

WORLD  
TRAVEL &  
TOURISM  
COUNCIL

# TURKEY

THE IMPACT OF TRAVEL & TOURISM  
ON JOBS AND THE ECONOMY



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# WORLD TRAVEL & TOURISM COUNCIL

THE WORLD TRAVEL & TOURISM COUNCIL (WTTC) IS THE BUSINESS LEADERS' FORUM FOR TRAVEL & TOURISM, WORKING WITH GOVERNMENTS TO RAISE AWARENESS OF THE IMPORTANCE OF THE WORLD'S LARGEST GENERATOR OF WEALTH AND JOBS.

With the chief executives of more than one hundred of the world's leading companies in membership, WTTC has a unique mandate and overview on all matters related to success in Travel & Tourism.

The Turkish Union of Travel Agencies (TURSAB) and WTTC are delighted to have collaborated on this research, the first simulated Tourism Satellite Account for Turkey. This groundbreaking research makes Turkey one of the first nations around the world to quantify the far-reaching contribution of Travel & Tourism by implementing this new concept recently endorsed by the United Nations. Research was supplied by DRI-WEFA.

This new TSA research quantifies all aspects of Travel & Tourism demand, from personal consumption, to business purchases, capital investment, government spending and exports. It then translates this information into economic concepts of production such as Gross Domestic Product, Employment and taxes that can be compared with other industries and the economy as a whole to provide credible statistical information that will assist in our policy and business decision processes.

The message from this report is clear: Travel & Tourism is one of the largest industries and employers in Turkey, expected to generate 5.2 percent of Gross Domestic Product and 618,100 jobs in 2001. Travel & Tourism is also a major government revenue producer, accounting for US\$ 3.5 billion of taxes in 2001. Looking ahead, the forecast is very strong with expectations of 5.7 percent real growth per annum between 2001 and 2010.

The forecasts in this report highlight the need for Turkey to address factors such as sustainability, employment, taxation, investment and marketing and promotion. Turkey is a nation with outstanding natural resources and, with the information and recommendations in this report, has the opportunity to make the most of these advantages.

The report also includes a hypothetical case study of Turkey's Travel & Tourism economy that shows the potential that even greater attention to the industry can bring. In a nutshell, this case study shows that if Visitor Exports were to increase to US\$ 30 billion by 2010, Turkey Travel & Tourism would yield almost 2.5 million jobs in total and grow the Turkish economy by more than 2.6 percent over currently forecast levels.

We hope that by raising awareness of the enormous potential of Travel & Tourism in Turkey, this report acts as a catalyst, encouraging industry and government to continue to work together to create the conditions necessary for this potential to be realised.

Please note that the research prepared for this report was finished before the tragic events of September 11, 2001. Therefore, the end-of-year estimates for 2001 and forecasts for future years provided in this report may require adjustment when more information on the impact is available.

Basaran Ulusoy

President

Turkish Union of Travel Agencies

Sir Ian Prosser

Chairman, World Travel & Tourism Council

Chairman, Bass plc



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# EXECUTIVE SUMMARY

## THE REALITY OF TURKEY'S TRAVEL & TOURISM.

THE IMPORTANCE OF TRAVEL & TOURISM TO TURKEY'S ECONOMY IS INDISPUTABLE, YET THE INDUSTRY'S POTENTIAL IS A LONG WAY FROM BEING FULLY TAPPED.

Forming a natural land bridge between Europe, Asia and Africa, and with a cultural history spanning over 10,000 years, Turkey has enormous advantages in the global tourism market.

Although Turkey has traditionally focused on the mass sun and sea market, her incomparable diversity of natural resources and climate zones offers considerable potential for the development of new tourism products to meet growing demand for adventure tourism, eco-tourism and tailor-made cultural holidays.

Few countries offer such a variety of opportunities for outdoor recreation and nature-based tourism. Turkey's abundant natural resources, including unique geological phenomena, unspoiled beaches and thermal spas are matched by a wealth of archeological and historical sites.

Travel & Tourism can play a significant role in helping Turkey's leadership realise its goals and objectives to expand the country's economic base and improve quality of life for its citizens.

There are nonetheless a number of challenges to address if Travel & Tourism is to reach its enormous potential as a catalyst for future economic and social development across the whole of the country. Considerable care must also be taken to ensure that Travel & Tourism growth is sustainable – that it achieves a healthy balance between business imperatives, the protection of cultural heritage and the environment, and the well-being of local communities.







# SUMMARY OF KEY TRENDS

1 - Turkey attracted a record number of 10.4 million visitors in 2000, marking a strong recovery after the disappointing results for 1999. The outlook is equally strong with foreign visitor growth expected to reach 7.5 percent per annum.

2 - Business travel is an important growth sector and is expected to total US\$ 612 million in 2001. This sector is closely linked to the national economy and is expected to rise sharply as the economic situation stabilises. Recent investments in infrastructure in the largest cities cater to the growing conference and corporate events market. Over the next ten years, business and government travel is expected to grow at an annual rate of 4.0 percent.

3 - Domestic tourism is also very positive. Since 1988, Turkish personal Travel & Tourism has grown by 82 percent and it is expected to continue to grow at a rate of 4.3 percent per annum. Turkish residents now spend about 8.2 percent of their personal income on Travel & Tourism, most of which is in Turkey.

4 - While most international visitors concentrate on coastal and city destinations, the most promising growth market is nature-based and cultural tourism, for which Turkey has unique selling appeal and enormous diversity of products.

5 - Visitor spending on Travel & Tourism in Turkey has recovered since the 30 percent drop recorded in 1999. In the first 10 months of 2000, a rise of 47 percent had already been achieved.

6 - Capital expenditure in Travel & Tourism is expected to pick up in 2002 after two difficult years. However, in spite of the economic problems, investment growth is higher than in the EU. The employment growth is also higher than all EU member states except Ireland. There is scope to create 60,000 new jobs in 2002.

7 - Government spending on Travel & Tourism is less than average, at 0.8 percent of total spend, compared to an average 4.2 percent across the EU. However, new laws proposed in 2000 giving tourism priority status, were an important step to recognising the power of Travel & Tourism as an economic driver.

# ECONOMIC IMPACT

IN 2001, TURKEY TRAVEL & TOURISM IS EXPECTED TO GENERATE US\$ 21.0 BILLION OF ECONOMIC ACTIVITY (TOTAL DEMAND). THE INDUSTRY'S DIRECT IMPACT INCLUDES:

**618,100** jobs \_\_\_\_\_ representing 2.9 percent of total employment.

**US\$ 8.0** billion \_\_\_\_\_ of gross domestic product (GDP) equivalent to 5.2 percent of total GDP.

HOWEVER, SINCE TRAVEL & TOURISM TOUCHES ALL SECTORS OF THE ECONOMY, ITS REAL IMPACT IS EVEN GREATER. TURKEY'S TRAVEL & TOURISM ECONOMY DIRECTLY AND INDIRECTLY ACCOUNTS FOR:

**1,500,000** jobs \_\_\_\_\_ representing 6.8 percent of total employment.

**US\$ 18.0** billion of GDP \_\_\_\_\_ equivalent to 11.8 percent of total GDP.

**US\$ 7.5** billion of exports, services and merchandise \_\_\_\_\_ or 18.6 percent of total exports.

**US\$ 4.2** billion of capital investment \_\_\_\_\_ or 10.8 percent of total investment.

**US\$ 188** million of government expenditures \_\_\_\_\_ or 0.8 percent of total.

**US\$ 3.5** billion of taxes \_\_\_\_\_ or 10.1 percent of total taxes.

US\$ figures used in this report are nominal US\$ with all exceptions explicitly identified as 1990 Constant US\$.

# GROWTH

OVER THE NEXT 10 YEARS, TURKEY'S TRAVEL & TOURISM IS EXPECTED TO ACHIEVE ANNUALISED REAL GROWTH OF:

**6.0%** \_\_\_\_\_ in Travel & Tourism Industry GDP, to US\$20.3 billion in the industry (direct only) and US\$44.7 billion in the Travel & Tourism Economy overall (direct and indirect) in 2010.

**3.9%** \_\_\_\_\_ in Travel & Tourism Employment, to 921,400 jobs in the industry (direct only) and 2.1 million jobs in the Travel & Tourism Economy overall (direct and indirect) in 2010

**5.7%** \_\_\_\_\_ in Total Travel & Tourism Demand, to US\$51.2 billion in 2010.

**7.2%** \_\_\_\_\_ in visitor and other exports, rising to US\$24.2 billion by 2010.

**5.3%** \_\_\_\_\_ in terms of capital investment, increasing to US\$8.8 billion in 2010.

**4.2%** \_\_\_\_\_ in terms of government expenditures to US\$387 million in 2010.



# FUTURE PROSPECTS

THE BASELINE FORECASTS FOR TURKEY ARE GENERALLY POSITIVE, BUT THEY HIGHLIGHT A FEW WEAKNESSES THAT COULD HINDER FUTURE TRAVEL & TOURISM GROWTH.

## SUSTAINABILITY

Turkey's natural resources provide a comparative tourism advantage that has not been fully exploited.

The Turkish government, in conjunction with the private sector, has set clear guidelines for sustainable tourism development but these have not always been observed at a local level. Urgent steps must be taken to ensure that a proper balance is restored.

## EMPLOYMENT

Due to economic uncertainty, the jobs outlook for Travel & Tourism in Turkey is flat, but there is strong potential for employment growth in 2002.

Employment growth is expected to total 3.9 percent per annum between 2001 and 2010. Compared to its European neighbours, Turkey's current level of Travel & Tourism employment as a percentage of total employment, (2.9 percent) ranks at the bottom of the list. This suggests there is great potential for growth, in a positive economic environment.

## TAXATION

Taxes from Travel & Tourism in Turkey in 2001 are expected to total US\$ 3.5 billion or 10.1 percent of total taxation.

This is expected to rise to US\$ 10.3 billion or 13.3 percent of total taxes over the next 10 years. The

competitiveness of the industry largely depends on an equitable taxation regime relative to other industries as well as to competing destinations. The Turkish government should not be tempted to over-burden the industry to achieve short-term gains, which could jeopardise long-term employment and economic prospects.

## INVESTMENT

The largest slice of capital investment in Turkey's Travel & Tourism comes from the private sector, which is expected to invest US\$ 3.2 billion in 2001.

Public expenditure is low by comparison with an expected investment of US\$ 1.0 billion in new Travel & Tourism infrastructure this year. Travel & Tourism investment has been affected by recent economic uncertainties as well as by natural disasters, but is expected to pick up in 2002.

## MARKETING & PROMOTION

Turkey's main challenge is to diversify from sun and sand tourism and develop its cultural and natural resources.

Developing new products such as activity or cultural tourism will require more support for marketing and promotion and co-operation between the public and private sector to establish clear branding strategies.



# REALISING THE POTENTIAL

IN ORDER TO ACHIEVE OR – EVEN BETTER – SURPASS THE BASELINE FORECASTS, CERTAIN KEY FACTORS NEED TO BE ASSURED.

These include a robust national tourism policy, a favourable fiscal policy, continuing incentives for investment, new infrastructure development, sustained and effective marketing and promotion, improved education and training, and product diversification.

Against this background WTTC recommends that the Turkish Government:

## PLAN FOR THE FUTURE.

Strengthen long-term tourism development plans, in consultation with local government and the private sector to ensure sustainable tourism development.

Monitor trends in Travel & Tourism demand to anticipate and adapt products to changing demand.

Focus on market and product diversification in order to reduce over-dependence on traditional markets.

Market and promote more effectively to avoid excessive concentration of demand in time and space, to reduce overload in some coastal destinations and to

increase demand in other areas so as to spread the benefits of tourism to all parts of the country

Work more closely with the private sector to address existing concerns and increase public-private sector partnerships in areas such as marketing and promotion, product development, education and training.

Anticipate future investment needs by introducing new incentive schemes for private sector capital investment and small business development, especially to encourage heritage, activity and nature-based tourism enterprises.

## HIGHLIGHT THE STRATEGIC IMPORTANCE OF TRAVEL & TOURISM.

Recognise Travel & Tourism's impact across the broader economy and its ability to diversify Turkey's economy, and ensure this is measured on an annual basis by means of a National Satellite Account.

Reflect Travel & Tourism in mainstream policies

for employment, trade, investment and education, ensuring that the underlying policy framework is conducive to dynamic growth.

Communicate the strategic importance of Travel & Tourism to all levels of government and industry, as well as to local communities.

## DEVELOP THE HUMAN CAPITAL REQUIRED FOR GROWTH.

Promote a positive image of the Travel & Tourism industry among the general public as a provider of jobs and career opportunities for all the Turkish people.

Recognise Travel & Tourism's potential to provide jobs for young people, first-time job seekers, minority groups and retired people, or working mothers looking for part-time employment.

Recognise that Travel & Tourism employment is concentrated in small businesses and local communities throughout the country and across the entire employment spectrum.

Place education and training at the forefront of Travel & Tourism development, introducing it into the high school curricula and adopting measures to improve skills.

## ENCOURAGE OPEN MARKETS AND THE REMOVAL OF BARRIERS TO GROWTH.

Upgrade marketing and promotion to match prevailing competitive approaches and strengthen public-private sector co-operation, at the same time co-ordinating state and local government efforts.

Build safety and security provisions into national and local strategies, and place special emphasis on Travel & Tourism in overall security strategies.

Develop new fiscal programmes, such as increased tax credits, to encourage tourism growth, exports, investment, infrastructure, business innovation and job creation.

Ensure that accommodation and other hospitality taxes collected on behalf of the industry are reinvested in infrastructure improvements and promotion.

## MATCH PUBLIC AND PRIVATE INFRASTRUCTURE TO CUSTOMER DEMAND.

Expand infrastructure, including airports, to anticipate projected demand and improve road networks across the country, opening up new areas for tourism development.

Ensure that the patterns of flow do not adversely affect the natural or built heritage.

Introduce special incentives for the rapid modernisation and upgrading of Turkey's rural areas in order to spread the benefits of Travel & Tourism across the country.

Encourage better zoning and land-use planning by local authorities to protect the natural environment – one of Turkey's major attractions for visitors and residents alike.

Highlight the dangers of excessive, unplanned development, including unhealthy competition, declining operating performances and profits.

Develop access to capital resources and encourage capital investment in Turkey's Travel & Tourism industry from domestic and international sources.

## FAVOUR TECHNOLOGICAL ADVANCEMENT.

Promote the use of technology in Travel & Tourism to achieve greater efficiencies and effectiveness.

Maintain and continuously upgrade the quality of Turkey's internet

presence so as to improve the distribution of Turkish tourism products – both through the travel trade and direct to consumers – as well as enhancing Turkey's image in key markets.

## PROMOTE RESPONSIBILITY IN NATURAL, SOCIAL AND CULTURAL ENVIRONMENTS.

Establish clear policies and guidelines for planned and sustainable tourism expansion at a national and local level.

Adopt the principles of ecological preservation as outlined in Agenda 21 for the Travel & Tourism industry developed after the 1992 Rio Earth Summit by WTTC, the World Tourism Organization and the Earth Council.

Ensure that the socio-economic, cultural and environmental benefits of Travel & Tourism are spread equitably across the

population, and recognise the need for local community engagement and empowerment.

Expand tax credits and introduce new financial programmes to provide incentives for local community-based sustainable tourism enterprises.

Brand Turkey's key natural and cultural resources through international and/or national designations.

# WHAT IF?

AT THE REQUEST OF TURSAB, WTTC/WEFA PREPARED A “WHAT IF” ANALYSIS OF THE BASE-CASE TURKEY TOURISM SATELLITE ACCOUNT, PRESENTED IN THIS REPORT, TO ASSESS THE IMPACT OF A HYPOTHETICAL STRATEGIC POLICY ACTION BY THE TURKISH GOVERNMENT TO SIGNIFICANTLY INCREASE VISITOR EXPORTS BY THE YEAR 2010.

In this “What If” analysis, the base case assumption for visitor exports was assumed to reach the level of US\$30 billion by 2010.

This hypothetical situation represents a 36% increase over the WEFA forecast for 2010 visitor exports and as such creates a whole new economic and policy environment for Turkey’s Travel & Tourism.

The following table illustrates some of the highlights from the base case and "What If" analysis of Turkey’s 2010 TSA estimates.

Turkey Estimates 2010	Base Case TSA		What If TSA	
	US\$ Mn	% of Tot	US\$ Mn	% of Tot
Personal Travel & Tourism	16,593.2	8.5	16,593.2	8.5
Business Travel	1,218.2	---	1,218.2	---
Government Expenditures	386.7	0.9	462.8	1.0
Capital Investment	8,828.1	11.1	9,696.5	12.1
Visitor Exports	22,139.8	18.8	30,000.0	23.9
Other Exports	2,049.0	1.7	2,049.0	1.6
Travel & Tourism Demand	51,215.1	---	60,019.7	---
T&T Industry GDP	20,302.0	7.0	24,296.3	8.1
T&T Economy GDP	44,714.1	15.3	52,401.1	17.5
T&T Industry Employment	921.4	3.5	1,102.7	4.1
T&T Economy Employment	2,120.3	8.0	2,484.8	9.2

Note: Employment in 000's

The primary demand-side difference between the Base Case TSA and the “What If” TSA is the assumed visitor export target of US\$ 30 billion, which increases this category by 36%. This increase suggests that Travel & Tourism visitor exports would total almost one quarter of Turkey’s total exports in 2010. Secondly, government expenditures is assumed to increase by almost 20% in response to the larger requirements for Travel & Tourism activities that serve the individual visitors and the community as a whole. Capital investment is also assumed to increase with visitor spending, but productivity improvements moderate the actual increase



to 10% over the Base Case TSA. Please note that the increases in government spending and capital investment are simplified estimates and a more detailed analysis may indicate significantly different levels. However, by comparison, the absolute change in Visitor Exports far exceeds the scope of these changes to government spending and capital investment.

