



Cassa depositi e prestiti

The tourism industry

February 2016

Priority actions
for developing
"Destination Italy"

Cassa depositi e prestiti

The tourism industry

February 2016

**Priority actions
for developing
"Destination Italy"**



This document is distributed by Cassa depositi e prestiti S.p.A.

The information contained in this document is the result of the processing by Cassa depositi e prestiti S.p.A. of data from various sources.

These sources are deemed to be reliable and in good faith. Nevertheless, no declaration or guarantee, express or implicit, is supplied by Cassa depositi e prestiti S.p.A. as regards the accuracy, completeness and correctness of the same.

The opinions, forecasts or estimates contained in this document have been formulated with exclusive reference to the date on which the document was drafted and there is no guarantee that future results or any other future event will be consistent with the opinions, forecasts or estimates contained in it.

All the information contained in this document may be amended or updated by Cassa depositi e prestiti S.p.A. after the drafting date, without any obligation incumbent on the latter to notify those to whom this document may have previously been distributed of such changes or updates..

All the data quoted in this document are public.

This publication is provided purely for informative and illustrative purposes and is merely indicative. It therefore does not in any way constitute a proposal for the conclusion of a contract or a proposal for the purchase or sale of any financial instrument or consultancy service.

Cassa depositi e prestiti S.p.A. shall not be deemed to be liable for any damages – including any deriving from inaccuracies and/or errors – that may be caused to the user and/or third parties from the use of the data contained in this document.

Given the activities that Cassa depositi e prestiti S.p.A. is charged by statute to perform, including the funding of public sector investments, it could perform typical banking services, including the provision of credit to parties mentioned in this document.

Copyright

This document may not be reproduced or redistributed directly or indirectly to third parties or published, in whole or in part, for any reason, without the prior express permission of Cassa depositi e prestiti S.p.A.

The copyright and all the intellectual property rights to the data, information, opinions and assessments contained in this document appertain to Cassa depositi e prestiti S.p.A., unless otherwise indicated.

The information contained in this document is updated in line with the data available as at 12 February 2016.

Edited by Ricerca e Studi

Simona Camerano | *Leader*

Working party

Cristina Dell'Aquila | *Coordination*
cristina.dellaquila@cdp.it

Annachiara Palazzo
annachiara.palazzo@cdp.it

Susanna Screpanti
susanna.screpanti@cdp.it

Contents

Introduction	06
01 The most recent trends in world tourism and Italy's position	10
1.1 The tourism phenomenon	11
1.2 The new market trends	14
1.3 The digital revolution	16
1.4 Sustainability	22
1.5 The comparison with competitors	24
1.6 An estimate of the impact of "lost tourism"	29
02 Rules and governance: towards the tourism industry	32
2.1 The European regulatory context	33
2.2 Resources and financial instruments in Europe	36
2.3 Finding an organic national strategy	40
2.4 The problem of governance and the regulatory framework	45
2.5 The tangle of administrative management	49
2.6 Promoting tourism	51
2.7 The tax structure	54
2.8 Incentives and measures for tourism entrepreneurship	56
03 Italian tourism in figures	60
3.1 The impact on the country's economy	61
3.2 The tourism system	62
3.3 The different types of tourism	78
04 Hotel businesses	88
4.1 Characteristics of the sector in Italy	89
4.2 Hotel chains	92
4.3 The hotel real estate market	97
4.4 The balance sheets of hotel businesses	98
4.5 Funding investments	115
05 Catching on to the new trends in tourism: priority actions	118
5.1 The problems within the Italian tourism sector	119
5.2 Prospects for development: priorities	124
5.3 The stars of the relaunch	131
Appendix I The methodology used to estimate the impact of "lost tourism"	134
Bibliography	144

Focus points

European principles for quality of tourism	35
The "Culture and Development" National Operational Programme 2014-2020	39
Tourism planning in Spain	44
Hotel classification	47
Second homes: an opportunity yet to be exploited	77
The management contract	96
The "Pompeii paradox"	124

Abbreviations

CAGR	Compound average growth rate
Cost.	Constitution
CRS	Central Reservation System
ENIT	Italian National Tourism Agency
EFSI	European Fund for Strategic Investments
ERDF	European Regional Development Fund
GDS	Global Distribution System
ICE	Agency for the promotion abroad and internationalisation of Italian businesses
ICT	Information and Communication Technology
Mibact	Ministry of Culture and Tourism
OECD	Organisation for Economic Cooperation and Development
OTA	Online Travel Agency
p.p.	Percentage points
PPP	Public-Private Partnership
SAM	Social Accounting Matrix
SPL	Local Public Services
TFEU	Treaty of Rome
TPL	Local public transport
TEU	Treaty of Maastricht
UNWTO	World Tourism Organization
WEF	World Economic Forum
WTTC	World Travel and Tourism Council
YoY	Year on Year

Introduction

Tourism has undergone unimaginable changes and evolutions over the last 60 years: from an elite phenomenon to a pleasure enjoyed by the masses, from a luxury to something that is, in many cases, essential. **Tourism today is above all an industry**, one that is capable of notably improving the economic picture and quality of life of a country's citizens: a litmus test for an entire nation.

While it used to mean taking a holiday away from home, a break from the same old daily patterns, relaxation, and a shake-up of routine, today tourism is all about travel, exploration and self-affirmation, a chance to take care of our personal needs and desires. Once upon a time, people took a month's holiday in one place where they reproduced daily life away from their normal homes, whereas today they might take a long weekend in a foreign capital or a fortnight wandering in some remote locality, or they might snatch one week out of the year for a little relaxation at the seaside on some little island to which they can fly direct. Another world, another kind of tourist and, above all, **other mechanisms for transmitting the economic impact that results from the development of the sector**.

What we can see is an increasingly marked **polarisation of tourism towards two extremes**. On the one hand there are the "all-inclusive" offers (resorts, large hotels and cruises) or gated, tightly-controlled artificial oases (major theme parks), which satisfy the need to escape from the daily grind to a luxurious fantasy world, where there are no risks and no contact with local realities. The destinations involved cater for vast numbers of visitors, in what is **called "mass tourism"**. On the other hand, authentic and thrilling travel experiences are available, involving minimum organisational presence and focusing on a direct rapport with the local people and contact with the landscape and environment: this is known as **"experiential tourism"**. These two extremes share certain indispensable elements, however: **attention to the quality** of the facilities, the services, the localities and the experience in general; and **the importance of time**, which is limited, concentrated and used in the best possible way.

Alongside this, the general picture has been modified by several significant revolutions: **the unstoppable rise of the internet and of new computer technologies, and the changes in geo-institutional structures**. Large countries that had previously been excluded from the tourism network have become important areas of demand today, and tough competitors for more mature economies. Most of these are recently industrialised countries that have produced a new class of rich tourists, who, despite representing only a small percentage of the country they come from, are worth a great deal in terms of absolute value, since they travel in large groups, by air, and prefer large hotel complexes.

If Italy, with its unique artistic, historical and natural wealth, has always been the dream destination for travellers the world over, a magnet for artists, writers and scholars, today what continues to be the dream destination for the majority of tourists risks remaining just that because of the country's inability to transform this dream into a reality. **Number one on travellers' lists of dream destinations, Italy nevertheless falls**

down the list when we look at concrete numbers: fifth in the World in terms of tourist flows – there were about 50 million international arrivals in 2014 – it drops to sixth when viewed in expenditure terms, with a revenue inflow of about 46 billion dollars.

At present, Italy is the country with the **highest number of World Heritage Sites (51)** and, along with its history, towns, squares and natural beauty spots, it also showcases the power of the contemporary through its evocative industrial brands, wine and food, style, fashion and the Italian way of life.

The “Belpaese” projects a powerful image: the latest **Country Brand Index**, compiled by FutureBrand every year, which defines a destination’s appeal in the eyes of international travellers, **positions Italy 18th**, a very respectable result considering that not all countries have strong enough connotations to be perceived as brands: of the 75 countries considered, only 22 made it onto the list. However, it should be pointed out that **10 years ago our country was in the top spot**. Italy suffers primarily because of factors related to business, technology, politics and innovation, but holds on to its high ranking thanks to tourism and culture. The first three countries in the league table are Japan, Switzerland and Germany.

Italy also struggles in the classifications associated with tourism competitiveness due to contextual factors, which powerfully influence its ability to attract tourist flows. The **lack of key infrastructure**, such as airports, ports and high-speed rail, but also **poor maintenance of the landscape**, hydrogeological instability, lack of care of urban areas, the perception of excessive criminality in towns, the low level of local public services, and **the inadequacy of digital infrastructure**, are all elements that **contribute considerably to reducing Italy’s tourist appeal**.

According to the latest estimates of the World Travel & Tourism Council, tourism in Italy contributes towards generating 10.1% of the country’s GDP and 11.4% of direct, indirect, and ancillary employment. Italian hospitality structures host about 100 million people every year, distributed more or less evenly between foreigners and Italians. Three quarters of guests stay in hotels and the remainder in non-hotel accommodation structures. Flows of foreigners in particular have risen in the last decade, compared with a certain stagnation in domestic demand, especially in the years following the economic crisis. However, **the first data available for 2015 estimate very strong growth rates for both components**.

The increase in the contribution of foreign tourists to the total is a positive factor, both because of the effects on the balance of payments, and because this component of tourism demand is in the medium-high expenditure bracket. Furthermore, the presence of foreigners is more evenly distributed during the course of the year, thereby contributing to the reduction of the seasonality of tourist flows that is widely experienced in Italy.

Italy's hospitality supply is distributed evenly in terms of beds between hotels and non-hotel structures, although it should be pointed out that the figure for the latter is greatly underestimated because of the significant contribution of the informal economy. Among the former, three-star hotels in particular play a leading role, while the contribution of luxury and super-deluxe hotels is still meagre, despite increased international demand for structures in these categories.

The Italian market continues to be characterised by the **widespread presence of small and independent structures**, which have strong roots in their local area and are very competitive in responding to the new demand for experiential tourism mentioned above. However, it is **non-hotel forms of hospitality** that have found the key to remaining competitive in the new international context, including by evolving towards new concepts (the sharing economy, for example), while small hotels are showing signs of suffering from both obsolete structures and inadequate managerial models. There is almost a complete absence of structures that are able to host the "large numbers" typical of the other part of the new tourist flows. **Only 4% of Italian hotels have more than 100 rooms; large hotel chains currently possess only 4.1% of the nation's hotels.**

Finally, the balance sheets of hotel businesses quite clearly show the difficulty that hotels found themselves in after the harsh economic crisis in 2008, even though some were still able to react positively. **The structures that showed that they were better able to tackle the crisis are those that decided to separate their real estate from their hotel operations**, thereby allowing them to free up resources in order to achieve good levels of investment, especially of the intangible type, and so concentrate on new technologies. Moreover, an expansive investment policy was accompanied by price policies that were able to guarantee a good room occupancy rate. However, all of this was also made possible by **highly managed operations** that shook off the excessive spontaneity and amateurishness that have always been distinctive features of the Italian hotel system, but which are inadequate for tackling today's competitive challenges.

The weaknesses of the Italian tourist system emerge even more clearly from an analysis of the southern regions of the country alone. **The South does not seem capable of fully exploiting the vast artistic, historic, cultural, natural and landscape heritage that it possesses**: its tourism supply, consisting above all of holiday homes, continues to concentrate primarily on the seaside, a mature seasonal sector with low added value that is subject to intense competition from other Mediterranean countries. **The percentage of foreign visitors for all eight southern regions amounts to half of the value recorded in the Veneto region alone.** The occupancy rates of accommodation structures in the South are among the lowest in the country, and on average do not even reach 25% of their potential. Accessibility to many parts of the South can also be problematic, to say the least.

A reorganisation of the tourism sector would therefore appear to be very necessary, starting from the awareness that **the ability to attract tourist flows involves the entire destination. Tourism policy means, above all, organisation and enhancement of the tourism supply.** Without following the evolution of the market, the system will be unable to align itself with increasingly complex hospitality models and remain blocked by a fragmented and obsolete supply, which is undersized both in terms of the number of rooms and by capital, which is insufficient for making fundamental investments to adapt the quality of the structures to the demands of an increasingly attentive and exacting public.

The general conviction is that the economic effects of tourist expenditure are felt in the places that tourists travel through or stay in, the inference being that it is not possible to "delocalise production" and that the sector is "protected" to a certain extent. But this is not the case. **The policy for tourism cannot only**

entail promotion of the brand, because if you only work on fame and do not create the products, it will be others who benefit. Just to give one example, Ferrari – one of the world's most powerful brands – is Italian and is able to attract visitors from all over the globe to the Ferrari World theme park, where visitors can go on a fantasy trip to Italy, eat Italian food, listen to Italian music and visit a virtual Maranello factory, but all in Abu Dhabi. For years there has been talk of tourism being Italy's "petroleum", and yet it is exactly those who have made their wealth from the real black gold who are benefiting from a fake version of Italy's biggest industry.

Convinced that tourists would have continued to come to Italy, attracted by the fame of its past, we stopped investing in the present, thereby rejecting new market shares. If Italy had not lost competitiveness compared with the rest of the world over the last decade, we would have had around 25 million more visitors. Translated into economic impact, this means that, in the best-case scenario, we have lost out on about 34,000 jobs per year. Ignoring the tourism sector in the last 10 years has cost us almost 2% of GDP and 3% of employment.

We are therefore looking at a sector which, despite a great many unquestionable and indisputable competitive assets, has enormous weaknesses and problems. If we look at the requirements for excelling in the tourist market, Italy fears no rivals; what is necessary now is to turn this tourist capital to our advantage, to promote it adequately and offer it to the tourist through increasingly modern and efficient hospitality and consumption systems at a high quality level, without ever failing to pay attention to areas of potential and new forms of tourist demand.

For this very reason, this report is intended to provide a picture of tourism as an economic phenomenon, capable of creating wealth and wellbeing for the entire country, and to identify interventions that could contribute towards defining a "quality roadmap", which would provide new energy and drive to a sector that cannot fail to make Italy a star on the international stage.

- The first chapter will examine the most recent trends in international tourism, with a particular focus on the impact of the digital revolution and sustainable tourism, in order to show how Italy has tackled this changed context, especially as regards its main European competitors. We will also estimate the results of Italy's failure to continue investing in the sector, in terms of lower GDP and lower employment.
- In the second chapter we will go on to analyse the rules and governance of tourism, highlighting its problems, inconsistencies and recent reforms, as well as examining the system of taxes, incentives and measures for tourism entrepreneurship.
- The third chapter will use official statistics to trace a picture of the characteristics of Italy's tourist supply and the demand flows in the sector over the last decade, with a particular focus on the difficulties faced by the tourist system in the South.
- The hotel sector will be studied in depth in the fourth chapter, with a particular focus on the balance sheets of accommodation structures in the last 10 years, with a view to identifying the various elements that have affected company performance. This chapter will also analyse investments, required as never before in the pursuit of quality.
- Finally, the fifth chapter will examine the problems that are undermining the development of the tourism sector in order to identify the areas where intervention is necessary to give the sector an economic boost.

01

The most recent trends in world tourism and Italy's position

The arrival of new tourists, the digital revolution and sustainability: new scenarios for Italian tourism

10

The evolution of the sector requires a new strategic approach...

In addition to making a significant contribution to the economic and social development of the countries concerned, the tourism industry is one of the few sectors which, at a global level, has resisted the severe crisis suffered by advanced economies in recent years. However, even today, it is a sector that receives little attention from our country's industrial policy. Or rather, a sector that is spoken of rhetorically as a hypothetical source of salvation for the fortunes of the nation, without really knowing or appreciating it.

Always left to individual inventiveness and personal initiative rather than any real national strategy, tourism in Italy has remained linked to an idea that no longer reflects reality. Still stuck at discussing "speciality tourisms"¹ and segmenting tourist flows according to geographical destination, accommodation types and reasons for travelling, we have lost sight of important changes that have characterised this sector.

If, until a few decades ago, it was possible to imagine a world in which the supply was fairly immobile, in which what is and is not "touristy" was established once and for all, and in which the only issue was conquering market share, today we are faced with a world in continuous evolution. On the demand side we see new flows, new "niches" and new countries of tourist provenance, while new destinations, new products and new business models are appearing on the supply side. Everything is in flux, forever changing, a new world characterised by trends that must be investigated and understood in order to be fully appreciated.

After the static and uniform holidays of the 60s, the inflexible and standardised mass tourism of the 70s-80s (when the possibility of holidaying was extended to all social classes, with the opportunity of multiple, if shorter, breaks), and the speciality tourisms of the 90s-00s (with the urge to take a holiday at all costs and to take more of them, albeit for brief periods, with stays and trips in Italy or abroad becoming interchangeable), the current decade is being increasingly characterised by **flexible tourism**

(1) The term "speciality tourisms" is used to indicate the different types of tourism supply that have been gradually gaining ground over the years, such as wine and food tourism, spa tourism, golfing tourism, religious tourism and rural tourism.

that is segmented, respectful of the environment, customised and sectorally integrated, all in a context turned upside down by new technologies. The digital revolution is radically changing the landscape of tourist flows, which are increasingly independent and informed thanks to technological innovations. The typical seaside or Alpine tourists of the past have given way to individuals who travel more often, for shorter holidays, and who increasingly want to create their own customised holiday, combining a dip in the sea, a museum visit, lunch in a traditional local restaurant, a shopping trip, and perhaps a sports match or a trip to an amusement park.

When we mention Paris, we immediately think of its cultural attractions such as the Louvre, the most visited museum in the world, with about 8.8 million visitors annually. And yet in 2014, 14.2 million people visited Disneyland Paris, 60% more than went to the Louvre

1.1 The tourism phenomenon. In this ever-changing context, the classification of tourism demand that the "experts" in the sector usually apply seems to make less and less sense. Demand is traditionally identified and classified on the basis of two different forms of categorisation: the type of locality chosen by the tourist and the reason for the trip. In Italy, the former is analysed by referring to the classification by the country's national statistics institute, ISTAT, which provides a complete breakdown of tourist arrivals and overnight stays on the basis of the destination chosen; for the latter, reference is made to the ISTAT survey of tourism demand among residents, in order to identify the Italians' motivations, and to Bank of Italy figures for the motivations of foreigners who visit Italy.

... based on a more accurate analysis of demand data

Figure 1 – Classifications by locality type and tourist motivation

Istat: Tourist movement 2014	Istat: Trips and holidays 2014	Bank of Italy: Statistics on international tourism 2014
TYPE OF LOCALITY	REASON FOR THE TRIP	
Town/city of historical/artistic interest	Pleasure, leisure (tourism trip; visit to city of art; lake, countryside, hills; mountain; sea, cruise)	Holidays
Mountain resorts	Visit to friends or relative	Study, courses
Lakeside resorts	Religious reasons	Religious reasons
Seaside resorts	Health treatments	Treatments, spas
Spa resorts	Business travel (conferences; business meetings; other)	Honeymoons
Hill and miscellaneous resorts		Visit to relatives and friends
Other localities		Shopping
		Work reasons (conventions and conferences; seasonal work; other)

Source: ISTAT 2015, Bank of Italy 2015

The ISTAT classification confirms that Italy's appeal as a tourist destination is thanks primarily to its seaside, historical/artistic and mountain localities: these types of tourism account for over 69% of total overnight stays². As regards classifications of the reasons for holidaying of both Italian and foreign tourists, the main reasons are rest, pleasure and leisure (64.8% of Italians³ and 53% of foreigners⁴).

