

WORLD TOURISM FORUM LUCERNE

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By the end of 2008 the global air transport industry will have suffered a total loss of \$5.2 billion.

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Climate change demands immediate action at all levels in society, especially from the industries that are net-contributors.

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Aviation has no substitute when it comes to delivering large-scale mobility for everybody.

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Hotels sell experiences and if an experience is magic, they are winners.

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Selected point-to-point connections between conurbations are likely to switch to maglev technology as of 2030.

Johannes Klühspies

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The Financial Crisis and its Impact on the Travel & Tourism Sector

Thea Chiesa, Head of Aviation, Travel and Tourism Industry of World Economic Forum

What will be the main consequences of the crises for the travel industry?

Economic business cycles almost perfectly correlate to tourism growth rates. However, we are currently facing a global recession which makes it an almost certainty that 2009 will prove to be yet another challenging year for the Travel & Tourism sector. Airline operators reported in March 2008 that business travel contracted by the "largest amount since 2003" while economy class travel growth slowed to less than 1% in the first quarter of 2008 from 6% in 2007.

In September 2008, major US carriers carried 9.2% fewer passengers than in September 2007. By the end of 2008 the global air transport industry will have suffered a total loss of \$5.2 billion, or twice as much as estimated earlier. At the same time air ticket fares are 15 to 25% higher on many routes than they were a year ago.

Will the financial crisis lead to a consolidation in the industry?

Certainly, since strategies to eliminate excess capacity and mergers and acquisitions will be adopted in order to achieve greater financial stability. In 2008, about 28 airlines have stopped or suspended operations. Among them are the bankruptcies of Russia's AiRUnion, Britain's XL Airways UK and Italy's Alitalia. Globally, many airlines have grounded aircraft to reduce supply in light of their slumping domestic markets.

However, the current financial crisis could also lead to an increased liberalization of the market, which would allow airlines to consolidate on a truly global scale. The merger of Delta and Northwest was approved in October 2008 despite earlier fears of skewed market competition. Other mergers of relevance this year included British Airways/Iberia/ American Airlines, the Lufthansa-BMI

acquisition, and the alliance between India's Jet Airways and Kingfisher.

How will the hospitality industry react to the crisis?

The hospitality industry is seemingly continuing to perform well, at least in the major markets. The trends for 2009 show that lodging supply will continue to grow at between 2.5% and 3 % per year through 2010, while demand will decline by approxi-

mately 1 % in 2009 before growing in 2010. Hotel room prices will decline by over 25% in the short term and slower industry growth due to a slowdown of the industry.

If the likely decline in airline seat capacity occurs, then this alone will cause a 1 to 1.5% decline in hotel room demand. With respect to market consolidation, the lodging industry has already been driven by consolidation and takeovers over the past couple of years. This trend is likely to continue during the crises.



Short Biography of Thea Chiesa

Thea Chiesa has been working for six years at the World Economic Forum. She launched the first global Travel & Tourism Competitiveness Report and developed innovative projects in the field of sustainable travel & tourism. She also contributed to the framework and recommendations for governments and the private sector by drafting a climate change policy in travel and tourism.

Thea Chiesa holds a master's degree in International Relations from Boston University and a bachelor in Management from Boston College. She is currently a World Economic Forum Global Leadership Fellow and a member of the Advisory Board of the World Tourism Forum Lucerne.



Environment and Climate Change

Duncan Pollard, Director,
Conservation Practice & Policy, WWF International

Globally, tourism and related economic activities are estimated to employ around 200 million people, and to transport nearly 700 million international travellers per year. These figures are expected to double by 2020, especially in some of the world's least developed countries. Tourism can take its toll on the world's coral reefs, mighty rivers, majestic forests and many animals, and tourism's related transport emissions disrupt the climate. Our challenge for the future is to test available models and solutions so that recreation and leisure need not wear out nature.

What are the biodiversity impacts?