The supply-side results in the TSA are a function of the demand-side estimates, and a dramatic change in Visitor Exports carries through to a dramatic change to GDP and Employment. In the “What If” scenario, if Visitor Exports reaches US\$30 billion in 2010, Turkey’s Travel & Tourism Economy GDP will account for 17.5% of the Turkish economy. The more focused Travel & Tourism industry would jump from the Base Case estimate of 7.0% to a “What If” case of 8.1% of total GDP. On a macroeconomic level, the increase in the Turkish Travel & Tourism economy GDP suggested by the “What If” analysis would increase the GDP of Turkey by 2.6% alone over expected 2010 levels.

In terms of employment, the “What If” scenario is also significant. In this case, the difference between the Base Case and “What If” case is an additional 181,280 Travel & Tourism industry jobs and an additional 364,510 Travel & Tourism Economy jobs.

Please note, based on current economic and policy conditions and Travel & Tourism market trends, WTTC/WEFA have forecast the Turkey TSA 2010 at the base case levels indicated above. The hypothetical “What If” analysis is only included for illustrative purposes to suggest possible outcomes that may occur under a set of policy conditions that have yet to be defined.

Although it may be impossible to layout an explicit policy scenario necessary to achieve the “What If” analysis, it is safe to say that the policy issues identified as weaknesses in the Future Prospects section must be address and resolved. Furthermore, the policy issues identified in Realising the Potential will only help Turkey get to the base case scenario identified herein. Therefore, to even consider the possibility of the “What If” analysis, we would expect that Turkey’s public and private sector will need to take an even bigger step and make Travel & Tourism a true strategic national priority. By design, this new policy focus would need to comprehensively address all aspects of Travel & Tourism, from government activities, marketing and infrastructure, to private sector incentives, product and market diversification, to community awareness, education and involvement. The list of issues and policies is significant and beyond the scope of this hypothetical. So too, the identification of investment in human resources, intellectual capital and financial capital is enormous and beyond our scope. However, with this analysis TURSAB has opened the door to discussion and challenges Turkey’s public and private sector to respond.



# TURKEY'S TRAVEL & TOURISM

## TEN THOUSAND YEARS OF CIVILISATION

Turkey has an enormous potential for tourism development thanks to its wealth of natural and cultural attractions – many of which are largely untapped. Its seven distinct climate regions produce the landscape and seasons of an entire continent in a single country. From rolling steppes of the Anatolia plateau and the expansive lakes of the Black Sea coast, to the towering volcanoes of the central region and 8,400 km of beautiful coastline, Turkey is a unique tourism product.

However, the Travel & Tourism industry is relatively young. Most development has occurred over the past 20 years, and is still heavily focused on the sun and sand mass market. Many visitors are still unaware of the enormous opportunities the country has to offer for nature-based and cultural tourism. For instance, Turkey has no less than seven UNESCO designated World Heritage sites ranging from the historic areas of Istanbul to the archeological site of Troy.

Most of the prime tourism regions remain unspoiled, in spite of the rapid growth in arrivals, and the government is committed to the sustainable development of new destinations and products to preserve

the country's most valuable asset. However, some destinations such as Marmaris and Ismir have shown declining occupancy because over-development of private villas has put a strain on infrastructure and the environment.

In 2000, Turkey attracted a record 10.4 million international visitors, and the industry is expected to grow swiftly as the economy stabilises. The tourism season is mainly concentrated in the summer months, peaking in August, but there is scope to extend the season by diversifying products such as thermal spa vacations, heritage tours and activity based tourism. Development of marinas, golf courses and other niche market products is already underway.

In 1999, Turkey's Ministry of Tourism licensed 1,907 tourism establishments, ranging from 5 star hotels to holiday villages and campsites. The overall number of beds available was estimated at 330,000 in 2000, compared to 319,313 in 1999. Most tourism accommodation (58 percent) is still centred on the Aegean and Mediterranean coastline, while the Black Sea and all of Anatolia together account for only 18 percent. The highest concentration is in Marmaris, which provides 23.4 percent of total bed capacity. A further 1,311 properties with 245,543 beds have been licensed by the Ministry of Tourism and are in the process of being planned or constructed.

In addition, since 1997, 20,000 extra beds have been licensed by local authorities, bringing the total of apartments, guest-houses and hotels and motels licensed by municipalities to 290,477.

In 2000, the overall occupancy rate for licensed accommodation was 23.3 percent for foreign visitors and 13.5 percent for domestic tourists. The proportion of foreign visitors arriving on package holidays has declined slightly from 57.6 in 1997 to 55.9 percent in 1998.

### Projected Arrivals and Exports

	Visitor Arrivals (000's)	Visitor Exports (US\$ Million)
1990	4,799	3,395
1991	5,158	2,816
1992	6,549	3,851
1993	5,904	4,201
1994	6,033	4,505
1995	7,083	5,243
1996	7,966	5,993
1997	9,040	7,427
1998	8,960	7,575
1999	9,623	5,466
2000	10,400	8,014
2001	12,313	6,853
2002	13,211	8,372
2003	14,057	10,106
2004	15,013	11,778
2005	16,049	13,523
2006	16,915	15,412
2007	18,152	16,945
2008	19,480	18,535
2009	20,905	20,262
2010	22,434	22,140

Source: WEFA

## KEY MARKETS

### Visitor Arrivals

Turkey's key market is Europe. The most important single market is Germany, but German arrivals have dropped by 2.7 percent to 2.27 million in 2000, compared to 2.33 million in 1997. The UK, with 915,276 arrivals has now regained its 1997 level after a steep fall in 1999. The former USSR has also been an important market, particularly for short visits to the Black Sea region. However, the economic downturn in this source market has resulted in a slowdown over the past few years. Arrivals from former Soviet countries were 1.4 million in 2000 compared to a peak of 1.5 million in 1997.

## Development in First 15 Markets 1997-2000 (Visitor Numbers)

	1997	1998	1999	2000	2000-1997 % Change
Germany	2,338,529	2,233,740	1,388,787	2,276,238	-2.7
CIS	1,513,566	1,311,357	1,051,895	1,376,695	-9.0
UK	915,337	996,512	814,889	915,276	0.0
USA	364,764	439,885	395,006	515,022	41.2
France	333,781	436,932	270,280	449,521	34.7
Netherlands	263,367	328,002	214,163	440,023	67.1
Bulgaria	219,353	244,741	259,075	381,540	73.9
Iran	331,666	304,924	351,937	380,866	14.8
Austria	307,528	235,120	129,465	320,537	4.2
Israel	263,423	238,298	201,471	311,713	18.3
Yugoslavia	150,725	172,379	213,776	285,632	89.5
Romania	338,966	505,766	483,184	265,107	-21.8
Belgium	155,421	191,173	149,622	256,927	65.3
Italy	207,887	259,483	79,029	218,779	5.2
Greece	170,445	168,525	146,871	218,656	28.3

Source: Turkish Ministry of Tourism

## First 15 Markets January-May 2001

Nation	Visitor Numbers			Change %	
	1999	2000	2001	2000/1999	2001/2000
Germany	422,904	545,155	859,292	28.91	57.62
CIS	342,867	419,825	432,486	22.45	3.02
UK	165,212	189,560	204,203	14.74	7.72
Netherlands	57,185	97,866	179,158	71.14	83.06
France	95,364	123,033	173,346	29.01	40.89
USA	121,771	154,680	141,591	27.03	-8.46
Bulgaria	75,454	132,839	127,794	76.05	-3.80
Iran	115,577	130,350	123,698	12.78	-5.10
Yugoslavia	64,024	106,983	96,838	67.10	-9.48
Israel	61,603	85,294	96,191	38.46	12.78
Belgium	38,371	55,758	88,949	45.31	59.53
Austria	29,089	63,197	84,260	117.25	33.33
Italy	25,140	39,809	71,733	58.35	80.19
Greece	51,962	79,742	68,309	53.46	-14.34
Romania	191,046	126,044	59,152	-34.02	-53.0

Source: TURSAB

## Developments in Other Markets (January-May)

Nation	Visitor Numbers			Change %	
	1999	2000	2001	2000/1999	2001/2000
Sweden	26,155	33,057	47,823	26.39	44.67
Japan	34,052	29,121	47,322	-14.48	62.50
Spain	12,326	20,083	33,921	62.93	68.90
Poland	13,160	26,018	30,063	97.71	15.55
Denmark	19,647	18,955	24,320	-3.52	28.30
Australia	15,967	18,477	21,545	15.72	16.60
Finland	9,041	16,800	18,674	85.82	11.15

Source: TURSAB

The above tables show that the Benelux markets (particularly Holland and Belgium) are growing and that the French and Italian markets are also performing very well. TURSAB believes there is also great potential in the Asia Pacific region especially China. Negotiations with the Chinese government have nearly been concluded so that Turkey can be added to their official destination list. On the other hand, TURSAB reports that Middle East markets, except for Israel and Iran, have been disappointing.

## TRANSPORT

More than 72 percent of visitors to Turkey arrive by air, compared to 16.2 percent by land and 9.8 percent by rail. The major arrivals airports for foreign visitors are in Antalya and Istanbul which receive 51.7 percent of foreign visitors. Once in the country, transport is chiefly by road. The country is also well served by internal airlines with a carrying capacity of 20,523 seats. Many foreign visitors also take advantage of the numerous sailing boats available from marinas along the Aegean and Mediterranean coasts, which also offer an additional 4,000 beds. (1999)

### Main Custom Points for Foreign Visitors (January- December 2000)

Antalya Airport	3,216,181	(30.8%)
Istanbul Atatürk Airport	2,184,383	(20.9%)
Muila Dalaman Airport	704,841	(6.8%)
Izmir Adnan Menderes Airport	432,360	(4.1%)
Muila Milas - Bodrum Airport	384,353	(3.7%)
Ankara Esenboia Airport	193,076	(1.9%)

### Main Sea Ports

Istanbul Galata	236,992	(2.3%)
Aydın Kuiađası Denizyolu	422,571	(4.1%)

### Main Customs (Overland)

Edirne Kapıkule	788,833	(7.6%)
Kilis Öncüpinar	190,766	(1.8%)

Source: Turkish Ministry of Tourism

## ACCOMMODATION

Belek and Kemer, Antalya's leading resorts achieved the best seasonal occupancy results in 2000 as a result of their good infrastructure which provides a variety of tourism facilities through the summer season. Istanbul hotels on the other hand, have the best performance in terms of room rate and occupancy on a year long basis.

Alanya town in Antalya has now achieved good results in terms of occupancy and room rate for the first 5 months of this year after many years of poor performance. In the Aegean region, the most prominent resort is Bodrum in Muila province. Its lively nightlife attracts an important share of the domestic market as well as foreign visitors.

Kuiađası, Izmir, Marmaris, Fethiye and Muila have had poor results for the past two years in spite of high standard accommodation. This has been attributed to insufficient concern for environmental protection and over-development of private holiday houses.

### Distribution of Bed Capacity, 1999

REGIONS	Share %
Aegean	30.94
Mediterranean	27.53
Central Anatolia	8.13
Black Sea	5.03
East Anatolia	2.52
Southeast Anatolia	2.46
Marmara	23.39

SOURCE: 1999 Statistical Yearbook of Licensed Tourism Facilities

## Capacity of Licensed Investment Properties

	Class	Beds
Hotels	5 star	42,467
	4 star	50,429
	3 star	53,975
	2 star	38,303
	1 star	3,919
Motels		950
Holiday Villages	1. Class	28,956
	2. Class	6,750
Guest Houses		4,202
Campings		2,852
Inns		200
Specials		699
Golf		2,068
Others		9,760

Source: 1999 Statistical Yearbook of Licensed Tourism Facilities

## LEADING TOURISM DESTINATIONS

The leading tourism destinations in the summer season (April-October) are in the Aegean and Mediterranean coastal regions. Istanbul is the most important destination for city-breaks and business travel.

### Istanbul

Spectacularly located on the Bosphorus, Istanbul is endowed with some of the most prestigious buildings of late antiquity. As capital of both the Roman Empire of the East until 1453, and of the Ottoman Empire from 1453 until 1922, it contains the main architectural works of both civilisations. Istanbul is brimming with history but is also a modern city whose population has grown tenfold over the past fifty years. As such, the city faces the ongoing challenge of protecting its heritage while adapting to meet the needs of the modern world. The main areas of concern are the rapid disappearance of the urban fabric due to building on a massive scale and unregulated town planning on the outskirts of the city. The UNESCO World Heritage Centre, backed by funds from the European Union and the French Institute for Anatolian Studies, has undertaken an operation to protect some of the modest residential districts dating from the mid 19th century, in the Golden Horn area.

Istanbul is already a popular year-round destination, but still has a good potential for city breaks and the conference and incentive markets. This has already been demonstrated at two large-scale international conference events HABITAT 1998 and the OSCE conference in 1999. Istanbul now has reasonably good conference facilities and infrastructure. The 'Conference Valley' is in the heart of Istanbul where the Istanbul Convention and Exhibition Center was constructed only 5 years ago. It provides all modern congress facilities for its customers. In Conference Valley, there are a number of luxury and 5 star hotels and other congress facilities as well. A new conference centre in which the main hall will have a capacity of 2,500 seats is expected to be completed at the end of this year.

The Ministry of Tourism and private sector organisations in

tourism and city authorities have established a council to prepare a plan to improve Istanbul's tourist facilities. The aim is to increase Istanbul's annual total of foreign visitors from 2.5 million to 10 million over the next two years.

The Ministry of Tourism recently urged other cabinet members to improve Istanbul's tourism facilities and has announced a plan to put this into practice.

### The Mediterranean Sea

Antalya is the principal resort on the Mediterranean Sea, with well preserved city ramparts and a picturesque harbour as well as Hadrian's gate, numerous mosques and other cultural sites.

Although the main tourist season is from April to October, there is also scope to increase tourist capacity by extending the season by attracting niche markets for activities such as golf. At present the annual occupancy rate is limited by the short season. However, Antalya has a moderate climate and would be suitable for winter tourism, particularly for retired people or golfers. Such developments began in 1997 and 1998 when many properties stayed open and attracted retired people in the winter. However, this market has only recently begun to improve after it was badly hit by two earthquakes in 1999.

Other attractions in the area include a wealth of Roman and Byzantine sites, crusader castles and dramatic caves.

### The Aegean Coast

Izmir is Turkey's third largest city and second port and provides a good base for visiting Turkey's most famous archeological sites including Troy, Ephesus and Pergamon. The popular resorts of Bodrum and Marmaris are situated on some of the most beautiful landscapes in Turkey with extensive sandy beaches, rocky bays and wooded shorelines. The destinations are popular with domestic and well as foreign tourists. The region also boasts the spectacular white petrified cascade formed by the waters of hot springs at Pamukkale.

### South East Anatolia

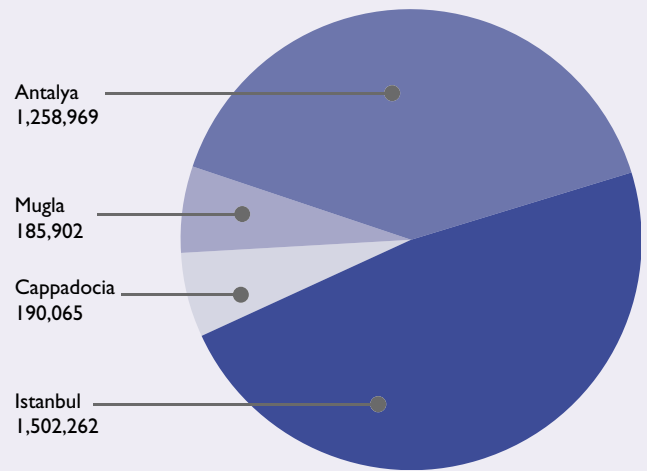
In terms of tourist security, Southeast Anatolia has been very safe for the past two years. Nemrut Mountain (Ancient Kommagene), Mardin and Urfa provinces have therefore begun to emerge as new cultural attractions for visitors. The market for more cultural tours to these regions is now expected to grow. Some tour operators in the main source markets are already planning tours in the region.

### Black Sea

The narrow coastal belt backed by the rugged Black Sea Mountains contains many small settlements and fishing villages with limited tourism facilities.

