
- Heritage tourism, when planned with the above principles in mind and considering active stakeholder involvement, can effectively drive local development.

Notes:
1 Treaty on the Functioning of the European Union.
2 The UNWTO’s Code of Ethics, containing guidance (UNWTO 2019). The organization’s mission is to promote the implementation of responsible and sustainable methods of tourism management. Available at: http://ethics.unwto.org/en/content/global-code-ethics-tourism (15 March, 2019).
3 WTTC: World Travel & Tourism Council.
4 Oxford Economics is a research and analytical consultancy headquartered in Oxford, England.
5 UNWTO: World Tourism Organization.
6 The United Nations Conference on Sustainable Development, also known as Rio 2012, Rio+20, or Earth Summit 2012, was the third international conference on sustainable development, aimed at reconciling the economic and environmental goals of the global community.
7 UNEP: The United Nations Environment Programme is an agency of United Nations and coordinates its environmental activities.
8 DMO: Destination Management Organisation. A tourism board or visitor bureau responsible for specific management tasks of tourism development, an institution promoting a community as an attractive travel destination.
10 Based on census of 01.01.2010 (Hungarian Central Statistical Office 2019).

References:


