



UNDERSTANDING THE CRITICAL ISSUES FOR THE FUTURE OF TRAVEL & TOURISM

MARCH 2017

1. INTRODUCTION

In a world where our climate is changing and temperature records are being broken with alarming regularity; where 65 million displaced people are fleeing violence, terror, or resource scarcity; and where data and privacy have become powerful new currencies¹, the purpose of business to help address these global challenges is being questioned like never before.

Societal expectations have changed to the point that a business that simply maximises shareholder value or focuses on short-term gains risks disconnecting with its customers and stakeholders over the long run. Companies are now expected to recognise their responsibility to the world and resources, and address them through the prism of business risk. The Volkswagen emissions scandal and the Panama Papers being two recent examples of how, in our new age of transparency, companies that act outside of society norms are being brought to account.

Increasing the transparency, accountability, and sustainability of corporate processes is happening across the world.² While there are many barriers to the mainstreaming of sustainability in business (consumer demand, policy not driving sufficient market incentives, prevailing short termism of financial markets etc.), leading companies are widening their view beyond immediate operational impact and thinking about the broader systems in which they operate. Systems thinking is trickling into these progressive organisations.

Long-termism is also rapidly becoming a condition among the investment community, with the companies that have shown greater honesty about the risks they face reaping higher financial rewards. The clear financial gain that companies achieve when they take a broader view of environmental, social, and governance (ESG) risks compared to a traditional approach was illustrated by a landmark 2011 Harvard Business School study.³ A more recent example of this was also seen in early 2016 when Larry Fink, the CEO of the investment management company BlackRock, wrote to the chief executives at S&P 500 companies and large European corporations. The letter⁴ focuses on the problems with short-termism, and asks CEOs to ensure that they better articulate their plans for the future through board-reviewed annual strategic frameworks.

At a more formal level, the near universal signing among country leaders of the UN Sustainable Development Goals (SDGs) and the Paris COP21 Climate Change agreements in 2015 were additional significant moves to bring the issues of sustainability further up international, business, and public agendas.

These international agreements and commitments will bring about the biggest movement towards collective public/private action on sustainability. Trillions of dollars in public and private funds are to be redirected towards the SDGs, creating huge opportunities for companies to deliver solutions.

The challenge for Travel & Tourism

Sustainability in the context of the UN SDGs takes a holistic view of people, planet, and profits, with the presiding goal to 'end poverty everywhere'. Travel & Tourism - which is responsible for 9.8% of the world's GDP, has a high proportion of women in employment, and fuels the economies of many developing nations - can play a key role in the majority of the 17 goals under the SDGs.

Security, demographics, resource scarcity, waste management, and corporate ethics are all issues that will particularly influence the nature in which Travel & Tourism will continue to operate in future. At the same time, and integrally linked to the challenges of the SDGs, the COP 21 Paris Agreement sets out a challenging task to contain global temperature rises to no more than 2 °C above pre-industrial times and establishes an even more ambitious climate policy goal to 'pursue efforts to limit the temperature increase to 1.5 °C above pre-industrial levels'. The 'stranding' of assets linked to carbon could result in significant value loss⁵ for companies and their suppliers in the sector.

1. See, for example: <http://climate.nasa.gov/vital-signs/global-temperature/>, <http://www.unhcr.org/uk/news/latest/2016/6/5763b65a4/global-forced-displacement-hits-record-high.html>, <http://www.forbes.com/sites/omribensahar/2016/04/01/privacy-is-the-new-money-thanks-to-big-data/#6f7c835720c3>

2. https://www.greenbiz.com/article/look-new-world-hyper-transparency?utm_source=newsletter&utm_medium=email&utm_term=newsletter-type-greenbuzz-daily&utm_content=2016-09-11&utm_campaign=newsletter-type-greenbuzz-daily-105860&mkt_tok=eyJpIjoiWXpKaIpEa

3. <http://hbswk.hbs.edu/item/the-impact-of-corporate-sustainability-on-organizational-process-and-performance>

4. <https://www.blackrock.com/corporate/en-gb/investor-relations/larry-fink-ceo-letter>

5. See https://www.keplercheuvreux.com/pdf/research/EG_EG_253208.pdf

Many academics and global leaders have spoken about the impact of climate change on economies around the world. At the 16th WTTC Global Summit in Dallas in April 2016, the economist Jeremy Rifkin expressed to delegates just how dramatic climate change will be on Travel & Tourism specifically: “We are now in real time climate change, this is no longer just an academic exercise. And what’s terrifying about climate change is that it changes the water cycles of the earth. Our ecosystems are based on the water cycles. For every one degree the temperature goes up on this planet from CO₂ emissions the atmosphere is absorbing 7% more precipitation. So we are getting more violent water events; more violent winter snow; more violent spring floods; more prolonged summer droughts and wildfires; more category 3, 4, and 5 hurricanes.”

The call for Travel & Tourism to show global leadership

Across the world, Travel & Tourism companies have been integrating sustainable practices into their operations for years (many of the best have been recognised through the WTTC Tourism for Tomorrow Awards) and there are a number of industry initiatives on specific sustainability issues (i.e. IATA – action on combatting the illegal trade in wildlife; WWF ‘Say No to Shark Fin’ initiative for hotels and restaurants; and the WTTC/ITP Hotel Carbon Measurement Initiative⁶). However, unlike other sectors (perhaps where ownership structures are simpler and company value is greater) performance and reporting across the Travel & Tourism is still in a nascent phase.

Compared to other sectors such as retail, apparel, mining, or FMCG, even accounting for its size, the sector is less noticeable on indices like the Dow Jones Sustainability Index, FTSE4Good, CDP Climate Performance Leadership Index, and Newsweek Green Rankings. Only a few Travel & Tourism companies are recognised in this space or have shown commitment elsewhere such as the Science Based Targets initiative or the We Mean Business Coalition, where companies agree to transition to and set reduction targets for a low carbon economy.⁷

In 2015, prior to the start of COP21 in Paris, WTTC published *Connecting Global Climate Action*, in which it acknowledged that limited research has been taken to assess Travel & Tourism’s collective environmental footprint and shift since 2009. Even where sustainability reporting is taking place within Travel & Tourism companies, academic researchers have recently found that reporting of emissions was lacking among most company reports. Where reporting of emissions was present, as tourism has increased considerably over the past years, for many companies, so too have absolute emissions. Disparagingly, the academics concluded “that the sector lacks the ability to monitor progress on its declared emission reduction targets”⁸.

