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DIPLOCAT AGORA 11

Towards a new paradigm for the tourism sector

The role of local entities

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1. Introduction

This publication is the result of the conference “Towards a new paradigm for the tourism sector: the role of local entities”, organised in the framework of the DIPLOCAT Digital Talk initiative, a series of webinars dedicated to analysing the world after Covid-19.

This webinar brings to a close this cycle of virtual conferences by spending some time reflecting on the impact of the health crisis on the tourism sector. The general objective of the debate was to discuss some of the challenges that the tourism sector will come up against in the current post Covid-19 context and the opportunities that may arise thereby. More specifically, the speakers were invited to analyse the current state of play in the tourism industry and its prospects for the future, with special emphasis being placed on the role that local bodies can or should play in overcoming the crisis.

2. Background

The tourism sector has been one of the worst hit by the Covid-19 crisis. This major impact, which has been felt worldwide, has been particularly dramatic for certain economies which rely heavily on the sector, as is the case of Catalonia, where tourism activity accounts for more than 12% of GDP.

Beyond the initial measures aimed at alleviating the most immediate effects of the crisis on the sector, i.e., actions aimed at supporting those people whose livelihoods directly rely on tourism, many are of the opinion that the reconstruction of the sector also offers an opportunity for transformation. Seen in this light, the Covid-19 crisis could be an opportunity to move towards innovative, sustainable and smart tourism.

At the same time, during the health crisis, the importance of sub-national level entities, which in many cases have played a key role as assistance providers, has become evident: the sub-national level entities have been on the front line fighting against Covid-19. Moreover, due to their competencies and increasing paradigmatic importance in a globalised world, they are expected to continue being important players in the immediate future. As stated by Laura Foraster, Secretary General of DIPLOCAT, “Decisions made at the sub-state level will certainly have an impact on our daily lives.”

In view of the above, an overarching question emerges: what will be the role of local entities in driving smart, green and sustainable recovery in the tourism sector?

This is the question that underpinned the debate moderated by Jaume Garau, tourism advisor for businesses and destinations, and associate professor at the University of the Balearic Islands. Garau opened the session by defining tourism as much more than a simple economic activity, stating that it was “a way to meet and connect people”. He then divided the debate into three sections, each of which had its own big question. The first considered the immediate impact of the crisis on the sector; the second the reactions and measures taken in response; and the third posed the question of what the future might hold for the industry after the Covid-19 pandemic.

Due to the different backgrounds and scope of action of the four guest speakers, the three questions posed gave rise to a very rich debate in which the voices of the public and private sectors were heard, as well as those of actors operating at different territorial levels: local, regional and European.

3. The impact of Covid-19 on the tourism sector: Barcelona, Catalonia, Europe and beyond

The debate started with a direct and tough question: what has been the impact of Covid-19 on the tourism sector in the region? Although each speaker had the opportunity to give an overview of the situation on the ground in their area, they all agreed that globally tourism is one of the sectors that would suffer the most as a result of this crisis.

A first interesting point discussed was the uneven impact across European countries and regions. Indeed, the data seems to show that some regions have been more resilient than others to the impact of Covid-19, which is also the case for their tourism industries. Although it may not seem so at first glance, this is actually good news as it opens the door to investigate which variables have positively impacted on this resiliency, therefore offering us the opportunity to learn lessons for the future.

From economies that rely heavily on tourism, to the insularity of a territory that makes it totally dependent on air or sea connections, to psychological components linked to the perception of the safety of the destination, the reasons for this uneven impact can be varied and are currently being studied, pointed out Ramune Genzbigelyte-Venturi, Policy Officer for Tourism at the European Commission.

Based on official data provided by Eurostat, Genzbigelyte-Venturi shared with the audience some devastating facts and figures: between February and June 2020, European tourism services dropped by 75%, causing significant liquidity problems, especially among SMEs, and putting at least 5 million jobs at risk. The Commission estimates that the investment gap to compensate for the losses is about 161 billion euros, and the industry foresees a long slow recovery period of 3 to 4 years ahead.

Another important point that was mentioned during this first part of the debate was the sudden and unexpected shift observed in destinations such as Barcelona from a situation of over-tourism to one of no tourism at all. In this sense, all ongoing strategies to mitigate the negative effects of mass tourism have become meaningless and many destinations have realised the importance of – or even the reliance on – tourism in their areas or regions.

This was the case of Barcelona, explained Anna Sanchez, Director of Tourism Marketing at the Barcelona Provincial Council.

Both Sanchez from Barcelona and Andrew McEvoy, international practitioner and sector head for tourism at NEOM, based in Saudi Arabia, noted the emergence of a large market for domestic tourists. With a large and rich population that is used to travelling abroad during peak season, 34 million Saudis have had a look in their own backyard this year. Sanchez also highlighted that 80% of those who visited Barcelona in summer 2020 were domestic tourists.