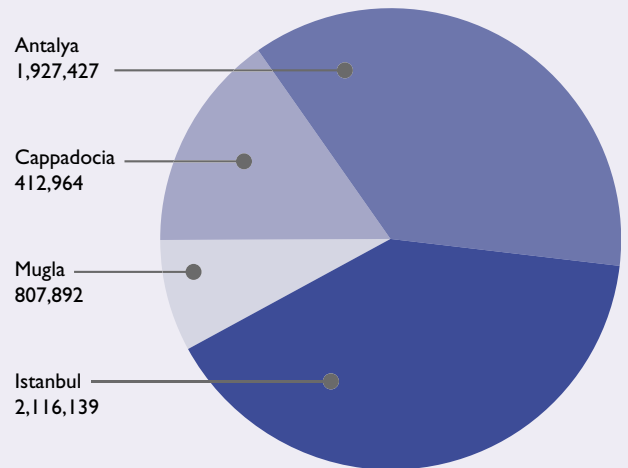
Some new mountain resorts have been developed in recent years and the domestic market is showing particular interest in the plateau. Six new ski resorts, including Ilgaz, Kastamonu and Kartalkaya, Bolu have already been established with high standard accommodation. Some new hotel developments are also underway.

### Visitor Numbers by Destination 1995



SOURCE: Turkish Ministry of Tourism

### Visitor Numbers by Destination 1998



SOURCE: Turkish Ministry of Tourism

### Foreigners' Average Length of Stay 1998 (Days)

Antalya	6.70
Istanbul	2.30
Mugla	7.31
Cappadocia	1.86
<b>Total Turkey</b>	<b>4.00</b>

SOURCE: Turkish Ministry of Tourism

## MAJOR ATTRACTIONS

### Sailing

Turkey has 8,333 km of coastline to the north, south and west. The sailing industry has grown over the past 40 years and is popular with residents as well as foreign visitors. The number of licensed yacht companies has remained stable, at nearly 100, since 1995, offering a bed capacity of about 6,000. An additional nine foreign sailing companies offer 2,500 beds. A large number of marinas now dot the coastline between Istanbul and Antalya and more are scheduled for development. The harbours are well equipped and the most established marinas are easily accessible from airports at Antalya, Dlanman, Izmir and Istanbul.

Many tourists charter traditional local boats known as gulets, which offer serviced accommodation to up to 12 people. Bare-boat charter is another growing sector in which the boats are crewed by the tourists themselves, often travelling in flotillas from cove to cove. Many of these activities are sold as packages in the major source markets.

#### Yacht Companies Licensed by the Ministry of Tourism

	Companies	Yachts	Bed Capacity
1995	98	547	5,567
1996	98	585	5,905
1997	98	598	5,951
1998	100	618	6,100
1999	99	612	6,013

#### Foreign Yacht Companies

	Companies	Yachts	Bed Capacity
1995	11	412	2,616
1996	10	398	2,542
1997	7	393	2,479
1998	8	414	2,557
1999	9	410	2,573

SOURCE: Bulletin of Yacht Statistics, Turkish Ministry of Tourism

### Outdoor Recreation, Culture and Heritage

Turkey's natural and cultural resources offer almost unlimited possibilities for the tourist. Apart from sailing products, which have been widely developed in recent years, interest is also growing in scuba diving, mountaineering, skiing and golf, with a view to extending the season and diversifying the market. The government is particularly keen to develop golf tourism and has designated ten sites for potential international level courses.

Thermal spas and mud baths are also increasingly visited by foreigners, mostly in the Marmara and Aegean regions of Turkey. The natural hot springs are highly mineralised and have been used for therapeutic purposes for centuries. Accommodation is gradually being upgraded and now ranges from five star hotels to campsites. Thermal cures can now be arranged as a part of holiday packages to some destinations.

Cultural and heritage tourism has long been popular with Turks and foreign visitors alike, although it remains undeveloped. Turkey has the richest cultural and archeological heritage of the Mediterranean, with 60,000 sites, which are seldom overcrowded or damaged by pollution. Some of the more famous sites, such as Troy, the historic areas

of Istanbul and the city of Safranbolu have been designated UNESCO World Heritage sites in recent years, but there are many lesser known sites all over the country. Themed cultural products focusing on ancient civilisations, is a growing market with great potential.

## GOVERNMENT'S ROLE IN TOURISM

The government has played an important part in developing Turkish tourism over the past 20 years. Government incentives in the 1980's provided finance for the construction along the south coast which increased bed capacity from 50,000 to 700,000.

Today the government's main role is to co-ordinate the work of various public and private sector organisations.

The private sector relies heavily on government support for marketing and promotion, and budgets have been steadily increasing. TURSAB puts particular emphasis on the need for continuing support for branding to strengthen awareness of Turkey as a product. The government also plays a crucial role in co-ordinating and facilitating tourism investments and infrastructure developments by giving incentives such as bank loans at low rates of interest to open up new areas for tourism investments such as golf and activity complexes.

The Turkish government has gradually acknowledged that tourism is an economic driver, with close links to other sectors such as transportation, construction, customs and the environment. At the present time, government bodies consider tourism to be one of the three most important sectors, together with agriculture and exports.

TURSAB would like government to go even further and recognise tourism as the number one sector and give it top priority in overall policy planning. If this breakthrough can be achieved, the industry will make faster progress bringing benefits across the full spectrum of the Turkish economy.

## FUTURE PROSPECTS

The economic uncertainty that has plagued Turkey in the past few years has not been conducive to growth in Travel & Tourism. Nevertheless, Turkey attracted a record 10.4 million visitors in 2000, making a firm recovery from the downturn in 1999. Although the economic climate is still unsteady, the long-term prospects for tourism look positive. Assuming recovery in 2002, there is strong potential for employment growth in the sector. Tourism demand is also expected to grow at an average of 5.7 percent per annum, well above world and EU averages.

However, as highlighted in the policy section of this report, there are a number of factors that could dampen demand. It is of prime importance that government should continue to support the industry and increase marketing and promotion budgets, as well as investment in infrastructure, to reflect the importance of the sector. At present, Turkey falls well short of average government spending on Travel & Tourism related services. This could slow down the development of a sector with enormous potential to benefit the economy and the population of Turkey.



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# TRAVEL & TOURISM SATELLITE ACCOUNT

THIS REPORT FOLLOWS THE CONCEPT OF SATELLITE ACCOUNTING, DEVELOPED BY PUBLIC/PRIVATE SECTOR EXPERTS UNDER THE AUSPICES OF THE WORLD TOURISM ORGANIZATION.

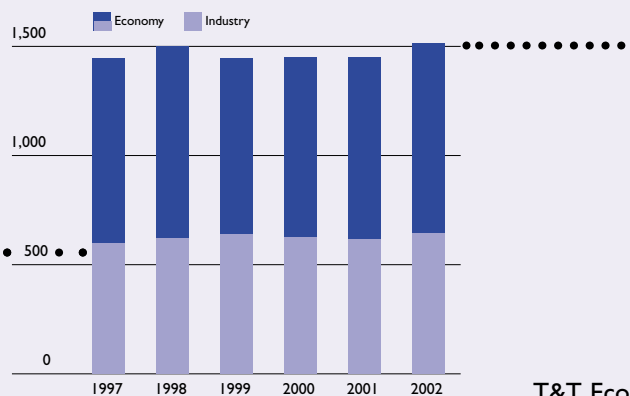
It deals with all Travel & Tourism – day and stay, business and leisure, international and domestic – according to United Nations’ definitions.

It identifies, from Turkey’s National Accounts, items such as personal consumption, intermediate inputs, government expenditures, imports/exports, and value-added related to Travel & Tourism.

It considers two different, but related measurements of Travel & Tourism:

- **T&T Industry:** The concept of the direct Travel & Tourism Industry. This shows the size of the industry and can be used to compare Travel & Tourism to other industries in the economy.
- **T&T Economy:** The concept of the direct and indirect Travel & Tourism Economy. This shows the more comprehensive “flow through effect” that Travel & Tourism has across the whole economy.

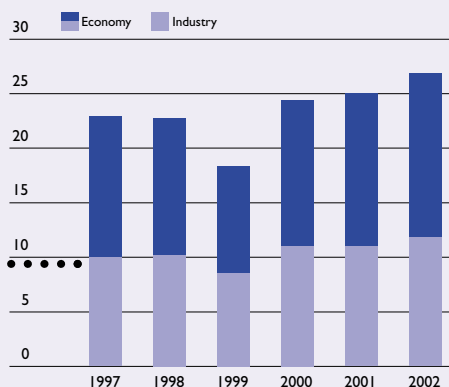
**TURKEY**  
Travel & Tourism Employment  
(Thousands of Jobs)



**T&T Industry**  
Direct impact of visitor activity (transportation, accommodation, food and beverage, recreation, entertainment and travel services)

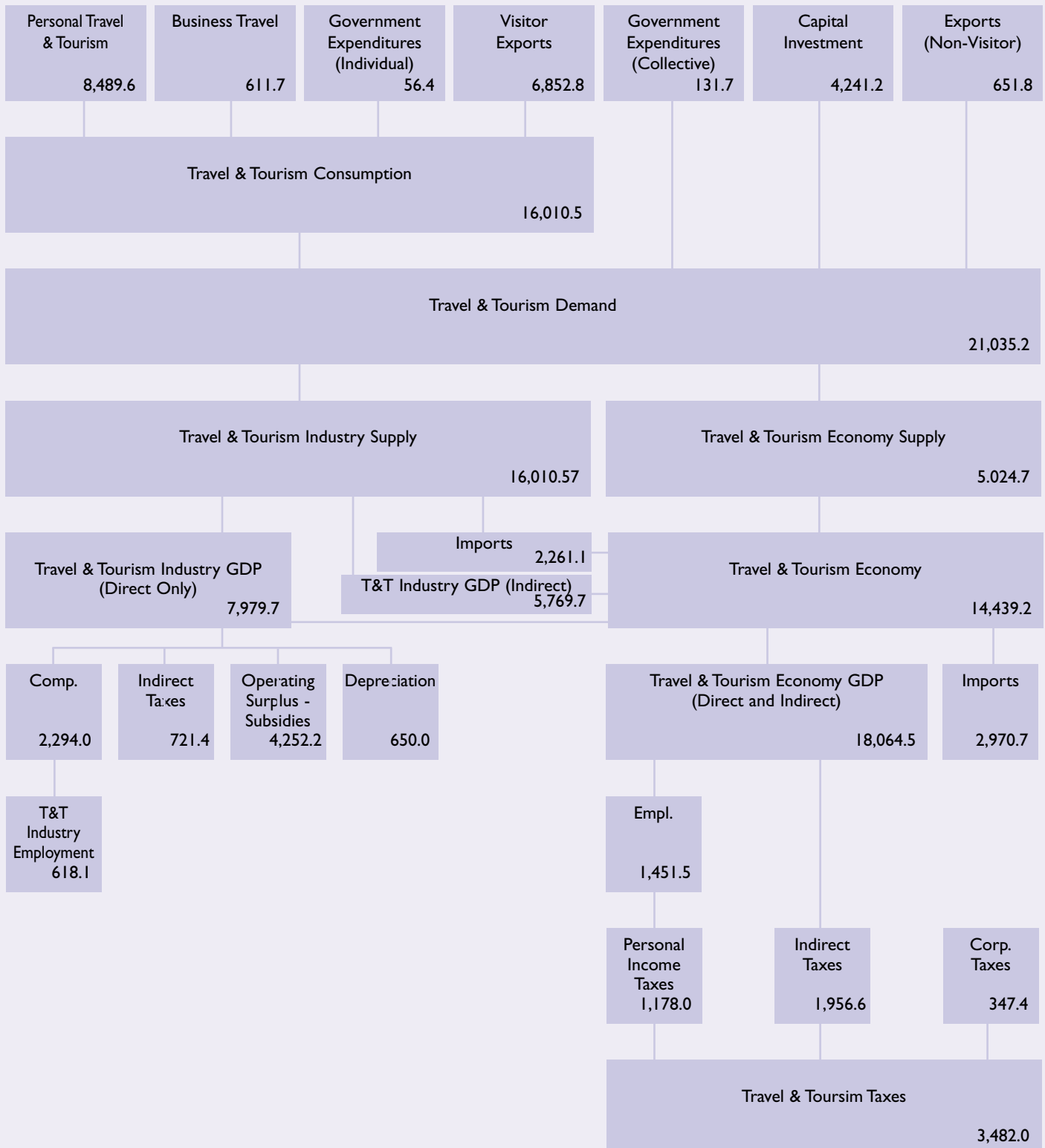
**T&T Economy**  
Direct and indirect impact of visitor activities, capital investment, exports and government services.

**TURKEY**  
Travel & Tourism Gross Domestic Product  
(1990 Constant US\$ Bn)



# TSA CONCEPTS & STRUCTURE

Year 2001 (US\$ Millions, Employment in 000's of Jobs)



Travel & Tourism Satellite Accounting research for Turkey reflects a comprehensive simulation of the new international standard adopted by the United Nations following the Enzo Paci World Conference on the Economic Impact of Tourism (Nice, France, June 1999), ten years of model development and TSA experience by WTTC/WEFA, and application of WEFA's latest macro-economic forecasts.

## TSA Economic Concepts

The Travel & Tourism Satellite Account is based on a “demand-side” concept of economic activity, because the industry does not produce or supply a homogeneous product or service like traditional industries (agriculture, electronics, steel, etc.). Instead, Travel & Tourism is an industrial activity defined by the diverse collection of products (durables and non-durables) and services (transportation, accommodations, food and beverage, entertainment, government services, etc.) that are delivered to visitors. There are two basic aggregates of demand in the TSA:

I **Travel & Tourism Consumption** represents the value of products and services that have been consumed by visitors. It is the basic demand-side aggregate used to construct an explicitly defined production-side “industry” equivalent for comparison with all other industries. Travel & Tourism Consumption includes:

- **Personal Travel & Tourism**, more formally known as consumer expenditures, which captures spending by Turkey residents on traditional Travel & Tourism services (lodging, transportation, entertainment, meals, financial services, etc.) and goods (durable and nondurable) used for Travel & Tourism activities.
- **Business Travel** by government and industry, which mirror Personal Travel & Tourism's spending on goods and services (transportation, accommodation, meals, entertainment, etc.), but are intermediate inputs used in the course of business or government work.
- **Government Expenditures (Individual)** by agencies and departments which provide visitor services such as cultural (art museums), recreational (national park) or clearance (immigration/customs) to individual visitors.
- **Visitor Exports**, which includes spending by international visitors on goods and services.

II **Travel & Tourism Demand** builds on Travel & Tourism consumption to include Travel & Tourism products and services associated with residual components of final demand. It is used to construct a broader “economy-wide” impact of Travel & Tourism. The residual elements of Travel & Tourism demand are:

- **Government Expenditures (Collective)** made by agencies and departments associated with Travel & Tourism, but generally made on behalf of the community-at-large, such as tourism promotion, aviation administration, security services and resort area sanitation services.
- **Capital Investment** by Travel & Tourism providers (the private sector) and government agencies (the public sector) to provide

facilities, equipment and infrastructure to visitors.

- **Exports (Non-Visitor)** which include consumer goods sent abroad for ultimate sale to visitors (such as clothing, electronics or gasoline) or capital goods sent abroad for use by industry service providers (such as aircraft or cruise ships).

By employing input/output modelling separately to these two aggregates (Travel & Tourism Consumption and Travel & Tourism Demand), the Satellite Account is able to produce two different and complementary aggregates of **Travel & Tourism Supply**: the **Travel & Tourism Industry** and the **Travel & Tourism Economy**. The former captures the explicitly defined production-side “industry” equivalent, direct impact only, for comparison with all other industries, while the latter captures the broader “economy-wide” impact, direct and indirect, of Travel & Tourism. Through this process, the Satellite Account is also able to determine that portion of supply, which it **Imports** from abroad.

Next, the Satellite Account breaks down both aggregates of supply (Industry and Economy) into the direct and indirect impacts of **Gross Domestic Product (GDP)**, the main descriptor of economic production, as well as the various components of GDP:

- **Compensation or Wages & Salaries** of employees employed in Travel & Tourism.
- **Indirect/Transaction Taxes** includes value added, sales taxes or duties on imported goods resulting from the production of T&T.
- **Depreciation** or consumption of fixed assets used in the production of Travel & Tourism.
- **Subsidies** made by government to Travel & Tourism activities.
- **Operating Surplus** is the surplus or profit accruing from Travel & Tourism activities.

Beyond the regular TSA accounts, a separate analysis is also provided of **Personal Income Taxes** paid by Travel & Tourism generated employment and **Corporate and Property Taxes** paid by Travel & Tourism companies.

Finally, one of the most important elements of the Travel & Tourism Satellite Account is the Employment results which can now be quantified for the basic Travel & Tourism Industry and the broader Travel & Tourism Economy.

- **T&T Industry Employment** generally includes those jobs with face-to-face contact with visitors (airlines, hotels, car rental, restaurant, retail, entertainment, etc.).
- **T&T Economy Employment** includes T&T Industry Employment plus those faceless jobs associated with:
  - Industry suppliers (airline caterers, laundry services, food suppliers, wholesalers, accounting firms, etc.).
  - Government agencies, manufacturing and construction of capital goods and exported goods used in Travel & Tourism.
  - Supplied commodities (steel producers, lumber, oil production, etc.).

# TRAVEL & TOURISM'S ECONOMIC IMPACT

TRAVEL & TOURISM – ENCOMPASSING TRANSPORT, ACCOMMODATION, CATERING, RECREATION AND SERVICES FOR VISITORS – IS ONE OF TURKEY'S LARGEST INDUSTRIES AND EMPLOYERS.

Worldwide in 2001, it is expected to post US\$ 4.5 trillion of economic activity (Total Demand) and is forecast to grow to US\$ 8.7 trillion by 2010.