Connecting Global Climate Action made the bold statement that the next 20 years ‘will be characterised by our sector fully integrating climate change and related issues into business strategy, supporting the global transition to a low carbon economy, strengthening resilience at a local level against climate risks’. This statement, together with one produced by the Global Travel Association Coalition (representing the international industry associations ACI, CLIA, IATA, as well as ICAO, PATA, UNWTO, WEF, and WTTC), before the Paris COP supporting a successful outcome and a collective commitment to ‘make a meaningful and long term contribution to fighting climate change’ now warrants action.

The time is therefore right for climate and resource risks to be better understood among those who engage with and profit from Travel & Tourism and for new strategies to be implemented that will not only value the natural and cultural resources upon which the sector relies, but to move tourism to the low carbon economy.

Taking collective action to strengthen Travel & Tourism’s sustainability position

With growth comes responsibility - a responsibility to build resilient growth. Accessing the highest levels of power where legislation is made and then making real difference at scale requires collective action. On behalf of the Travel & Tourism sector, WTTC therefore identified a need to strengthen its sustainability positioning and do more to be part of the change.

With Members covering all industries within the Travel & Tourism sector, a first step in this was for WTTC to set out to find the core issues common to all companies and to determine where it could make the biggest collective contribution to sustainable development.

2. RESEARCH APPROACH

In early 2016, working with the sustainability consultancy SalterBaxter, WTTC combed relevant published studies and academic research to develop a list of key challenges and critical issues affecting the future growth of Travel & Tourism that cut across the sector. The issues were refined and consolidated through consultation with subject and sustainability experts and developed into a final list of 43 issues across eight different themes (see Appendix 1 for full list):

- Maintaining sustainable destinations in a changing world
- Responsible business practices and leadership
- Shifting innovation drivers in Travel & Tourism

6. See: <http://www.iata.org/policy/environment/Pages/wildlife-trafficking.aspx>, http://www.wwf.sg/get_involved/say_no_to_shark_fin/ and <http://www.wttc.org/mission/tourism-for-tomorrow/hotel-carbon-measurement-initiative/>

7. At the time of publishing, Travel and Tourism companies signed up to the Science Based Targets initiative include Caesars Entertainment, TAV Airports, Host Hotels & Resorts, and WTTC Member, NH Hotel Group. In the We Mean Business Coalition, Travel & Tourism companies include Air France/KLM, Caesars Entertainment, Club Méditerranée, Gatwick Airport Limited, Host Hotels, Mahindra Holidays and Resorts, Meliá Hotels, International, National Express Group Plc, SAVE S.p.A. – Venice Airport, TAV Airports and WTTC Members, NH Hotel Group TUI Group.

8. https://www.researchgate.net/publication/303519621_A_report_on_the_Paris_Climate_Change_Agreement_and_its_implications_for_tourism_why_we_will_always_have_Paris

- The evolving labour market and employment practices
- Travel, tourism, and environmental impacts
- Travel, tourism, and health
- Travel, tourism, and human rights
- Travel, tourism, and security

This list was then used as the basis for an online questionnaire sent widely to senior managers and across geographies throughout the WTTC membership in February and March 2016. The survey was sent in an email link to CEOs, advisors, and members of the WTTC sustainability task force with instructions to consider the relevance of each of the 43 issues to their industry (rather than specifically to their company) and to prioritise each according to a simple scale of low/medium/high/and severe impact or relevance over a medium term horizon. Two additional reminder emails were sent to chase response. When the survey closed, it had collated the opinions of 234 representatives of 145 WTTC Member companies, including 19 CEOs.

A workshop with WTTC Member company advisors and selected invitees took place before the start of the 2016 Global Summit in Dallas, Texas, in April, to discuss the findings of the internal results and discuss prioritisation of the issues. Further discussion of these internal responses also took place at the bi-annual meeting of the WTTC Executive Committee, also held prior to the start of the Dallas Summit.

Having completed the internal research, WTTC reached out widely to external experts who had written or consulted on the issues relevant to these issues or who work in sustainability or related organisations, asking them to complete the same survey. For further depth, we also conducted one-on-one telephone interviews with 27 individuals. These interviews were conducted with senior leaders from intergovernmental organisations, NGOs and not-for-profit organisations, academics, private sector specialists, and from WTTC Knowledge Partners.

3. RESEARCH OUTCOMES

Response from Member Companies

The fieldwork period of early spring 2016 was a time when the Zika virus and terror attacks in Europe were making headlines around the world. It is perhaps not surprising, therefore, that issues around safety and security preparedness and impacts of health crises were thought to be of most severe importance among those in the Member companies for the future of their industries. Other issues around governance and corruption were also thought to be of very high impact. Among the environmental issues, waste generated at destinations and the degradation of ecosystems, biodiversity, and landscapes were noted as of high concern or relevance by a majority of respondents.