Looking at the situation through a more optimistic lens, the crisis can be seen as an opportunity for the sector to learn some lessons for the future. These lessons should be kept in mind when building the destinations of the future: “The world will be more demanding in terms of sustainability, and this will help to faster introduce technology into the tourism industry”, maintained McEvoy.

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In short, 2020 was not a good year for tourism globally speaking. In the specific case of Barcelona, as Xavier Garcia, Director for Innovation at the Barcelona Hotels Association pointed out, it was a record-breaking year, but not in the ways that we might have expected. Recorded occupancy rates in Barcelona were the lowest they had ever been at around 10%, while prices experienced a drop of 50%. Garcia sums up the situation in one word: devastating.

4. The measures of today, the tourism of tomorrow?

Having a clear map of the consequences and repercussions of the health crisis on the tourism sector was the starting point for the second important item on the agenda of the debate – the discussion on measures. Three key and recurring ideas that appeared in this debate were: cooperation, increasing flexibility and the need for a change of model.

In most countries, and this has also been the case in Catalonia, a whole raft of measures has been adopted in an attempt to redress the current situation inflicted on the tourism industry. These measures, which have involved different levels of government, have made it necessary to establish new frameworks for cooperation and coordination.

Indeed, cross-border and intergovernmental cooperation is a key element in the recovery of a sector that operates globally. Recovery requires a high level of agreement and dialogue between actors at the international level, as this is the only way to reach consensus and agreements on measures for re-travelling, re-opening borders and establishing coherent health and safety protocols across countries. Reactivating tourism involves finding common ground, a point on which the speakers largely agreed.

Although it is always the object of a certain level of criticism, the European Union has led by example, at least in its attempts to coordinate 27 different states and offer a harmonised regional approach. “Coordination among EU Member States has been crucial to make travel and tourism possible again in a safe manner”, stated Genzbigelyte-Venturi, who acknowledged the difficulties faced by the EU in taking certain measures due to a lack of competences. Nonetheless, the truth is that the EU has been able to mobilise unprecedented levels of support to establish a very comprehensive recovery strategy that aims to combine two different time frames, the short and the long term.

The financial means that the EU has deployed to help rebuild a post-covid Europe amount to 1.2 trillion euros, which are to be invested in a bid to relaunch the economy and facilitate, at the same time, a shift towards a sustainable and digital future. This is the largest economic stimulus package ever deployed by the EU. More concretely, Spain will receive 140 billion euros from the Next Generation EU fund and 12 billion euros from the React EU package, in addition to the support provided under cohesion policy and other programmes.

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In fact, when the issue of measures is brought to the table, the first signs of tension or division appear regarding the so-called “provisional measures”, intended to have immediate effects and focused on maintaining the livelihoods of those who rely on tourism, and the so-called “structural measures”,

aimed at tackling the long-term repercussions of the crisis and promoting structural change within the industry.

The exercise of weighing up where these provisional measures should end, and the structural ones begin, is probably one of the biggest sticking points when it comes to striking a balance between the perspectives of public and private actors. As stated by Garcia, for the hospitality sector, the issue of measures is a matter of survival, as the sector “needs short-term solutions to survive and then it can become a more sustainable sector”, stressing that EU measures sometimes seem to ignore these urgent needs.

Despite the differences that emerge in this weighing-up of the measures, there is a certain level of consensus in that, generally speaking, the recovery should be future-orientated, in other words, it should lead the sector towards a change of model. It seems that the EU agenda, which even since before the pandemic has been very much focused on accelerating the so-called “twin transition” – green and digital –, is strongly interlinked with the priorities of local authorities, or at least this is the case of the Barcelona Provincial Council, whose representative expressed the hope that the “EU funds will help take a more determined and faster step towards sustainable tourism”.

Furthermore, increasing flexibility seems to be another point of consensus among the speakers. Both on the part of the hotel sector, which is calling for greater flexibility in the payment of taxes and temporary employment regulations, and on the part of the institutions, which are determined to integrate it into their recovery measures. As an example, an important measure taken by the EU has been to allow flexibility in the reallocation of unused regional funds in order to support health systems and business.

Other ideas evoked during this part of the debate were the need to adopt marketing measures to support the sector, e.g., campaigns highlighting that destinations are safe; the need to provide support that reaches SMEs and freelance workers; and the need to promote adaptation in the market. As McEvoy pointed out, measures could also be focused on incentivising travel among an interesting new target group for the sector: the “pandemics”. These are young people with time to travel, a thirst for new experiences and who are more willing to take the risk of travelling

5. Tourism after Covid-19: towards a greener and more sustainable paradigm?

On the question, “Is the future leading us towards a more sustainable model of tourism?”, it seems important to separate what is strictly wishful thinking from evidence-based observations. As Genzbigelyte-Venturi mentioned at the beginning of her turn, the issue is being studied, with both more optimistic and more sceptical opinions. However, whether out of a moral commitment or out of purely strategic considerations, all the speakers agree that the future of the sector is shifting towards a more sustainable paradigm.