The impacts of tourism on biodiversity are especially significant on wet coastal habitats (which include mangroves, estuaries and wetlands); dry coastal habitats (which include dunes and beaches); marine habitats

such as coral reefs and sea grass beds; and species such as whales, sea turtles and sharks.

Two of the most pronounced threats posed by tourism are overall habitat fragmentation and degradation, and the impacts from pollution that result from tourism development. The negative effects of physically altering the landscape are further exacerbated by the operations of tourism facilities, including the pressures associated with visitor numbers.

What are the climate impacts?

At least 95% of the primary energy consumed in the transport sector derives from crude oil. To meet growing demand from the transport sector, the oil industry is developing tar sands, and coal to liquid solutions. These higher carbon fuels are the exact opposite of the solutions needed to tackle climate change.

Flooding, drought, worsened disaster impacts, coral loss, and forest destruction can be linked right back to climate patterns gone awry. Climate change demands immediate action at all levels in society, especially from those sectors that are significant net-contributors. Globally the transport sector is the second biggest contributor of all greenhouse gas emissions and these are growing fast, especially in emerging economies.

What can the tourism industry do to mitigate these impacts?

On the biodiversity impacts, tourism can be a force for good, and the industry must be a

part of the solution. Sensitively designed and operated facilities can deliver economic benefits as well as net positive benefits for nature conservation, governments and local society.

KPMG's 2008 report "Climate Changes Your Business" identified tourism and transport as two sectors where the risks from climate change are markedly greater than the preparedness per sector. In both cases, understanding the risks is step one; applying available models and solutions is a multi-actor responsibility that can ultimately avert billions of dollars in losses.



Short Biography of Duncan Pollard

Duncan Pollard joined WWF International in January 2001, and has been the Director of the Conservation Practice and Policy division since July 2007. This division includes the teams working on forests, freshwater, oceans & coasts, species, energy and global policy. The division runs various programmes with industry tackling climate change, and responsible sourcing. Previously he worked in the forest industry in the UK, South America and South Africa, and spent 9 years working for Shell.



Air Transport in the Year 2030

Olivier Jankovec, Director General,
ACI EUROPE (Airports Council International)

Air transport and the environment: is there a reaction to climate change?

The most important impacts of travelling by aeroplane include noise and engine emissions caused by aircraft. The IPCC calculated that aviation's total CO₂-emissions account for 2% of global emissions' impact on climate change. Based on future aviation growth to meet increasing demand, this is forecast to reach 3% in 2050.

Huge investments have already been made in new technology and operating procedures involving airlines, airports and Air Traffic Management (ATM). This has allowed considerable reductions in both noise and emissions. On average, aircraft are already 50% quieter today than they were 10 years ago, and the industry has managed to decouple its emissions from passenger numbers' growth.

However, a growing carbon footprint is unacceptable for any sector and all industry players need to work hard on this issue. Ambitious commitments and targets have been set, including the ACI EUROPE Resolution of June 2008 committing airports to reduce their carbon emissions with the ultimate goal of becoming carbon neutral. These efforts are crucial for the industry in order to justify growth in future. Ultimately, the greening of aviation will be delivered through a combination of new technology, operational efficiency, infrastructure improvements and economic measures as a complement.

Airport capacity: a key challenge for tourism in the future

The impending lack of adequate airport capacity is one of the key challenges for the air transport industry. In North America and Europe in particular, airports are becoming

the main bottleneck in the aviation system. Innovative coordinated processes for ground operations are being implemented at airports, allowing the sharing of information 'in real time' and data between airlines, ATM and airport operators, so as to optimise ground movements.

But these efforts will not be enough to address the issue in the medium to long-term, since European demand is expected to double by 2030, reaching 20.4 million flights a year. EUROCONTROL estimates that the lack of matching airport capacity will result in nearly 2.5 million unaccommodated flights and at

least 19 European airports fully saturated, affecting more than 160 million passengers. With one in every two flights scheduled to pass through one of these hugely congested airports, delays could potentially skyrocket.