The table below sets out the five most severe issues for a selection of industries:

AIRLINES	CAR HIRE	DESTINATIONS	HOTELS	TOUR OPERATORS
Safety and security preparedness and response	Safety and security preparedness and response	Relationships with local communities	Reduced travel to destinations affected by public health crises	Reduced travel to destinations affected by public health crises
Cybersecurity and the quality, robustness of customer data privacy	Disruptive innovation and new business models	Reduced travel to destinations affected by public health crises	Safety and security preparedness and response	Climate change on the attractiveness, feasibility of destinations
Investment in infrastructure	Governance and ethics	Compliance with regulatory requirements	Cybersecurity and the quality, robustness of customer data privacy	Preservation of local heritage culture at destinations
Public perception of health risks in unaffected destinations	Compliance with regulatory requirements	Operational waste and pollution to land and water	Compliance with regulatory requirements	Safety and security preparedness and response
Reduced travel to destinations affected by public health crises	Corruption and anti-competitive behaviour	Climate change on the attractiveness, feasibility of destinations	Attracting, developing and retaining a skilled workforce	Child exploitation

Certain issues polarised opinion in terms of perceptions of their severity. Nearly similar proportions of those in WTTC Member companies thought that poaching and wildlife loss, people trafficking, and child exploitation were among the most severe as those rating these issues among the lowest in terms of severity affecting growth in the medium term.

Response from external experts

Among experts, the issues that the WTTC Membership considered of greatest threat were also given strong consideration, although at times for different reasons. John Scanlon, the Secretary General of CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora), for example, told us that poaching is often carried out by organised and industrial-scale armed gangs and run by off-shore cartels, which “drives

increased arms into the destination, spiralling a country into further violence, corruption, poverty, and loss of assets.” From a tourism perspective, these are serious issues that acutely reduce the attractiveness of a destination. This point was echoed by Dr Jake Reynolds of the University of Cambridge; “Poverty and land degradation need to be addressed across the world, particularly in areas recovering from, or at risk of, conflict.”

However, even despite initial instructions to take a medium term overview, the main concerns among experts were the imperative to act now in order to prevent longer term degradation in the areas of ecosystems, biodiversity and destination integrity, and, in particular, the effects of climate change.

Prof Jeffrey Sachs of The Earth Institute at Columbia University could see the enormous opportunities and growth potential for Travel & Tourism only if the world avoids major crises. He cautioned that with climate change playing havoc in destinations, conflict making tourism frightening, and epidemic disease outbreaks turning parts of the world into no-go areas, even though some of the solutions may be unpalatable, they needed attention. “What are the ugly truths that need to be faced up to?” he challenged.

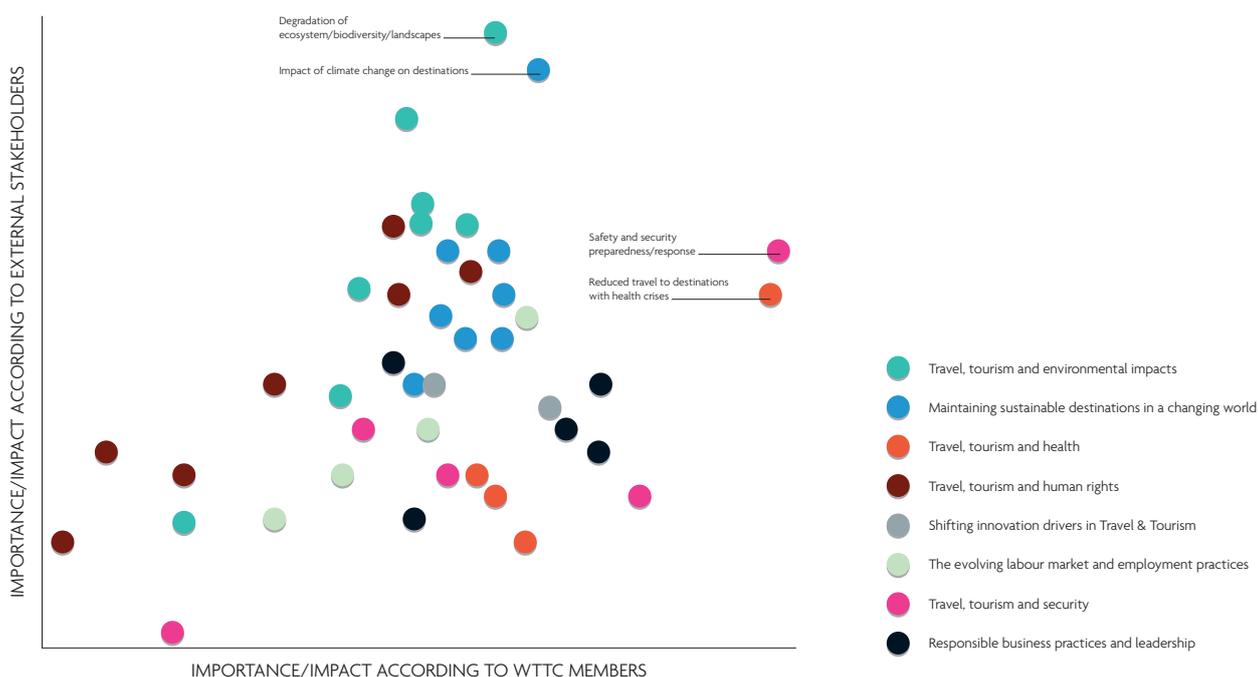
The opportunities that the SDGs afford as a strategy for the world that require business alignment were also frequently mentioned. The need to align with the 2°C world committed to by countries in the Paris Agreement was also mentioned by nearly all experts. The clear consensus was that more is needed to be done by Travel & Tourism to understand the gap between the current growth trajectory and what limits on carbon and other resource use will mean for business as usual. A key part of this will be a requirement of all companies in the sector to measure and monitor their emissions and resource consumption. The University of Oxford’s Prof Ian Goldin said, “the single biggest issue [for the sector] is climate change and how to get to zero emissions.” This is particularly the case when absolute growth year on year outweighs annual efficiency gains. “Carbon monitoring for the industry shows that emissions are likely to go up 2-3% each year. The industry is increasing efficiency 1-2% each year but because of growth, it’s not enough,” thought Prof Susanne Becken, Griffith University. Another academic, Prof Graham Miller, from the University of Surrey, thought it has now become unacceptable for companies not to measure their impact; “We need to move on from simply accepting that measurement, metrics and benchmarks are enough. Its ‘old science’ now. It should be a minimum that all companies measure.”