Travel & Tourism Total Demand in the European Union is expected to total US\$ 1.4 trillion in 2001, growing to US\$ 2.8 trillion in 2010.

In Turkey in 2001, Travel & Tourism is expected to post US\$ 21.0 billion of economic activity (Total Demand), growing to US\$ 51.2 billion by 2010.

In 2001, the T&T Industry should contribute 4.2 percent to worldwide Gross Domestic Product (GDP). The broader T&T Economy should contribute 10.7 percent to 2001 GDP.

In the European Union, the Travel & Tourism Industry is expected to post a GDP contribution of 4.8 percent in 2001, while the Travel & Tourism Economy contribution totals 12.2 percent.

In Turkey, the T&T Industry is expected to contribute 5.2 percent to GDP in 2001 (US\$ 8.0 billion), rising to US\$ 20.3 billion (7.0 percent of total) by 2010. The T&T Economy contribution should grow from 11.8 percent (US\$ 18.1 billion) to 15.3 percent (US\$ 44.7 billion) in the same period.

Travel & Tourism is a high growth activity, which is forecast to increase its total economic activity by 3.9 percent per annum worldwide in real terms over the next ten years.

In the European Union, Travel & Tourism is expected to post average annualised gains of 3.8 percent between 2001 and 2010.

For Turkey, Travel & Tourism economic activity is expected to grow by 5.7 percent per

annum, in real terms, between 2001 and 2010.

Travel & Tourism is human-resource intensive, creating quality jobs across the full employment spectrum. In 2001, 1 in 12.2 jobs is generated by the T&T Economy. The T&T Industry accounts for 3.1 percent of global employment. Today there are 78.2 million T&T Industry jobs and 207.1 million jobs in the T&T Economy, rising to 96.7 million T&T Industry jobs and 253.7 million T&T Economy jobs by 2010.

The EU Travel & Travel Industry is expected to generate 7.7 million jobs in 2001 (4.9 percent of total employment), while the broader Travel & Tourism Economy produces 19.3 million jobs (12.3 percent of total employment).

In Turkey in 2001, T&T Economy employment is estimated at 1.5 million jobs or 6.8 percent of total employment. By 2010, this should grow to 2.1 million jobs, 8.0 percent of total employment. The 618,100 T&T Industry jobs account for 2.9 percent of total employment in 2001 and are forecast to rise to 921,400 jobs or 3.5 percent of the total by 2010.

Travel & Tourism is a major exporter, with inbound visitors injecting foreign exchange directly into the economy. Travel & Tourism exports in the European Union are expected to represent 13.6 percent of total exports in 2001.

In Turkey, exports make up a very important share of Travel & Tourism's contribution to Gross Domestic Product. Of total Turkish exports, services and merchandise, Travel & Tourism is expected to generate 18.6 percent (US\$ 7.5 billion) in 2001, growing to US\$ 24.2 billion (20.5 percent of total) in 2010.

Travel & Tourism is a catalyst for construction and manufacturing. In 2001, the private and public sectors combined are expected to spend US\$ 656.7 billion in new Travel & Tourism capital investment worldwide – 9.0 percent of the total – rising to US\$ 1.3 trillion by 2010 – 9.2 percent of the total.

EU Travel & Tourism capital investment is expected to total US\$ 172.2 billion in 2001 or 10.0 percent of total EU capital investment.

Year 2001 capital investment in the Turkish T&T Economy is estimated at US\$ 4.2 billion or 10.8 percent of total investment. By 2010, this should reach US\$ 8.8 billion or 11.1 percent of total.

Travel & Tourism is both a generator and receiver of government funds. Globally in 2001, Travel & Tourism is expected to generate US\$ 787.8 billion of taxes – 10.6 percent of total – while channelling US\$ 216.2 billion of government expenditures – 4.2 percent of total. By 2010, taxes should increase to US\$ 1.5 trillion – 10.8 percent of the total – and government spending to US\$ 391.9 billion – 4.4 percent of the total.

Taxes from Travel & Tourism in Turkey in 2001 are expected to total US\$ 3.5 billion or 10.1 percent of total taxation. In contrast, government T&T operating expenditures are forecast at US\$ 188.1 million or 0.8 percent of the total government spending.

Over the next 10 years, Turkey Travel & Tourism taxes are expected to grow to US\$ 10.3 billion or 13.3 percent of total taxes. During this period, government T&T spending is forecast to grow to US\$ 386.7 million or 0.9 percent of overall expenditures.

### Turkey Estimates and Forecasts

	2001			2010		
	US\$ Mn	% of Tot	Growth <sup>1</sup>	US\$ Mn	% of Tot	Growth <sup>2</sup>
Personal Travel & Tourism	8,489.6	8.2	10.6	16,593.2	8.5	4.3
Business Travel	611.7	---	7.1	1,218.2	---	4.0
Government Expenditures	188.1	0.8	37.2	386.7	0.9	4.2
Capital Investment	4,241.2	10.8	57.2	8,828.1	11.1	5.3
Visitor Exports	6,852.8	17.0	57.3	22,139.8	18.8	7.5
Other Exports	651.8	1.6	11.5	2,049.0	1.7	7.2
Travel & Tourism Demand	21,035.2	---	31.0	51,215.1	---	5.7
T&T Industry GDP	7,979.7	5.2	29.6	20,302.0	7.0	6.0
T&T Economy GDP	18,064.5	11.8	33.1	44,714.1	15.3	6.0
T&T Industry Employment <sup>3</sup>	618.1	2.9	-2.7	921.4	3.5	3.9
T&T Economy Employment <sup>3</sup>	1,451.5	6.8	0.3	2,120.3	8.0	3.9

<sup>1</sup>2000 Real Growth Adjusted for Inflation (%); <sup>2</sup>2000-2010 Annualised Real Growth Adjusted for Inflation (%); <sup>3</sup>Employment in Thousands

### European Union Estimates and Forecasts

	2001			2010		
	US\$ Bn	% of Tot	Growth <sup>1</sup>	US\$ Bn	% of Tot	Growth <sup>2</sup>
Personal Travel & Tourism	615.3	12.8	3.7	1,138.0	12.8	2.8
Business Travel	122.6	---	3.2	235.4	---	3.3
Government Expenditures	73.6	4.5	2.4	132.1	4.7	2.3
Capital Investment	172.2	10.0	5.6	334.2	10.1	3.3
Visitor Exports	233.6	7.5	10.8	507.5	6.8	4.7
Other Exports	189.7	6.1	15.8	495.0	6.7	6.8
Travel & Tourism Demand	1,407.0	---	6.4	2,842.2	---	3.8
T&T Industry GDP	397.3	4.8	3.4	746.2	4.9	3.0
T&T Economy GDP	1,017.2	12.2	4.0	1,957.4	12.8	3.3
T&T Industry Employment <sup>3</sup>	7,677.0	4.9	3.1	8,624.4	5.2	1.5
T&T Economy Employment <sup>3</sup>	19,340.0	12.3	3.0	22,327.0	13.6	1.8

<sup>1</sup>2000 Real Growth Adjusted for Inflation (%); <sup>2</sup>2000-2010 Annualised Real Growth Adjusted for Inflation (%); <sup>3</sup>Employment in Thousands

### World Estimates and Forecasts

	2001			2010		
	US\$ Bn	% of Tot	Growth <sup>1</sup>	US\$ Bn	% of Tot	Growth <sup>2</sup>
Personal Travel & Tourism	2,104.1	10.4	4.3	3,790.2	10.5	3.1
Business Travel	453.8	---	3.9	811.4	---	3.2
Government Expenditures	216.2	4.2	3.8	391.9	4.4	3.1
Capital Investment	656.7	9.0	5.2	1,339.0	9.2	4.4
Visitor Exports	601.7	7.3	9.7	1,281.6	6.7	5.1
Other Exports	462.1	5.6	13.5	1,100.4	5.8	6.3
Travel & Tourism Demand	4,494.5	---	5.9	8,714.1	---	3.9
T&T Industry GDP	1,381.5	4.2	4.3	2,508.5	4.2	3.2
T&T Economy GDP	3,497.1	10.7	4.6	6,543.3	11.0	3.5
T&T Industry Employment <sup>3</sup>	78,183.4	3.1	3.1	96,746.6	3.4	2.4
T&T Economy Employment <sup>3</sup>	207,062.0	8.2	3.2	253,655.0	8.9	2.2

<sup>1</sup>2000 Real Growth Adjusted for Inflation (%); <sup>2</sup>2000-2010 Annualised Real Growth Adjusted for Inflation (%); <sup>3</sup>Employment in Thousands

# TOTAL DEMAND

TRAVEL & TOURISM IN TURKEY IS EXPECTED TO TOTAL US\$ 21.0 BILLION OF TOTAL DEMAND IN 2001, INCLUDING:

- US\$ 8.5 billion of Personal Travel & Tourism consumption by residents of Turkey (8.2 percent of total personal consumption);
- US\$ 612 million of Business and Government Travel by resident companies and government employees;
- US\$ 188 million of Government Expenditures, 0.8 percent of total government spending in Turkey, to provide individual and collective services to the Turkish Travel & Tourism Industry and its visitors;
- US\$ 4.2 billion of Capital Investment, 10.8 percent of total in Turkey, in personal, commercial and public Travel & Tourism facilities, equipment and infrastructure by residents, Travel & Tourism companies, and government agencies;

- US\$ 6.9 billion of Visitor Exports, 17.0 percent of total exports in Turkey generated from international visitor markets; and
- US\$ 652 million of Merchandise Trade Exports, 1.6 percent of total exports in Turkey.

This apportionment of Turkey Travel & Tourism demand clearly illustrates what may be a surprising result to some, and that is Personal Travel & Tourism by Turkish residents contributes almost 25% more to the Turkish Travel & Tourism economy than receipts from international visitors.

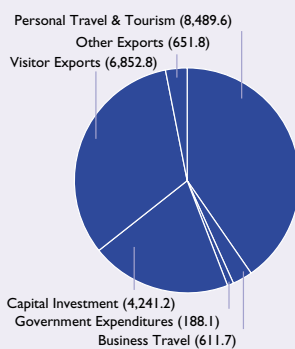
Over the past 12 years (1988-2000), Turkey has grown its Travel & Tourism activity a remarkable 93 percent in real terms. This compares with the European Union results of 39 percent cumulative growth during this

same period. Few Travel & Tourism economies around the world have matched this level of cumulative growth.

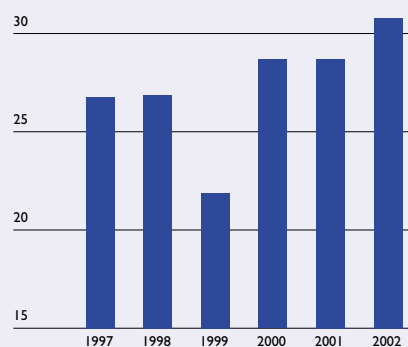
The long-term outlook for growth in Turkey's Travel & Tourism demand is expected to be strongly positive following an expected recovery from 1999's poor results and a year of flat growth expected this year, resulting from an unsettled economic situation. It is expected that all indicators will return to positive territory in 2002 helping to produce a strong gain of 7 percent in overall Travel & Tourism demand for 2002.

Over the next ten years, Turkey's Travel & Tourism demand growth is expected to average 5.7 percent per annum, well exceeding world and European Union average expectations for 3.9 and 3.8 percent per annum respectively.

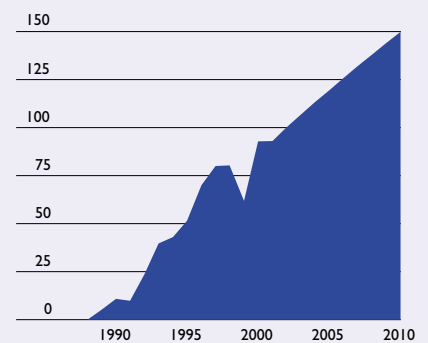
**TURKEY**  
Travel & Tourism Total Demand  
(2001 Est. US\$ Mn)



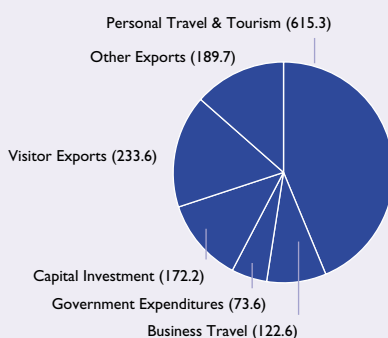
**TURKEY**  
Travel & Tourism Total Demand  
(1990 Constant US\$ Bn)



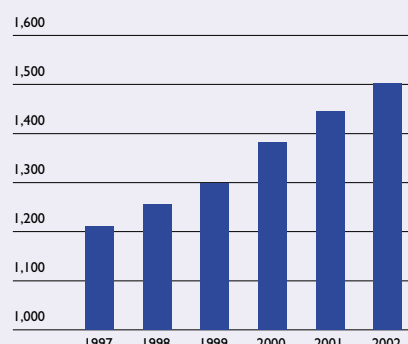
**TURKEY**  
Travel & Tourism Total Demand  
(Cumulative Real Growth, %)



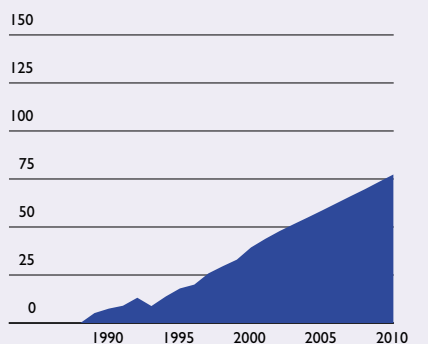
**EUROPEAN UNION**  
Travel & Tourism Total Demand  
(2001 Est. US\$ Bn)



**EUROPEAN UNION**  
Travel & Tourism Total Demand  
(1990 Constant US\$ Bn)



**EUROPEAN UNION**  
Travel & Tourism Total Demand  
(Cumulative Real Growth, %)



# EMPLOYMENT

THE TRAVEL & TOURISM INDUSTRY IN TURKEY IS EXPECTED TO DIRECTLY YIELD 618,100 JOBS IN 2001.

A total 1.5 million jobs (direct and indirect) are expected to be generated across the broader spectrum of the Travel & Tourism Economy including:

- Travel company employment;
- Government agency employment; and
- Supplier company employment.

The first category represents Travel & Tourism Industry jobs, while all three categories represent Travel & Tourism Economy jobs.

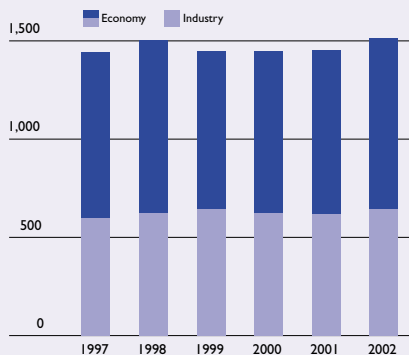
The 2001 Travel & Tourism Industry jobs in Turkey totalling 618,100 represent 2.9% of the total workforce. By 2010, Travel & Tourism Industry employment is expected to increase by 303,300 jobs in Turkey to 3.5% of total.

The 2001 Travel & Tourism Economy jobs in Turkey totalling 1.5 million jobs represent 6.8% of the total workforce. By 2010, Travel & Tourism Economy employment is expected to increase by 668,800 jobs in Turkey to 8.0% of total.

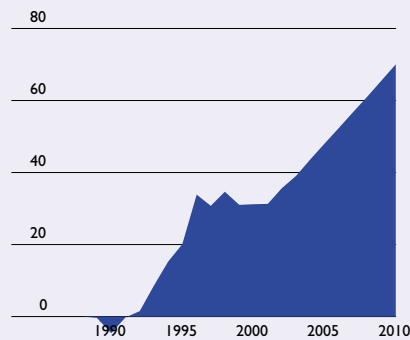
Over the past twelve years, Travel & Tourism in Turkey has created more than 369,400 jobs. In 2001, due to the economic uncertainty, that jobs outlook for Travel & Tourism is flat with year 2000 totals. However, assuming a resumption of economic growth in 2002, there is a strong potential next year to create more than 60,000 new jobs. Employment growth is expected to total 3.9% per annum between 2001 and 2010.

The charts at the bottom reveal a few interesting points. First, Turkey's Travel & Tourism employment growth has been strongly positive during periods of economic stability and nominally flat during periods of uncertainty. Second, among its European Union neighbours, Turkey's current level of Travel & Tourism employment as a percentage of total employment ranks at the bottom of the list, suggesting plenty of growing room. Last and most important, although its current employment generation is relatively low, Turkey's Travel & Tourism employment growth rate, expected over the next ten years, is significantly higher than all the EU countries but one (Ireland).