Therefore, airports need to be able to plan, finance and build new infrastructure in a timely and efficient manner. Planning procedures for new runways and terminals can take up to 20 years. This means that governments and international institutions must be clear about the need to reconcile aviation growth with ambitious environmental objectives.



Short Biography of Olivier Jankovec

Olivier Jankovec became Director General of the European Region of the Airports Council International (ACI EUROPE) in September 2006. The organisation represents some 440 airports in 45 European countries. Member airports handle 90% of commercial traffic in Europe and welcome nearly 1.5 billion passengers a year.

Jankovec has worked for Alitalia (2002-2006), Air France (2000-2002) and the Air Transport Directorate of the European Commission (1994-2000). In 2006, he was Director of Institutional Relations for Alitalia and Chair of the Association of European Airlines Policy Committee. He is a member of the EU Observatory on Airport Capacity and the Advisory Board of the World Tourism Forum Lucerne.



The Future of Hospitality Management

Jean Gabriel Pérès, President and CEO,
Mövenpick Hotels & Resorts

What factors will determine the success of a hotel company in 2029?

Authenticity, soul, personable service, and hassle free experience. We need to focus on the benefit of our clients. I also believe that we will see the restoration of the achievement capacity of leaders' performance - leadership quality will drive value in coming years. Even stand alone hotels might continue to be successful if they are highly meaningful and show great USPs to their customers. You will always find customers for an exceptional positioning such as the Ice Hotel built in Iceland or hotels built in the middle of the Amazon forests. Hotels sell experiences and if an experience is magic, they are winners.

Do hotel companies strongly depend on the future way of travelling?

Generally speaking, hotels are very dependent as convenience of travelling and proximity of airports or train stations greatly influence the occupancy rates our hotels can achieve. At the same time, we face rising energy prices in the medium to large term with all its consequences for future travelling, and we perceive this as a huge challenge moving forward. For example, airline crews make a significant part of the occupancy of some of our hotels, sometimes up to 20-25% in hotels located close to airports.

What does the financial crisis mean for hotel companies?

It is an acid test for the hospitality industry. We are seeing clients booking seminars for shorter time periods and with fewer people. However, as an upscale hotel business, I strongly believe our market positioning

is more favourable than the luxury hotel segment, and other market segments. If we take a critical look back at the last years in our industry, market considerations have been purely financial, i.e. lots of people were looking for short-term returns.



Short Biography of Jean Gabriel Pérès

Jean Gabriel Pérès (born in Paris, 1957) has been President & CEO at Mövenpick Hotels & Resorts since 1999. Jean Gabriel Pérès holds an MBA from the renowned French business school ESSEC. Under his tenure, the international hotel group's portfolio has nearly trebled in size and the EBIT result has grown continuously. Mövenpick belongs to the 50 leading hotel groups.

After serving two years as an officer in the French navy, he gained international experience from senior appointments in the hospitality and luxury consumer brands segment beginning in 1982. In 1985, he was named Vice President Development for Africa and the Middle East at Le Meridien Hotels & Resorts. From 1989 to 1996, he was Managing Director for Asia Pacific and Executive Committee member in the Le Meridien Group based in Hong Kong. He is a member of several corporate boards of directors and an active member of the World Travel and Tourism Council. He is married and father of four children.



The Future of Rail and Maglev Systems

Johannes Klühspies,
Head of the Mobility Competence Center,
Lucerne University of Applied Sciences and Arts

Trains become faster and faster. At what speed will we travel in 20 years?

Numerous indicators suggest that speeds of high-speed wheel-rail traffic between major cities will decrease significantly rather than increase, whereby top speeds of about 250 km/h are likely to become the norm on many routes by 2030. By then, most high-speed routes completed today will have aged and be in need of repair. Furthermore, wear and tear on high-speed trusses and rolling stock will force operators to increase expenditures on maintenance and repair work, which is likely to impact profitability negatively already before 2030. Lowering speeds to a range with less wear and tear is therefore generally seen as a cost-effective solution. In Japan, such a speed reduction has already been officially announced for 2025 for the Shinkansen, one of the most renowned high-speed wheel-rail systems in the world. The famous Tokaido

route (Tokyo – Osaka), for example, will witness speeds of around 250 km/h, down from current 330 km/h.