The natural and cultural capital of a destination is a primary driver of destination choice and often the base of the tourism offering. Yet a growing number of destinations’ biodiversity and cultural assets were thought to be degraded through unfettered land based development. Destruction of the product/landscape and the need to reinvest in governance and conservation is not only fundamental to the future of Travel & Tourism, but requires action on a collective scale. “Companies alone do not see enough of a change or risk for environmental issues to affect their bottom line. It will require a disaster for anything to happen,” believes Dr Louise Twining-Ward, from Sustainable Travel International.

Collective view of key issues

Looking at the responses overall from WTTC Member companies and the external experts, four issues overall emerged as most relevant/impactful, albeit with a difference in internal and external concerns:

- Degradation of ecosystems, biodiversity, and landscapes
- Impact of climate change on destinations
- Safety/security preparedness and response
- Reduced travel to destinations with health crises



Four issues of greatest concern:

Degradation of ecosystems, biodiversity, and landscapes: The direct contribution of Travel & Tourism and suppliers to degradation in environmentally sensitive areas such as coral reefs, nature preserves, and coastal regions. This can include waste and pollution at resorts, hotel expansion damaging local habitats, and insufficient marine protection measures causing damages to reefs. The risk to business is to maintain the quality of the destination, but also reputation and licence to operate, to manage a responsible supply chain, and being prepared to respond to regulation if operations are seen to be detrimental.

The impact of climate change on the attractiveness and long term feasibility of certain destinations: As the largest component of global tourism, coastal destinations are particularly at risk from rising sea levels, flooding, hurricanes, storms, and acidification caused by climate change. Winter sport destinations are also affected by deterioration of snow conditions as a result of increased temperatures and desertification is affecting arid areas. The risk to business comes from different consumer demands and the viability of operations. Additionally, travellers may increasingly opt for different destinations, rendering some tourism infrastructure at previously popular locations unused assets.

Safety and security preparedness and response: As security emergencies including terrorism, natural disasters, and civil unrest disrupt tourism operations at destinations, Travel & Tourism companies will need to have adequate procedures to respond to emergencies, including implementing procedures to coordinate with all levels of government law enforcement bodies.

Reduced travel to destinations affected by public health crises: Travellers avoiding destinations affected by public health crises such as disease, epidemics and pandemics.

In moving from these issues to forming our proposed areas of action, WTTC looked at the issues through four lenses:

- Long-term: Issues that will play out over the next 5-10 years or longer.
- Strategic: Issues that will affect the ability of Travel & Tourism companies to create sustainable growth.
- Influential: Issues where the Travel & Tourism sector is able to make a specific and unique contribution, relative to other sectors.
- Cross-sector: Issues where there is a need for collective action across the Travel & Tourism sector as whole.

WTTC also took heed of the influential expert voices, nearly all of whom pressed the paramount importance of dealing with climate change as an issue both in its own right and as a factor underpinning the disruptive events, including epidemics and terror that now regularly affect Travel & Tourism. At the same time, it was clear that destinations, the reason all businesses within the sector exist, need far greater collective help from Travel & Tourism to strengthen and protect themselves.

Taking into account the cross-cutting nature of the issues identified by the research, and through applying the lenses identified above, WTTC consolidated the 'critical issues' into three core areas of relevance to the whole Travel & Tourism sector:

1. Climate change
2. Destination degradation
3. Disruption

Identifying these issues will help WTTC to direct and focus resources for the future. However, it is vital to recognise that each of these core areas that require collective action and are non-competitive operate in a wider system and are influenced by myriad other factors.

4. THE CRITICAL ISSUES FOR TRAVEL & TOURISM

Climate change

Climate change is the root cause of most other issues. If we don't reverse climate change in the next 20 years, there's no chance of recovering loss of natural heritage. As global warming temperatures rise, it'll bring new pandemics to different areas.

Eric Ricarte, Greenview

The implications of climate change for the Travel & Tourism sector are far reaching. Exposure to climate-related risks from floods, crop failure, or sea-level rise can have a huge impact on the valuation of tourism property and infrastructure. A recent UNESCO report highlighted 31 attractions that were at serious risk due to climate change. These attractions are vulnerable and in danger due to increasing temperatures, melting glaciers, rising seas, intensifying weather events, worsening droughts, and longer wildfire seasons.⁹

Tourism is financially exposed through its own assets, but also through insurance rates and mitigation costs and other potential long-term liabilities.

In the future the sector may be more exposed to criticism as a 'dirty' sector, as other sectors move to cleaner energies while aviation remains dependent upon fossil fuels. The traveling public and media scrutiny might increase if there is a perception that 'other industries are doing more'. That means that the industry should do everything it can on the ground to reduce emissions and other harmful environmental and social effects. Land transport and hotels need to step up to mitigate that risk to the overall sector.

Randy Durband, Global Sustainable Tourism Council (GSTC)

9. See <http://www.ucsusa.org/global-warming/global-warming-impacts/world-heritage-tourism-sites-climate-change-risks#.V9rFQjX47lQ>

The Paris Agreement¹⁰ came into force in November 2016 setting the journey to a low-carbon world. One hundred and ninety seven countries agreed to put forward their best efforts through 'Nationally Determined Contributions' (NDCs) in order keep a global temperature rise this century well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C. Importantly, the Agreement also requires countries to strengthen these efforts in the years ahead with a stock-taking of efforts and progress in 2018 and again every five years. All signatories are required to regularly report on their emissions and on their implementation efforts.

Countries will require companies in Travel & Tourism, as well as those in other sectors, to be proactive in preparing for the implications of this transition, ensuring net zero carbon emissions by the second half of the century.

As well as regulatory influences, the Travel & Tourism sector will also face increasing interest from the investor community who is asking companies to demonstrate preparedness for regulation on carbon as well as to set out their exposure to 'climate risk.' Investor coalitions, such as the Institutional Investors Group on Climate Change (IIGCC), are calling on regulators such as the EU¹¹ to better reflect climate risk in financial systems. Others such as the Taskforce on Climate Related Disclosures, headed by Michael Bloomberg, published recommendations in December 2016 on how companies should report their exposure to climate-related risks in financial terms.¹² These moves are all designed to encourage and accelerate shifts in capital and steer investments into clean technologies.