(2) Istat (2015a)

(3) Istat (2015b)

(4) Bank of Italy (2015)

There are some demand segments for which special surveys are conducted, such as agritourism, conference tourism and nature tourism, religious, food and wine, wellness, golf, and cycling tourism, and so on. In a sense, it is as if each macro-category of tourism is fragmented into various sub-categories, each with its own specific behavioural rules and methods of consumption.

Finally, other classification types distinguish between various kinds of tourism:

- based on the **holiday organisation model**, which makes a distinction between organised tourism and individual tourism, with the latter referring to people who organise their trips independently based on their own values and reference points, while the former are those who select “pre-designed” package holidays, usually consisting of all-inclusive tours;
- based on the **reasoning behind the choice** of a certain holiday, distinguishing between those who travel for leisure and those who travel for work reasons (business tourism);
- based on the **duration of the holiday**, distinguishing between short breaks and long holidays, in which the tourist’s needs vary considerably between the two types, especially in terms of getting to the chosen destination quickly and cheaply.

Figure below shows a schematic representation of the different ways of organising the various types of tourism. The reasons for the holiday (why) and the different holiday types (what) are cross-referenced against the different methods of consumption (how), making it possible to move from a broad overview to a progressively narrower analysis, in a process that could, with the introduction of more components, identify an even greater number of intersections and options, a segmentation that can be continuously reduced until it results in a completely customised product.

The same destination can therefore meet numerous and different needs. Consider the conference world, for example: the motivations for travel are business-related, but the localities are often chosen for their leisure characteristics. One of the latest trends is “bleisure”, a mixture of the words “business” and “leisure”. According to the latest UNWTO report on shopping tourism, 58% of those who travel for business add a day or even a weekend for shopping. A locality that decides to target conference tourism therefore needs good logistics, an international airport, and hotels and structures that are capable of hosting large numbers, but destinations with existing tourist appeal will be in a good position to capitalise on this, as they can also presumably attract tourists who are travelling for leisure.

Therefore, if on the one hand, this form of classification meets the need to describe the tourism phenomenon, on the other hand it helps us to understand how tourists behave. The tourism supply is in fact becoming increasingly specialised in serving the specific niches of clients who are more informed and are seeking new experiences. **Promoting a place as a tourist destination is taking on new connotations** in the age of online communities: it no longer means being an inert backdrop for someone’s trip, but essentially involves showcasing experiences that are consistent with what the place can offer and with the expectations of the clientele, or rather of each individual client being targeted. Much more so than in the past, this therefore requires **professionalism, ability and awareness from tourism operators, but also from the entire community, which plays a significant role in welcoming tourists.**

If analysing the tourism phenomenon from an economic point of view will therefore entail identifying the markets concerned, the actors involved and the goods and services traded as part of the tourism industry, the fact that the goods and services traded on tourism markets and the resources used by tourists can be identified with precision only from the demand side makes it **highly complex to find a conceptual definition of what pertains to tourism and what does not**. Trains move tourists in the same way as workers or students; a monument, a museum or an exhibition can be visited just as much by a tourist as by a local resident; the waste collection service serves both residents and travellers; information accessible by smartphone on the timetables of public transport, museums, etc. is available for both locals and visitors, and so on. “If there are no goods and services that are purchased exclusively by tourists, or goods and services purchased exclusively by non-tourists, then tourist consumption consists, tautologically, of all and only the goods and services bought and used from time to time by tourists”⁵.

(5) Costa – Manente (2000)

Figure 2 – A proposal for classifying the demand

WHY	WHAT		HOW							
			mass market	independent traveller	dynamic	static	niche product	mass-consumption product	short break	long break
LEISURE	SEA	Recreation		X	X		X			
		Cruise	X			X				X
		Beach	X			X		X		X
	ART AND CULTURE	Cities	X	X		X			X	
		Minor towns/cities		X	X		X		X	
		Classic itineraries	X		X			X		
	MOUNTAINS	Summer and hill walkings		X		X		X		X
		Winter		X		X	X			X
	SPORT	Cycling tourism		X	X		X			
		Golf		X		X	X			
		Sports events	X			X	X		X	
	HEALTH	Spas	X			X		X		X
		Wellness		X		X	X		X	
	ENVIRONMENT, NATURE AND LOCAL TERRITORY	Parks		X	X		X			
		Rural tourism		X		X	X			
		Wine and food tourism		X	X		X			
OTHER	Religious	X		X			X			
	Study-related	X		X			X			
	Entertainment	X			X		X	X		
	Social	X					X		X	
	Film tourism		X	X		X				
BUSINESS	Conference	X			X	X				
	Incentive	X		X						
	Work meetings		X		X					
	Courses and training		X		X	X			X	

Fonte: CDP

It follows that **all those who come into contact with tourists in any way** (taxi drivers, bartenders, ordinary citizens who tourists ask for information, etc.) **are inevitably involved in the tourism supply**, and all contribute together to creating the holiday experience and the memories that visitors take with them when they return home.

Literature on the subject refers to the “heterogeneous nature of tourism products”:

- because of **the nature of the parties involved**. The needs and motivations of each individual traveller are different;
- because of **the product consumed by tourists**. A distinction is made between market goods, such as travel, accommodation and catering (all quite different from a commodity standpoint) and so-called common goods, such as the sea, the mountains and monuments;

The vast number of actors involved and the heterogeneous nature of tourism products ...

because of **the subjective factors linked to the perception** of the experience reported by each tourist. Tourism is spoken of in economic theory as **an experience good**, i.e. a product which is not recognisable by the consumer a priori, but can only be assessed after consumption and, in any case, in a manner that differs from one individual to another.

This lack of conceptual focus, which makes the identification of the tourism market and the study of its economic aspects highly complex, serves only to further underline the interconnections that this heterogeneous product can have with the more diverse aspects of the economic life of a destination, clearly highlighting how **greater development of the sector is desirable because of the multiple impacts that can be generated for the entire country.**

1.2 The new market trends.

The starting point for studying the phenomenon from an economic point of view remains the analysis of the changes that have shaped the world of tourism over the last 15/20 years and turned all economic procedures and assumptions on their head.

- Increasingly common today is the tourism phenomenon associated with the **needs and desires of the individual**, who, whatever the declared reason for the trip, is driven to travel by subjective, psychological and/or sociological factors. Tourists today tend to be "unfaithful" to the abstract segment to which they belong. Those who select a city of art do not necessarily rule out going to a disco, while those who head for the sea may also be attracted to cultural events. The predefined "segment tourist" has been replaced by a figure who displays different needs depending on their mood or the time of year and, generally speaking, does not rule anything out. Low-cost and first-class flights coexist, as do private accommodation and luxury hotels, fast-food outlets and famous restaurants, and the choice of such components depends on the composition of the product, just as the same person may, depending on their motivation at that time, choose one of these alternatives rather than the other. Today's tourist, who has often "already seen it all", wants above all to **transform the trip into a unique experience**, made up of encounters and new acquaintances, attracted by what we could define as a place's "human heritage", thereby being transformed from a mere spectator to a participant actor in an unfamiliar world.
- Despite the progressive increase in the demand for unique experiences, the demand for **organised tourism**, both from "**newcomers**" and from "**senior citizens**", nevertheless remains strong. The former mainly come from countries with profoundly different cultures and customs and therefore usually prefer an organised trip: they travel by air and they choose large hotels because they travel in large numbers, but they choose high-quality structures ("mass luxury"). As regards the latter, the progressive ageing of the population, accompanied by an improvement in life expectation and quality of life, means that the number of older people keen to travel is growing significantly, characterised by medium-high purchasing power and more time at their disposal. In this second case, too, the demand is for dedicated commercial packages, with organised tourism therefore playing an important role.
- The **changed economic conditions** in many countries have led to the polarisation of the spending capacity of tourist flows, with one part of the demand – **the upper classes from emerging economies** – that is distinguished by high spending capacity and a demand for "luxury" accommodation and catering, and another part – that of the **average traveller from mature economies** – who have seen a significant drop in their purchasing power following the deep recession of the last few years, with a consequent reduction in their overnight stays and overall holiday costs.
- These changes in tourists themselves are taking place in addition to **changes in the geo-institutional picture**, with the arrival on the global tourism market of major countries that had been excluded from the market until a few years ago and are now becoming crucial for the distribution of tourist flows, as well as being capable of moving large numbers, representing enormous potential as regards demand. Such countries include not only the so-called **BRIC countries** (Brazil, Russia,

India and China), which, after a period of great expansion are starting to slow somewhat, but above all the **Far East** (Korea, Indonesia, Vietnam) and the United Arab Emirates, which are capable of moving masses of very wealthy tourists. On the other hand, these “new tourism countries” are also new competitors, battle-hardened and able to offer destinations at often very competitive prices. For Italy in particular, with its location in the Mediterranean basin, competition from other, cheaper, seaside destinations that have fewer seasonality problems and have become more accessible thanks to point-to-point flights has constituted a major threat in recent years.

- **Use of the internet and new IT technologies** for research, bookings and review has profoundly changed the nature of tourism, both with the arrival of **Online Travel Agencies (OTAs)**, which allow tourists to make immediate comparative selections of the supply available on the market and organise increasingly tailor-made packages, and thanks to the widespread penetration of mobile and wireless technologies (mobiles, smartphones, tablets and laptops), which make it easier to access available data and information (so-called **big data**).
- The separation between real estate ownership and management of buildings by a lessee or transferee under a management contract makes **the sector more attractive to international investors**, too. Such investors are sometimes interested in management and marketing, and at other times in real estate assets, two investment types with very different associated risks and financial flows. The separation of property management activities from the core hotel business can therefore give rise to greater **funding for the sector** and attract new capital into the industry.

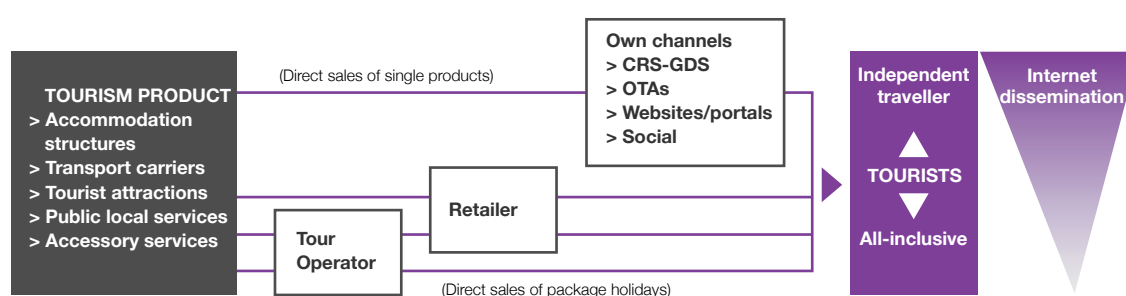
Supply has been influenced by both the web and the new operating methods

All these elements have **profoundly influenced supply**, which is currently experiencing a general tendency towards greater concentration, through agreements and acquisitions, as well as a gradual reduction in the role of intermediaries, which has seen changes in the relationships between the suppliers of basic services, distribution and the end customer. The result has been a significant change in business models, which are increasingly oriented towards greater flexibility (from hotels to the most hybrid types of resorts; from campsites to all-inclusive holiday villages, etc.), accompanied by the arrival on the tourism stage of actors from other businesses in the supply chain (e.g. airlines), called on to compete in a global tourism market that is increasingly complex and fragmented.

To an even greater degree, however, faced with such pervasive changes, it is the **tourism supply chain itself that has been turned upside down in every way**. There has been a move from the traditional configuration – in which the tour operators assembled individual tourist services into package holidays, which were then distributed to end users by travel agencies – to a scenario in which a cast of actors compete and/or interact with each other, **seeking in any way to reach the end consumer**, who is increasingly informed and active. In this way, airlines directly address tourists in order to offer them the flight, accommodation and local transport or car rental, while hotels make direct contact with a specialist agency or organise a booking site through which they can reach the customer directly, and so on.

Market changes have radically reshaped the entire tourism supply chain

Figure 3 – The new tourist supply chain



Source: CDP

We have therefore passed **from the chain of traditional relationships to an ecosystem** in which it is necessary to be ready to change business model quickly, so as to be able to react to tourism demand flows in the best way possible. But above all, it is the web that makes the difference and makes relations between operators and customers truly fluid and accessible.

1.3 The digital revolution. “The most spectacular site and the most sublime monument become tourist attractions only when they become accessible.”⁶ Today, however, accessibility cannot be limited to roads and airports: it must inevitably include the internet. And that is not enough. **It is web 2.0 that makes the difference:** tourism information is no longer a one-way flow, but rather the passage from the objective dimension of knowledge to the level of the subjective and perceptive. From being mere users of the prepacked information prepared by the tourist operator of a certain locality, **consumers themselves** have become **the ones who produce the information**, by relating their experience and perception of a destination.

The digital revolution has made tourism competition truly global, with anyone who comes into contact with tourists in any way becoming involved in the marketing of a destination. Any shortcoming in the system (an exorbitant restaurant bill, wrong directions from a local, a longer and more costly taxi trip than necessary) can be reported immediately to millions of people; in this way, the web replaces and amplifies the old word of mouth, making competition even fiercer.

The online travel market is highly fragmented; tourism demand and supply now meet using platforms that offer different services and contents. We can distinguish between five different types of online tourism platform:⁷

- **websites for promoting the company.** Companies, local authorities and tourism bodies can provide descriptions and images, and make special offers on their sites, making themselves visible and promoting a destination, thereby being able to capture a share of the demand thanks to a much more widespread presence than they had with traditional marketing tools;
- **travel review sites.** These can be professional – the online equivalent of printed guidebooks – with uniform assessment criteria and therefore easier to compare; or they can be amateur, created by consumers themselves, the equivalent of the old word of mouth, on a larger scale;
- **search engines.** These play a vital role in connecting consumers and companies to online content, and increase awareness of the available options, with advantages for both consumers and companies;
- **sales portals.** OTAs (Online Travel Agencies) exploit the information available in order to create and offer travel options that include the stay, transport and other services, with comparisons of different products on the basis of quality and price. In this way, small operators in the sector can benefit from the same exposure as the bigger ones⁸;
- **travel apps and specialised content.** In a general context in which mobile commerce is growing at more sustained rhythms than e-commerce⁹, apps for smartphones and other mobile devices allow tourists and other operators to significantly increase the range of tools available for organising a truly tailor-made holiday and are also widely used during the course of the trip, in order to make the most of everything a destination has to offer.

(6) Dewailly – Flament (1996)

(7) Tourism Economics (2013)

(8) For example, Airbnb, based in San Francisco, California, lets users know about, discover and book private residential structures all over the world – online or from a mobile phone. These structures may be apartments, castles, villas or private homes in over 34,000 towns in 192 countries. The platform allows owners to present their spaces to a worldwide audience, in competition with much larger and more consolidated hotel chains. As a result, Airbnb claims to be the “largest hotel in the world”.

(9) Osservatorio eCommerce B2c (2014)

The web is a tool for competitiveness, but it is also a channel for ever fiercer competition

The increasingly imposing role that the internet is assuming also acts on the very nature of the economic good of tourism, which is changing. It has been said how tourism is considered by economic theory to be an experience good, i.e. a good whose quality can be assessed by the consumer only after use, unlike so-called search goods, whose quality can be verified before purchase. The quantity of information that tourists are able to find online, the reviews, the comments, and the exchanges of opinions on social media, make some of the features of the trip known before departure, thereby making it possible for travellers, with greater probability than before, to choose something which will allow them to fully satisfy their expectations. This solves, at least partly, the problem of the asymmetry of information that previously placed the tourism operator in a stronger position than the traveller, which also created the conditions for opportunistic behaviour, often to the detriment of the quality of the supply (the so-called market for lemons)¹⁰.

The dissemination of the internet has therefore profoundly changed the nature of tourism by acting on demand, rather than on supply.

From the traveller's standpoint, the web has become a source of information, as well as a channel for purchasing every stage of the trip. This is because it acts on all points of the supply chain: before starting, in order to source information and book the journey and/or accommodation; during the holiday, to acquire more information, select localities and venues, purchase tickets for events, transport and so on; and back home, to share reports, stories and opinions.

But even more than all of this, **the web is becoming the place in which "motivation is created"**. We surf the web to look for a type of holiday that will satisfy a certain need, and we let ourselves be guided by what we find online when choosing the destination.

The digital revolution has profoundly changed the ways holidays are chosen and planned

In particular, **social media have assumed an ever growing role**, both as tools for information on the destination and for planning and purchasing the journeys, and instead of the old word of mouth. According to a survey conducted by Google¹¹, the proportion of people in 2014 who got information online so as to select their holiday destination was 65% of tourists. 83% of these used information on social networks, compared to much lower percentages for travel agency sites (42%) and for the official sites of the destinations (31 %). The importance of the web remains very high when planning and defining the trip, too, yet in this case the sites of hotels (48%) and online agencies (40%) play a decisively more important role than social media (26%)¹².

The internet has changed the market radically on the supply side, too. In recent years, destinations that make greater use of the internet for reaching their customers have received better exposure than those that use it less, and have managed to win market share. Tourism operators have **a powerful tool at their disposal, which, if well used, enables them to up their game considerably**. The most significant consequences have been found in communication techniques, distribution channels and business models.

Tourism operators come into contact with potential visitors through social media and the content generated by users, thereby winning their loyalty, an essential element for converting the initial searchers into buyers. **Online communication has been found to be particularly effective for less well-known destinations that are closely linked to their local surroundings and culture**. This is because the web makes it possible to project an area's identity, complete with its everyday life, popular practices, exclusive landscapes and, above all, the heritage of the people who live in and characterise these places.

Small, less well-known businesses benefit from the visibility that derives from using the web

It is estimated that **the presence of reviews on the internet contributes to improving the general quality of a locality's accommodation supply**¹³. This has a particularly positive impact on small businesses, allowing them to exploit the visibility that derives from using the web. Easier and more direct access to reviews makes it possible to reduce the costs that vendors were once required to bear to obtain the trust of buyers. This allows even smaller and less well-known businesses to easily reach the consumer, thereby **improving the competitiveness of independent operators compared to the big brands**.

(10) Akerlof (1970)

(11) Google (2014)

(12) The sum of the percentages is greater than 100 as multiple responses were possible in the survey.

(13) Smith – Wu – Greene (2010)

Attention to online reputation must be at the highest level at all times, given that the impact of negative reviews on the decisions of tourists seems to be much stronger than that of positive ones¹⁴. Tourism operators who actively relate to web users, replying to positive and negative comments alike and better calibrating their services, are therefore able to improve their performance. By opening up to the criticisms made online, operators in the sector and the destination countries gain the trust of consumers, with consequent positive impacts on sales. **It has been calculated that a 10% increase in a hotel's rating on TripAdvisor leads to an increase in sales of 4.4%**¹⁵.

The development of online activities, increased relations and exchanges between operators and tourists, and the resulting increase in consumer confidence also mean that the use of the internet continues to grow more and more, not only for travel-related searches, but also for actual bookings, whose impacts on the profitability of the businesses involved are obviously higher. Searching is currently the primary form of interaction between the tourism industry and consumers, while booking seems to acquire increasingly significant weight as online commerce becomes more mature.

If online presence is to have an impact on the profitability of businesses, it is not enough simply to have a presence; businesses also need to know how to manage both room availability and prices in relation to competitor hotels, to one's own budget goals, and to the occupancy level already achieved. If web tools are combined with dynamic pricing, then it really will be possible to optimise performance considerably.