**TURKEY**  
Travel & Tourism Employment  
(Thousands of Jobs)



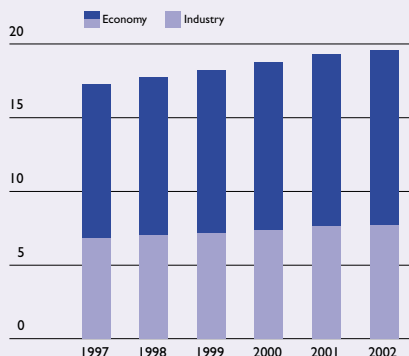
**TURKEY**  
Travel & Tourism Economy Employment  
(Cumulative Real Growth, %)



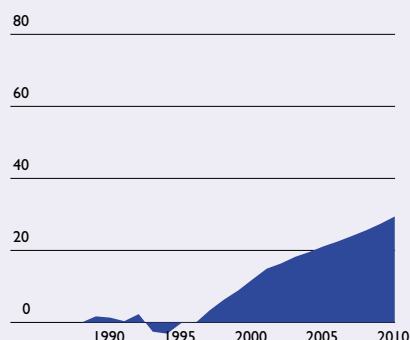
**WTTC LEAGUE TABLE EXTRACT**  
Travel & Tourism Economy Employment  
(2000, Pct of Total Employment)

1 Greece	19.7
2 Portugal	18.7
3 Spain	18.5
4 Austria	14.9
5 Luxembourg	13.7
6 France	13.6
7 Belgium	13.4
8 Italy	13.1
9 Ireland	13.0
10 Finland	11.9
11 Denmark	11.6
12 United Kingdom	11.4
13 Netherlands	10.6
14 Sweden	10.2
15 Germany	7.2
<b>16 Turkey</b>	<b>6.8</b>

**EUROPEAN UNION**  
Travel & Tourism Employment  
(Millions of Jobs)



**EUROPEAN UNION**  
Travel & Tourism Economy Employment  
(Cumulative Real Growth, %)



**WTTC LEAGUE TABLE EXTRACT**  
T&T Employment by Industry  
(10 Year Real Growth, Annualized, %)

1 Ireland	4.3
<b>2 Turkey</b>	<b>3.9</b>
3 Spain	3.0
4 Portugal	2.8
5 Denmark	2.3
6 United Kingdom	2.3
7 Luxembourg	2.1
8 Finland	2.0
9 Sweden	1.6
10 Germany	1.5
11 France	1.4
12 Austria	1.1
13 Belgium	0.8
14 Italy	0.7
15 Netherlands	0.5
16 Greece	-0.1

# GROSS DOMESTIC PRODUCT

THE TRAVEL & TOURISM INDUSTRY IN TURKEY IS EXPECTED TO DIRECTLY PRODUCE US\$ 8.0 BILLION (5.2 PERCENT OF TOTAL) OF GROSS DOMESTIC PRODUCT (GDP) IN 2001.

The broader Travel & Tourism Economy (direct and indirect) is expected to produce 2001 GDP of US\$ 18.1 billion (11.8 percent of total). The long-term expectations for Travel & Tourism GDP growth are positive (6.0 percent annualised real growth). By 2010, the Travel & Tourism Economy GDP is forecast to gain 3.5 percentage points to total 15.3 percent or US\$ 44.7 billion.

The Travel & Tourism Economy results and forecasts illustrate the massive economic stimulus effect of Travel & Tourism. In the first set of charts (stacked bar), it is easy to recognise how the tourism industry acts as a leading economic catalyst as its contribution permeates through Turkey's Travel & Tourism Economy. This chart also illustrates how a

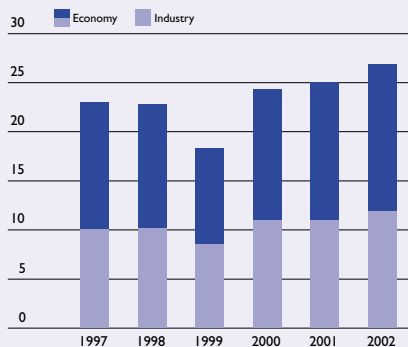
small downturn in the Travel & Tourism industry in 1999 resulted in a much larger impact on the broader Travel & Tourism economy. In general, the near-term results for EU Travel & Tourism GDP have been consistently positive.

In the second set of charts (Cumulative Real Growth), Turkey's Travel & Tourism Economy shows the dynamic growth that it has produced over the past ten years. Also evident are two periods of short-term loss (1991 and 1999), which temporarily caused concern for Turkey's Travel & Tourism growth. Overall, this level of dramatic continuous growth is in sharp contrast to the European Union history and forecasts, where Travel & Tourism Economy growth is more consistent,

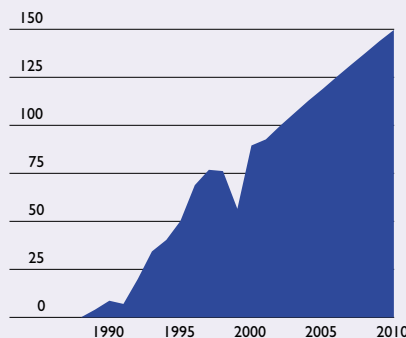
but not nearly as strong. In 2002, Travel & Tourism Economy growth in Turkey is expected to return to positive territory.

In the third set of charts (right), comparing Turkey with the WTTC estimates for the EU countries illustrates how its Travel & Tourism Economy GDP as a percentage of total GDP compares with its peers. Ranked midway between Italy at number 9 and Denmark at 11, Turkey is clearly among the middle-tier tourism intensive countries. Additionally, the second league table extract illustrates that Turkey's prospects for GDP growth are particularly strong among the EU countries, where it is ranked 2nd after Ireland.

**TURKEY**  
Travel & Tourism GDP  
(1990 Constant US\$ Bn)



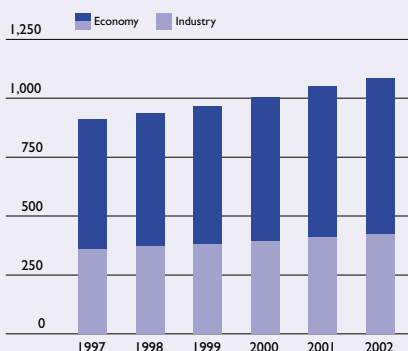
**TURKEY**  
Travel & Tourism Economy GDP  
(Cumulative Real Growth, %)



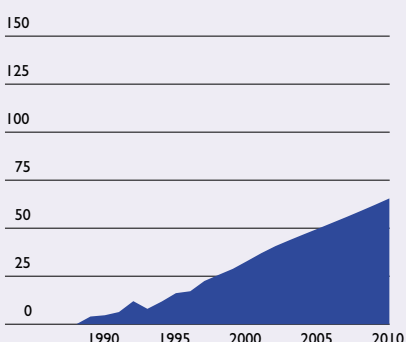
**WTTC LEAGUE TABLE EXTRACT**  
Travel & Tourism Economy GDP  
(2001, Percent of Total GDP)

1 Portugal .....	20.4
2 Spain .....	19.9
3 Greece .....	16.7
4 Austria .....	14.6
5 Ireland .....	14.1
6 United Kingdom .....	12.2
7 France .....	12.0
8 Italy .....	11.8
<b>9 Turkey .....</b>	<b>11.8</b>
10 Denmark .....	11.3
11 Finland .....	11.1
12 Netherlands .....	10.7
13 Belgium .....	10.5
14 Germany .....	10.3
15 Luxembourg .....	9.4
16 Sweden .....	9.0

**EUROPEAN UNION**  
Travel & Tourism GDP  
(1990 Constant US\$ Bn)



**EUROPEAN UNION**  
Travel & Tourism Economy GDP  
(Cumulative Real Growth, %)



**WTTC LEAGUE TABLE EXTRACT**  
Travel & Tourism Economy GDP  
(Ten Year Real Growth Annualized, %)

1 Ireland .....	6.4
<b>2 Turkey .....</b>	<b>6.0</b>
3 Portugal .....	5.3
4 Luxembourg .....	4.7
5 Spain .....	4.0
6 Italy .....	3.4
7 Belgium .....	3.3
8 Sweden .....	3.2
9 France .....	3.1
10 Denmark .....	3.1
11 Netherlands .....	3.1
12 Finland .....	3.1
13 United Kingdom .....	2.8
14 Germany .....	2.7
15 Greece .....	2.3
16 Austria .....	1.8



# CAPITAL INVESTMENT

IN 2001, TRAVEL & TOURISM CAPITAL INVESTMENT IN TURKEY IS EXPECTED TO TOTAL US\$ 4.2 BILLION OR 10.8 PERCENT OF TOTAL INVESTMENT.

The largest component of capital investment originates from the private sector, which is expected to invest US\$ 3.2 billion in new plant and equipment, while the public sector is expected to invest US\$ 1.0 billion in new Travel & Tourism infrastructure in 2001.

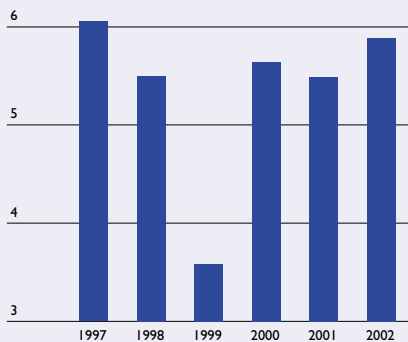
This represents a small loss on year 2000 results, due mainly to the uncertainty of Turkey's overall economy this year, and follows a major drawback and recovery in capital investment (1999/2000) which followed Turkey's overall economic situation. Over the next ten years (2001-2010), the average contribution of Travel & Tourism to Turkey's capital investment account is expected to grow at a strong rate of 5.3% per year in real terms. The cumulative investment (2001-2010) is expected to total US\$ 15.8 billion (public sector) and US\$ 51.1 billion (private sector).

Examination of Travel & Tourism capital investment results and forecasts lends greater insight into the market forces at work in a given economy and the expectations by the public and private sector to meet the challenges and opportunities in the years ahead. For the most part, Travel & Tourism capital investment tends to be cyclical, with strong links to major public policy initiatives, the business/market cycle, major events (i.e. natural disasters) and significant sociopolitical changes.

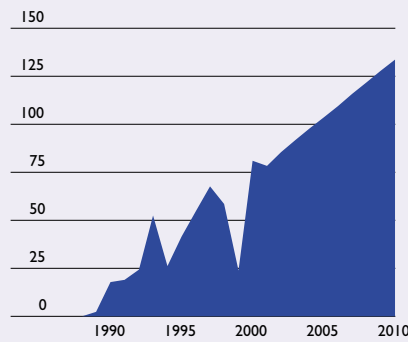
Worldwide, Travel & Tourism capital investment is expected to total 9.0 percent of total investment in 2001. Global growth expectations for 2001-2010 are 4.4 percent per year (constant dollars). In the European Union, the respective figures are 10.0 percent of total capital investment in 2001 and 3.3 percent real growth over the coming decade.

The charts at the bottom illustrate several interesting points. First Turkey's Travel & Tourism capital investment growth is expected to re-ignite in 2002 following the difficult years of 1999 and 2001. In addition, even after considering these circumstances, Turkey's historical and forecast growth well exceeds that of the European Union. Second, based on a ranking with the individual EU countries, Turkey ranks midway in investment percentage terms for 2001. At 10.8 percent of total investment, Turkey is placed among Denmark at 8th position and the United Kingdom at 10th position. Again, just like GDP growth, Turkey's Travel & Tourism capital investment growth (prospects for 2001-2010) ranks at the highest level of the WTTC league table for the EU, between Ireland at 1st position and Finland at 3rd position.

**TURKEY**  
Travel & Tourism Capital Investment  
(1990 Constant US\$ Bn)



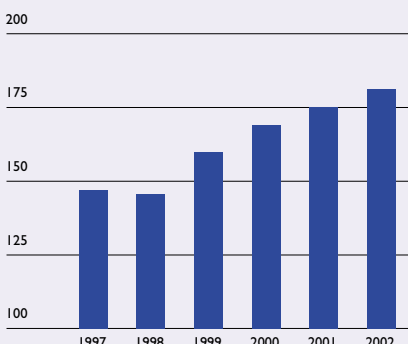
**TURKEY**  
Travel & Tourism Capital Investment  
(Cumulative Real Growth, %)



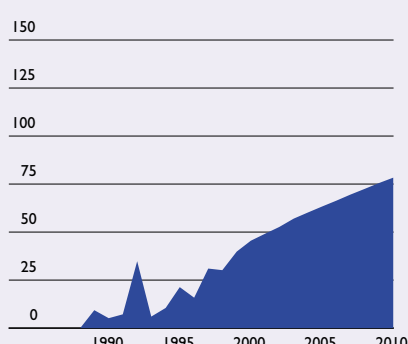
**WTTC LEAGUE TABLE EXTRACT**  
Travel & Tourism Capital Investment  
(2001, Percent of Total)

1	Ireland	29.8
2	Greece	29.4
3	Portugal	17.5
4	Luxembourg	14.0
5	Spain	13.6
6	Finland	13.5
7	Austria	11.9
8	Denmark	11.8
9	<b>Turkey</b>	<b>10.8</b>
10	United Kingdom	9.5
11	Netherlands	9.4
12	France	8.6
13	Germany	8.4
14	Belgium	7.4
15	Italy	7.3
16	Sweden	6.6

**EUROPEAN UNION**  
Travel & Tourism Capital Investment  
(1990 Constant US\$ Bn)



**EUROPEAN UNION**  
Travel & Tourism Capital Investment  
(Cumulative Real Growth, %)



**WTTC LEAGUE TABLE EXTRACT**  
Travel & Tourism Capital Investment  
(Ten Year Real Growth Annualized, %)

1	Ireland	5.6
2	<b>Turkey</b>	<b>5.3</b>
3	Finland	5.0
4	Sweden	4.4
5	Spain	3.8
6	Portugal	3.7
7	France	3.5
8	Austria	3.5
9	Germany	3.2
10	Netherlands	3.1
11	United Kingdom	2.8
12	Belgium	2.6
13	Luxembourg	2.3
14	Greece	2.2
15	Denmark	2.1
16	Italy	2.0

# PERSONAL & BUSINESS

IN 2001, TURKEY IS EXPECTED TO GENERATE US\$ 8.5 BILLION OF PERSONAL TRAVEL & TOURISM CONSUMPTION BY RESIDENTS, OR 8.2 PERCENT OF TOTAL PERSONAL CONSUMPTION

In Turkey, business travel in 2001 is expected to total US\$ 612 million (US\$ 439 million corporate, US\$ 173 million government).

Unlike visitor exports which depend upon international markets for consumers, the business generated in these two categories depends on the Turkish economy itself. As the Turkish economy grows, Turkish consumer and business travel follow suit. Since 1988, Turkish personal Travel & Tourism has grown a remarkable 82 percent – clearly indicative of the economy's recent development. Over the next decade (2001–2010), personal Travel & Tourism in Turkey is expected to grow at an annual rate of 4.3 percent, while business/government travel is expected to grow at an annual rate of 4.0 percent.

Although most of this Travel & Tourism takes place within Turkey, a portion takes place abroad. When the spending does take place

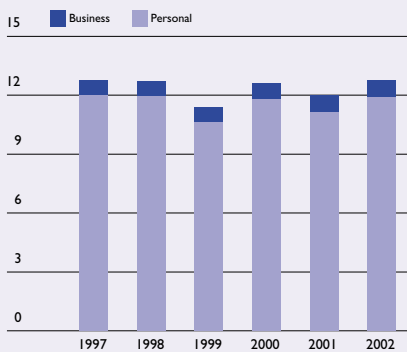
abroad, the Satellite Account generates a corresponding "import credit", providing for an accurate assessment of Travel & Tourism "produced" in Turkey and Travel & Tourism "produced" by the rest of the world.

Analysis of Turkish results illustrates a few interesting points. First, Turkish residents have recently spent about 8.2 percent of their personal expenditures on Travel & Tourism. This percentage is slightly less than the world average of 10.4 percent and the European Union average of 12.8 percent. Generally, the level of personal Travel & Tourism spending has a direct relationship to the development of the resident economy, as per capita income increases, then Travel & Tourism spending follows suit. Second, Turkey's overall macroeconomic situation did and does manifest itself in reduced Turkish resident spending on Travel & Tourism as illustrated in

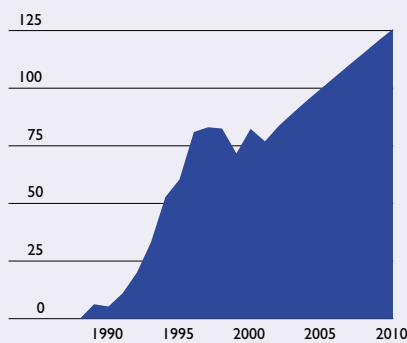
the stacked bar and cumulative growth charts below for 1999 and 2001 (estimate).

Nevertheless, the cumulative growth charts for Turkey and the European Union below illustrates the overwhelming growth of Turkey's Travel & Tourism spending relative to the EU. Second, if as expected the economy returns to growth in 2002, Turkey residents' spending on personal and business Travel & Tourism is also likely to return to steady stronger growth. Last, the league table extracts show two extremes: the current situation where Turkey ranks below each of the EU countries in terms of Travel & Tourism spending vis-à-vis total personal consumption; and the future situation where Turkey ranks above each of the EU countries in terms of Travel & Tourism spending growth.