What Travel & Tourism needs to do

Certain businesses and organisations are stepping ahead by adopting ambitious targets based on climate science, internalising carbon pricing, engaging in climate policy developments, and green financing.

For example, the We Mean Business Coalition, led by companies such as Kingfisher, Nike, Ikea, Bank of America Merrill Lynch, Tata, and Unilever was formed to accelerate climate action and find new ways of doing business. Currently, 645 companies and investors have committed to leadership actions on climate.¹³ At the time of publication, 206 companies have signed up to the Science Based Targets¹⁴ initiative, with 32 of them having set actual targets. The programme, set up by WWF, the World Resources Institute (WRI), and CDP, aims to support business in adopting emissions reduction targets that are aligned to science and climate requirements.

The Travel & Tourism sector needs to speed up its transition to a low-carbon future, within current planetary resource boundaries. To do this, the business imperative needs to be made clear, making connections across tourism sub-industries and developing and implementing joined-up solutions. Awareness needs to be raised on how to set targets on climate impacts grounded in science, how to measure and communicate progress, with robust disclosure against standardised frameworks and metrics.

To achieve the transformation required, the sector needs to collaborate across the value chain and convene new partnerships to accelerate technological, policy, and social innovations that put tourism firmly on the pathway to a low-carbon economy.

Destination degradation

"A major future concern for the sector is the degradation of ecospaces. Beauty attracts tourists. This needs collective action as destinations cannot be managed by one company...the risks are already becoming visible."

Achim Fechtel, BCG

"Our industry is dependent on destinations with beautiful natural and cultural resources. The industry relies on the beauty of destinations. The goal is for our industry to be supportive of local communities, and one way we can do that is by incorporating sustainability into the bottom line"

Tiffany Misrahi, World Economic Forum

With more than one billion international tourists travelling the world each year and projected growth upwards of 3.8% for the period 2010 to 2020¹⁵ as well as billions more domestic travellers, maintaining destination integrity and attractiveness is fundamental to the long term viability of the sector.

Commoditisation and degradation decreases destinations' appeal and, in some cases, is likely to permanently change the attributes that make them popular for tourism. Within this context, and to secure the sector's licence to operate in critical destinations, Travel & Tourism needs to play a larger and more active role, and work with relevant international stakeholders to foster sustainable livelihoods and secure cultural and social integrity at local levels. "Companies just can't have their long term plan to be that they damage the world less than they do today," warns Dr Jake Reynolds.

10. http://unfccc.int/paris_agreement/items/9485.php

11. <https://www.euractiv.com/section/climate-environment/news/financiers-want-climate-risk-integrated-into-eus-capital-markets-union/>

12. <https://www.fsb-tcfd.org/about/#>

13. <http://www.wemeanbusinesscoalition.org/take-action>

14. <http://sciencebasedtargets.org/>

15. UNWTO Tourism Highlights, 2016 Edition <http://mkt.unwto.org/publication/unwto-tourism-highlights-2016-edition>

Recent incidents of tourist overcrowding in destinations such as Venice and Barcelona, Cinque Terre in Italy, and Koh Tachai in Thailand have contributed to a deterioration in relationships with local communities and in many cases have been linked to degradation of local natural and cultural heritage sites.

These threats to the destinations have led to a number of different type of restrictions imposed in worst-affected areas, often with direct implications for tourism companies' bottom line.

What Travel & Tourism needs to do

The relationship between tourism and the people and places at a destination is a fragile one. The sector needs to play a central role in securing the cultural and social integrity of destinations and demonstrate a positive contribution by promoting the benefits (decent work, economic growth, safeguarding heritage) whilst addressing potential negative impacts (overcrowding, damage to cultural heritage, rising living costs, exclusion of local business and people from economic opportunities). Addressing this balance through an approach of collective responsibility will help businesses maintain licence to operate as well as safeguard the authenticity of a destination. This will ultimately ensure that local economies and people can thrive in a sustainable way alongside – and as part of – the tourism sector.

“Rationing scarce resources and overcrowding at iconic destinations is an issue...Do you do it by rationing? Vouchers? Leave it so the problem escalates? Bringing together the mayors or representatives of iconic sites to talk about best practices would be a useful thing.”

Professor Ian Goldin, University of Oxford

Disruption

“Tourism’s opportunities and growth potential is enormous IF the world avoids major crises. There are several obvious very major crises that could hugely disrupt the industry...One is runaway climate change that is causing havoc in a lot of tourist destinations, a second is conflict that ends up making tourism frightening and blocked in many places, and a third is epidemic diseases (like Zika) that make it frightening to travel.”

Prof Jeffrey Sachs, Earth Institute, Columbia University

The global picture of Travel & Tourism's growth forecast of 4% per year for each of the next ten years on average, masks the fact that our sector faces ever-increasing and unpredictable shocks, from terrorist attacks and political instability, to health pandemics and natural disasters. Each year, new challenges arise to test the resilience of the sector at more local levels. The Institute of Economics and Peace's 2016 Global Terrorism Index¹⁶ found that 2014 and 2015 are the worst recorded years ever for global terrorism, with deaths from terrorism in OECD countries rising by 650% in 2015 compared to 2014. Increasingly poor performance in socio-economic measures, particularly a lack of employment and opportunity, are drivers for terrorism in OECD countries. Twenty-one of the 34 OECD countries experienced at least one attack in 2015.

The rise of populism across Europe, USA, and other parts of the world is a further wake-up call that globalisation and the movement of people and trade that it embodies does not benefit everyone equally. But as nations start to look inward, putting in place barriers to trade and movement of people, the role of Travel & Tourism becomes even more significant, as an engine of economic development, as a vehicle for sharing cultures, building mutual understanding, and as a driver of a more peaceful world.