Last but not least, the dissemination of digital technologies has **a significant impact on the production of data, statistics and information that are helpful for understanding the tourism phenomenon**. The actions of people who use apps, visit sites, book online, etc., create vast quantities of data (so-called big data), and the use of this information, with the necessary precautions, can only improve knowledge of a phenomenon that has always been difficult to identify and define. A semantic analysis of what can be found online (judgements, opinions, overnight stays, tastes. etc.) makes it possible to get a perception of the feelings associated with a tourist destination and, in this way, understand the true thoughts of tourists and trace a detailed profile of them, allowing operators to put together increasingly customised offers.

The digital transformation of tourism and of what has followed it (the rise of online travel agencies, the proliferation of travel apps, etc.) has therefore managed to create conditions that increasingly allow modern tourists to tailor-make their own holiday and transform it into a truly unique experience. Moreover, faced with the **rise of the experiential motivation** when choosing a holiday, the new technologies have actually contributed to **downgrading sightseeing as a motivation** – by making it possible to study monuments, museums and attractions of all types even before the trip – and this must now be reinstated through ideas and projects that offer fresh visiting perspectives.

1.3.1 The role of the internet for Italian tourism.

The ability to manage the digital transformation constitutes one of the crucial factors for the future development of the tourism sector. From this point of view, Italy suffers from quite a few weak elements that risk creating further roadblocks in the development of the sector.

The potential market that tourism-linked sites could address is the entire web. We are talking about a number of worldwide users that reached almost 3 billion individuals in 2014 (about 40% of the global population), of which about 1.8 billion frequent social networks¹⁶.

Italy occupies a leading position in this context, with about 37 million internet users (60% of the population), though still far from the figures recorded for other industrialised countries (almost 90% of the British, 86.7% of Germans and Americans, 85.7 % of the French, and 74.4% of Spaniards). About 28 million of the roughly 37 million surfers use social networks¹⁷.

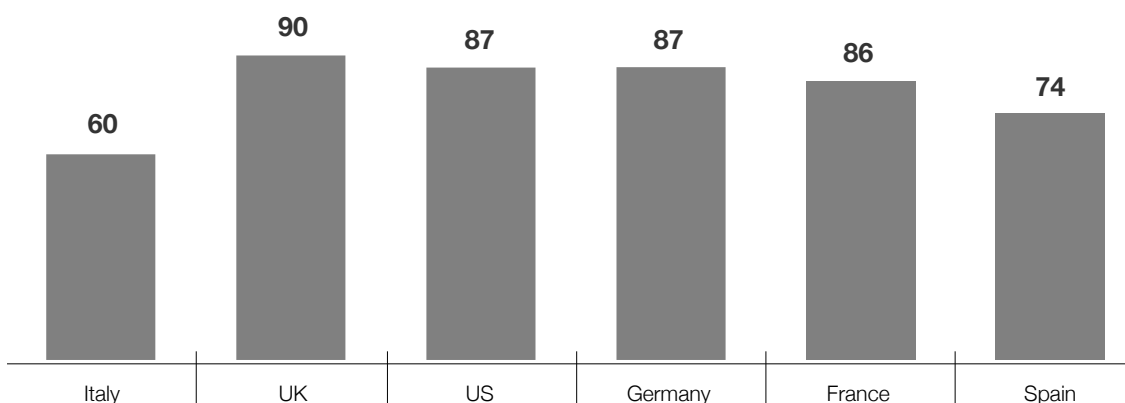
(14) Moreover, it is increasingly common for hospitality structures to use "insiders" to reinforce their online reputation. This is known euphemistically as "Internet reputation management".

(15) Ye – Law – Gu (2008)

(16) ITU statistics and Statista.com

(17) Internet Live Stats

Graph 1 – Internet use in various countries, 2014 (%)

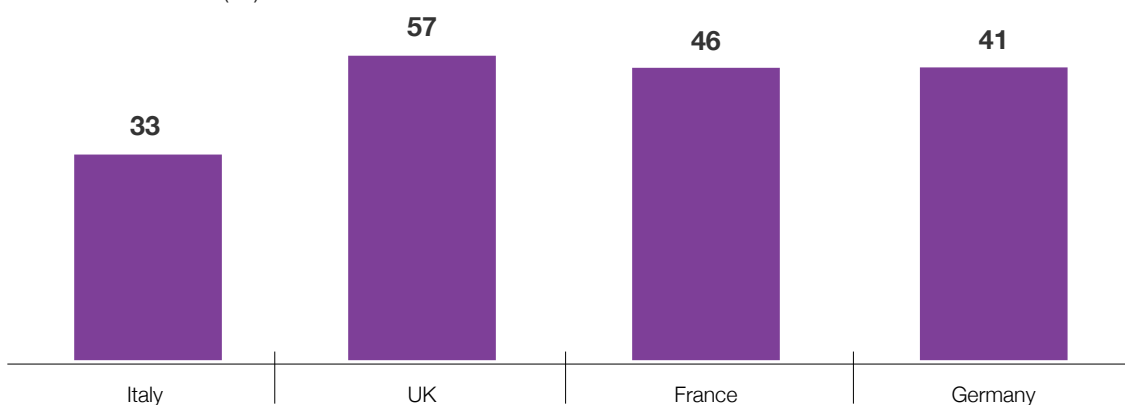


Source: Internet Live Stats, 2015

Over 16 million Italians made purchases online in 2014, with more than 40% of them making purchases associated with travel and holidays (travel tickets, accommodation). The growth of e-commerce in the last decade has always been in double digits, but remains at lower levels than in other countries: 43% of Italian internet users make purchases online, compared to 78% of the British, 74% of Germans and 59% of the French. Finally, purchasing via apps is spreading quickly throughout Italy too: of 16 million online purchasers, 18.2% have used a smartphone app and 11.2% an app on a tablet, with growth rates of 100% from one year to the next¹⁸.

Although tourism constitutes one of the most important domestic e-commerce items in Italy (27% of total turnover, second only to leisure, which represents 54%)¹⁹, **the contribution of the online tourism market to the total tourism market remains low**: 33%, compared to 57% in the UK, 46% in France and 41% in Germany.

Graph 2 – Contribution of the online tourism market to the total market for some countries, 2014 (%)



Source: PhoCusWright, 2015

(18) Netcomm (2014)

(19) Casaleggio associati (2014)

Furthermore, Italian demand is concentrated primarily in online searches, while the sales component is still low. Just 13% of arrivals in Italy are booked online, whereas 26% of visitors search for their trip online²⁰. The vast majority of transactions linked to purchasing trips and stays by Italians take place on the sites of foreign operators: **about 70% of the purchasing transactions of Italian travellers are done on foreign sites**²¹, with increasingly large proportions of the profits made overseas as a consequence.

There is also a serious risk that less widespread use of online channels for tourism-related purchases could translate into more limited publication of online content. In other words, **weak demand** – linked partly to cultural factors – **could also influence the development of supply**, which could seriously handicap our country vis-à-vis some of the international markets that are areas of potential demand for Italian tourist destinations. If the providers of Italian tourism services limited themselves to following the national trend for the use of online content, they would remain outside an international market that is more open to online searching and booking. This means that potential foreign tourists might not fully appreciate what the Italian market has to offer, and instead prefer destinations in other countries simply because they provide clearer, easier-to-understand information. Instead, industries such as tourism that target foreign markets should be fully aware of the preferences of online consumers in the markets that generate a large part of the demand, so as to better exploit this channel. **The digital development of the Italian tourism industry can no longer be considered to be simply an opportunity, but rather represents a real responsibility** for businesses that wish to be serious competitors on the international stage.

The shortcomings of Italy's tourism supply concern both the public sector, for all the promotional activities, and the private sector, for all things related to the marketing and distribution of tourism products. The supply is still extremely fragmented, and often disconnected from real market demand.

There can be no doubt that **the infrastructure lag related to the ability to connect to broadband and ultra-broadband** is a significant factor in the delayed development of digital tourism in our country. Compared to a European average of 97%, 99% of Italian homes had broadband connections²² in 2015, and several years earlier had already reached the first goal of the European Digital Agenda, which envisaged covering 100% of the population with at least a 2 Mbps connection. However, it is in the dissemination of high-speed broadband (above 30 Mbps) that Italy seems to be lagging behind. At EU level, the speed of 26% of connections in 2014 was above 30 Mbps on average, while in Italy this was only 3.8%, though growing fast compared to 2013, when only 0.9% of connections were faster than 30 Mbps²³.

The digitalisation of Italian hospitality businesses seems anything but complete. It is estimated²⁴ that in 2013, 88.5% of Italian tourism businesses were present on the internet. However, considerably fewer companies make it possible to make bookings online (68.3%), and fewer still are present on social networks (52.4%).

Even though there have been net improvements in all of these indicators since the start of the decade, it is nevertheless necessary to underline that for many accommodation structures the internet is still perceived as a simple tool for amplifying demand, a showcase, and they therefore ignore the component with the most significant impact in terms of company performance, associated with the possibility of interaction with customers, both for booking rooms directly on the site, and for the exchange of opinions and observations. Furthermore, **the possibly for operators to make the web a really effective direct sales channel also has a significant impact on the shares of rooms sold over the whole course of the year**; companies that permit online booking actually record a higher number of rooms sold in every month of the year than companies that do not allow bookings via this channel.

(20) Tourism economics (2013)

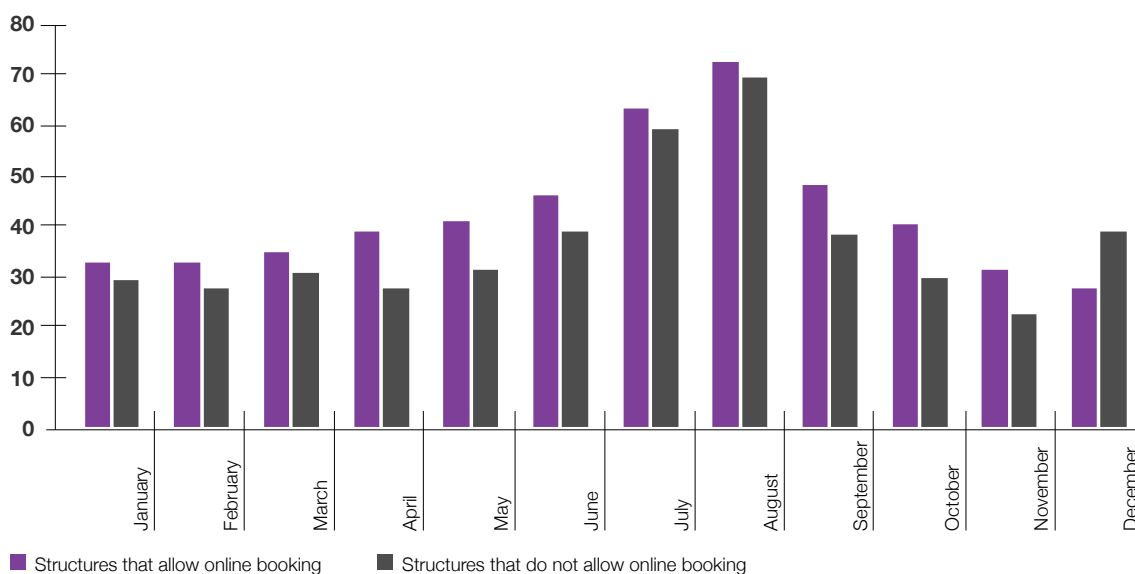
(21) Mercury (2013)

(22) European Commission (2015a)

(23) European Commission (2015b)

(24) Unioncamere-Isnart (2014)

Graph 3 – Room occupancy and on line booking* (%)



Source: Unioncamere-ISONART, 2013

(*) The figures refer to 2012, the last year for which the data were recorded.
The significance of the information is not affected by the fact that the time reference is not recent.

Finally, the percentage of hotels that offer free Wi-Fi to their customers is still very low. Not letting tourists stay connected so that they can choose what to do, seek reviews of a certain restaurant or attraction, share photos and messages or simply reply to an important email can today be considered the equivalent of offering a room without a bathroom. However, this awareness is still far from being accepted by a large number of Italian hoteliers, only 52.8% of which provide this service, compared with much higher percentages in other European countries. And yet, according to the Prontohotel search engine, free Wi-Fi is the service that travellers seek most: 85% of users who look for a hotel online use the Wi-Fi filter for comparing the various offers.

... and the availability of Wi-Fi in rooms

21

Graph 4 – Hotels that offer free Wi-Fi in rooms in various European countries, 2015 (%)



Source: Prontohotel digital observatory, 2015

Poor development of online channels is therefore unquestionably one of the reasons why Italy risks losing ever more market share to other competitors. Destinations that allow tourists not only to book holidays faster, but also to use a variety of payment channels (mobile phone channels) and to find out all the possible activities and experiences available during the course of their stay, enjoy an indisputable advantage over others with like-for-like artistic products and attractions. Furthermore, the potential for growth linked to concrete and effective development of online channels is not limited to welcoming more visitors, or to winning market share, but also means that visitors could be encouraged to stay longer or visit more places and attractions, thanks to better and deeper awareness of what is on offer, thereby generating greater expenditure per trip. Moreover, in other fields not closely linked to hospitality, Italy is paying for its extreme backwardness in the digital sense: for example, **barely half of Italian museums** (50.7%) **have a website**, 42.3% publish their calendar of events and initiatives online, 22.6% distribute a newsletter, 16.3% permit online access to selected individual items, and 13.3% make a catalogue available online²⁵.

The desperate need to remedy the shortcomings of Italy's digital tourism supply has been recognised at the organisational level with **the establishment of a "Digital Tourism Laboratory"**, which drew up **a Strategic Plan in October 2014 for the digitalisation of Italian tourism**, with the goal of defining working strategies and proposals for growth in digital skills and services. In **March 2015**, a decree was published **implementing a tax credit for digital tourism**, as a result of which businesses are allocated a tax credit for 30% of costs incurred for investments in the digitalisation of their supply (purchase of sites and web portals, their optimisation for mobile communications, purchase of programs for automating booking services and online sale of services and rooms, purchase of digital communication and marketing services and of advertising spaces on specialised web platforms, and installation of Wi-Fi systems).

In any case, apart from the data which, particularly as regards demand, are quite uneven and not always consistent, the element that emerges quite clearly from an initial analysis of the Italian context is that in order to **fully exploit the opportunities that the so-called digital revolution offers tourism, it is necessary to take action on certain structural aspects**: that continue to block development. This means acting on infrastructure, which is still inadequate to support the necessary digital services, online content, and the digitalisation of operators in the sector. According to the latest estimates²⁶, **within a tourism sector that represents approximately 10% of GDP, the online component currently produces just 3% of GDP**, a contribution that is still far from fulfilling its potential. Online content is a tool that is capable of generating a sea change in the sector; it is not limited to converting conventional demand into online sales, but rather can create the conditions for a deeper knowledge of destinations and, consequently, for a general increase in demand. **If Italy were to tackle the subject of digitalising the sector**, with an improvement in its online supply, the national economy could benefit significantly, **even to the point of recording GDP growth of around 1% and the addition of around 250 thousand jobs**.

1.4 Sustainability. It is not possible to talk about tourism today without tackling the subject of sustainability. Tourism, like every human activity, is linked to the environment, influences the environment, and is influenced by it in turn. **The interrelation between tourism and the environment is complex, however, and is constantly changing.** Because it involves a vast range of areas and sectors, tourism is certainly a difficult phenomenon to manage (it can cause pollution or conflicts with residents, it can create difficulties of cohabitation where other economic activities already exist, etc.); nevertheless, it is a very powerful and dynamic reality that can lead to economic wellbeing and social development. It therefore deserves **flexible planning which, by harmonising all its components, can qualify it and make it less risky for the places that host it**: in other words, tourism must be sustainable.

There have been many changes since 1972, when the "Conference on the human environment" in Stockholm first established the condition that any development of tourism must be completely compatible

(25) Istat (2013)

(26) Tourism Economics (2013)

with the local heritage and culture, and it is true today that **environmental sustainability is a concept that is intrinsically linked to tourism and cannot be ignored if lasting development is to be obtained**. On the one hand, we have instances where safeguarding the environment has modified demand – which has become increasingly responsible, qualified and exacting – and on the other hand, this has resulted in upgraded supply, improving the quality of tourist destinations and increasing their long-term competitiveness.

Sustainable tourism can be defined as tourism that can meet the present needs of tourists, the tourism industry and the host populations, without compromising the satisfaction of the needs of future generations, with the conservation and improvement of a destination's environmental resources. Such resources constitute a crucial part of a locality's tourism heritage: they include natural resources (land, climate, flora, fauna), historical/artistic resources (monuments, museums), and socio-cultural resources, i.e. people's lifestyles, traditions and forms of hospitality. **Acting from a sustainable viewpoint therefore means preserving and making the best use of those assets from which tourism is generated**. Few other sectors, apart from tourism, so clearly reveal the need to reconcile development and environment. The environment, on the one hand, constitutes a primary resource for tourism, an essential component of the product on offer, while tourism, on the other hand, represents an opportunity to protect and enhance the environment.

A fundamental element for framing the tourism phenomenon and its complex relationships is the so-called **carrying capacity of a destination**, which the UNWTO (World Tourism Organization) defines as the “the maximum number of people that may visit a tourist destination at the same time, without causing destruction of the physical, economic, socio-cultural environment and an unacceptable decrease in the quality of visitors' satisfaction”.

Faced with the possibility and concrete risk that tourism could cause such serious changes as to wreck the economic, environmental and social equilibrium of a locality, the authorities in various countries, with the technical support of international agencies, have developed a set of **indicators and parameters for measuring the carrying capacity of a destination and, as a consequence, the sustainability of tourism**. These are tools for planning, implementing and monitoring the development of tourism, which provide adequate and reliable information on environmental, economic and social conditions due to touristic activity itself. Their principal function is to provide indications and signals regarding emerging and/or current situations or problems, by means of concise data that can be used for decision-making processes with a view to undertaking corrective actions on the impacts arising out of human activities.

In February 2013, applying the principles laid down in **the “Agenda for a sustainable and competitive European tourism”²⁷**, the European Commission, which has been promoting the sustainable development of European tourism for some time, published the **European Tourism Indicators System (ETIS)²⁸**. Conceived as a process to be formulated and conducted at local level for the purpose of monitoring, managing and improving the sustainability of tourist localities, the System is a tool that can be used by any destination to monitor results achieved and guide political decisions. It is composed of 27 main indicators and 40 optional indicators that can be used on a voluntary basis, alongside or integrated into other existing systems for monitoring destinations. The underlying principle on which the system is based is the sharing of responsibility for and ownership of decisions regarding a destination, through the collection, communication and sharing of the relevant information.

Tourism can be a cause of environmental degradation and loss of local identity, or it can be a powerful element for the safeguarding of the natural environment and an agent for the recovery of local traditions. This aspect therefore cannot, and must not, be ignored, particularly in **a tourism system like Italy's, which is intensely anthropised and therefore intrinsically fragile**, but whose main sources of appeal are its natural and historical/artistic resources.

Tourism and the environment are intrinsically linked

23

There are many systems of indicators that make it possible to monitor a destination's tourism sustainability

(27) COM 2007/0621

(28) http://ec.europa.eu/growth/sectors/tourism/offer/sustainable/index_en.htm

Many initiatives for guaranteeing sustainability have been recorded in both the accommodation sector and tourism-related services

Italy is far behind in terms of dissemination and awareness of these themes. However, for several years now there have been a number of new initiatives aimed at including, to a greater or lesser degree, the need for respect for the environment among the strategic variables that guide the evolution of the sector. **Voluntary agreements, environmental quality marks and certifications, environmental management systems, environmental impact assessments of tourism activities, eco-audits and eco-reports**, at company, sectoral and territorial level, are becoming a fixture of the lexicon that feeds the debate on the relationship between tourism and the environment.