As stated by all the speakers, the need for a paradigm shift is an ambition that was pursued before the crisis started, and which goes beyond the crisis itself. The new context will only reinforce their commitment to it and help to integrate the lessons learned.

The speakers also concur that the local tourist has become the new protagonist.

Sanchez points out that this has huge implications from a marketing point of view. The new context has put the resident at the heart of the strategy of a city as international as Barcelona: new context, new customer, new strategy. The repositioning of the resident within tourism may invite a re-evaluation of the cost-benefit calculation when it comes to bringing international customers to our destinations.

Along the same lines, Garcia pointed out that for the time being, the pandemic will reduce the links between Barcelona and the world which, in turn, will make tourism a more local activity. If only from a strategic point of view, the way hotels think about tourism will have to change. He argued that hotels also strive to be sustainable spaces, not only from an environmental point of view but also from a social one. In this sense, Garcia claimed that hotels are spaces at the service of residents and that they are not the problem but rather the solution to over-tourism.

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Speaking of “over-tourism”, McEvoy made it clear that for him, the sustainable future of tourism is not so much about the number of tourists visiting us which, with a growing Asian market and an African market yet to take off, is likely to continue to grow. In his opinion, the sustainability of tourism has more to do with the way in which these flows are managed, and advances in technology and energy will be key in this regard. He adds to his predictions that tourists will be increasingly selective about their destinations and that new elements such as green spaces and tourist well-being will be relevant in their final choice.

As for Genzbigelyte-Venturi, she noted that the European Commission is ready to lead this paradigm shift and underlined the need to act strategically and with a clear sense of direction. The EU wishes to foster the paradigm shift without losing sight of three key points: the need to provide tourism workers and destinations with the adequate skills and capacities they need for the future of tourism to be resilient, the need to empower local destinations so they can actually benefit from tourism, and the need to ensure that the right governance tools are in place.

During the debate, the crucial role of local and regional authorities, which, as the levels of government closest to citizens, can act as loudspeakers, was evoked. At the same time, innovation was regarded as a key aspect, crucial to the paradigm shift. There was a call to action for entrepreneurs and it was highlighted that interregional cooperation is a successful model capable of providing innovative solutions and developing tools and models that would allow alternative and more sustainable types of tourism to be explored.

6. Final thoughts and main conclusions

The last part of the debate was devoted to an open exchange between the audience and the speakers. This discussion time allowed for some recurring ideas that had emerged during the debate to be identified and some general conclusions to be drawn.

First and foremost, following a question from a participant, the speakers addressed the issue of recovery and employment in the tourism industry. Although the situation is very unstable and predictions can change at any time, the speakers dared to share some estimates and possible scenarios according to the data at their disposal.

On the one hand, from the perspective of the hotels sector in Barcelona, Garcia explained that occupancy is expected to be above 50% from July 2021, when important tourism events such as the Mobile World Congress and ISE 2021 are expected to be held.

As for McEvoy, he noted that as is often the case after a crisis, many companies will be forced to adjust staffing levels. Based on the precedent of the previous financial crisis, he even estimated that the sector would lose between 10 and 20% of the professionals working in it before the crisis, and that this ratio would not fully recover for 2 to 3 years. Sanchez added, in line with the recurring idea in this debate regarding the need to innovate, that given the inevitable death of many companies, the creation of new initiatives adapted to the new context – in other words, to the new consumer – is needed.

On a more cautious note, Genzbigelyte-Venturi drew attention to the talent drain that the tourism sector suffers in times of crisis, a phenomenon that, in the eyes of the speaker, would be true to a greater or lesser extent depending on how the crisis is managed in the regions and countries affected. At the same time, reviving employment in the sector also depends on demand, which will stem from people's willingness to travel. It therefore seems important to monitor travellers' expectations and fears, to know how willing or unwilling they will be to travel and to study their behaviour in the current crisis context.

Secondly, and also following a question from the audience, the speakers addressed the issue of the bureaucratic barriers that SMEs face in accessing financial support, a problem which is often cited when it comes to European funds.

The speakers agreed that this is a widespread problem everywhere, not only in Europe, and it affects all economic sectors, not just tourism. The complexity of the issue lies in the need to combine easy access to this assistance with the need to regulate fundamental aspects such as transparency and consumer protection.

From Genzbigelyte-Venturi's point of view, improving access to funding comes down to timely and accurate communication, ensuring that there is a proper understanding of where, when and how these funds could help SMEs to overcome challenges.