Understanding these challenges and ensuring business continuity despite future risks can take many forms, including:

- Safeguarding the natural, social, and cultural assets on which the sector relies is critical to securing the future of the 'product'.
- Working with local governments, employees, communities, and supply chains to build strong and diversified economies. This will benefit local services and infrastructure, while reducing any over-dependency and seasonality that would lead to economic vulnerability of local people and communities, perceived imbalances in the proportion of revenues being recognised within host countries or regions, and the deterioration of local ways of life.
- Recognising and promoting the fact that countries that open their borders and facilitate tourism flows benefit from the exchange of ideas and cultures, broadening minds and opinions so that individuals may become more informed and tolerant of their fellow human beings, ultimately underpinning peace and prosperity.

To help achieve this, companies within Travel & Tourism need to first develop a full understanding of their key dependencies, the business risks associated with any potential deterioration, and move towards incorporating a value for different types of asset to help inform future decision-making.

What Travel & Tourism needs to do

To address the risks posed and demonstrate action in response to external pressures, the sector needs to speak against the increasing barriers to trade and movement of people, mitigate the threats from climate change, and do more to invest in quality staff and build strong communities.

As a global community, we have to rethink how we define economic growth and success, to ensure that the benefits of globalisation, of which Travel & Tourism is an integral part, are spread more equitably across societies and nations.

16. <http://economicsandpeace.org/wp-content/uploads/2016/11/Global-Terrorism-Index-2016.2.pdf>

Fully recognising and accounting for the stocks, flows, and value of non-financial assets on companies' bottom line as other business inputs and capitals would be a natural first step in this process.

5. CONCLUSION

2017 has been designated the International Year of Sustainable Tourism for Development by the United Nations. The timing of this Year provides a unique opportunity for Travel & Tourism to come together to address the challenges set out in the SDGs, and for the sector in particular, the issues of climate change, destination degradation, and disruption that leaders both inside and outside of tourism believe to be the most pressing.

Collective action is now needed to further support the sector's transition to a low carbon economy, to strengthen its resilience to external risks at a local level, and to ensure that the core tourism product of healthy and vibrant destinations is maintained.

Action and leadership among WTTC Members in these critical areas will show how a core group of companies can look further forward than others, assessing the real risks to businesses and livelihoods, to environments and communities, and ultimately to freedom to travel and the image of the sector overall. WTTC's work in ensuring Tourism for Tomorrow will step up over the months ahead, facilitating discussions, collaborating with research partners, advocating for the great work that is already being done to assess and manage these issues, and partnering with governments to set the right conditions for business to perform. With the sector representing nearly 10% of global GDP and supporting 1 in 11 jobs around the world, this focus on a new future is too important not to get right.

List of Sustainability Issues across the Travel & Tourism Sector

	ISSUE	DEFINITION
TRAVEL, TOURISM, AND ENVIRONMENTAL IMPACTS		
<p>Changes in global temperatures have multiple and diverse consequences including sea level rise, increased hazardous weather events, and acidification of the oceans. Travel & Tourism contributes to climate change both directly and through the supply chain and will be impacted by its consequences in numerous ways. At the same time the sector can have a range of other impacts on the environment from air pollution to ecosystem degradation. Companies will need to adopt practices that adapt to and mitigate against increased resource constraints, while also anticipating and responding to regulatory risks and potential threats to their licence to operate.</p>		
1	The degradation of ecosystems, biodiversity, and landscapes	The direct contribution of Travel & Tourism and suppliers to degradation in environmentally sensitive areas such as coral reefs, nature preserves, coastal regions. This can include waste and pollution at resorts, hotel expansion damaging local habitats, and insufficient marine protection measures causing damages to reefs. The risk to business is to maintain the quality of the destination, but also reputation and licence to operate, manage a responsible supply chain, and preparedness to respond to regulation if their operations are seen to be detrimental.
2	Carbon and greenhouse gas (GHG) management	Tourism infrastructure (e.g. airports, hotels, facilities) and the supply chain represent a significant portion of operating expenses and indirectly leads to the release of greenhouse gas (GHG) emissions – a major contributor to climate change.
3	Water use and efficiency	Tourism infrastructure (e.g. airports, hotels, facilities) and the supply chain require a large amount of water resource to operate. The extensive use of water in water-stressed regions may lead to supply constraints with implications for tourism infrastructure, costs, the quality of the destination, and relationships with local communities.
4	Operational waste and pollution to land and water	The discharge of treated and untreated wastewater, chemicals, and solid waste in operations and the supply chain. For example, direct chemical discharges from hotels and golf courses and construction that affects the pristine natural value of destinations as well as contributing to other environmental issues, such as water scarcity, pollution, and biodiversity loss.
5	Fuel and energy efficiency	Travel, tourism, and the supply chain depend on large amount of energy and fuel. Energy and fuel management represent a significant portion of operating expenses. As a large contributor to greenhouse gas (GHG) emissions, both directly through operations and through the supply chain, Travel & Tourism companies may need to seek alternatives to current energy and fuel sources and/or prioritise fuel efficiency policies and innovations.
6	Airborne pollution management	The emission and release of polluting emissions to the air contributes to air pollution and poses significant global and local health risks.
7	Financial impacts of climate risk and mitigation	The financial consequences of adapting and mitigating the impacts of climate change, including rising insurance costs from increased frequency and severity of natural disasters, damage to infrastructure and built assets, as well as investment in protection and adaptation practices.
8	Implications of changing land use on food security	As tourism operations expand, particularly in developing countries, land and marine locations previously used for agriculture and fishing are no longer producing food. Therefore food costs locally may increase as availability declines, with implications for communities and wider food sourcing chains.
MAINTAINING SUSTAINABLE DESTINATIONS IN A CHANGING WORLD		
<p>The attraction of certain destinations is changing as a result of changing traveller demographics, such as aging populations in developed markets and rapidly emerging middle classes in developing markets. This trend is contributing to 'mass tourism', which threatens the viability of destinations as a result of overcrowding, negative impacts on the value of local sites, and strains relationships with local stakeholders. At the same time climate change will have a profound impact on the viability of some destinations in particular. Failure to adapt and respond to the negative impacts associated with these emerging trends may affect customer demand, corporate reputation, and licence to operate in some destinations.</p>		
9	The impact of climate change on the attractiveness and long term feasibility of certain destinations	As the largest component of global tourism, coastal destinations are particularly at risk from rising sea levels, flooding, hurricanes, storms, and acidification caused by climate change. Winter sport destinations are also affected by deterioration of snow conditions as a result of increased temperatures and desertification affecting arid areas. The risk to business comes from different consumer demands and the viability of operations. Additionally, travellers may increasingly opt for different destinations, rendering some tourism infrastructure at previously popular locations unused assets.
10	Preservation of local heritage culture at destinations	Protecting heritage sites and cultural assets in order to maintain the attraction, authenticity, and destination 'brand'.
11	Waste	Non-degradable waste generated by travellers, employees, and locals in sensitive and protected ecosystems (e.g. coral reefs, nature preserves, coastal regions) can have a marked impact on the attractiveness and sustainability of these locations and severely impact corporate reputation and relationships with local communities and stakeholders.
12	Overcrowding at destinations	Mass tourism and overcrowding causing negative experiences for visitors and resentment amongst locals.