**TURKEY**  
Personal & Business Travel & Tourism  
(1990 Constant US\$ Bn)



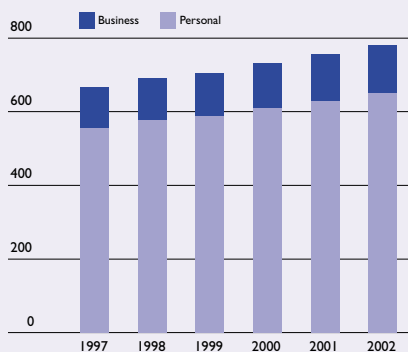
**TURKEY**  
Personal Travel & Tourism  
(Cumulative Real Growth, %)



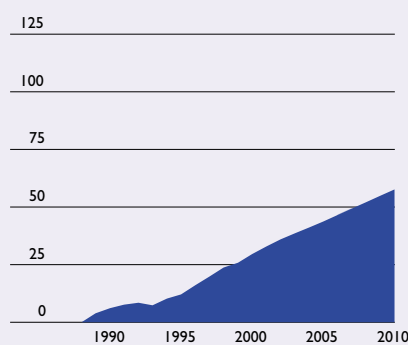
**WTTC LEAGUE TABLE EXTRACT**  
Personal Travel & Tourism  
(2001, Pct Total Personal Consumption)

1 Austria	15.7
2 United Kingdom	14.0
3 Netherlands	13.9
4 Spain	13.5
5 Belgium	12.4
6 France	12.4
7 Germany	12.3
8 Finland	12.3
9 Italy	12.3
10 Denmark	12.1
11 Portugal	12.1
12 Sweden	11.6
13 Ireland	11.2
14 Luxembourg	9.6
15 Greece	8.7
16 Turkey	8.2

**EUROPEAN UNION**  
Personal & Business Travel & Tourism  
(1990 Constant US\$ Bn)



**EUROPEAN UNION**  
Personal Travel & Tourism  
(Cumulative Real Growth, %)



**WTTC LEAGUE TABLE EXTRACT**  
Personal Travel & Tourism  
(Ten Year Real Growth Annualized, %)

1 Turkey	4.3
2 Ireland	4.3
3 Spain	3.3
4 Italy	3.3
5 Sweden	3.1
6 Portugal	3.0
7 Luxembourg	3.0
8 United Kingdom	2.8
9 France	2.6
10 Finland	2.5
11 Germany	2.4
12 Greece	2.3
13 Netherlands	2.3
14 Denmark	2.2
15 Austria	1.9
16 Belgium	1.9

# EXPORTS

## TRAVEL & TOURISM EXPORTS PLAY A LEADING ROLE IN TURKEY'S TRAVEL & TOURISM BUSINESS.

In 2001, Travel & Tourism services and merchandise exports for Turkey (US\$ 6.9 billion by visitors, US\$ 0.7 billion of consumer and capital goods) are expected to represent 36 percent of total Travel & Tourism demand. Without question, as this category grows and contracts, the health and vitality of Turkey's Travel & Tourism sector will grow and contract.

In 2001, the results for Travel & Tourism visitor exports are expected to be healthy. In constant dollars, results for 2001 visitor exports are expected to increase 7.6 percent, following a massive gain of 57 percent in 2000 and a disappointing loss of almost 24 percent in 1999. In real terms over the next ten years, Turkish visitor exports are expected to grow 7.5 percent per annum, while Travel &

Tourism merchandise exports (non-visitor exports) are expected to follow suit at 7.2 percent per annum. Clearly, based on these forecasts, Turkey is well positioned in the long-term to grow its Travel & Tourism exports.

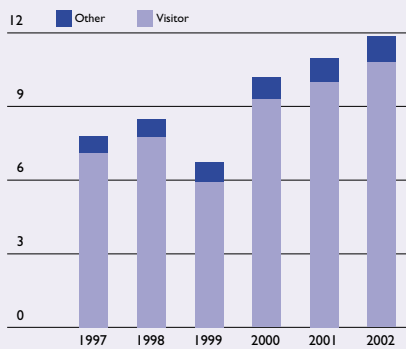
Globally and for the European Union, visitor exports are expected to grow at 5.1 and 4.7 percent per annum respectively over the next ten years (2001-2010). Unlike an individual country which is particularly susceptible to national/regional events (positive and negative), the world and EU results for Travel & Tourism exports are smoothed by aggregating stronger regions with weaker regions. So history shows year-on-year positive growth with little variation. For Turkey, specific events have had a negative impact on Travel & Tourism visitor exports,

with 1999 serving as an excellent example.

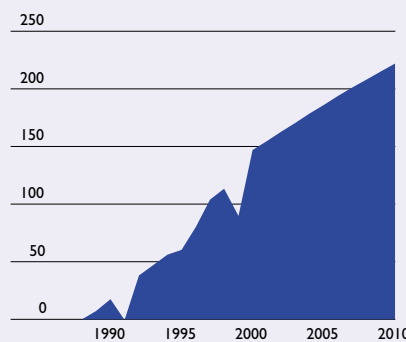
Although long-term expectations for Turkey Travel & Tourism export growth (1999-2010) are positive, these forecasts, like any other, depend on future events and are therefore not guaranteed. The 1999 earthquake in Turkey, which had a short-term impact on tourism, is a perfect example of uncertainty inherent in forecasting.

Examination of the WTTC league tables reveals that Turkey is nicely positioned among the EU countries, in terms of visitor exports as a percent of total exports, between Spain at 3rd place and Austria at 5th place. On the second league table, Turkish visitor exports growth illustrates its future potential, listed in first place over all the EU countries at 7.5 percent growth per annum.

**TURKEY**  
Travel & Tourism Exports  
(1990 Constant US\$ Bn)



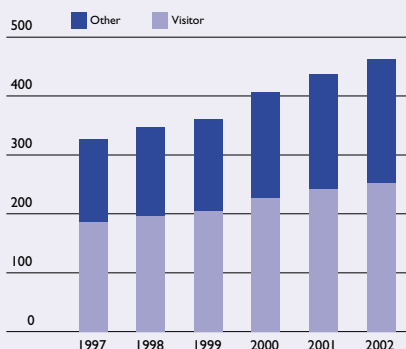
**TURKEY**  
Travel & Tourism Exports  
(Cumulative Real Growth, %)



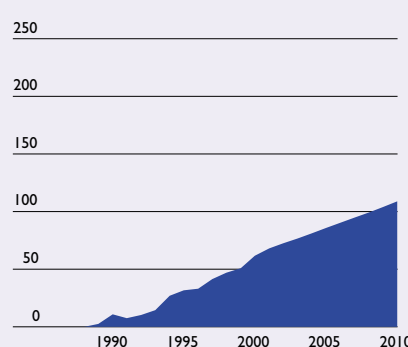
**WTTC LEAGUE TABLE EXTRACT**  
Travel & Tourism Visitor Exports  
(2001, Pct Total Services Exports)

1 Greece	37.5
2 Portugal	29.6
3 Spain	20.6
<b>4 Turkey</b>	<b>17.0</b>
5 Austria	11.7
6 Italy	10.3
7 France	9.4
8 Luxembourg	8.1
9 United Kingdom	7.2
10 Ireland	5.2
11 Denmark	5.0
12 Netherlands	4.9
13 Finland	4.6
14 Sweden	4.4
15 Belgium	3.6
16 Germany	3.2

**EUROPEAN UNION**  
Travel & Tourism Exports  
(1990 Constant US\$ Bn)



**EUROPEAN UNION**  
Travel & Tourism Exports  
(Cumulative Real Growth, %)



**WTTC LEAGUE TABLE EXTRACT**  
Travel & Tourism Exports  
(Ten Year Real Growth Annualized, %)

<b>1 Turkey</b>	<b>7.5</b>
2 France	6.0
3 Portugal	5.9
4 Spain	5.8
5 Germany	5.7
6 Sweden	4.6
7 Italy	3.8
8 Austria	3.6
9 United Kingdom	3.5
10 Netherlands	3.5
11 Belgium	3.0
12 Finland	2.1
13 Greece	2.0
14 Luxembourg	1.1
15 Denmark	0.7
16 Ireland	0.2

# GOVERNMENT

IN 2001, NATIONAL AND LOCAL GOVERNMENT AGENCIES IN TURKEY ARE EXPECTED TO SPEND US\$ 188 MILLION OF CURRENT OPERATING FUNDS FOR TRAVEL & TOURISM.

This represents 0.8 percent of total government expenditures in providing individual and collective government Travel & Tourism services to visitors, travel companies and the community-at-large. Over the next ten years (2001-2010), Travel & Tourism government expenditures in Turkey are expected to increase 4.2 percent per year in real terms. The cumulative government expenditure (2001-2010) is expected to total US\$ 2.9 billion.

Globally, the average government is expected to contribute 4.2 percent of government expenditures to Travel & Tourism related functions and increase this spending by 3.1 percent per annum over the next ten years. The corresponding figures for the European Union are 4.5 percent of total government spending and 2.3 percent real growth for the

coming decade. Based on these results, Turkey's 2001 government contribution of 0.8 percent suggests that it is falling well short of its regional and global competition for Travel & Tourism.

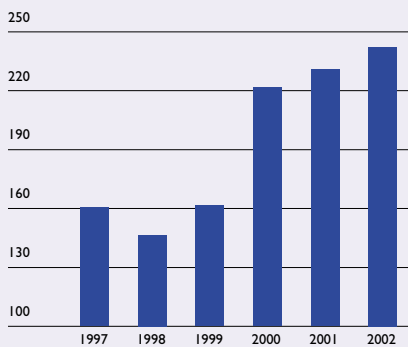
In this WTTC report, 2001 government expenditures include: individual expenditures (US\$ 56 million) which can be linked to individual visitors like museum subsidies or immigration services; and collective expenditures (US\$ 132 million) that are undertaken for the community-at-large like airport administration or tourism promotion, but have a logical service connection to Travel & Tourism.

Intuitively, one would think that there should be a direct link between the impact of an industry / sector like Travel & Tourism on the economy (in terms of GDP) and the amount of funding allocated by governments

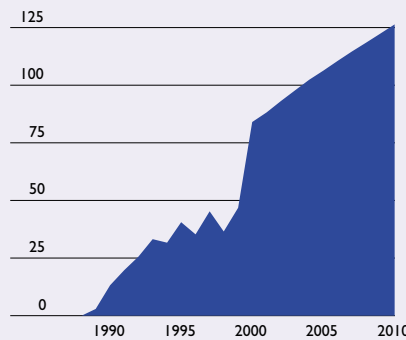
toward that industry/sector. In Turkey, the 2001 ratio of Travel & Tourism GDP (percent of total) to government expenditures (percent of total) is 14.8 to 1.0. Worldwide and in the EU, this ratio is 2.5 to 1.0 and 2.7 to 1.0 respectively. These results would indicate that Turkish government authorities are returning significantly less to Travel & Tourism than the average country.

The graphics at the bottom reinforce all of these points. First Turkey government expenditures are obviously growing faster than the EU government expenditures (middle graphics and second league table), but Turkey's current contribution is well below that of the EU countries, showing up in 2001 in 16th position at 0.8 percent of total government spending.

**TURKEY**  
Travel & Tourism Gov't Expenditures  
(1990 Constant US\$ Mn)



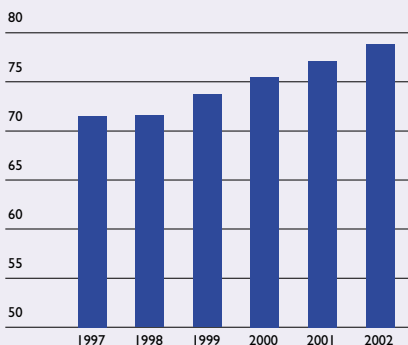
**TURKEY**  
Travel & Tourism Gov't Expenditures  
(Cumulative Real Growth, %)



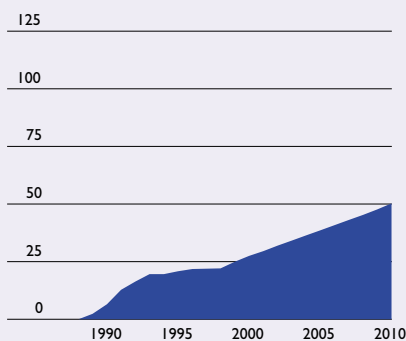
**WTTC LEAGUE TABLE EXTRACT**  
Travel & Tourism Gov't Expenditures  
(2001, Pct Total Gov't Expenditures)

1 Spain	9.5
2 Portugal	9.5
3 Austria	7.4
4 Italy	5.5
5 Ireland	5.3
6 Belgium	4.8
7 France	4.7
8 Finland	4.7
9 Greece	4.6
10 Denmark	3.8
11 Luxembourg	3.7
12 Netherlands	3.4
13 Sweden	3.3
14 Germany	3.3
15 United Kingdom	2.9
16 Turkey	0.8

**EUROPEAN UNION**  
Travel & Tourism Gov't Expenditures  
(1990 Constant US\$ Bn)



**EUROPEAN UNION**  
Travel & Tourism Gov't Expenditures  
(Cumulative Real Growth, %)



**WTTC LEAGUE TABLE EXTRACT**  
Travel & Tourism Gov't Expenditures  
(Ten Year Real Growth Annualized, %)

1 Turkey	4.2
2 United Kingdom	4.1
3 Ireland	3.8
4 Luxembourg	3.4
5 Italy	3.2
6 Greece	2.8
7 Portugal	2.6
8 Netherlands	2.4
9 Sweden	2.4
10 Spain	2.3
11 Belgium	2.1
12 Denmark	2.1
13 Austria	2.1
14 Finland	1.9
15 France	1.7
16 Germany	0.9

# TAXES

TURKEY'S TRAVEL & TOURISM ECONOMY IS EXPECTED IN 2001 TO GENERATE US\$ 3.5 BILLION IN TAX REVENUE.

The largest portion of this total is from indirect taxes (US\$ 2.0 billion) paid in connection with visitor purchases of goods and services. Next in size is the US\$ 1.2 billion of personal taxes paid by Travel & Tourism generated employment. All totalled, the Travel & Tourism Economy is responsible for 10.1% of total taxes paid in Turkey.

Over the next ten years, Turkey's Travel & Tourism tax contribution is expected to increase to US\$ 10.3 billion. By 2010, Travel & Tourism will account for 13.3% of Turkey's tax revenue.

By definition, the economic success of Turkey's Travel & Tourism Economy dictates the tax contributions it makes to national and local collections. As Travel & Tourism Economy employment increases, so do personal taxes. As visitor numbers and spending increases, so do the indirect taxes collected by Travel & Tourism companies. As Travel & Tourism businesses expand, so do the income taxes associated with those businesses.

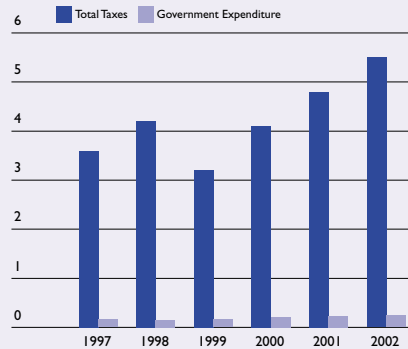
A comparison of Turkey's Travel & Tourism results relative to world results also supports the

analysis of government expenditures on the previous page, showing that it is generating taxes 18.5 times the total of government Travel & Tourism expenditures. The world average for Travel & Tourism taxes is only 3 times the expenditure of governments on Travel & Tourism. This comparison would suggest that Turkey's government expenditures for Travel & Tourism relative to its tax collection is uncompetitive with world standards. Travel & Tourism Taxes for the European Union countries are not available at this time.

**TURKEY**  
Travel & Tourism Taxes  
(1990 Constant US\$ Bn)



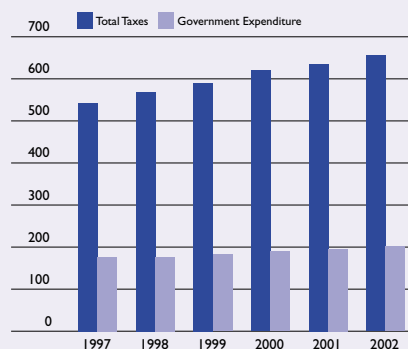
**TURKEY**  
Travel & Tourism Taxes and Gov't Expenditures  
(1990 Constant US\$ Bn)



**WORLD**  
Travel & Tourism Taxes  
(1990 Constant \$ Bn)



**WORLD**  
Travel & Tourism Taxes and Gov't Expenditures  
(1990 Constant US\$ Bn)



# THE POLICY FRAMEWORK:

## POLICY RECOMMENDATIONS

Travel & Tourism is one of the largest and fastest growing industries in Turkey generating 1.5 million jobs across the broader economy and contributing an estimated 11.8 percent to GDP. Since the 1980s, tourism has been the focus of successive governments' policies to achieve export led industrialisation. The Tourism Encouragement Law (1982), that gave generous incentives to tourism investment, has resulted in exceptionally rapid tourism growth in terms of volume, value, and physical infrastructure. Business travel has also grown following the arrival of numerous international companies in the major cities. Istanbul, in particular, has become an important international conference centre.

Both business and leisure travel to Turkey is likely to increase as accession to the European Union approaches, following approval of the accession document at the Nice Summit in December 2000. Investor confidence is also likely to be boosted by recent financial support for Turkey's economic reform programmes from both the EU and the IMF.

However, although the World Tourism Organization ranks Turkey as the world's 19th most popular holiday destination and in 12th place for tourism revenue, Turkey's share of world tourism is still only 2 percent. The simulated Travel & Tourism Satellite Account, prepared for TURSAB by WTTC, shows that the sector's GDP and employment contribution could be even greater if the government were to tailor its policy framework to attract investment, stimulate demand and encourage quality. Proposals by the present government to affirm the importance of tourism through regional promotion and quality assurance initiatives are a positive move in this direction. The private sector should also make renewed efforts to develop new products and to meet international standards of service and quality.