Alongside these initiatives, an increasing numbers of projects and interventions have been developed with a focus on respect for nature and the resources of the land, for example through the creation of historical, artistic and/or food and wine itineraries. These interventions are intended to support the recovery of the cultural heritage and landscape, the development of museum parks and paths for exploring the land, and the recovery of architectural, historical and rural heritage for hospitality purposes. **Great changes can be seen as regards accommodation, with a view to meeting the needs of more environmentally responsible tourists**; the supply is evolving towards sustainable forms of accommodation: alongside traditional agritourism, we can see “alberghi diffusi” (“scattered hotels”), historic homes and “green” hotels. But sustainability also means being able to **create a planning network around tourist hubs that can make the place accessible, whilst enhancing rather than damaging it**. There are many initiatives in Italy which, using a bottom-up approach, sprang up spontaneously and contributed towards revitalising areas, urban centres and cultural attractions. However, there are **still many difficulties that these little undertakings encounter along the way**, and they often risk breaking down within a few years due to bureaucratic obstacles, difficulties accessing credit and precarious employment.

In this context, more attentive and responsible demand, both at home and internationally, represents an extremely powerful driver for promoting and spreading forms of green innovation that involve the tourist destination as a whole, rather than just individual structures. Italy has a great deal to invest in this field, in the quality of the locations and the excellence of the products, but it is important for all actors to be involved in this path, given that **innovating tourism from a sustainable standpoint produces benefits for entrepreneurs**, who end up bearing lower costs thanks to the use of more efficient technologies, for **tourists**, who visit more appealing places, and for **residents**, who find themselves living in a better place.

Finally, we should point out that while the theme of sustainable tourism in its classic “soft” forms, such as nature trails, soft mobility, scattered accommodation, etc., certainly makes a lot of sense, **the real challenge nevertheless remains that of making mass tourism sustainable too** (including tourism related to the new tourist masses so frequently mentioned), through spasmodic attention to the impacts of such tourism and how they can be contained. This is tourism with enormous prospects for growth (such as cruises or large international conferences), which it is foolish to ignore, but which should be structured, scheduled and organised in such a way as to capitalise on all its potential positive effects. **Any tourism strategy that aims for quality, for large and small numbers alike, can only lead to a sustainable outcome.**

1.5 The comparison with competitors.

In 2015 Italy, was in second place in the classification of dream holiday destinations, jointly with the United States²⁹, after ranking first the previous year. However, data on international arrivals tell us that potential tourists do not always find what they want and that they end up choosing other destinations when purchasing their holiday. Despite its great appeal, the **Belpaese is having to face competition both from new tourist destinations and from mature ones that are better able to differentiate their offer.**

Italy is one of the most desirable destinations for tourists...

Italy has always been identified with the culture/food and wine combination in the imagination of foreign tourists, but today, particularly in the more distant markets, the Italian way of life is indicated by 26% of big international tour operators as being an essential element when choosing the country as a holiday destination³⁰.

(29) IPSOS (2015)

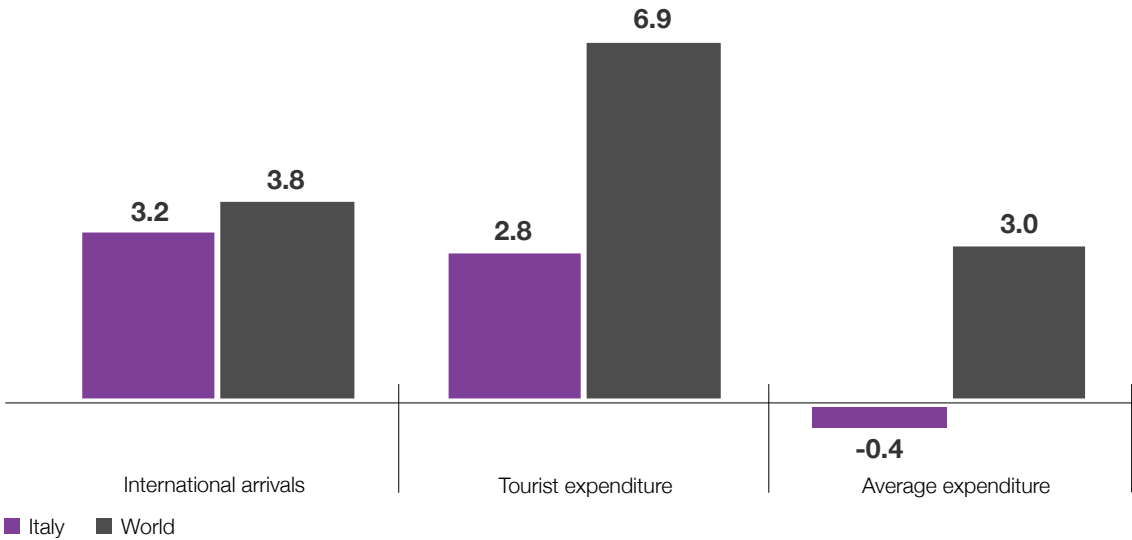
(30) Unioncamere-ISNART (2013)

Its history obviously remains its main attraction, along with natural/environmental assets of great prestige. At present, **Italy is the country with the highest number of World Heritage Sites (51)**. Alongside its history, Italy can also offer the power of the contemporary through its evocative industrial brands, style and fashion.

As previously mentioned, however, this potential is not equalled by an adequate capacity of attraction. According to the latest data from the World Tourism Organization³¹, Italy is ranked fifth in the world by number of international arrivals and sixth for associated spending. Tourism demand at global level in 2014 exceeded 1 billion travellers, growing during the last decade at an average annual rate of 3.8%, whereas Italy grew at an average rate of 3.2% during the same period. But it is above all in terms of tourist spending that the Belpaese seems to have lost ground: faced with a global CAGR of 6.9%, spending by international tourists in Italy grew by 2.8%, with obvious negative repercussions on the average spend. **In the decade that saw the rise of mass luxury, Italy seems to have struggled to attract the most affluent tourists.**

... but has lost ground in recent years

Graph 5 – World tourism dynamics: comparison with Italy, 2005-2014 (CAGR %)



Source: UNWTO, 2015

It is clear how, in the face of such differing dynamics, **the only way Italy's share of the international tourism market³² could have gone was down**, and this weakness actually has very deep roots. After the brilliant performances in the early 80s, when Italy's market share was second only to that of the United States, and the more up-and-down performance of the 90s, when Italy kept swapping second and third positions with Spain and France, from 1998 onwards, Italy's role in the international tourism market has only continued to shrink. While this phenomenon is common to all its most direct European competitors, France, Germany, the United Kingdom and Spain³³, partly as a consequence of the fierce competition of the new tourist markets, it has to be said that Italy has been affected more than most.

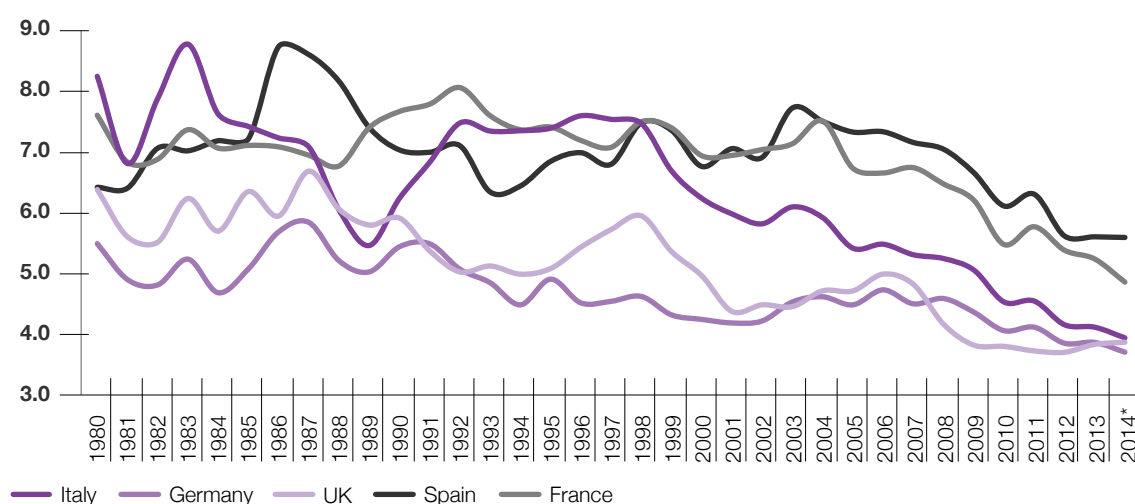
Italy's loss of market share is greater than that of its direct European competitors

(31) UNWTO (2015)

(32) Calculated as the ratio between total incoming Italian expenditure and total international outgoing tourism expenditure: $Q = \frac{XIT}{MW}$ where XIT is total incoming Italian expenditure (Italian exports of international tourism in the balance of payments) and MW is total worldwide outgoing expenditure.

(33) These are the four European countries which, along with Italy, are among the top 10 positions in the classification of tourism destinations worldwide, in terms of number of arrivals and of expenditure.

Graph 6 – Market shares of tourist expenditure of several European countries, 1980-2014 (%)

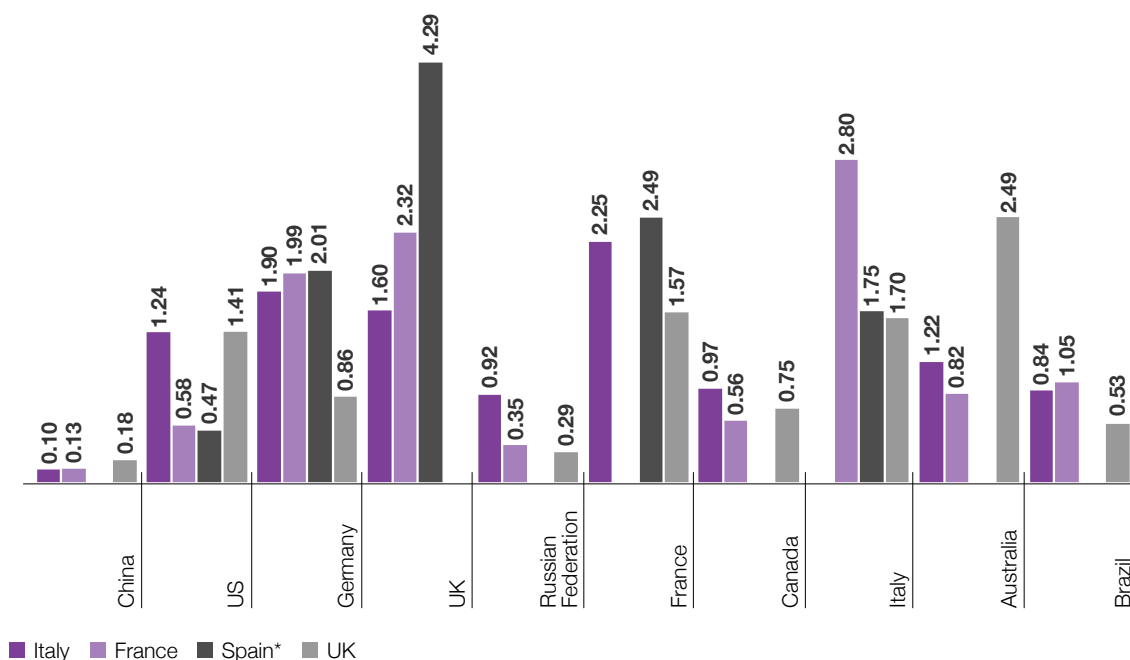


Source: CDP processing of World Trade Organization data, 2015

(*) Data refer to the sixth edition of the IMF manual for drafting the balance of payments adopted in Italy and Europe since 2014

A Balassa-style specialisation index was used in order to compare Italy's model of geographical specialisation with those of its European competitors³⁴. This is a comparative advantage index that makes it possible to determine for which countries the expenditure of tourists from a certain country is greater than the average for the rest of the world and, therefore, which areas of origin of tourists there is a greater attractive capacity for³⁵. This indicator was calculated with respect to the expenditure of tourists from the top 10 countries in the classification of the top spenders in international tourism calculated by the UNWTO.

Graph 7 – Index of specialisation by tourist nationality, 2014 (index numbers)



Italy France Spain* UK

Source: CDP processing of data from the World Trade Organization, the Bank of Italy, the Institut national de la statistique et des études économiques, the Office for National Statistics and the Instituto Nacional de Estadística, 2015

(*) As regards Spain, no data are available regarding the expenditure of Chinese, Russian, Canadian, Australian and Brazilian tourists

(34) It was not possible to calculate the index for Germany because of insufficient data.

(35) A Balassa index that is higher than 1 indicates that the share of expenditure in country X by tourists from country Y is greater than the share of expenditure of tourists from country Y worldwide.

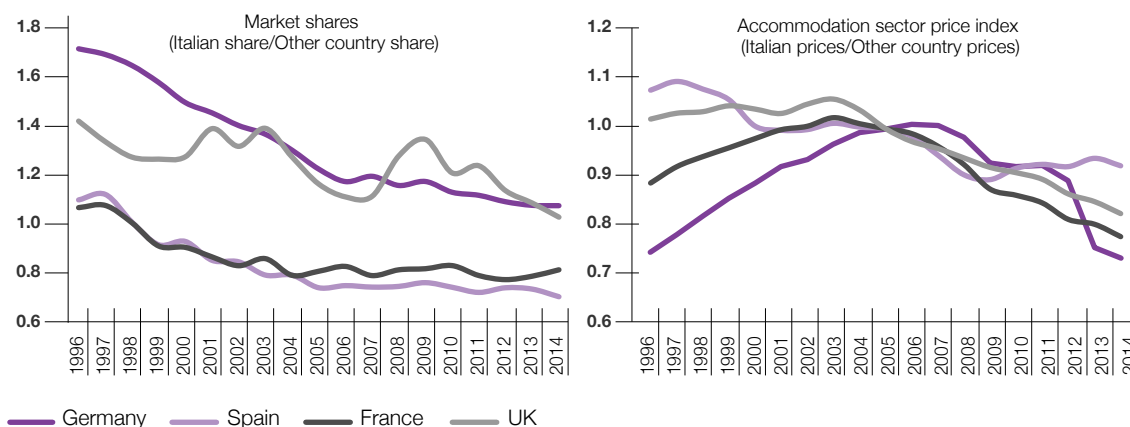
Italy's index of specialisation is higher than 1 in the so-called mature markets, but its value is rather low compared with regard to China, Russia and Brazil. This condition is, however, also common to other European countries³⁶, indicating **a widespread difficulty faced by the most touristy countries of the Old Continent in reacting to these new flows of demand**.

Going on to examine the dynamics of price indices regarding the tourism sector in comparison with the dynamics of market share, it can be observed that:

- during the course of the last 20 years or so, **Germany** has seen a smaller reduction of its market share than Italy, independently of the dynamics of the price index which, before 2006, was favourable to German competitiveness and then to that of Italy;
- until 2005, the performance of the **Spain's** market share was better than Italy's, and subsequently was very similar, independently of the dynamics of price competitiveness between the two countries (better for Italy until 2008);
- **France** recorded a better market share dynamic before 2005 thanks to greater competitiveness in price terms, though that had no impact when it ceased during the subsequent 10 years, making market share dynamics in the two countries virtually identical;
- the **United Kingdom** has always been less competitive than Italy in price terms, even though Britain's market share has fallen less than Italy's.

The loss of competitiveness is not due to the geographical specialisation model, or to price dynamics...

Graph 8 – Dynamic of Italy's market share and price competitiveness compared to various European countries, 1996-2014 (index numbers)



Source: CDP processing of Eurostat and World Trade Organization data, 2015

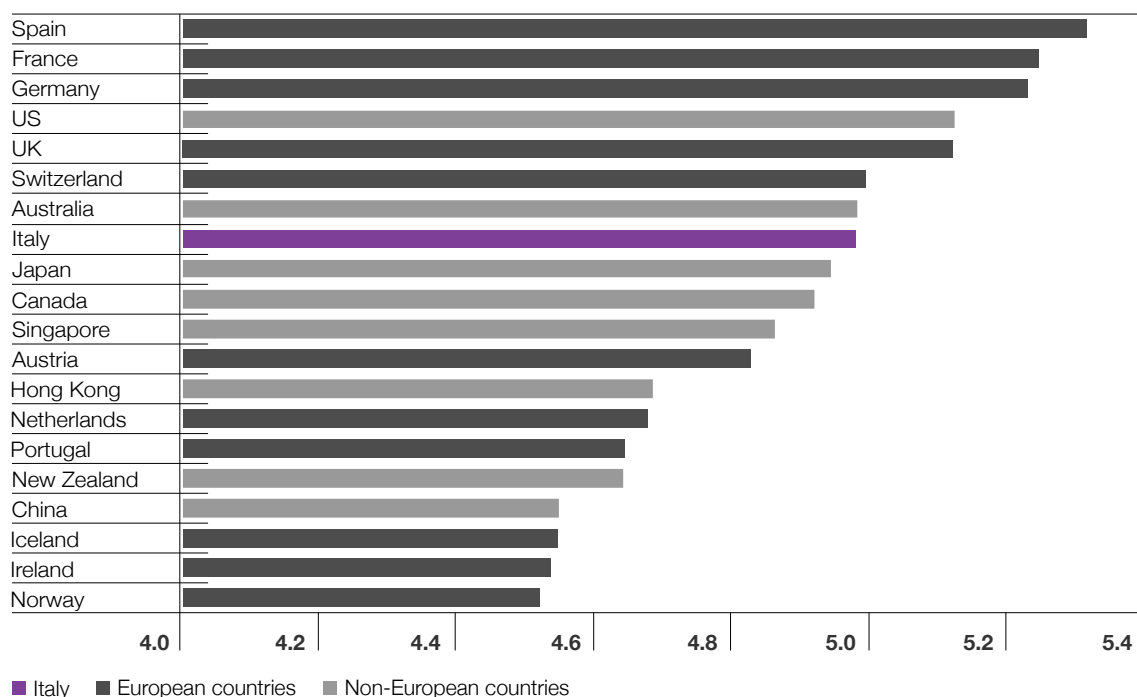
In short, what emerges from the analysis of Italy's **competitiveness in price terms** compared to its direct European competitors is that this **does not seem to be crucial for defining its role in the world tourism framework**.

If the main loss in Italy's role in the world tourism market compared to its direct European competitors **is not, therefore, attributable to the geographical specialisation model of incoming tourism, nor to a loss of competitiveness in price terms**, then the causes that led to a greater fall in Italy's market share than in other countries must be sought elsewhere; these reasons can presumably be attributed to a deterioration in the quality of the country's tourism supply and, more generally, in Italy's attractiveness.

(36) An index of just above than 1 can be observed only for France vis-a-vis Brazil.

What emerges quite clearly from observing the **tourism competitiveness indicator** produced every two years by the World Economic Forum (WEF) is that there are other problems with the Italian tourism model. Italy was ranked eighth for tourism competitiveness worldwide in 2015 with Spain number 1, France second, Germany third and the UK fifth.