Finally, the speakers focused on the lessons learned from past mistakes, in particular with regard to the model of mass tourism. All of the speakers agreed that a paradigm shift was already necessary even before the crisis emerged, and that technology and smart management of tourism flows, for instance through geolocation, could be tourism's strongest allies in the long run.

Annexe. Participants



> ANDREW MCEVOY

MANAGING DIRECTOR AT NEOM

He is an experienced CEO and Board Director with more than 20 years' experience in the tourism, travel, media, marketing and events sectors. He is a former managing Director and CEO of Tourism Australia - Australia's peak tourism body. From 2014-17 Mr McEvoy was Managing Director of the Fairfax Life Media and Events business including its profitable lifestyle publishing titles (travel, food, luxury etc) and Australia's largest consumer events company. He is Chairman of listed transport and tourism operator the Sealink Travel Group (ASX: SLK); a Director of Ingenia Communities (ASX: INA); Chairman of AATS (Skybus); Chairman of the Tourism and Transport Forum (TTF) and a Director of the Lux Group - operators of the highly successful Luxury Escapes. He is a passionate advocate for the world's tourism industry and its ability to bring economic prosperity to regional communities while helping visitors better understand the significance of the people and places they have been to.



> XAVIER GARCIA

DIRECTOR FOR INNOVATION AT BARCELONA HOTELS ASSOCIATION

Graduated in Tourism with a wide experience in hospitality and the startup ecosystem. He is currently leading the Innovation department at the Barcelona Hotels Association with the aim to develop a traditional sector and to introduce new methodologies on the market. Along with the association, he leads the Travel Innovation Hub where he is building an extensive community in the travel and tourism digital innovation sector. The main goal is to connect, to share knowledge and resources with international hubs to foster the creation of powerful synergies and boost open-innovation initiatives in the industry.



> RAMUNE GENZBIGELYTE

POLICY OFFICER FOR TOURISM AT EUROPEAN COMMISSION

Working in the Tourism and Textiles Unit of the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, a unit that develops and supports EU policy initiatives aiming at competitive, resilient and sustainable tourism ecosystem. She is responsible for the sustainability aspects of tourism as well as synergy with regional policy.

She also has experience in the Common Fisheries Policy and structural funds, while working in the Directorate-General for Maritime Affairs and Fisheries of the European Commission. Ramune holds a master's degree in Public Administration and EU affairs as well as in Philology.



> ANNA M. SÁNCHEZ

DIRECTOR OF TOURISM MARKETING AT BARCELONA PROVINCIAL COUNCIL

Graduated in Marketing Techniques and Research at the University of Barcelona, she carried out several consulting projects on communication, marketing and e-commerce. Working for the last 20 years at the Barcelona Provincial Council letting know that “Barcelona is much more” in the international arena.



Debate chaired by **Jaume Garau**, tourism advisor for businesses and destinations. Associate Professor at the University of the Balearic Islands where he teaches the subject “Government in the field of Tourism: Tourism & Environmental Policy” in the master’s degree in Economics of Tourism.

The member entities of the consortium

» Public institutions and municipal entities

- Government of Catalonia
- Barcelona City Council
- Tarragona City Council
- Girona City Council
- Lleida City Council
- Vielha e Mijaran City Council
- Barcelona Provincial Council
- Tarragona Provincial Council
- Girona Provincial Council
- Lleida Provincial Council
- Conselh Generau d'Aran
- Catalan Association of Municipalities and Counties
- Federation of Municipalities of Catalonia

» Entities of the business sector

- General Council of the Official Chambers of Commerce, Industry and Navigation of Catalonia
- Entrepreneurs association Foment del Treball Nacional
- Association of Micro-, Small and Medium-Sized Enterprises of Catalonia (PIMEC)
- Confederation of Cooperatives of Catalonia
- Multi-Sector Business Association (AMEC)
- Private Foundation of Entrepreneurs (FemCAT)

» Entities of the social, trade union and sports sector

- The Group of Entities of the Voluntary Sector of Catalonia
- Trade union Unió General de Treballadors de Catalunya (UGT)
- Trade union Comissions Obreres de Catalunya (CCOO)
- Football Club Barcelona

» Universities, business schools and academic institutions

- University of Barcelona (UB)
- Autonomous University of Barcelona (UAB)
- Technical University of Catalonia (UPC)
- Pompeu Fabra University (UPF)
- University of Lleida (UdL)
- University of Girona (UdG)
- Rovira i Virgili University (URV)
- Ramon Llull University (URL)
- Open University of Catalonia (UOC)
- University of Vic - Central University of Catalonia (UVic-UCC)
- International University of Catalonia (UIC)
- Abat Oliba CEU University (UAO CEU)
- Barcelona Institute of International Studies (IBEI)
- EADA Business School
- Barcelona Graduate School of Economics (Barcelona GSE)