WTTC congratulates the Turkish government on recognising the potential of Travel & Tourism in its national development plan. Recent improved relations with Greece are also extremely positive. Since mid-1999, a number of workshops and reciprocal visits have taken place at a high level and have resulted in a co-operation agreement on tourism between the Republic of Turkey and Greece that was signed by the Foreign Ministers in January 2000. In addition, a series of Turkish-Greek Tourism Forums have also been held with the aim of promoting tourism between the two countries and TURSAB signed a co-operation agreement with its Greek counterpart in April 2000. Such initiatives can only benefit Turkey and the Eastern Mediterranean region as a whole. There has already been an increase of 48.8 percent in Greek visitor arrivals to Turkey.

The first challenge facing Turkey is to diversify tourism from the mass sun, sea and sand market to tap the potential niche markets offered by its vast cultural and natural resources. However, Turkish tourism is under pressure from a broad spectrum of factors such as:

- Increased competition from other Mediterranean destinations;
- Financial problems in some major source markets, such as Russia, which has had a negative effect on arrivals;
- Continuing problems of organised crime and corruption which have resulted in negative publicity abroad; and
- Economic instability.

### Turkey's Tourist Resources

- Three seas, with 8,400 km of coastline and a range of beaches suited to all types of marine activity;
- Contrasting geography and scenery, and a climate ranging from temperate in the north, continental in the centre to sub-tropical Mediterranean in the south;
- Diverse flora and fauna; natural resources such as mountains suitable for winter sports, rivers suitable for water sports;
- More than 1,000 thermal spas with great potential for health tourism;
- The cultural legacy of ten thousand years of civilisation; 60,000 archeological sites, (the largest number among Mediterranean countries); the historic Silk Road;
- Historic cities and rural settlements including six designated UNESCO World Heritage sites; and
- Natural wonders such as Pamukkale and the Cappadocia "moonscape".

## PLAN FOR THE FUTURE

### Long-Term Tourism Planning

In Turkey, Travel & Tourism has grown at a dramatic rate over the last ten years – well above the world average. Although the number of tourism arrivals and tourism expenditures declined for a period during the 1990s as a result of the Gulf War, the post-war period has seen renewed growth, which was briefly interrupted after the 1999 earthquake.

Major factors have included:

- World renowned natural and cultural resources, offering real comparative advantages in the mainstream of evolving global demand for activity, cultural and health tourism as well as traditional mass beach holidays;
- A central position at the nexus of Europe, Africa and Asia with easy access to an extensive and varied source market;
- A genuinely hospitable people;
- Concerted efforts to improve infrastructure;
- Environmental programmes such as Blue Flag to ensure cleanliness of beaches and marinas; and
- Incentives to encourage the construction of tourist facilities.

However, Turkey saw only marginal gains in tourism arrivals and

receipts in 1998 and in 1999 the sector was adversely affected by several uncontrollable factors including a serious earthquake, the war in the Balkans and the perceived threat of terrorism from extremists. As a result, TURSAB announced a drop of 30 percent in visitor arrivals in July 1999, compared with 1998.

Based on the WEFA analysis, WTTC nevertheless believes that the long-term prospects for tourism in Turkey are good. In 2000, visitor arrivals recovered to reach a record level of 10.4 million and visitor spending has also increased. However, there is substantial further potential for the Turkish government to:

- Improve the balance of payments;
- Create a large number of sustainable jobs – particularly for women and young people; and
- Help social development in local communities.

Tourism is a complex of products and services, provided to meet consumer, business and government demand for travel in domestic and international markets. It is centralised and woven into the economy because tourists are mobile and consumption occurs before (e.g. tickets), during (e.g. food) or occasionally, after the trip (e.g. photographs).

The major components – transport, accommodation, catering, entertainment and travel organisers – are dominated by small companies. But in practice, the impact of tourism extends far beyond these immediate sectors because of the intensity of its interaction with other areas of the economy. These include the suppliers of goods and services to travellers and travel companies including telecommunications for voice/data, agriculture for meals and financial services for cash or credit.

It is important that all public and private sector stakeholders should recognise Travel & Tourism's full impact across the economy, and its untapped potential and to collaborate in a strategic initiative to develop the sector in a sustainable manner.

Turkey's future tourism development requires long-term planning since the industry can be fragile and is often adversely affected by short-term political or commercial considerations.

As Travel & Tourism impacts all sectors of the economy – from wholesale and retail business to real estate and construction – this planning must involve all levels of national and local government together with the private sector, including local communities. This will encourage growth that is sustainable economically, environmentally and socially, and help spread the benefits equitably.

## Turkey's Domestic Travel Market

Turkey's liberalisation policies and the development from protectionism to an open market economy since 1980 have resulted in a sharp increase in business travel, which totalled US\$ 569 million in 2000. The business generated by government and corporate travel depends on the Turkish economy itself and is forecast to grow as the economy expands. The abolition of currency restrictions and a tax on holidays abroad has, however, contributed to a growing interest of the Turkish people in travelling and taking holidays at home and abroad, notably to Northern Cyprus, and EU countries such as Italy, France and Germany. Government sources estimate a potential market of US\$ 6 billion dollars, which could be exploited for domestic tourism, the equivalent of 75 percent of tourism receipts from incoming tourism.

## Monitor Trends in Travel & Tourism Demand

In order to plan ahead better and anticipate changing demand, it is essential to monitor trends in past and current Travel & Tourism demand. This will help identify threats to growth, as well as new opportunities.

Monitoring trends also helps anticipate future capital investment and infrastructure needs. The early introduction of incentive schemes for private sector capital investment and small business development will also ensure timely access to capital resources and funding.

## Market and Product Diversification

Turkey faces increased competition from other Mediterranean destinations. It is therefore important to focus on product and market diversification to avoid unhealthy competition and reduce its over-dependence on traditional markets. Longer term, this could also help avoid excessive strains on the coastal environment and on valuable natural resources.

Turkey's first problem is to diversify tourism from the traditional mass sun, sea and sand market to tap the potential niche markets offered by its vast cultural and natural resources. There is also further potential to be developed in the meetings, incentives, conference and exhibition travel market that is already well established in Istanbul.

The most promising growth market is nature-based and cultural tourism, for which Turkey has unique selling appeal. The dramatic variations in climate and landscape provide scope for a wide range of activities from rafting to thermal cures and the archeological and cultural sites provide a natural extension to beach based tourism. This is also particularly important for the future well-being of the Turkish population as it has the potential of ensuring economic development and employment in rural areas that would never attract manufacturing industries. The government should show leadership in stimulating the development of new nature-based tourism, providing incentives and matching funding to the private sector in these areas and encouraging participation by local stakeholders.

## More Effective Marketing and Promotion

Advertising and media marketing are important to sustain demand in existing markets, as well as to generate demand from new markets and to promote new products. It will help reduce the concentration of demand in time and space and spread the benefits of tourism to all parts of the country.

Working in closer partnership with the private sector will facilitate the process and stretch advertising budgets, but there is a need for advertising and media marketing expenditure to promote tourism in the less developed rural parts of the country in an effort to kick-start tourism growth.

Spending by foreign travellers accounts for a large proportion of Turkey's export earnings (US\$ 8.0 billion in 2000). It is therefore important that Travel & Tourism should enjoy the same incentive regimes as other export sectors.

It is particularly significant for Turkey, given the dramatic current growth, which is expected to continue at a rate of 7.5 percent per annum over the next ten years.

Worldwide there is increasing awareness of the importance of Travel & Tourism and the competitive need for improved promotion.

WTTC supports the main thrust of Turkey's marketing. However, we would emphasise the importance of:

- Maintaining a clear product branding, such as the "Silk Road", and fresh marketing strategy; and
- Broadening and diversifying the product offer, developing niche markets and extending the traditional season.

While the focus on this drive should be existing markets, the emerging domestic and regional markets should also remain prime targets. This should include particular special high-growth segments like nature (ecotourism and adventure tourism), education and youth tourism, senior citizen tours, ocean cruises and inland waterway holidays, etc.

There is a real need for a strong national leadership branding which optimises resources, focuses the myriad of interests – public and private sector, national and local – and gets the attention of travellers in an increasingly competitive global marketplace.

A powerful brand is also important in attracting and maintaining media interest, and in high profile positioning in the vitally important, but increasing complex, electronic distribution channels.

## HIGHLIGHT THE STRATEGIC IMPORTANCE OF TOURISM

### Recognise Travel & Tourism's Economic Importance

Travel & Tourism has the potential to stimulate a broad spectrum of the Turkish economy. It can stimulate entrepreneurship – particularly in small businesses – catalyse investment, create large numbers of sustainable jobs and help social development in local communities.

The government should introduce a campaign to ensure that all public and private stakeholders Recognise Travel & Tourism's full impact across the economy – not just on eating and drinking places and retail businesses, but also on construction, real estate and other sectors of the economy. Even more importantly, stakeholders should be made aware of its untapped potential and of the spin-off benefits of tourism that filter down through all levels of the community.

### Make Travel & Tourism a Strategic Priority

Travel & Tourism should be factored into mainstream policies for employment, trade, investment, education and environmental protection. The strategic importance of Travel & Tourism should be communicated to all levels of government, industry and local communities. All government departments affected by, or impacting on, Travel & Tourism development should be closely involved in drawing up tourism policy and in planning and co-ordinating individual programmes.

### Implement Satellite Accounting on an Annual Basis

Travel & Tourism needs to be effectively measured in order to understand its full impact throughout the economy. As a new industry, Travel & Tourism is not discretely identified in charts of national accounts – its component parts are scattered throughout the accounts. Public sector analysis and related policies tend to overlook, or understate, the impact of the industry, or deal with its smaller individual components.

The technique of satellite accounting is designed to measure the new service sectors, and this new tourism satellite account, which uses

the latest definitions, and conceptual framework concepts agreed by the United Nations Statistical Committee (New York, March 2000), should ideally be updated on an annual basis to ensure that adequate data are available to factor Travel & Tourism into economic and employment strategies. The TSA is a significant tool for planning and policy development. It incorporates WTTC/ WEFA modelling experience from over twenty national and regional studies around the world and WEFA's global macroeconomics databases.

WTTC encourages the Turkish government to adapt this accounting approach to ensure that adequate data is available to factor Travel & Tourism into the country's economic and employment strategies.

## DEVELOP THE HUMAN CAPITAL REQUIRED FOR GROWTH

Because it is a service, tourism is a 'people delivered' activity and thus an intensive creator of jobs. Figures in this report show that Travel & Tourism is one of the largest creators of direct and indirect employment worldwide.

This impact is also apparent in the Turkish Satellite Account – which identifies 618,100 jobs in the Travel & Tourism Industry and nearly 1.5 million in the broader economy whose livelihoods depend on a buoyant Travel & Tourism sector.

Over the next decade the trend will continue, with the potential for adding 303,300 new jobs in the industry and more than 668,800 jobs across the economy representing 8.0 percent of total employment.

Contrary to conventional wisdom, jobs created by Travel & Tourism inside and outside the industry – range across the entire employment spectrum and, in many cases have characteristics that mirror modern employment patterns:

- The increasing sophistication of the industry means that there are a growing number of high-level jobs in different sectors;
- They can be created at low cost, with few barriers to entry, and faster than most industries;
- They are service and export related;
- They provide an impetus to regeneration and social cohesion by counter-balancing the flow of people to the cities from disadvantaged rural areas;
- They are often created in small and medium sized enterprises, encouraging traditional arts/crafts activities and family-run businesses;
- They provide significant opportunities for women, young and first-time employees;
- They have good capacity for education, training and skill development; and
- Wages are equal to or above the industrial norm.

WTTC encourages the Turkish government to recognise the scale, scope and characteristics of the jobs created by Travel & Tourism – directly and indirectly – and to take account of this in mainstream employment, trade, investment and education policies.

We stress the importance of the catalytic *flow-through effect* across many industrial sectors, and of public/private sector partnerships to support infrastructure and education – the key areas to facilitate the growth of Travel & Tourism. We recommend that Turkey continue its focus on open-door foreign investment policy, which is an essential pre-



requisite to development, and the implementation of the country's privatisation programme and improvement of overburdened infrastructure.

We also urge consideration of flexible working practices to increase industry responsiveness, productivity and innovation. At the same time, the government should avoid regulatory rigidities and protectionism, which will have the reverse effect. We suggest particular consideration be given to policy mechanisms that favour regional tourism development.

Special attention should be also be paid to placing education and training at the forefront of Travel & Tourism development, introducing it into the school curricula and implementing measures to improve skills. A national educational campaign is also recommended to enhance the image of Travel & Tourism and to inform Turks about the career opportunities available. The campaign should cover all sectors of the community.

## ENCOURAGE OPEN MARKETS AND REMOVE BARRIERS TO GROWTH

### Improve Airline Access

In developing Travel & Tourism, the biggest single challenge is to achieve competitive air transport opportunities. The majority of international business travellers to Turkey, as well as a significant and growing number of leisure travellers, arrive by air – particularly from the major tourism origin markets.

The importance of air transport to Turkey's Travel & Tourism industry cannot be overstated. Turkey has made great strides in liberalising its domestic and international aviation regimes. The development of charter flights has resulted in significant penetration of the German market, which now represents 25 percent of all tourist arrivals.

The large participation of private airlines in the promotion of international tourist charters has been a major factor. Ten private airlines now operate over 60 jet aircraft providing more seats than the national carrier. However, more can be done to increase services, expand price/product options and encourage competing carriers.

Plans to privatise the country's dominant airline and airports are constructive steps forward and these should be brought to an early conclusion.

The Turkish government should continue to reduce its stockholding interests in the national airline, and cease regulatory interference in the marketing mechanisms of the country's aviation industry. Instead, it should concentrate on developing the infrastructure of existing and new airports to facilitate domestic and foreign airline operations. The new airport at Bodrum, which opened in 1998 has had a positive effect on the region.

WTTC has identified measures in its report Air Transport and Freer World Trade for progressively and decisively liberalising air transport agreements at all levels. This includes the opening of entry and pricing regimes – essential to the growth of long haul and regional tourism. Studies undertaken for the World Tourism Organization suggest that for every job saved through protection of airline interests, up to four can be lost in the economy because of lost tourism expenditure.

We strongly recommend that the employment impact of expanding tourism be made a primary and continuous consideration in the development of Turkey's aviation policies.

In addition, liberal aviation accords should be actively sought with

Turkey's major bilateral and regional air transport partners – particularly in major tourist generating markets.

Turkey is a signatory of and has committed itself to 9 of the 12 schedules in the GATT agreement. It has also demonstrated its intent to pursue liberalised trade by signing three other international trading agreements, notably EFTA, GATT and WTO. Sustained efforts should be made to incorporate Travel & Tourism as an essential element in these mechanisms.

At the same time, it is necessary to ensure that international telecommunications markets are also liberalised. An increasing volume of Travel & Tourism operations – virtually all distribution and sales transactions – flow through telecommunications circuits.

Opening telecommunications markets will lower costs and enhance service for travellers and travel companies. WTTC recommends that the Turkish government implement existing plans to liberalise and privatise its telecom services.

### Increase Private Participation in Tourism Development and Promotion

WTTC suggests that the government of Turkey should take particular note of the existing, highly successful Travel & Tourism public-private sector partnership developed in several countries around the world – particular in Canada and Australia.

Their common features are:

- Top level active political support and engagement;
- A declared strategy – with clear targets and plans for implementation;
- The involvement of major stakeholders in the development process;
- Strong public and private sector co-operation with outreach to partners across the Travel & Tourism economy;
- Increased public sector funding and exceptional inducements to attract matching private sector funding;
- Private sector leadership in drawing up marketing strategies; and
- An integrated approach across government departments and particularly in co-ordinating national, state and local promotional efforts.

### Enhance Safety and Security

The safety and security of visitors is a fundamental matter of concern for all tourism destinations. Even the perception of risk factors can have a significant impact on arrivals, irrespective of the reality of the danger. This was evident when tourist arrivals dropped sharply in the aftermath of the 1999 earthquake, even though the area at risk was far removed from tourist destinations.

It is important to allay any fears among the Travel & Tourism community that retail shops, restaurants and accommodation standards are inferior in terms of building construction, standards of hygiene, cleanliness or fire prevention, detection and evacuation.

Travel & Tourism should also be reflected as a priority in policing strategies. In this respect, WTTC supports existing policies to promote co-operation between the public and private sectors to resolve or prevent tourism-related problems and to ensure that visitors and tourism operators are protected. Although real risks to tourists may be minimal,

it is important that in countries where threats by extremists have occurred, that security is perceived to be effective. WTTC suggests that existing global models of visitor security should be reviewed to examine what could usefully be implemented in Turkey. While there is a clear recognition of this aspect of tourism development at the highest public and private sector levels, we want to underline its pivotal importance.

## **Tax Intelligently**

Travel & Tourism should pay its fair share of taxes – and it does. This report indicates that in 2001, taxes from Turkish Travel & Tourism will generate US\$ 3.5 billion in revenue, or 10.1 percent of overall taxes. This could rise to US\$ 10.3 billion or 13.3 percent of total taxes by 2010.

The growth and prosperity of the industry, including the investment necessary to generate those future revenue flows, will depend in no small part on the competitiveness of Travel & Tourism, including whether it receives equitable treatment relative to other industries and to competing destinations.