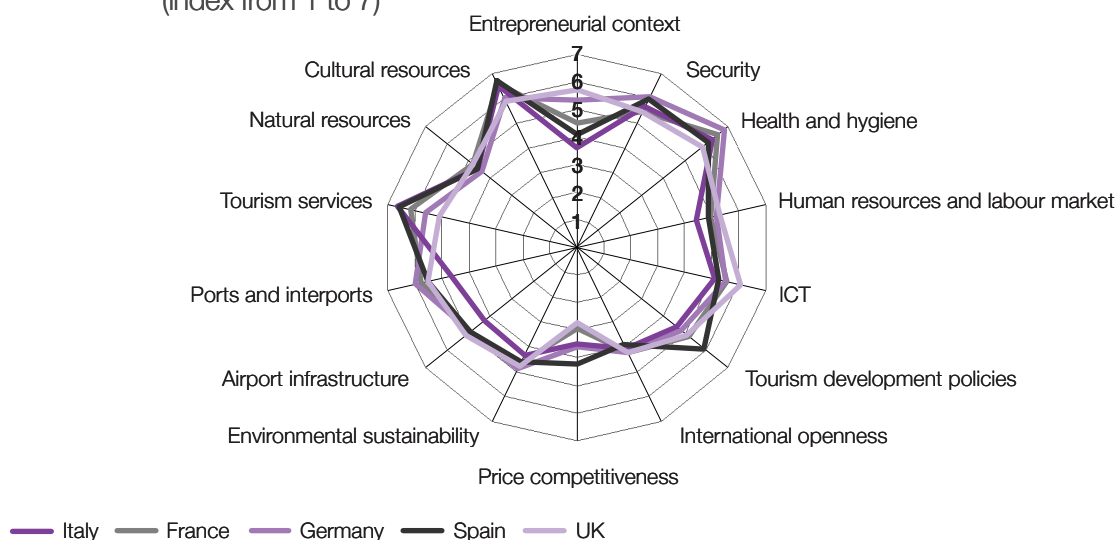
Graph 9 – The Travel & Tourism competitiveness index: first 20 positions, 2015
(index from 1 to 7)



Source: World Economic Forum, 2015

The indicator calculated by the WEF – for 141 countries – measures a set of structural and policy elements that contribute to the development of the tourism sector of an economy. It is composed of 14 second-level indicators ranging from 1, the poorest, to 7, the best. Each indicator identifies one of the fundamental pillars for the development of tourism in a country.

Graph 10 – The pillars of the development of tourism in some European countries, 2015
(index from 1 to 7)



Source: World Economic Forum, 2015

It is contextual elements for which Italy records the worst values: the entrepreneurial context, human resources and the labour market, ICT and the entire infrastructure system. It also records the worst value compared with other European countries when it comes to policies in place for supporting the development of tourism, a measure of national strategy, of public expenditure in the sector and of the effectiveness of tourism marketing activities. One consequence of the lack of attention paid to organising and equipping the country to give tourists the best welcome is the rather low value of the environmental sustainability indicator (which is lower than that of all Italy's competitors). Moreover, **where the pressure of tourism is managed badly, there are inevitable consequences in terms of tension between tourism and environment.**

... its causes should instead be sought in the overall context

The price competitiveness indicator warrants one final observation: while on the one hand, this does not seem to depict Italy negatively in comparison with its European competitors (which has already emerged from the analysis of the price indices), on the other, it appears particularly critical for all the European countries examined, whose values are all very low (between 3 and 4). **The higher price levels therefore seem to be one of the reasons behind the loss of competitiveness that has, to a certain extent, characterised all the more touristy countries in Europe** compared with the new competitors that have appeared on the world tourism stage.

1.6 An estimate of the impact of “lost tourism”. International arrivals in Italy in the last decade have grown much more slowly than in the rest of the world. **It was particularly after the 2008 crisis that the gap between the dynamics of Italian and global tourist flows began to widen significantly.**

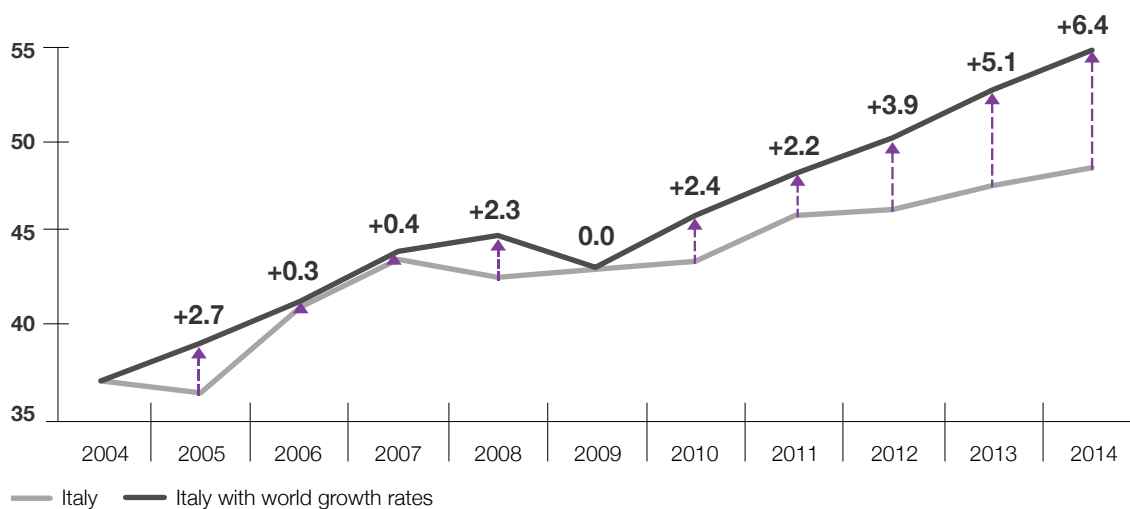
In order to understand what this has meant for Italy compared with the rest of the world, an exercise was carried out in order to estimate the impact that the lower tourist influx has had on GDP and employment.

First of all, a calculation was done of the number of arrivals that would have been recorded between 2004 and 2014 if Italy had not lost competitiveness and therefore had been able to record the same growth rates as the rest of the world. This resulted in a figure of **more than 25 million visitors in 10 years, giving a total expenditure loss of about €18 billion³⁷.**

Italy “lost” €18 billion of tourist spending in ten years

29

Graph 11 – Flows of lost visitors, 2004-2014 (millions)



Source: CDP processing of UNWTO data, 2015

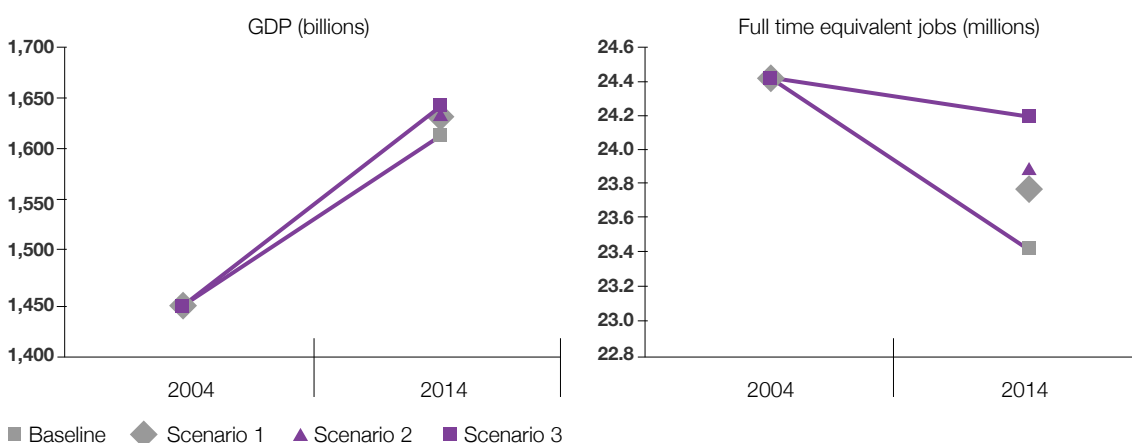
(37) Calculated by applying the average spend figure for each year to the number of lost arrivals during the same period. Using the average Italian spend (which fell significantly during the decade, as we have seen) gives a prudential estimate of the economic impact, which could be even higher were Italy capable above all of attracting the so-called newcomers, who typically have a higher average spend.

At this point, the impact that the lower tourism income had on the national economy was calculated in order to arrive at an **estimate of the direct, indirect and induced effect of the lost expenditure**. The direct and indirect impact³⁸ was calculated using approaches of the input-output type³⁹, while it was decided to assess a range of possible variation for the induced impact⁴⁰, considering that different values of the so-called Keynesian multiplier can be found in the literature, which often differ considerably from each other.

- The value of the multiplier calculated in the last Mercury report⁴¹ was considered in the **first scenario**, in which the initial macroeconomic impact of tourism in Italy was estimated. In this case, the ratio between the direct added value and the total added value, therefore including the indirect and induced effect, is 1.93: every €100 of wealth produced in activities directly in contact with tourists produce another €93 in the rest of the production system. The same indicator calculated for employment is 1.73: every 100 units of employment created directly in tourism activities create another 73 in the rest of the economy.
- In the **second scenario**, on the other hand, the multipliers calculated every year by the World Travel & Tourism Council were considered. These estimate the contribution of tourism activities in terms of GDP and of direct and total employment. In this case the multipliers amount respectively to 2.47 and 2.36⁴².
- Finally, in the **third scenario**, the total impact was calculated using the SAM (Social Accounting Matrix)⁴³, and the multipliers that derive from it are 3.49 for added value and 3.93 for employment.

Italy's GDP rose from about €1,500 billion to €1,616 billion between 2004 and 2014. If tourism had maintained its capacity to contribute to national growth, GDP in 2014 could have reached higher values, even reaching about €1,645 billion in the most optimistic scenario. Employment, too, which fell significantly during the decade in question, from almost €24.5 million in 2004 to about €23.4 million in 2014, would have benefitted from more competitive tourism, which could have halted its decline by recording a figure of around €24.2 million. The range of values involved is a broad one, leading to an estimated loss over 10 years of between €15 billion and €29 billion in terms of added value, and between 340 thousand and 780 thousand jobs. **This means that, even in the best-case scenario, about 34,000 jobs each year have been lost.**

Graph 12 – Estimated total impact of lost tourism, 2004-2014



(38) These are the effects associated with the activation processes that each sector produces on other sectors of economic activity, the so-called Leontief effect.

(39) See Appendix I

(40) The reference is to the so-called Keynesian impact, provoked by the additional income flows that stimulate endogenous growth in end consumption.

(41) Mercury (2014)

(42) WTTC (2015)

(43) See Appendix I

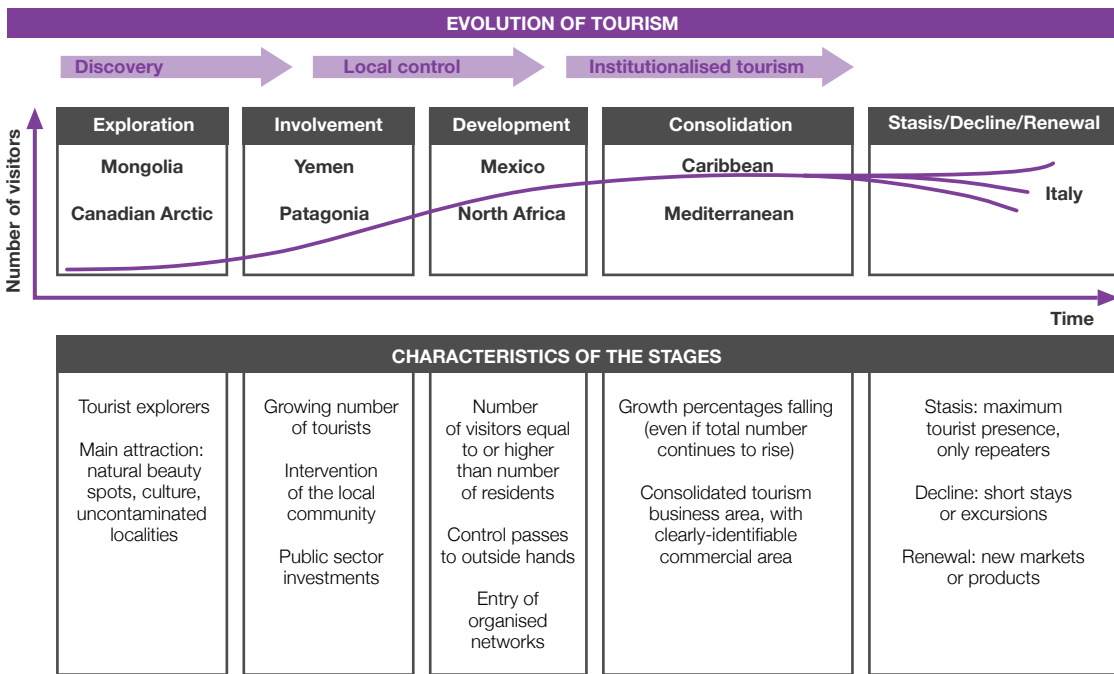
Though conscious of the vast differences between the three scenarios, the goal of this exercise is not so much to estimate precise values, but rather to provide an order of magnitude for the wealth that has been lost by deciding to ignore the tourism sector. **We are talking about values that could even be as high as 2% of GDP and 3% of employment, in the worst-case scenario.**

Italy seems to find itself at a crossroads; a destination that has been mature for some time must now either reinvent itself, and succeed in capturing the growing masses of tourists, or continue losing competitiveness, and wealth and jobs too.

The model that is used most frequently for describing the phases of tourist destinations and demand for them is the **Tourism Area Life Cycle (TALC)**⁴⁴. Already known in economic literature as a product's life cycle and used for explaining the market dynamic of durable consumer goods, the TALC provides an overall view of the development of a destination. In this model, the number of visitors tends to increase as a country becomes more well known and as its tourism industry becomes better organised. Having started out as unexplored places, tourist destinations increasingly become the subject of development and investment, until they eventually transform themselves into areas of consolidated tourism. At this point, the different scenarios that begin to appear are the maintenance of the position already achieved (stasis), the beginning of a decline, and the attempt at renewal, through new forms and types of tourism.

The Italian tourism system must reinvent itself in order to be able to compete on the international stage once more

Figure 4 – The Tourism Area Life Cycle



Source: CDP

At the moment, **Italy is at least in the stasis phase, and whether it moves towards decline or towards renewal will depend on the decisions that will be made.**

(44) Cooper et al. (2002)

02

Rules and governance: towards the tourism industry

**An organic national strategy
and systematic public governance:
strategic factors for promoting destinations
and incentivising a proper tourism industry**

32

A country's regulatory and institutional governance system constitutes an important lever for developing the tourism sector. While Italy's main European competitors (France and Spain) have developed a regulatory and institutional framework over time that is capable of effectively promoting their respective tourist destinations and incentivising a proper tourism industry, significant problems persist in Italy that can no longer be ignored.

Public tourism policies at state and regional level are **very poorly coordinated**; what the industry really needs is an organic, long-term strategy aimed at integrating and guiding the various public policies, including those that have a more indirect impact on tourism. The 2010 Tourism Plan has already set out many strategic actions required for innovative tourism, but this strategy has proved to be lacking in terms of the concrete implementation and speed of execution of top-priority solutions.

As well as a national strategy for the tourism industry, combined with efficient planning of available domestic and European resources, action also needs to be taken to remedy **public governance**, which is **fragmented and uneven** in terms of legislative and administrative jurisdiction (currently distributed unevenly and ineffectively between the central government and the regions).

A further weakness in governance can be found in **the absence of a national system that can effectively promote** and market a unified image of Italy and its tourism supply abroad. Moreover, the regions have already spent considerable public resources to promote their own areas, with no concrete results in terms of penetrating international markets.

Finally, **the tax regime applied to tourism** is a key issue. This should be structured in such a way as to promote the development of the tourism industry and innovative start-ups, with a focus on raising revenue in a balanced, transparent and standardised way. Such resources must be invested to achieve growth in the quality and sustainability of Italian tourism, which should be treated as a core sector of the Italian economy, instead of being tacked on to other industries as an afterthought.

Some recent regulatory initiatives could be crucial in relaunching the sector with better governance and effective incentives for businesses.

2.1 The European regulatory context. In Europe, tourism constitutes the third-largest socio-economic sector in terms of both GDP and employment, after the commerce and construction sectors. Moreover, the sector is one of the few to have had a positive impact on economic growth, employment and social development, despite the economic-financial crisis and growing competition from regions of the world.

Tourism is the third-largest socio-economic activity in Europe

33

According to European Commission estimates, the tourism industry, in the strictest sense of the term, comprises about 1.8 million businesses (mainly SMEs), generates between 3% and 5% of EU GDP, and accounts for about 5.2% of employment. If we consider all the economic sectors linked to tourism, such as transport, construction, the environment and culture, the contribution increases, exceeding 10% of GDP and 12% of total employment.

The tourism industry therefore constitutes a key sector in the European economy that can contribute substantially **to growth, to employment and to European social development** and, ultimately, to the implementation of the “Europe 2020” strategy.

Growing awareness of the importance of this sector and the desire to guarantee Europe’s leadership as the world’s top tourist destination have led **European institutions to adopt a new policy approach and an innovative regulatory framework**, in order to direct Member States towards common goals and principles and encourage them to take coordinated action, inspired by the principle of loyal cooperation.

The Lisbon Treaty recognised the importance of tourism for Europe and set out specific European duties in the sector. In particular, with the entry into force of the Treaty on the Functioning of the European Union (TFEU), **the European Union (EU) acquired new responsibilities in the tourism sector** with a view to supporting, supplementing and coordinating the action of the Member States in order to promote the competitiveness of the EU’s tourism businesses.

Tourism in Europe therefore has a new legal basis that legitimises the power of European institutions to intervene in the sector and, through the ordinary legislative procedure, adopt specific measures to support, coordinate and supplement the action of the Member States. Nevertheless, the Treaty expressly excludes the possibility for the European Council and Parliament to harmonise the legislative and regulatory provisions of the **Member States, which definitively retain legislative, regulatory and administrative competence over tourism**.

In order to safeguard competition in the European internal market, it is necessary for nations to be responsible for tourism as they are for other sectors of economic importance, in compliance with the principle of the free movement of goods, capital, services, workers and people, freedom of establishment, and the mutual recognition of professional qualifications².

Europe’s new remit is to promote the competitiveness of tourism businesses

It is worth pointing out that the recently acquired European responsibility in the tourism sector is dependent on the **promotion of the competitiveness of EU businesses**, and that in this context the EU must act in order to encourage **cooperation between Member States**, in particular through the exchange of good practices, and to encourage the creation of a propitious environment for the **development of a proper tourism industry** aimed at maximising the contribution of economic-social growth and employment at European level.

Businesses are therefore at the core of the European policy, particularly SMEs, which are called upon to tackle great changes, of which the following have already been discussed in depth:

- the evolution of tourist demand and demographic trends;
- overcoming the economic crisis and the scarcity of resources;
- climatic, political and social changes;

(1) See art. 6, lett. d), and art.195 TFEU.

(2) Some problems relating to competition have arisen in Italy and continue to be critical today, with reference to two different issues: the rules and duration of public maritime concessions, including those granted for tourism and recreational purposes, and the mutual recognition of tourist guide qualifications. In both cases, Italy has been the subject of specific procedures for violating European law, in particular the rules on freedom of establishment and the services directive (Dir. 2006/123/EC, the so-called Bolkestein directive).

- global competition, especially from emerging countries;
- the development of ICT and the digitalisation of distribution channels;
- the growth of the sharing economy.

In order to meet these challenges, the EU has reinforced its own policy for the sector, with the adoption in 2010 of a political framework of action for tourism, based on four priority actions³:

- stimulate the competitiveness of the tourism sector in Europe;
- promote the development of sustainable, responsible and high-quality tourism;
- consolidate the image and visibility of Europe as a set of sustainable and high-quality destinations;
- maximise the potential of EU policies and financial instruments for the development of tourism.