13	Poaching and wildlife loss	Biodiversity, wildlife loss, and over-fishing impacting the natural attractiveness of some destinations.
14	Relationships with local communities	Understanding and addressing the concerns of local communities (for example, with respect to access and maintenance of local services and infrastructure or responsible trade in local artefacts).
15	Local economic development	Engaging with local stakeholders to demonstrate the value of tourism for destinations and through, for example job creation, capacity building, and local economic development.
16	Investment in infrastructure	Barriers to growth and competitiveness caused by inadequate investment in infrastructure at local levels.

TRAVEL, TOURISM, AND HEALTH

The spread of infectious diseases via international travel has implications for business and its preparedness to respond to public health crises such as epidemics and pandemics. These incidents can increase operational costs requiring travel restrictions, stricter controls on movements, and on-the-ground management strategies. It also increases the risk of lost Travel & Tourism revenue in affected destinations.

17	The contribution of tourism to the spread of disease, epidemics, and pandemics	By facilitating the movement of people across boundaries, tourism can contribute to the spread of diseases, epidemics, and pandemics. This increases the risk of regulatory pressure with respect to public health response.
18	Responding to government-led public health policies	As diseases, epidemics, and pandemics spread more quickly across geographies, there is an increased risk to Travel & Tourism from border closures and other restrictions to travel implemented by governments.
19	Reduced travel to destinations affected by public health crises	Travellers avoiding destinations affected by public health crises such as disease, epidemics, and pandemics.
20	Public perception of health risks and destinations	As public health crises become more prevalent and widely publicised, public perception may associate other destinations with the same risks, and avoid travelling to those areas despite being unaffected.

TRAVEL, TOURISM, AND HUMAN RIGHTS

Travel & Tourism indirectly contributes to human rights issues such as human trafficking and exploitation through providing the infrastructure that facilitates the potential illegal movement of people across borders, and as a result of its complex and large supply chains. The inability of businesses to address these issues puts them at risk of being seen as complicit in human rights abuses and resulting reputational impacts and regulatory risks.

21	Child exploitation	The commercial exploitation of children can take place in hotels and use other travel infrastructure. This includes both sexual exploitation and child family rights such arising from orphanage tourism. There is a need for Travel & Tourism companies to subscribe to appropriate ethical codes in order to reduce exploitative elements associated with these practices.
22	Human trafficking	Human trafficking uses tourism infrastructure such as hotels, ports, and airports, highlighting the sector's responsibility to address and prevent the trafficking of humans across borders for forced labour or commercial sexual exploitation.
23	Forced and bonded labour	Travel & Tourism is a high-employing sector, but it relies on a relatively high proportion of low-skilled, seasonal, and often informal labour within its supply chain. It is at risk of being complicit in the use of forced and/or bonded labour where workers are forced to work to repay debts or are unable to leave their employment.
24	Child labour	The use of children in the Travel & Tourism workforce remains a major issue in many countries, particularly within the informal sector. Companies should work to ensure that child labour is eliminated within their value chains in all sub-industries of the sector.
25	Community land rights	Travel & Tourism development can impact the land and community rights of resident populations, requiring relocation away from traditional lands and fishing grounds. Compensation can be limited and poorly invested.
26	Indigenous intellectual property rights	Travel & Tourism can have detrimental impacts on the cultural knowledge and heritage of indigenous populations. Companies will need to ensure the preservation of local indigenous heritage, culture, assets, and intellectual property to maintain attractiveness of destinations, reputation, and community engagement.
27	Lesbian, Gay, Bisexual, and Transgender (LGBT) rights	Travel & Tourism may be affected by increasing incidents arising from increasing polarisation on both sides of LGBT rights. Destinations with low and/or deteriorating LGBT rights may become less attractive.

SHIFTING INNOVATION DRIVERS IN THE TRAVEL & TOURISM SECTOR

The changing demographics of travellers and new disruptive product, service, and business model innovations present both threats and opportunities for companies in Travel & Tourism. This will require many companies to evolve their offerings and operating models to maintain market share in an increasingly open marketplace.

28	Changing demographics of travellers	Changing needs and preferences among global travellers as a result of an expanding global middle class, new origin markets, and aging populations, require the sector to adapt product and service offerings to meet changing needs.
29	Disruptive innovation and new business models	Disruptive innovation and new business models such as digitalisation of booking procedures and the sharing economy present both threats and opportunities for many businesses.

THE EVOLVING LABOUR MARKET AND EMPLOYMENT PRACTICES

Whilst the travel and tourism sector grows, at the same time customer interaction is less face-to-face and more digital. This is increasing demand for employees with different skillsets, and resulting implications for labour costs, and the ability of businesses to attract and retain employees in a competitive market. At the same time existing employee health and safety and diversity remain important issues across Travel & Tourism.