There is an increasing tendency worldwide for governments to target Travel & Tourism as a revenue generator, to meet short-term budget objectives with little thought to the longer-term consequences on demand and job creation. Often this is the result of uncoordinated actions by national, provincial and municipal authorities.

The burden on travellers is often increased because they are frequently taxed at several different points of a journey, so that what may at first appear to be a small amount turns out to be another increment to the larger whole.

WTTC believes that travellers and travel companies should not be taxed in a discriminatory manner, for example, international visitor spending is an export and should be taxed like other exports.

An increasing number of "user fees" are being applied to Travel & Tourism – for air tickets, security, airport construction, highways and the like. WTTC firmly believes that the principle of "User Pays – User Benefits" should be applied in such cases, with the funds earmarked for the related Travel & Tourism infrastructure, transparently dispersed and with collection time limited to the specified project completion.

## **MATCH PUBLIC AND PRIVATE INFRASTRUCTURE WITH CUSTOMER DEMAND**

### **Expand Infrastructure**

Infrastructure remains a critical component in Travel & Tourism development if the full potential of employment generation, export earnings and regional development effects are to be achieved. In most cases, public infrastructure that supports Travel & Tourism expansion will also serve other urban and regional development purposes, thereby benefiting local communities as much as tourists. Quality infrastructure is also essential to diversify the product base, remove bottlenecks, ensure good service and distribute the benefits of tourism flows around the economy. It is not only a question of coping with increasing numbers of visitors, but also of making sure that the patterns of flow do not affect the natural or built heritage, nor run counter to local interests.

Continuing development of Travel & Tourism infrastructure in Turkey is essential if the full potential of employment generation, export earnings and regional development effects are to be realised. The Turkish

programme to improve transport infrastructure has had a positive impact in the past few years and a significant number of new airports and related facilities have been opened since 1997.

WTTC believes that there is a need to conduct in-depth investigation of infrastructure needs/resources, and attaches special importance to air transport infrastructure.

In particular, new airports, airport expansion and the modernisation of air traffic control systems are priorities for Travel & Tourism growth. An increased private sector role should be pursued in this development.

With pressures on budget and space resources likely to come under increasing stress, the problem of finding more efficient and speedy procedures to manage border clearances will escalate dramatically in future years if serious congestion is to be avoided. Existing initiatives for facilitating cross-border flows of business travellers need to be supplemented by examination of more far-reaching measures to welcome visitors – including those arriving from outside the region and leisure travellers generally. WTTC is working with the Multinational Investment Guarantee group of the World Bank and other international bodies to advance the concept of investment in sustainable Travel & Tourism infrastructure.

WTTC urges the Turkish government to interest and involve the international financial community in supporting the provision of travel-related infrastructure as a matter of strategic priority.

## **Improve Land-use Planning and Protection**

Special incentives should also be proposed for the rapid modernisation and upgrading of Turkey's rural areas in order to spread the benefits of Travel & Tourism equitably across the country to all local communities.

## **Develop Access to Capital Resources and Encourage Sustained Capital Investment**

Private sector capital investment in Turkish Travel & Tourism currently runs at US\$ 3.2 billion, compared to US\$ 1.0 billion in new infrastructure by the public sector in 2001. Over the next 10 years, investment is forecast to rise by about 5.3 percent a year. Continued efforts need to be made, through the development of incentive schemes, to attract sustained capital investment in the Travel & Tourism industry from domestic and foreign sources.

At the same time, however, it is important to guard against the dangers of excessive development that bears no relation to existing or projected demand. This can result in cut-throat competition, leading to declining operating performances and lower profits.

## **FAVOUR TECHNOLOGICAL ADVANCEMENT**

### **E-Marketing and Distribution**

In today's increasingly competitive global marketplace, there is a real need for a strong leadership branding that optimises resources, focuses the myriad of interests – public and private sector, national and local – and gets the attention of travellers. This will require particular attention to a co-ordinated approach to internet marketing and distribution to optimise Turkey's visibility.

## PROMOTE RESPONSIBILITY IN NATURAL, SOCIAL AND CULTURAL ENVIRONMENTS

### Establish Clear Procedures and Guidelines

Since the Rio Earth Summit, it has been widely recognised that sustainability has to be at the core of all policy making and development planning. Travel and Tourism is no exception. With twice the number of travellers predicted over the next decade or so, there are evident implications for consumption, waste and resource utilisation.

The environment – ecological, economic and social – is Turkey's main heritage and Travel & Tourism's core asset. It is imperative to ensure that the economic and social benefits, which the industry brings, and the investment underpinning it, are sustainable in the long term. This will require hard political choices, a confident decision-making process and the collaboration of international tour operators.

Turkey is gifted with a wealth and variety of resources that provide a leading edge position of comparative tourism advantage, which has not been fully exploited. The Turkish government (in conjunction with the private sector) has realised that sustainable management of resources requires clear procedures and guidelines for planned and sustainable tourism expansion, but these have not always been observed at a local level.

WTTC supports the efforts being undertaken by government in this area and stresses the importance of:

- A clear leadership strategy tied into mainstream Agenda 21 development;
- Involvement, encouragement and motivation of the private sector; and
- Close interrelationship of infrastructure, fiscal and education/training policies and programmes.

In this context, we urge government to take account of the principles of Agenda 21 for the Travel & Tourism Industry, developed by WTTC, the World Tourism Organization and the Earth Council.

Its central messages are that:

- Sustainability will need a balance of private initiative, economic instruments and regulation;
- Local action must reflect global principles; and
- Market-based delivery mechanisms must be encouraged.

It proposes specific actions for governments and the industry to achieve these goals, in areas such as waste utilisation, energy and resource conservation, water management, community involvement, customer awareness and staff training. It also suggests locally driven processes for continuous stakeholder consultation and involvement.

WTTC, with its partners, is undertaking a five-year implementation of this sectoral Agenda 21 programme, to create awareness and implementation at the local level.

Any Travel & Tourism policy should involve local entrepreneurial initiatives, community shareholding, partnership and participation in tourism by the widest spectrum of citizens.

Travel & Tourism has the potential to stimulate and regenerate rural and peripheral areas, by building capacity at the grassroots level and providing the instruments for economic self-sufficiency.

Travel & Tourism is often the only viable alternative to agriculture, and can therefore become a source of income and benefits for emerging areas with high tourism potential. In addition, it can generate a host of

tourism-related activities and services – electricity, water, local shops, banks, post offices etc. – all of which benefit local populations and tourists alike.

Many jobs can be provided at community level, which do not require great capital outlay – for example local guides, local music and dance shows and craft workshops. The local tourism industry can help promote and market these activities, which in general maintain or even increase the quality of the tourism product.

In this context, WTTC supports the concept of pilot programmes to evaluate and demonstrate the potential from tourism, which involves and sustains local communities. We also encourage financing institutions to promote micro-loans for local tourism entrepreneurial initiatives.

A sudden influx of visitors to any country can have a devastating effect upon national parks, resorts and other places of interest unless steps are taken to install effective environmental control measures. In this respect some of Turkey's more popular destinations are feeling the strain upon resources, and urgent steps must be taken to regain an equilibrium between demand and supply, for example by local tools such as visitor and traffic management plans and zoning included in a local Agenda 21 strategy.

WTTC recommends that:

- Clear policies and guidelines are developed at the highest level for planned and sustainable tourism expansion;
- The government adopts the principles of ecological preservation as outlined in Agenda 21, developed for the Travel & Tourism Industry after the 1992 Rio Earth Summit by WTTC, the World Tourism Organization and the Earth Council;
- The socio-economic, cultural and environmental benefits of Travel & Tourism are spread equitably across the population in all parts of the country; and
- The need for local community engagement and empowerment is recognised.

Sustainability will need a balance of private initiative, economic instrument and regulation. Global principles should be reflected in local action, and market-based delivery mechanisms should be encouraged. Micro-loans for local community-based sustainable tourism enterprises should be provided as incentives, and pilot projects used to evaluate and demonstrate local sustainability.

### Increase Branding through International and/or National Designations

Turkey boasts many world-class natural and cultural resources. Seven sites, including the historic areas of Istanbul, the city of Safranbolu and the archeological site of Troy have been awarded the UNESCO World Heritage designation since 1985. Such designation should lead to increased state funding for the development and promotion of identified areas of particular heritage value.

# SATELLITE ACCOUNT TABLES

	1997	1998	1999	2000	2001E	2002E	2010P
<b>Turkey Travel &amp; Tourism - US\$ Mn</b>							
Personal Travel & Tourism	11,200.0	11,875.2	10,448.9	11,605.8	8,489.6	9,516.1	16,593.2
Business Travel	551.8	570.2	525.2	569.2	438.9	491.3	863.0
Corporate	327.74	352.51	365.14	370.94	391.80	417.16	726.82
Government	166.7	191.7	210.9	210.8	172.8	194.2	355.3
Gov't Expenditures - Individual	51.0	47.2	53.8	68.8	56.4	63.4	116.0
Visitor Exports	7,427.0	7,575.0	5,465.8	8,014.0	6,852.8	8,371.7	22,139.8
Travel & Tourism Consumption	19,396.5	20,259.3	16,704.5	20,468.8	16,010.5	18,636.8	40,067.3
Gov't Expenditures - Collective	119.0	110.1	125.4	160.6	131.7	148.0	270.7
Capital Investment	5,435.0	5,044.6	3,196.9	4,736.1	4,241.2	4,835.3	8,828.1
Public	983.2	942.9	715.0	1,117.1	1,000.4	1,140.5	2,082.2
Private	4,451.8	4,101.7	2,481.9	3,619.0	3,240.8	3,694.8	6,745.8
Exports (Non-Visitor)	715.8	702.5	730.6	759.8	651.8	798.5	2,049.0
Travel & Tourism Demand	25,666.4	26,116.4	20,757.5	26,125.4	21,035.2	24,418.6	51,215.1
<b>Travel &amp; Tourism Industry Aggregates (Direct Impact Only)</b>							
Gross Domestic Product	9,549.6	9,978.7	8,201.9	10,125.4	7,979.7	9,314.6	20,302.0
Compensation	1,909.4	2,065.1	1,674.0	2,063.7	2,294.0	2,702.6	6,222.7
Subsidies	229.4	267.6	273.9	371.7	283.9	331.6	746.6
Operating Surplus	6,221.0	6,457.3	5,229.6	6,457.7	4,536.1	5,332.3	11,593.3
Depreciation	718.1	747.0	704.6	889.4	650.0	723.7	1,396.7
Indirect Business Taxes	845.3	888.6	793.8	961.7	721.4	830.1	1,625.3
Employment	602.1	624.2	644.7	627.1	618.1	647.9	921.4
<b>Travel &amp; Tourism Economy Aggregates (Direct and Indirect Impact)</b>							
Gross Domestic Product	21,773.2	22,164.6	17,561.1	22,268.0	18,064.5	21,028.8	44,714.1
Compensation	4,946.8	4,638.8	3,886.0	4,788.0	5,303.3	6,222.2	13,759.7
Subsidies	418.5	508.1	479.9	681.2	533.4	622.1	1,391.7
Operating Surplus	13,652.5	13,796.2	10,707.7	13,567.2	9,914.0	11,614.4	24,530.3
Depreciation	1,368.8	1,611.6	1,362.9	1,821.9	1,352.9	1,506.2	2,956.2
Indirect Business Taxes	2,112.8	2,514.9	1,993.5	2,583.3	1,956.6	2,259.2	4,566.7
Employment	1,446.0	1,502.3	1,446.8	1,450.6	1,451.5	1,514.8	2,120.3
Imports	3,893.2	3,951.8	3,196.4	3,857.3	2,970.7	3,389.8	6,501.0
<b>Other Taxes</b>							
Personal	1,059.3	1,234.6	777.4	879.6	1,178.0	1,525.7	4,493.3
Corporate	315.5	331.5	254.3	280.3	347.4	438.8	1,222.0
Total Taxes	3,487.6	4,081.1	3,025.2	3,743.2	3,482.0	4,223.7	10,282.0

Note: Employment in 000's

## T&T Accounts as % of National Accounts

Personal Travel & Tourism	8.7	8.6	7.8	8.2	8.2	8.2	8.5
Gov't Expenditures	0.7	0.6	0.6	0.8	0.8	0.8	0.9
Capital Investment	10.8	10.2	7.9	10.7	10.8	10.8	11.1
Public	9.1	7.7	6.8	9.3	8.9	9.4	13.3
Private	11.3	11.1	8.3	11.2	11.5	11.4	10.6
Exports	17.4	17.0	14.5	18.4	18.6	18.8	20.5
Merchandise	2.3	2.3	2.5	2.4	2.5	2.5	2.7
Services	48.3	43.2	40.5	48.8	49.3	49.7	52.1
T&T Imports	6.7	7.1	6.4	6.2	5.6	5.3	4.4

	1997	1998	1999	2000	2001E	2002E	2010P
<b>Travel &amp; Tourism Industry Aggregates (Direct Impact Only)</b>							
Employment	2.9	2.9	2.9	3.0	2.9	3.0	3.5
Gross Domestic Product	5.0	5.0	4.4	5.1	5.2	5.5	7.0
Compensation	4.1	4.1	3.0	3.8	4.5	4.9	6.7
Operating Surplus	5.5	5.4	4.5	5.4	5.7	6.0	7.6
Depreciation	6.0	5.7	5.1	5.9	5.6	5.8	6.7
Subsidies	6.9	6.7	6.1	7.0	6.7	6.8	8.0
Indirect Taxes	3.8	3.5	3.1	3.6	3.5	3.6	4.1

<b>Travel &amp; Tourism Economy Aggregates (Direct and Indirect Impact)</b>							
Employment	6.8	7.0	6.6	6.9	6.8	7.0	8.0
Gross Domestic Product	11.5	11.1	9.5	11.1	11.8	12.3	15.3
Compensation	10.7	9.2	7.0	8.9	10.4	11.2	14.8
Operating Surplus	12.1	11.5	9.2	11.4	12.4	13.0	16.2
Depreciation	11.4	12.2	9.8	12.0	11.7	12.1	14.3
Subsidies	12.6	12.8	10.6	12.7	12.5	12.8	14.9
Indirect Taxes	9.5	10.0	7.9	9.7	9.6	9.8	11.6
Personal Taxes	10.7	9.2	7.0	8.9	10.4	11.2	14.8
Corporate Taxes	12.1	11.5	9.2	11.4	12.4	13.0	16.2
Total Taxes	10.1	9.9	7.7	9.6	10.1	10.6	13.3

#### **Travel & Tourism Real Growth (percent per annum, except 2010 which is 10 year annualized)**

Personal Travel & Tourism	2.1	-0.5	-10.9	10.6	-5.3	6.8	5.0
Business Travel & Tourism	3.6	3.6	-2.1	7.1	1.6	4.4	4.8
Gov't Expenditures	10.0	-8.7	10.2	37.2	4.2	4.9	4.0
Capital Investment	12.8	-9.1	-34.8	57.2	-2.6	7.2	5.9
Visitor Exports	23.6	9.3	-23.6	57.3	7.6	8.1	6.8
Other Exports	17.2	5.2	10.1	11.5	8.0	8.4	6.0
Travel & Tourism Consumption	8.9	3.1	-15.3	26.4	0.4	7.3	5.9
Travel & Tourism Demand	10.0	0.4	-18.5	31.0	0.1	7.3	5.9

<b>Travel &amp; Tourism Industry Aggregates (Direct Impact Only)</b>							
Gross Domestic Product	7.8	1.9	-16.7	29.6	0.1	7.4	6.4
Employment	3.7	3.7	3.3	-2.7	-1.4	4.8	4.6

<b>Travel &amp; Tourism Economy Aggregates (Direct and Indirect Impact)</b>							
Gross Domestic Product	8.2	-0.8	-19.7	33.1	3.1	7.1	6.0
Employment	-3.1	3.9	-3.7	0.3	0.1	4.4	4.5

#### **Travel & Tourism - 1990 Constant US\$ Mn**

Personal Travel & Tourism	12,030.0	11,969.1	10,662.6	11,797.8	11,171.8	11,930.0	17,960.0
Business Travel & Tourism	747.5	774.5	758.0	812.1	825.0	861.0	1,200.1
Gov't Expenditures - Individual	48.2	44.0	48.5	66.5	69.3	72.7	100.7
Visitor Exports	7,093.9	7,756.6	5,923.4	9,315.3	10,024.6	10,834.9	19,181.3
Travel & Tourism Consumption	19,919.6	20,544.2	17,392.5	21,991.7	22,090.6	23,698.6	38,442.1
Gov't Expenditures - Collective	112.4	102.6	113.1	155.1	161.6	169.6	234.9
Capital Investment	6,053.6	5,500.8	3,587.7	5,639.6	5,491.4	5,888.2	9,399.6
Exports (Non-Visitor)	683.7	719.3	791.8	883.2	953.5	1,033.5	1,775.2
Travel & Tourism Demand	26,769.2	26,866.9	21,885.0	28,669.6	28,697.1	30,789.9	49,851.7

<b>Gross Domestic Product</b>							
Travel & Tourism Industry	10,071.7	10,258.5	8,546.6	11,073.4	11,089.0	11,910.6	19,833.4
Travel & Tourism Economy	22,963.7	22,786.2	18,299.3	24,352.8	25,103.3	26,889.4	43,682.0