Moreover, given the fact that **tourism impacts on a wide range of other fields**, European tourism policy, centred on the economic-entrepreneurial system, must also incorporate other European public policies, such as those regarding:

- employment and regional development;
- sustainable development;
- making the most of natural and cultural heritage;
- the definition of a European identity;
- transport.

Only through integrated public policies can we optimise the economic, environmental and socio-cultural benefits linked to the tourism sector. One need only think of infrastructure and national, European and trans-European links, which are needed to guarantee not only the freedom of movement of people, but also easy access to Europe and its countries' various tourist destinations. In other words, governments must provide or guarantee adequate infrastructure (airports, railways and road links) so that tourists from all over the world can reach the many European destinations and move easily and safely throughout the entire continent.

Finally, it is worth noting that the task of establishing the political-administrative direction and setting out a coherent framework of action on tourism has been assigned primarily to the **European Commission's DG Growth**, which is in charge of the "**Internal Market, Industry, Enterprises and SMEs**".

The allocation of responsibilities in the sector to this institutional structure is particularly significant, since it constitutes **a precise policy and governance choice** aimed at the **development of the business and industrial dimension of European tourism**, which also ought to influence the strategy, governance and action of the Member States.

The entrepreneurial focus of the EU's policy does not rule out the development of the cultural, social and environmental aspects of the tourism sector, which the EU intends to reinforce, as envisaged in the European Parliament's recent Tourism Report⁴.

European action on tourism is concentrating on specific initiatives aimed at:

- improving, deseasonalising and diversifying European tourism products and supply, focusing particularly on tourism that is sustainable and accessible to everyone, including the underprivileged and the disabled;
- supporting the tourism business in Europe, concentrating on the improvement of the professional

(3) The European Commission has published several strategic guidelines for the development of the tourism sector, including: COM (2007)621 of 19 October 2007, *Agenda for a sustainable and competitive European tourism*, which introduces the option of sustainable development to guarantee the long-term competitiveness of tourism; COM (2010)352 of 30 June 2010, *Europe, the world's No. 1 tourist destination - a new political framework for tourism in Europe*, which analyses the factors behind and obstacles to the competitiveness of tourism and its sustainable development; COM (2012)649 of 7 November 2012, *Implementation and development of the common visa policy to spur growth in the EU*, which aims to increase flows of tourists from third countries through the common visa policy; COM (2014)86 of 20 February 2014, *A European strategy for more growth and jobs in coastal and maritime tourism*, in order to promote the sustainable growth and competitiveness of coastal and maritime tourism. See also COM (2014)464, a green paper on *Safety of tourism accommodation services*.

(4) Resolution of the European Parliament of 29 October 2015 on *New challenges and concepts for the promotion of tourism in Europe*.

skills of workers in the sector, the digitalisation of businesses and services, and the reinforcement of cooperation between companies that are active in the tourism and culture sector;

- promoting “Destination Europe” by, *inter alia*, simplifying European visa rules⁵.

The European Commission recently relaunched an interesting instrument that provides evidence of how necessary and important it is to contextualise European tourism, in all its national variants, in order to improve our socio-economic knowledge of the sector and base public policies on concrete evidence. This instrument is the **Virtual Tourism Observatory**⁶, a portal that collects information, data, statistics and analyses of tourism flows and trends in Europe and in Member States.

FOCUS

European principles for quality tourism

The high quality of tourism and associated services offered by businesses is essential for competing in an increasingly dynamic and competitive market. Also essential are access to, communication of and dissemination of reliable, up-to-date, accurate and multilingual information regarding the characteristics and quality of a given tourist service, in such a way as to allow tourists to distinguish between competing products and make an informed choice.

Some Member States manage national, subnational or regional public quality systems of a voluntary nature. The tourism industry itself is the architect of a broad range of initiatives at regional, national or transnational level. In most cases these initiatives concentrate on specific aspects of the quality of service of a given sub-sector or geographical area.

These **quality systems differ considerably from one another and are not at all consistent in terms of sectoral scope, geographical coverage, governance, methodologies and evaluation criteria**. Until now, the EU has concerned itself with protecting the rights of travellers and consumers for “package holidays”, reduced roaming charges, and simplified access to healthcare in all EU countries, but has not regulated the subject of information on the quality of tourism services.

The current fragmentation of quality assessment systems can generate confusion and have a negative impact on the competitiveness of European tourism. In order to overcome this problem, in February 2014 the European Commission proposed the adoption by the Council of **a specific recommendation on European principles relating to the quality of tourist services**, opting, therefore, for a “soft law” solution, i.e. one that is not binding for the Member States.

Principles proposed in this way are applicable on a voluntary basis by public and private organisations and, if adopted, should reinforce the competitiveness of Europe compared to emerging destinations by focusing on the quality of the tourist services offered to EU consumers. The aim is to help operators to promote the quality of services and reinforce consumer confidence, concentrating on four fundamental aspects:

- training the staff who provide tourist services;
- adopting and applying a consumer satisfaction policy;
- applying specific cleaning and maintenance programmes for facilities;
- correct, reliable, clear and multilingual tourist information.

From this standpoint, the Commission must facilitate the exchange of best practices and experiences; Member States are asked to promote the adoption of these principles in their territories and coordinate and monitor their application.

(5) It has been estimated that the visa system regime was responsible in 2012 for a potential loss of 6.6 million travellers from six main target markets, equivalent to €5.5 billion in terms of direct contribution to GDP (European Commission, 2014). European visa rules are currently set out in the Community Visa Code, Regulation (EC) no. 810/2009, which permits visitors from 42 countries outside the EU to enter without a visa. In 2014, the European Commission proposed simplifying the rules for obtaining a European entry visa, for example with the introduction of more flexible rules on consular cooperation, with a view to stimulating the European economy and incentivising the arrival of international tourists. In this regard, see European Commission Communication COM (2014)164.

(6) <https://ec.europa.eu/growth/tools-databases/vto/home>

2.2 Resources and financial instruments in Europe. European funding of tourist initiatives has traditionally been provided within the framework of the policy of cohesion, through support for structural funds, principally the European **Regional Development Fund (ERDF), which in Italy is dedicated in particular to the regions of the south**. Between 2007 and 2013, the tourism sector benefited from European resources by means of different programmes and financial instruments within the framework of environmental policy, research and innovation, culture, education and employment.

For the **new programming period, 2014-2020**, the EU reinforced its financial commitment to the development of tourism because of the strategical significance of the sector and with the aim of tackling the economic-financial crisis and the consequent difficulty of sourcing the funds required for innovation in the sector, especially at digital level. Nevertheless, **there is no line of intervention, programme or financial instrument dedicated exclusively to tourism**.

As a general rule, the tourism sector can therefore be funded within the framework of the new cohesion policy and through the **European Structural and Investment Funds (ESIFs)**, with additional co-funding from Member States. The funds are:

- **ERDF - European Regional Development Fund**, which can mainly benefit the less developed regions, which must concentrate their resources on projects – including those in the tourism sector – aimed at environmental sustainability and energy certification (low-carbon economy), research and innovation, ICT development, competition and attractiveness of the production system, and the optimum use of artistic, natural and cultural resources;
- **CF - European Cohesion Fund**, which aims to reduce economic and social disparities and promote sustainable development, especially investments in the environment sector;
- **ESF – European Social Fund**, which can co-finance projects for improving the productivity and quality of employment and services in the tourist sector through investments in professional education and training, including by means of targeted courses, along with grants for starting up tourism micro-businesses;
- **EAFRD - European Agricultural Fund for Rural Development**, which can sustain and contribute to the improvement of the quality of tourism as a tool for the diversification of the rural economy;
- **EMFF – European Maritime and Fisheries Fund**, which can encourage the diversification of activities in zones that depend on fishing by means of alternative solutions, such as ecotourism.

New programmes are also envisaged, which partly incorporate existing financial tools from the previous planning period, and permit financing, governed in a simpler way (for example, in terms of access to information and the harmonisation of procedures), of new types of initiatives and actions relevant to sustainable and competitive tourism⁷.

For the 2020 time horizon, the main European programs that permit the funding of projects linked directly or indirectly to tourism are:

- **COSME – Programme for the Competitiveness of Small and Medium-sized Enterprises**, which, among other things, can support specific interventions in the tourism sector, with the goal of improving businesses' access to funding. The financial allocation to COSME (the **only programme with a specific funding line dedicated to tourism**, amounting to € 108.9 million until 2020) is assigned following calls for proposals⁸;
- **Horizon 2020 – EU Framework Programme for Research and Innovation**, which, despite being a general European programme, envisages specific measures for supporting tourism by

(7) See European Commission (2015c) for further information.

(8) The COSME work programme for the year 2015 alone envisages European subsidies aimed at: 1) increasing tourist flows in low season; 2) diversification of European tourism products and supply; 3) improving the quality, accessibility and sustainability of tourism and its responsibilities, information and innovation; 4) improving the socio-economic knowledge of the sector and increasing Europe's visibility as a tourist destination that brings together many different national and local tourism destinations. COSME improves SMEs' access to funding through two financial tools that have been available since August 2014: the Loan Guarantee Facility (LGF) and the Equity Facility for Growth (EFG).

The European Structural and Investment Funds provide an opportunity that should not be missed

There are also European Programmes for funding tourism

funding innovative applications and solutions for tourist services in sectors such as ICT and sustainable transport;

- **Life (2014-2020) - Action Plan for the Environment and the Climate**, composed of two sub-programmes dedicated to the environment and to the climate respectively. Though there is no explicit reference to tourism, the European programme can allow the funding of tourism projects linked to environmental sustainability and biodiversity;
- **Creative Europe**, a framework programme for the cultural and creative sector that, among other things, supports projects for transnational cooperation between cultural and creative organisations inside and outside the EU. The programme also supports the European capitals of culture and the European heritage brand.
- **Erasmus+**, which makes it possible to incentivise education and training for students and young entrepreneurs, in the tourism sector and other industries;
- **EaSI – Programme for Employment and Social Innovation**, which can finance programmes for employment, social solidarity, worker mobility, and the development of small businesses and social enterprises, in the tourism sector and other industries.

Finally, note should be taken of the importance of the **European Fund for Strategic Investments (EFSI)**, established at the European Investment Bank (EIB) in order to implement the Investment Plan for Europe (the **Juncker Plan**). The EFSI must mobilise investments towards the real economy, in synergy with the EIB and national development banks, in sectors such as infrastructure, innovation and energy efficiency, and in specific projects that can have a direct or indirect impact on tourism and which aim to promote job creation, long-term growth and competitiveness.

Tourism is among the strategic investments of the Juncker Plan

Furthermore, the EFSI can support mid-cap companies and SMEs, especially innovative ones during the start-up stage, through instruments such as equity investments, quasi-equity tools and other instruments. Part of the overall investments catalysed by the EFSI is earmarked for SMEs through the European Investment Fund (EIF), which is part of the EIB group. The SME section of the EFSI also aims to strengthen the funding activities conducted within the framework of the COSME programme, thanks to the guarantee provided by the EIF.

EFSI regulations do not exclude, and indeed promote, full complementarity between the sources of financing offered by the EFSI and those of the European Structural and Investment Funds. The Member States can, therefore, **use the structural funds for integrating EFSI investments into eligible projects**, and are also allowed to use innovative financial instruments instead of traditional subsidies.

Finally, in the recent Report on Tourism, the European Parliament urged the Commission, the Member States, the regions and the authorities responsible for tourism, along with businesses, particularly SMEs, to fully exploit the new funding opportunities offered by the EFSI, especially through **national and regional investment banks**. We can only agree with the invitation of the European Parliament to the Commission to assess the possibility of **creating a section dedicated exclusively to tourism in the next Multiannual Financial Framework**, so as to recognise tourism as a distinct economic activity in terms of budget and interventions, instead of being funded through the budg

2.2.1 Programming of European funds in Italy

In Italy, the European resources for tourism for 2007-2013, mainly coming from the ERDF, were managed within the framework of the Regional Operational Programmes (PORs) and the Interregional Operational Programme (IOP) "Cultural, Natural and Tourist Attractions". This programme constituted a first attempt at supraregional programming, aiming to make regional areas more attractive to tourists by enhancing natural, cultural and landscape resources, as well as upgrading hospitality and accommodation structures and services to international standards.

Generally speaking, **over the years Italy has not shown itself to be capable of exploiting European resources fully and effectively**, because of the fragmentation of interventions and responsibilities, the

operational inadequacy of the planning, and the widespread inability of government authorities to spend the available resources completely and in the scheduled time frame. In the particular case of tourism, it must also be considered that, as it does not constitute an independent sector within the EU's programming framework, **it has often benefited from resources earmarked for wide-ranging purposes** (protecting jobs, developing the environment and cultural resources, innovation, entrepreneurship, etc.). This has placed potential beneficiaries in competition with one another, thereby **reducing their effectiveness for the sector**. Furthermore, though they have contributed indirectly to the development of the tourism supply by acting in particular on infrastructure profiles and transport systems, the resources of the European funds have not been integrated into projects across different territorial levels or in coordination with other interventions, such as the development of cultural resources, as it was not possible to distinguish those resources expressly dedicated to tourism.

Considering only projects involving interventions for the protection and development of natural and cultural resources and those relating to tourist services, as at 30 June 2015⁹, about 6,700 projects had been funded, for a total of €4.1 billion (including national co-funding), covered almost entirely by the ERDF, with 70% was concentrated in the regions of Campania, Calabria, Puglia and Sicily. The 2007-2013 EU resources were **predominantly allocated to projects for the development of culture**, rather than to protecting nature or to projects that are more directly linked to tourist services. In the southern regions, to which most of the funding is directed, several projects are overbooked (absorbing greater resources during implementation than are budgeted for). However, in June 2015, only one third of the projects were found to have been completed, thanks mainly to the POIN "Cultural, Natural and Tourist Attractions", which had funded half of the completed projects. The performance of the operational programmes in the southern regions was much more modest: here, only one tenth of the funded projects had been completed. In most cases, the projects are small-scale ones, with average funding of around €600,000.

In order to remedy these problems, it was decided to adopt a new approach at European level for the 2014-2020 period, with the definition of an innovative programming instrument: the **Partnership Agreement**, which was approved by the European Commission on 29 October 2014. This agreement finalised the strategies, methods and spending priorities of the European Structural and Investment Funds, following a systematic approach and a results-oriented logic: make investments in order to achieve 11 specific thematic objectives (TOs) by 2020.

On the basis of this agreement, Italy can count on about €44 billion of European resources and another €20 billion from national co-funding, mainly for channelling into less economically developed regions (Campania, Puglia, Basilicata, Calabria and Sicily), and managed by means of new national and regional operational programmes, oriented towards the 11 TOs¹⁰.

Within the framework of the agreement, tourism **is still not a TO in its own right** or an independent sector, but is principally covered in TO no. 6, whose goal is **protection of the environment and development of resources (nature, culture and tourism)**. Linked to this goal are resources of €2.3 billion, from the ERDF, to be used for preordained operations for the development and improvement of the conditions and standards of the supply and the exploitation of the natural, environmental, cultural and tourist heritage, as well as the relaunch and competitive repositioning of tourist destinations during low-season periods¹¹.

The financial contribution to the sector can be linked to **research, technological development and innovation** (TO no. 1) and the **promotion of the competitiveness of small and medium-sized enterprises** (TO no. 3), which, along with TO no. 6, constitute the lines of intervention that with potentially the biggest impact in terms of funding the tourism sector.

(9) OpenCoesione (2015)

(10) Of the total of €44 billion, €32.2 billion come from the cohesion funds (€20.6 billion from the ERDF; €10.4 billion from the ESF; €10.4 billion from the EAFRD; €537 million from the EMFF; €1.1 billion from European territorial cooperation; and €567 million from the Youth Employment Initiative (YEI)).

(11) The operational programmes must identify current and/or potential tourist destinations and specify choices and actions aimed at the competitive repositioning of the various territories, bearing in mind the potential tourist value linked to the provision of natural and cultural resources and to the variety of goods and services offered, as well as other requirements, such as accessibility and capacity for accommodation, entertainment and communication. Competitive repositioning will also require the definition of managerial processes which, bearing in mind the territorial potential, can identify the target and market of reference and put in place marketing and customer satisfaction monitoring tools.

Generally speaking, the aim of the funding drawn from European resources is to contribute towards a general increase in visitor numbers and entrepreneurial activities on the market, as well as to boost the tourism system as a whole.

Since 2014 it has been the **responsibility of the Ministry of Culture and Tourism (Mibact) – to provide centralised programming and management of the structural funds and to promote the investments they are responsible for abroad and in Italy**. Furthermore, in liaison with Italy's national tourism agency (ENIT), it can promote actions for exploiting the wealth of variety of Italian tourist destinations through the implementation of interventions in favour of the tourism sector, using both national funds and programmes that are co-funded by the European Union.

Mibact's competence is crucial to the programming and management of European funds

It is essential that the authority responsible for managing the European funds knows how to best exploit the available public resources, integrating them with private resources, without fragmenting the funds excessively, and whilst orienting them towards integrated projects. In this context, the government has drawn up the **Masterplan for the Mezzogiorno**, a plan to capitalise on the south's best features and stimulate the region's economy.

Focus

The "Culture and Development" National Operational Programme 2014–2020

In line with the thematic objectives of the Partnership Agreement, Mibact drafted the first National Operational Programme, "Culture and Development 2014-2020", approved by the European Commission in February 2015 and dedicated entirely to culture.

A national programme managed by Mibact, it has total funding of €491 million, of which €368.2 million comes from the ERDF and €122.7 million from national co-funding.

This programme involves five regions in the south (Campania, Puglia, Basilicata, Calabria and Sicily) and is aimed at protecting and promoting their cultural wealth (about 60 cultural attractions) as a strategic asset that has the potential to have positive effects for the tourism industry in the south of the country. Moreover, the programme includes the **funding of businesses in the culture sector and of the exploitation of cultural and tourism resources linked to the cultural and creative industries**.

The foundations of the new national plan are:

- **reinforcement of cultural facilities**, including in terms of consolidating and upgrading services that are closely linked to cultural and tourism exploitation (funds of about €360 million – TO no. 6). The intervention targeting the promotion of state cultural locations will involve about 60 attractions and, in terms of expected results, should have an effect on the levels of demand for exploitation, with an increase of about 9% in visitor numbers to cultural heritage sites involved in the National Operational Programme by 2023.
- **activation of potential areas for development in relation to culture** (funds of about €114 million – TO no. 3). The goal is to stimulate an increase in the economic activities linked to the cultural facilities that can compete and to increase the attractiveness of the surrounding areas of the cultural attractions. As regards all the businesses involved, both profit and non-profit, the expected results envisage increasing the numbers of operators and relaunching and reinforcing private investments, and should also see direct consequences throughout the territory in terms of improving the systems for managing cultural assets and increasing the offer of tourism and cultural assets.

It is obvious that such an operational programme, centred essentially on culture, has many merits, including the centralisation of programming at national level with important and potentially positive repercussions for tourism. However, **the funding of this sector essentially remains ancillary to the cultural dimension**.

2.3 Finding an organic national strategy. Cultural, historical, artistic and landscape heritage are key assets for Italy, which the public authorities must promote, develop and protect pursuant to Article 9 of the Constitution.

The **constitutional rules** have decidedly influenced public tourism policies, which have essentially been **oriented towards cultural tourism**. The idea that culture is conceived as the real driving force behind Italian tourism is also well represented by the current national governance configuration, which makes Mibact the point of reference for both sectors.