30	Employment and labour rights	Upholding fair and equitable labour rights and standards for decent work including freedom of association and collective bargaining, minimum and/or living wages across the full Travel & Tourism supply chain.
31	Health and safety of employees	Issues such as manufacturing safety, risks of accidents, exposure to hazardous substances, and safety of personnel working at destinations.
32	Attracting, developing and retaining a skilled workforce	As Travel & Tourism grows and evolves, it will require new skill sets in new locations. Companies will need to undertake proper planning to understand skills requirements in local workforces. This may involve working with academic systems to address skills and training gaps, marketing the sector as an attractive career path, as well as investing in the development of existing employees.
33	Employee diversity and inclusiveness	In a competitive market for talent, having a strategy for diversity and inclusion (respecting and appreciating differences in ethnicity, gender, age, disability, nationality, sexual orientation, education, and religion) is required to strengthen the employee base, foster greater collaboration, and improve customer service.

TRAVEL, TOURISM AND SECURITY

Geopolitical instability, including terrorism and cybersecurity, has significant implications for business in Travel & Tourism. Resources and strategies are needed to implement sufficient response procedures for specific incidents as well as the implementation of heightened security regulations. Destinations are also affected as traveller preferences change and migration caused by geopolitical instability impacts local infrastructure.

34	Safety and security preparedness and response	As security emergencies including terrorism, natural disasters, and civil unrest disrupt tourism operations at destinations, Travel & Tourism companies will need to have adequate procedures to respond to emergencies, including implementing procedures to coordinate with all levels of government law enforcement bodies.
35	Implementing and responding to changing border security protocols and regulation	Geopolitical instability requires companies to adapt to and implement new regulatory requirements related to increased security around travel, and communicate these to customers.
36	Cybersecurity and the quality and robustness of customer data privacy	Data privacy breaches and cybersecurity pose both significant operational and reputational risks.
37	Fairness and discrimination in security processes	Perceived profiling and discrimination in travel security processes are often highlighted and raised in media, presenting reputational challenges for implicated companies and governments.
38	Mass migration impacting destinations and travel infrastructure	The implications of mass migration and refugees on host states' tourism destinations and travel infrastructure.

RESPONSIBLE BUSINESS PRACTICES AND LEADERSHIP

The behaviour of businesses is under high scrutiny, and companies are increasingly facing reputational and compliance risks for irresponsible practices from corruption, unethical supplier conduct, and inadequate governance. This contributes to decreased trust in business amongst the public and has implications for licence to operate. Companies are also being subjected to increased disclosure requirements and legislation. The future of corporate responsibility is not just responding to these responsibility requirements – “doing less bad” – but going beyond compliance and demonstrating leadership on certain topics in ways that bring tangible benefits to society.

39	Governance and ethics	Ensuring effective and ethical corporate governance and disclosures regarding business policies, practices, and performance.
40	Supplier conduct and responsible procurement	Increasingly complex and fragmented global supply chains pose risks to companies who can be implicated in the practices of their suppliers.
41	Corruption and anti-competitive behaviour	Efforts to prevent bribery, money laundering, anti-competitive behaviour, and corruption among employees, suppliers, and contractors including advisors.
42	Compliance with regulatory requirements	Positive, transparent relationships with regulators, and ensuring compliance with local laws and regulations. Partnering to adapt old and new laws for new business models.
43	Responsible communication and marketing	Product and service marketing that does not comply with regulations or that might result in the commodification of the indigenous hosts or can be interpreted as offensive, discriminatory, or misleading can lead to significant reputational risk as well as non-compliance penalties.

APPENDIX 2

Acronyms

ACI	Airports Council International
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
CLIA	Cruise Line International Association
GSTC	Global Sustainable Tourism Council
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
IIGCC	Institutional Investors Group on Climate Change
ILO	International Labor Organization
PATA	Pacific Asia Travel Association
SDGs	UN Sustainable Development Goals
UNEP	UN Environment
UNESCO	UN Educational, Scientific and Cultural Organization
UNWTO	UN World Tourism Organization
WEF	World Economic Forum
WRI	World Resources Institute
WTTC	World Travel & Tourism Council
WWF	Worldwide Fund for Nature

A great many people and organisations helped in the preparation of this study. WTTC would like to thank its Member CEOs and senior leaders within WTTC Member companies, as well as the following external experts for their invaluable contributions:

Prof Tom Baum, University of Strathclyde
Prof Susanne Becken, University of Griffith
Caroline Bremner, Euromonitor
Adrian Cooper, Oxford Economics
Dr Richard Dawood, Fleet Street Clinics
Stephanie Draper, Forum for the Future
Randy Durband, Global Sustainable Tourism Council
Alain Duperyas, OECD
Achim Fechtel, BCG
Salli Felton, The Travel Foundation
Dr Dirk Glaesser, UNWTO
Prof Ian Goldin, University of Oxford
Prof David Grayson, Cranfield School of Management
Megan Guy, The Nature Conservancy
Fran Hughes, International Tourism Partnership
Prof Leo Jago, University of Surrey
Fiona Jeffery OBE, Just a Drop
Pascal Lamy, Notre Europe
Kirsten Lang, Ceres

Prof Graham Miller, University of Surrey
Jennifer Molner, The Nature Conservancy
Tiffany Misrahi, World Economic Forum
Nicolas Perin, International Tourism Partnership
John Perrottet, World Bank
Lance Pierce, CDP
Muhammed Rafiq, the Long Run
Helena Rey, UN Environment
Dr Jake Reynolds, University of Cambridge
Eric Ricuarte, Greenview
Dr Taleb Rifai, UNWTO
Tony Rooke, CDP
Prof Jeffrey Sachs, Earth Institute, Columbia University
James Sano, World Wildlife Fund
John Scanlon, CITES
Lucie Servoz, International Labor Organization
Dr Louise Twining-Ward, Sustainable Travel International
Dr Wouter Geerts, Euromonitor

WTTC would also like to thank Caroline Carson, Huw Maggs, and Nigel Salter at SalterBaxter.