Will there be attractive alternatives to rail and air travel in 2030?

Japan, for example, will introduce a technological leap: the Linear Motor Car – a high-speed maglev (magnetic levitation) system that glides at speeds of 600 km/h, without contact and with only minimal wear and tear. The maglev is scheduled to be in operation by 2025. This means that the 2.5 hours of travelling time from Nagoya to Tokyo today will dwindle to a mere 40 minutes by 2030. Japanese tourism associations unanimously expect domestic daytrips and weekend travel to undergo a new boom as a result. Remarkably, the project's financing has already been secured. In the UK, the "Ultraspeed" maglev project (London – Edinburgh) is in a

planning stage, and in China, the decision to extend Shanghai's maglev system is currently pending.

Will the maglev technology at one stage replace today's rail systems?

The outlook for traditional wheel-rail traffic with speeds of up to 200 km/h continues to be favourable until 2030, especially if designed in line with the Swiss or Japanese

model. Plans for medium-range high-speed traffic above 250 km/h, however, will probably opt for the "floating" version, whereby selected point-to-point connections between conurbations are likely to switch to maglev technology as of 2030. It can be expected, however, that the transport industry will take some time to get used to such a paradigm shift in technology.



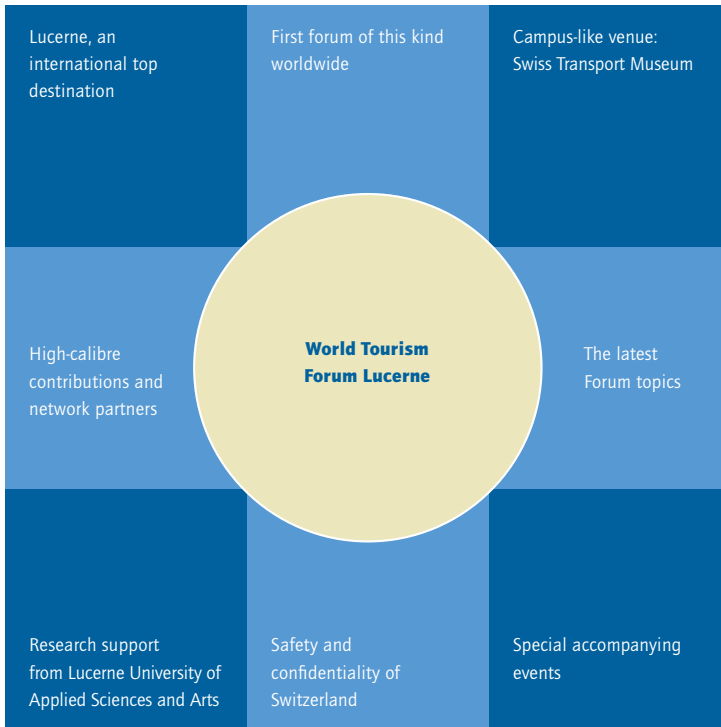
Short Biography of Johannes Klühspies

Johannes Klühspies currently serves as Head of the Mobility Competence Centre of the Lucerne University of Applied Sciences and Arts, Switzerland. He holds a PhD in Transport Geography from University of Bochum. In 2007 he received his post-doctorate degree (Dr. habililitatus) from University of Leipzig for his scientific thesis on the future of transport. He is a member of the Centre of Excellence for High Performance Railways and Maglev Systems at TU Dresden, Germany.

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The World Tourism Forum Lucerne offers you an attractive venue for holding discussions and exchanging ideas with industry leaders from around the world.

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The first booklet contained the following topics: cruise business, airlines and mobility. It may be ordered at info@wtflucerne.org or viewed at www.wtflucerne.org.