The awareness that tourism, in synergy with the culture sector, constitutes an essential factor in the Italian economy that is capable of generating inclusive growth and employment is also highlighted in the latest Economy and Finance Document (EFD, 2015), which establishes the government's commitment to setting out the definitive operational interdependence of tourism and culture.

In a context of global competition, cultural heritage unquestionably constitutes a unique and strategic asset when promoting Italy as a tourist destination, but **it would also seem reductive to believe that an effective national strategy can be based exclusively or essentially on culture and tourism alone**.

In order to grasp the multiple aspects and considerable potential of Italian tourism, which go beyond the country's cultural assets or natural beauty, what is necessary above all is a **national strategy centred on the promotion and development of the tourism industry**. An important step in the right direction has been taken with the "Art Bonus" decree¹², which contains innovative provisions not only for the development of culture, but also for relaunching Italian tourism, mainly through the reform of central governance and various measures for supporting businesses in the sector.

Starting from the main international recommendations for promoting tourism and analysing the current **Italian situation**, characterised essentially by a **plurality of public policies that are not very systematic and only partially implemented**, it can be noted that, while Italy has taken the right path, it still has a long road ahead to create a proper national organic strategy.

Public policies that concern or interfere with tourism should be implemented in units and converge in a **national strategy that should have a global approach** and a long time span, and should integrate in an organic way:

- **the promotion and relaunch of tourism**, with a view to sustainability and improved supply quality, with a particular focus on the centre and south;
- **improvement of tourism entrepreneurship and tourism services** with a view to progressive aggregation, greater digitalisation and an international scope;
- **the attraction of foreign capital and promotion of the "Made in Italy" brand**, in order to incentivise Italian and foreign investments.

Above all, an effective strategy of this type requires great political commitment to **making tourism an industrial sector that is central to the nation's sustainable growth and less dependent on individual sectors, such as culture or commerce**. Otherwise, there is a risk of making interventions that are sound from a regulatory and institutional standpoint, but substantially ineffective in terms of the operational results for the country system. Also necessary is strong **central governance and action that is integrated and properly coordinated between the various administrations in charge** in fields that have an important, though indirect, impact on tourism, such as Economic Development and Transport.

(12) D.L. no. 83/2014, transformed into Act no. 106/2014

2.3.1 International recommendations. The G20 countries have recognised that tourism constitutes a driver for creating jobs, economic growth, and social and cultural development. In 2014, the OECD, which analyses the trends and public policies relating to tourism in over 50 countries, provided national governments with some strategic indications for promotion and competitiveness in different tourist destinations, recommending¹³:

The OECD recommendations are strategic for promoting the industrial development of tourist destinations ...

- **greater consistency between government policies** concerning different sectors, such as innovation, transport, taxation, the quality of services and the visa system. These are subjects that have a high impact on tourism, especially in terms of the competitiveness of tourist destinations;
- **closer coordination, including at international level, between policies on transport, tourism and sustainable energy**, bearing in mind the close interdependence between tourism, transport (air travel), the environment and climate change;
- **better assessment of tourism policies**, considering the great pressure on public finances in many countries. Monitoring, evaluation, and detailed and systematic analysis of existing taxes and incentives could, for example, provide the necessary elements on which to build a policy of sustainable and long-term growth in the tourism industry;
- **the development of adequate skills** in relation to market evolution and in line with new technologies, new media, and consumers' digital culture. This requires the joint commitment of the government and tourism industry;
- a guarantee of **greater ease of movement for travellers** (in regular and low-risk situations), directing limited resources to sectors that have a greater need to reinforce border security and meet specific economic and other needs.

Governments should draw up their own tourism strategies over a long-term horizon whilst taking such recommendations into consideration, **fully exploiting not only tourism's cultural and social dimension, but also the entrepreneurial and industrial aspect**, on the assumption that it constitutes a sector of the economy and industry, as well as a great driver for exporting Italian products.

The latest specific OECD document on Italian tourism¹⁴ notes that the sector constitutes one of the economic sectors with the greatest potential for long-term development. Nevertheless, there are obstacles that must be overcome in order to compete in a constantly changing global market.

If it is to exploit the competitive advantages associated with its natural, artistic and cultural wealth, Italy must above all **reinforce its tourism supply** and **promote a favourable context for tourism**, as well as **investing in the sector in a strategic manner** and with a long-term view.

... in particular the policy guidelines for improving the Italian context

Required for this purpose are rational and effective national governance and the development of more efficient tourism policies at national and regional level. Furthermore, **public policies should be based on an effective assessment of consolidated statistical information in order to improve both action planning and the assessment of results**. Lastly, it is crucial to focus on marketing, tourism promotion, education, and training.

In short, Italy needs a **long-term tourism strategy** that places economic, competitiveness and sustainability issues at the centre of the country's development. A policy of this type should, in particular:

- select an **integrated government approach** that pays particular attention to projects linked to the development of sectors such as industry, transport, culture and the environment;
- precisely identify the **priorities and strategic themes** of the national commitment to the tourism sector;
- clarify the support programmes and reinforce regional commitment to the **tourist development of Italy's south**;
- **make optimum use of the resources available**, including European funds and financial instruments.

(13) OECD (2014a)

(14) OECD (2011)

2.3.2 Public tourism policies. In Italy, a great many programmatic documents have been adopted over the years with direct or indirect links to tourism, but they have often been very generic and poorly coordinated with one another because of their delayed or inadequate implementation.

The main guidelines for the tourism sector are today contained in the **Strategic Plan for Tourism in Italy**: “Turismo Italia 2020. Leadership, Lavoro, Sud” (the “Gnudi Plan”)¹⁵, which identifies the challenges facing the Italian tourism industry and at the same time indicates 60 strategic actions that can be traced back to the following priorities:

- **reform of governance** of the sector in order to overcome the fragmentation and lack of coordination between government and regional public policies;
- the relaunch and reinforcement of Italy’s **national tourism agency, ENIT**, in order to guarantee coherent promotion in Italy and abroad;
- the improvement of the tourism supply, aiming at the identification of 30-40 priority **tourism hubs** for the development of international tourism and the creation of one or two big new tourism hubs in the south, financed partly by European funds and financial instruments;
- **upgrading of hospitality structures** in order to make them more competitive at international level, through consolidated and uniform classification systems;
- incentivising the entry of **Italian and foreign capital** in order to overcome the sector’s difficulties attracting private and international investments, for example by rethinking the tax structure;
- investment in **developing the skills of tourism operators across the supply chain** by means of advanced professional training and communication initiatives;
- improvement of **transport and infrastructure**, which are often insufficient for facilitating the movement of both foreign and domestic tourists all over Italy.

The actions and strategic solutions envisaged in the Gnudi Plan seem to have inspired some regulatory and institutional reforms in the sector, though **a large part of the plan has never been implemented**.

Further tourism measures of a programmatic nature are contained in the “**Destinazione Italia**” plan, in which the government, specifically the Economic Development Ministry (Mise), indicates among other things solutions for developing a kind of tourism that is capable of grasping global opportunities and attracting foreign capital and investors (measure 22)¹⁶.

Priorities in this respect include:

- **stimulating the dimensional growth of tourism businesses** by granting – in accordance with European rules – tax benefits and contributions to enterprises that join together (including in the form of business networks); granting incentives to greenfield and brownfield investments in tourism development that can create jobs and, finally, the promotion of paths towards the simplification of administrative procedures aimed at promoting foreign investments in the sector;
- **guaranteeing coherent national hotel classification** rules in line with European and international standards;
- **incentivising investments that are above a minimum threshold** for the purposes of developing selected tourism hubs, especially in the south;

(15) Prime Minister’s Office (2013).

(16) Ministry of Economic Development (2013). Some measures in the plan were immediately incorporated into the “Destination Italy” Decree Law (no. 145/2013), which was transposed into law by Act no. 9/2014. As regards tourism, the decree envisaged only one tourism-related measure, establishing that projects that identify one or more coordinated promotional and hospitality actions would be funded for the purpose of promoting the coordination of tourist hospitality ahead of EXPO 2015.

- **deseasonalising tourist flows**, i.e. developing a calendar of specific events and creating secondary circuits, segmenting demand and increasing targeted promotion products and actions, and targeting agreements with agencies and tour operators for the promotion of conference tourism, “Italian spa” products, and the wellness sector.
- **upgrading tourism education**, rendering careers in the sector more attractive, especially through the enhancement of management skills in the hotel and culture sector;
- **developing a digital strategy for tourism**, starting from the exploitation of the “Italia.it” portal as a communication and promotional-marketing platform that would include the regional portals; exploiting social networks and adopting measures for incentivising the tourism-related innovation of products and services;
- **incentivising tourist activities with a low environmental impact**;
- **generating large economic flows with limited public investments**.

The government document envisages further measures that are specifically conceived for **promoting cultural heritage** (measure 23), in line with a common sustainable development model that is based not only on public funding, large cultural institutions and important events, but also on the planning and reorganisation of growth at territorial level.

The culture and tourism industries share considerable affinities and links, and both supply chains must be integrated so as to act as drivers for attracting foreign and private investments.

In addition to measures 22 and 23 are countless **provisions that have a potential indirect impact on tourism**: tax agreements to guarantee certainty for investors; simplification of the authorisation process; the measures for favouring investments in the property market, facilitating changes in the designated use of buildings; simplification of the issue of tourist visas¹⁷.

A subject that remains crucial for the development of tourism is the digitalisation of tourism businesses and services. In addition to the aforementioned “Digital Tourism Laboratory”¹⁸, particular importance is attached in this context to the **Government Strategy for Digital Growth 2014-2020** of March 2015, which contains a specific line of action dedicated to **digital tourism**, partly in order to stimulate the demand for broadband and next-generation networks.

The strategy envisages **two priority interventions**:

- defining proposals of action for digitalising public and private operators in the tourism sector in order to grow their competitiveness;
- defining proposals for advanced solutions and tools for strategic digital marketing of Italian tourism.

The **urgent actions** are:

- the creation of a “**digital tourism ecosystem**”, i.e. a set of rules and conventions, skills and professions, infrastructure and technological systems that make it possible to manage digitalisation and promotional marketing at national level and which can lead to the standardisation of IT components;
- the creation of a “**digital ecosystem of culture**” to promote Italy’s cultural assets through digitalisation of data and services linked to sites of historical-artistic interest;
- collaboration and the **exchange of best practices** on their portals between the individual regions;

(17) In order to increase tourist flows from large foreign countries towards Italy, in particular by simplifying visa procedures, between 2011 and 2013 the Italian authorities drew up agreements through ENIT with the Ministry of Foreign Affairs, for the reinforcement of the capacities of diplomatic missions and consular offices (particularly in Russia, China and India), so as to respond rapidly and efficiently to visa applications. Thanks to these agreements, there has been a notable increase in the number of visas issued since 2011: +46% in China, + 26.5% in Russia, and +6.8% in India.

(18) See par. 1.3.1

- the development of **“Italy’s digital brand reputation”**, with a focus on all levels: institutional (presence of the brand, recognisable and consistent on all channels); administrative (definition and adoption of rules and methods for using the brand), and operational (definition and adoption of instruments for using the Italian brand).

It is evident from the analysis of the three most recent national strategies that concern tourism more or less directly (Turismo 2020; Destinazione Italia; Crescita digitale) that there are many policy guidelines that **suffer from late implementation and are ineffective from a systematic perspective**, despite having led to the adoption of innovative measures – for example, as regards the relaunch of ENIT and tax incentives for the digitalisation of businesses.

The coordination of government and regional public policies is fundamental

Moreover, there are **multiple and heterogeneous regional public policies on tourism** (virtually every Italian region must draft and update three-year and/or annual plans), even if there is no effective and efficient long-term plan for tourism. In addition to this is an accumulation of government and regional regulations which, as will be seen in the next paragraph, govern the matter and the phenomena themselves in a quite fragmented and uneven manner, often overlapping and giving rise to institutional conflicts.

Therefore, although the **multiplicity of government guidelines indicate the correct direction**, it is necessary to intensify the commitment to creating **a more organic and coordinated national strategy for the sector**, centred on the sustainability and promotion of a tourist industry that is capable of competing at international level, and which must be combined with effective governance of the national tourism system.

An important role can be played within this framework by the recently installed **Permanent Committee** for tourism, which is charged with drafting the **Strategic National Plan for Tourism**. It can only be hoped that this committee will make strategic choices at operational level and identify priority investments without overlooking important themes that have still not been tackled: the need to regulate the phenomenon of the sharing economy and to create an integrated infrastructure and logistical system.

Focus

Tourism planning in Spain

The Spanish experience is of great interest in terms of programming capacity. It is well known that for quite a few years, Spain has been among the leaders in international tourism classifications. In 2014, it was in third place in terms of international arrivals and second in terms of foreign currency income from tourism. Spanish returns from international tourism are over 40% higher than Italian ones; calculated on the basis of the number of UNESCO sites, they amount to about \$1.5 billion per site, compared to less than \$1 billion for Italy. To put that another way, **Spain draws far more from its historical, cultural and nature assets than our country does.**

One of the strengths of Spanish tourism can unquestionably be found in broad-ranging national planning that has always focussed considerable attention on the **strategic vision** of the sector, and on the **functionality and feasibility of the options identified** as decisive. In the *Plan del Turismo Español 2020*, an operational plan was defined alongside the breakdown of the goals and strategies for the development of Spanish tourism, concentrating on the implementation and completion of interventions for an initial sub-period (2008-2012).

Later, in 2012, a national tourism plan was launched: the *Plan Nacional e Integral de Turismo (PNIT)* for the period 2012-2015, aimed at reinforcing Spain’s role as the world’s leading tourism nation by relaunching the Spain brand, improving tourist loyalty and improving the procedures for issuing visas, as well as other initiatives intended, for example, to reduce the seasonal nature of tourism.

What appears worth highlighting above all is how Spain, with these plans, has effectively launched a **plan for the country**, telling potential tourists about itself, including via its highly effective portal (www.spain.info), thereby improving not only the image of tourist Spain but also that of the entire country, with positive effects on national wellbeing, wealth, production and employment.

2.4 The problem of governance and the regulatory framework. The

governance of the Italian tourism system is characterised by fragmentation of responsibilities and regulatory, organisational and managerial uncertainty. This has led to overlapping rules, power conflicts and considerable institutional instability, with negative repercussions in terms of the competitiveness and attractiveness of our country for foreign tourists and investors.

This situation can be linked above all to the current **division of legislative responsibilities between the government and the regions**, inaugurated with the constitutional reform of 2001, which, by reforming Article 117 of the Constitution, suppressed the “hotel industry” area and moved the “tourism” area away from the concurrent responsibility of government and regions to the exclusive residual responsibility of the latter. The regions can therefore regulate tourism in ways that differ from one another, without being required to respect the fundamental principles laid down by the government’s framework laws.

Regional responsibility for tourism has fragmented the regulatory system

The regionalisation of legislative functions regarding tourism, furthermore, did not result in the annulment of the pre-existing body of government regulations (Framework Law no. 135/2001), which led to the **stratification of government and regional rules with little coordination between them**. Moreover, the jurisdiction of the regions was limited in various ways by the exclusive legislative responsibility of the state as regards wide-ranging matters such as the protection of competition, of the environment and of cultural assets, and the government’s responsibility for establishing the fundamental principles concerning governance of the territory, the professions and the major transport networks. All these matters have a considerable, if indirect, impact on the tourism sector.

In concrete terms, the **regions made laws in a very intense manner**, adopting myriad laws with the most disparate of content: from governing accommodation structures, tourism businesses and travel agencies, to providing rules for the organisation and promotion of the regional tourism sector; from financial provisions to the most varied rules regarding agritourism, B&Bs, etc.

Some regions were virtuous and regulated the sector in a systematic and organic manner, thereby contributing to the effective development of regional tourism in harmony with the territorial and entrepreneurial differences and characteristics of the community in question. Nevertheless, the regulatory fragmentation from one region to the next still gave rise to various operational difficulties for the homogeneous development of national tourism and the promotion of a coherent image of Italy abroad.

Notwithstanding the responsibility of the regions for “tourism”, the state has also intervened in the sector, with the adoption in 2011 of the **National Tourism Code** (Legislative Decree no. 79/2011), which was intended to guarantee the coherent performance of functions, reinforce protection of tourists, and coordinate the state provisions in force in a systematic manner.¹⁹ The code repealed the previous government rules and stipulated that **state legislative intervention in tourism was permitted only in response to needs of a unitary nature**, such as: promotion, development and competitiveness of the tourism sector at domestic and international level, and the rearrangement and standardisation of the Italian tourism supply.

An attempt was made to create centralised governance with the National Tourism Code

Many state rules contained in the Code (such as those regarding the classification and quality standards of accommodation, definition of travel agencies, and simplification of administrative requirements) were contested by four regions before the Constitutional Court and were declared to be **unconstitutional**²⁰, essentially because the government violated the division of responsibilities envisaged by Article 117 of the Constitution. The Constitutional Court therefore largely reduced the innovative scope of the National Tourism Code and the prerogatives of the state for more centralised governance. Nevertheless, several crucial state regulations remain in force, including those that define a “tourism business”²¹ and the national circuits of

(19) In Italy, the fundamental tourism principles set out by the state were introduced by Framework Law no. 217/1983, later repealed by Framework Law no. 135 of 2001, followed by the Prime Ministerial Decree of 13 September 2002, which transposed into law the agreement between the state, the regions and the autonomous provinces of Trento and Bolzano on the principles for harmonisation, promotion and development of the tourism system.

(20) Sentence of the Constitutional Court no. 80/2012.

(21) On the basis of the National Tourism Code, tourism businesses are those that carry out economic activities that are organised for the production, marketing, intermediation and management of products, services (including bathing establishments), infrastructure and businesses (including administrative businesses belonging to local tourism systems) that form part of the tourism supply. Listing in the Register of Companies, or in the index of economic and administrative information, where envisaged, constitutes a condition for use of the facilities, contributions, subsidies, incentives and benefits of any kind and for whatever purpose that are earmarked for tourism businesses. Tourism businesses that are not incorporated in accordance with the legislation of a Member State of the EU or of a European Free Trade Area (EFTA) Member State can be authorised to establish themselves and to exercise their activities in Italy, in accordance with the principle of reciprocity, after first registering in the register and on condition that they meet the requirements of state and regional laws. Individual regional laws governing the matter must be consulted as regards the regulations governing tourism businesses and the classification of accommodation structures. It must not be forgotten that state lawmakers subsequently introduced the definition of new types of accommodation structures, such as “condo hotels”, into the national system, and regulated marina resorts, in Articles 31 and 32 of Decree Law no. 133/2014 (known as “Sblocca Italia” or “Unlock Italy”) respectively.

The “Art Bonus” decree is crucial to a systematic relaunch of the tourism sector

excellence, and those that organically govern organised tourism contracts and the protection of the consumer/tourist.

Spurred on by a renewed government approach, centred essentially on the integration of culture and tourism, the state lawmakers intervened once again in the matter and adopted the “Art Bonus” decree, which sets out a series of provisions for protecting cultural heritage, developing culture and relaunching tourism.

Also of interest, in addition to innovative content relating to reforming ENIT, tax incentives and measures for the aggregation of tourism businesses, which will be analysed in the paragraphs that follow, is the provision of an **Extraordinary Tourism Mobility Plan** that the Infrastructure and Transport Ministry must implement, in liaison with Mibact and with the State-Regions Conference, in order to enhance the usability of the tourist sites of greatest cultural interest, including the promotion of minor destinations, southern Italy and the inland areas of the country. Also introduced for the purposes of simplifying the procedural process was the possibility for Mibact to convene conferences of services, in order to carry out coordinated promotion of the creation of **tourist itineraries and national circuits of excellence to support Italy’s existing tourism supply**.

Other measures with direct or indirect effects on tourism are contained, moreover, in the finance acts. For example, the latest one (the 2016 Finance Act) envisages the **promotion of mobility and sustainable tourism** with a provision of €50 million for the planning and construction of a national system of cycle paths and bike stations, and another €3 million for designing and creating tourism itineraries on foot.

The current constitutional and regulatory picture is therefore characterised by **great fragmentation**, due principally to the regionalisation of the legislative responsibility for tourism, **though this is counterbalanced by centripetal forces** that tend to hand responsibility for tourism regulation back to the state, primarily focusing on matters for which the state has exclusive, wide-ranging responsibility, and on the principle of vertical subsidiarity in order to guarantee uniform performance of duties.

As a result, **tourism is an area that is hyper-regulated** by a mass of state and regional rules that are often poorly coordinated and potentially contradictory, and that lead to uneven classification and fragmentation of responsibilities, and sometimes to institutional conflicts. The overall **regulatory framework** is therefore **bloated and insufficiently organic**, and constitutes an obstacle, rather than an incentive, to free economic initiative and private creativity, to progress in the Italian tourism industry and, in short, to the growth of a sector that is strategic for the national economy.

The constitutional reform streamlines and centralises the governance of tourism without overlooking specific local features

What is necessary, therefore, is a **strategic redefinition of the legislative jurisdictions** that makes it possible to promote an efficient and effective national tourism system. This is the direction that seems to have been taken by the recent project for reforming Section V of the Constitution, which **assigns the power to lay down “general and common provisions on cultural activities and tourism” exclusively to the state**. On the basis of this reform, the state would also be allocated exclusive responsibility for strategic tourism-linked matters, such as the protection and development of cultural and natural assets, strategic infrastructure and major transport and navigation networks of national interest, and ports and civil airports of national and international interest.

Despite the reinforcement of the exclusive responsibility of the state and suppression of the contrasting legislative competence of state and **regions**, the latter still **retain exclusive jurisdiction over important matters such as the development and regional organisation of tourism**, the regulation of cultural activities, and the promotion of environmental, cultural and natural assets, to the extent to which they are of regional interest. The regions also retain exclusive jurisdiction as regards infrastructure facilities and planning the regional territory, including internal mobility.

The constitutional reform therefore seems to reflect the requests for greater centralisation of tourism matters in the hands of the state, especially from the standpoint of **performing the fundamental activities – promotion, direction and coordination** – in a consistent manner. However, the many areas of regional jurisdiction allow the regions to regulate various aspects of the tourism phenomenon, adapting them to the needs of their respective territories and citizens. A more rational division of powers is fundamental for improved distribution of political and institutional responsibility, but a full assessment of the results of the reform from the standpoint of implementation will take time.

Figure 5 – The evolution of the division of competences and responsibilities between state and regions

CONSTITUTIONAL CHANGES (Art. 117)	EXCLUSIVE JURISDICTION OF THE STATE	CONCURRENT JURISDICTION (state: fundamental principles region: detailed regulations)	EXCLUSIVE JURISDICTION OF THE REGIONS
Before 2001	-	Tourism and hotel industry.	Tourism (only for regions with special status).
Since 2001	Protection of competition. Protection of the environment, the ecosystem and cultural assets.	Professions. Governance of the land. Civil airports and ports. Major transport and navigation networks. Development of cultural and environmental assets and promotion and organisation of cultural activities.	Tourism.
Constitutional reform project	General and common provisions on cultural activities and tourism. Protection and development of cultural assets and landscape. Strategic infrastructure and major transport and navigation networks of national interest. Civil airports and ports of national and international interest. Coordination of professions.	Concurrent jurisdiction suppressed	Regional development and organisation of tourism. Regulation, where of regional interest, of cultural assets, promotion of environmental and cultural assets and the landscape. Infrastructure provisions. Planning of regional territory and mobility within it. Promotion of local economic development and organisation of regional businesses services.

Source: CDP

FOCUS

Hotel classification

Correct and consistent classification of hotel facilities is a fundamental indicator of the quality of the national tourism system, which can influence and guide tourists in a decisive manner when choosing their accommodation structure and hotel category on the basis of the number of stars attributed and the quality of the services offered (in Italy, from 1 to 5 stars).

The **EU does not envisage harmonised classification at regulatory level**, but the “Hotelstars Union” was developed in and spread throughout Europe, to complement national classifications, and has been adopted in Germany, the Netherlands, Austria, Switzerland, the Czech Republic, Hungary, Estonia, Latvia, Lithuania, Luxembourg, Malta, Belgium, Denmark and Greece. This is a harmonised hotel classification system based on common quality criteria, and was developed by the Association of Hotels, Restaurants and Cafés in Europe. (HOTREC Hospitality Europe).

At the moment, hotel classification is a European and international issue with specific national features. Of interest among the national classification systems are the opposing models adopted by **France** and **Spain**. In France, the State is responsible and there is only one classification model for all types of accommodation structures, with the star-rating awarded being valid for five years and reassessed periodically by an independent body. In Spain, hotel classification is the responsibility of the regions, which have effectively opted for different regulatory provisions, though without excessive differences in operational terms.

Under the Italian system, standards are defined in different ways from one region to the next. It is essentially up to them to classify and assign stars to hotels in their own territories on the basis of requirements and quality standards contained in dedicated laws or administrative provisions. In concrete terms, regional competence has resulted in the adoption of over 20 different regional laws,

with different criteria and standards that have given rise to a classification which is not very innovative from an international standpoint, and which is **extremely uneven and fragmented, without an adequate control system**. Moreover, it is complicated by the different classification established for non-hotel structures (agritourism structures, B&Bs, residential hotels, room rentals, etc.). All the regions also have a specific regulation governing the “albergo diffuso” (“scattered hotel”), but the potential advantages of this type of hospitality are often cancelled out by a lack of uniformity, incompleteness, or the inadequacy of the regulation itself.

In certain ways, a classification of this type, linked essentially to measurements of a quantitative type (e.g. room size), becomes a barrier to the entry of new operators rather than a real indication of quality. These problems should be put right by **reviewing the classification system with a view to making it more homogeneous at national level, in line with European and international standards**, and generally innovative, in response to an increasingly dynamic and global sector.

The need for homogeneity was already acknowledged in the 2011 Tourism Code, in which state lawmakers had set out specific provisions for the definition and classification of hospitality structures and associated quality standards, but these were declared unconstitutional in 2012 because of infringement of regional jurisdiction. The question was taken up again in the 2013 **Gnudi Plan**, in which the application of a single classification system, valid for all the Italian regions and consistent with the processes in place in other European countries, was deemed a strategic action that could be implemented quickly. In particular, it indicated the need to adopt the European “Hotelstars Union” classification system as the only nationally valid one. It has also been proposed to apply this system to other hospitality structures, such as B&Bs and agritourism establishments, in order to guarantee the homogeneity of the standards of the supply.

To date, the need for uniformity has been met in part thanks to the **“Art Bonus” decree**, in which the state lawmakers, urged on by the government, planned an update of the minimum standards – to be applied uniformly right across the country – of services and facilities for classifying hospitality structures and tourism businesses, including condo hotels and “scattered hotels” (Article 10, paragraph 5).

In particular, it stipulates that the Culture and Tourism Ministry should adopt a decree of its own, following an agreement reached at a joint conference, which, substituting the previous Prime Ministerial Decree of 21 October 2008, would establish the minimum national standards for classifying hotel structures as regards their services and facilities. The goal is to improve the quality of the hospitality supply, the competitiveness of tourist destinations, and energy efficiency.

It is the responsibility of the Directorate-General of Tourism of MiBact to draw up the rules necessary for **monitoring the application of and periodically reviewing the minimum uniform nationwide standards** for services and facilities, with a view to the classification of hospitality structures and tourism businesses, bearing in mind the specific needs associated with accommodation capacity and exploitation of local areas, and of the hotel classification systems adopted at European and international level.

The path is therefore the desired one for achieving the definitive creation – in collaboration with the regions – of a classification system that is effectively homogeneous at national level, based on international and innovative criteria and standards, and that may be independently assessed and audited periodically.

The classification and, above all, the periodic auditing should take adequate account of the **quality and satisfaction levels actually perceived by tourists themselves**, who no longer pay so much attention to the number of stars when choosing where to stay, but instead focus on the hotel brand or the comments posted about the hotel online.

The classification must no longer be a bureaucratic operation that is intended to maintain the status quo. Instead, it must keep abreast with changing times in which tourists look to online review systems, which have become real points of reference. Starting from this premise would render the operation for the classification and assessment of structures less bureaucratic and more consistent with the actual accommodation capacity of hospitality structures and with the level of customer satisfaction.

Ultimately, the current classification system does not guide tourists effectively but, if appropriately overhauled, could provide a strategic contribution to influencing demand, especially international demand, and promoting and marketing Italy abroad as a reliable, high-quality product. In fact, in order to guarantee a system that provides a **correct perception of the quality** of tourism structures and services, an **alignment to the real needs** of tourists and **greater homogeneity** throughout the country is crucial.

2.5 The tangle of administrative management.

Just as the distribution and identification of legislative powers have been subject to several reorganisations – which have resulted in an uncertain, confused and uneven regulatory picture – so too have the **division of administrative powers and the organisational structure** turned out to be quite problematic and ineffective, leading to unstable governance and a weak institutional architecture for management and, as will be seen below, for promoting national tourism.

One need only consider the countless institutional tangles and the different organisational formulas applied over time to the central administration of tourism, assigned today to the Culture and Tourism Ministry (Mibact) after a series of alternating approaches:

- **1959** - the Ministry of Tourism and Entertainment was established by Act no. 617;
- **1993** - the Ministry was annulled following a referendum and the management of the sector was transferred to the Prime Minister's Office, with the creation of a special Department;
- **1998** - the management of the Department, transformed into a Directorate-General, was transferred to the Industry Ministry, which changed name to become the Ministry of Productive Activities;
- **2006** - the Department for the Development and Competitiveness of Tourism at the Prime Minister's Office was established by Act no. 286. Responsibility for tourism was delegated to the Deputy Prime Minister;
- **2008** – responsibility for tourism was delegated to the Undersecretary of State to the Prime Minister's Office;
- **2009** - responsibility was delegated to the Minister without Portfolio for Tourism, to whom the Sport brief was added in 2011;
- **2012** - the Prime Minister delegated responsibility for tourism to the Minister Without Portfolio for Regional Affairs, Tourism and Sport;
- **2013** - the Office for Tourism Policies was transferred by the Prime Minister's Office to the Ministry of Cultural Assets and Activities, which was renamed the Ministry of Culture and Tourism (Mibact) and incorporated the human, capital and financial resources from the Prime Minister's Office²²;
- **2014** – the Undersecretaries for Cultural Assets and Activities and for Tourism were appointed and the **Directorate-General for Tourism** was established to oversee the planning, coordination and promotion of national tourism policies, relations with the regions, projects for the development of the tourism sector, tourism-related EU and international relations, and relations with trade associations and tourism businesses. It also supervises tourism organisations and supports tourism demand and social tourism²³.

(22) See Art. 1 para. 2 of Act no. 71/2013.

(23) See Prime Ministerial Decree no. 171/2014.

In the last 10 years, therefore, the central administrative organisation of the sector has been changed a total of six times. This instability has had a negative impact not only on the ability to draw up a national strategy for the development of tourism and the Italian tourism industry, but also on the ability to implement such a strategy in an effective and systematic manner.

It would therefore be desirable, on the one hand, to guarantee the organisational and functional consistency of the central administrative apparatus that is responsible for tourism today, and on the other hand, to reinforce coordination between Mibact and other ministries, particularly the Finance and Economy Ministry (MEF) and those that oversee responsibilities associated with tourism, such as economic development, infrastructure and transport, regional affairs, foreign affairs, agricultural, food and forestry policies, the environment, and protection of the land and seas.

Though it is important to strengthen the two-way relationship between culture and tourism, because of the strong appeal of Italy's cultural, artistic and natural riches, the development of a real tourism industry requires central governance that is capable of making the most of the entrepreneurial and industrial component. From this standpoint, it is desirable at the very least to have an agreed tourism policy and coordinated action between Mibact and the Ministry of Economic Development (Mise).

This is fundamental for guaranteeing and reinforcing an organic and industrial approach to the tourism sector, including the cultural aspect, and systematically tackling the wide-ranging problems that still have an impact on the sector. Furthermore, administrative cooperation and collaboration are crucial for preventing partial overlaps of responsibilities – for example, with regard to regulating businesses, developing the south and promoting the “Made in Italy” brand – from being transformed into a duplication of policies, provisions and instruments or an inefficient use of public resources.

Furthermore, the integration of public tourism and transport policies and administrative collaboration between Mibact and the Infrastructure and Transport Ministry (Mit) is crucial, specifically with a view towards guaranteeing that access and movement throughout the country are convenient and adequate for international tourism flows from all over the world and at all times of the year. As a consequence, it is essential to concentrate public and private resources on mobility and transport infrastructure, guaranteeing an adequate level of connectivity and intermodality, particularly in the south.

In this scenario, the Tourism Mobility Plan can offer a valid opportunity not only for identifying the destinations to link up and make more accessible, but especially for targeting sustainable mobility, intermodality and the selection of the infrastructure hubs required for systematically improving the usability of the Italian tourism supply.

Also necessary is an intense effort to ensure cooperation and administrative coordination between the different levels of government (national, regional and local), in order to prevent delays, fragmentations and administrative overlaps, and to work instead in a synergic and integrated manner, both within the framework of institutional bodies such as the Permanent Tourism Committee, the Joint Conference and the State-Regions Conference, and on the basis of new, more flexible models of institutional collaboration ahead of the strategic relaunch of national and local tourism²⁴.

It must not be forgotten that the regions have very broad prerogatives, not only in terms of legislative jurisdiction, but also as regards administrative functions. They are responsible for the organisation, planning and programming of tourism, which normally takes place with the adoption of three-year plans for tourism development and associated annual implementation programmes. The regions are also responsible for the fundamental function of the promotion of tourism in their own areas and their image in Italy and abroad, including through regional promotion agencies. The regions are also charged with monitoring and controlling the tourism supply, as well as for incentivising it by funding businesses in the sector and providing for the classification and oversight of hospitality structures. An opportunity to rethink and rationalise the structure of administrative responsibilities would seem to be provided by Act no. 56/2014 (the “Delrio Act”), which created “metropolitan cities” and regulated the provinces as vast, second-level administrative bodies while awaiting the reform of Section V of the Constitution, which envisages the

(24) Interesting in this regard are Act no. 15/2015 of the Abruzzo region and Act no. 27/2015 of the Lombardy region, which recently reviewed their tourism governance.

abolition of the provinces as constitutionally protected territorial bodies. The implementation of this reform requires the regions to adopt a new law to **reorganise the provinces' administrative functions**, including those related to tourism and allocated previously²⁵. Moreover, the reorganisation of these functions implies a fresh allocation of capital and financial resources.

Aside from the individual regional experiences – which vary in terms of success levels – the overall result is a situation of great institutional confusion, **great asymmetry between functions and resources, a lack of homogeneity, and unstable state and local governance**. Therefore, above all, clarity is required in the allocation of legislative and administrative responsibilities, as well as long-term stability and strategic and coordinated action between competent government authorities, including with a view to better use of public resources.

Finally, the relationship between public and private in the implementation of the **constitutional principle of horizontal subsidiarity**²⁶ must not be overlooked. Consider, for example, conference tourism, which suffers from the absence of a public entity to drive the development of an effective events industry and sustain it financially. This governance gap was filled from below by operators in the sector, which came together and in 2014 established **Convention Bureau Italia**, though this body's firepower would have been greater if it had public support and good coordination between all the competent parties.

**Horizontal
subsidiarity
can provide an
opportunity
for tourism**

2.6 Promoting tourism. Unified promotion of Italy at international level is fundamental for attracting tourists and foreign investors and, therefore, for contributing to the development of the national tourism sector and competing on an increasingly dynamic global stage.

Italy's problem is not so much the promotion of the nation's image, or "Brand Italy", given that our food, cities of art, museums and natural beauty spots already ensure the fame and appreciation of our country all over the world. The nub of the problem lies in constructing an effective "Italy product" and the unified and systematic promotion of the tourism supply and of services linked to Italian hospitality.

Various significant difficulties have constituted concrete obstacles to the international promotion of Italy and the penetration of international markets:

- the **fragmentation of powers** between the state and the regions, the instability of central governance and the ineffectiveness of regional promotion abroad, despite the considerable public resources the regions have invested;
- **promotion policies that are very generic, poorly integrated** and insufficiently attentive to the needs of the national and, especially, international markets, from both the demand and supply sides;
- **inadequate digitalisation and limited use of the internet and of new technologies, as strategic elements** for promoting and marketing Italian tourism in international markets.

**Promotion
of tourism goes
beyond Brand Italy**

The absence of an organic promotional strategy and a central administration capable of promoting a unified image at international level, and with a long-term view, and encouraging the marketing of the national tourism supply, has constituted a major problem that has contributed to the country's loss of competitiveness to date.

In order to remedy these problems, whilst also streamlining the various functions and saving public resources, state lawmakers redesigned central governance with the **Art Bonus decree**, streamlining the institutional architecture and focussing on certain strategic tools.

(25) A UPI study (2011) highlighted a highly uneven situation in the degree of regional decentralisation. The tourism functions delegated to the provinces vary and, above all, concern promotion, accommodation, careers, permits, monitoring and control of the activities of businesses, provision of services and contributions to businesses, data collection and, to a lesser extent, the creation of local tourism networks/systems (participation in local tourism systems or similar structures, such as tourism districts or tourism systems, establishment of tourism consortia, etc.).

(26) Art. 118, para. 4, of the Constitution stipulates that the state, regions, metropolitan cities, provinces and municipalities shall encourage the autonomous initiative of citizens, as individuals or in associations, for the execution of activities of general interest on the basis of the so-called horizontal subsidiarity principle.

After liquidating Promuovi Italia S.p.A., an in-house company belonging to Italy's **national tourism agency, ENIT**, the state lawmakers placed the latter in administration and transformed it into a **public economic body** with private-law legal personality²⁷.

One of the most important elements of the transformation is the change of legal personality, from public to private, with the consequent application of the rules of the Civil Code and of the other laws envisaged for private legal persons. This change is interesting because it could lead to greater dynamism, managerial ability and operational flexibility in the management of many aspects of tourism promotion.

On the basis of its new articles of association²⁸, ENIT is responsible for carrying out the unified promotion of Italian tourism under the guidance of a board of directors and the supervision of the Culture and Tourism Minister. In particular, the mandate set out pursuant to the articles of association provides for:

- the promotion abroad of a **unified image of Italian tourism** and of the various types of national tourism on offer, as well as the integrated promotion of the tourism resources of the regions, the autonomous provinces and, through them, the local bodies;
- the creation of promotional strategies at national and international level, information abroad and **support for businesses that market Italian tourism products**;
- the identification, organisation, promotion and marketing of **Italian tourism and cultural services**;
- the promotion of **"Brand Italy"** in the tourism sector;
- a push to **market** traditional and artisan **wine and food products** in Italy and abroad;
- the performance of the activities assigned by the law, its articles of association and by regulations, using digital means, technological platforms and the internet through the **"Italia.it" portal** and other means of communication;
- the performance and organisation of **consultancy and support services and activities** for the state, regions, autonomous provinces and public and private bodies, including regional offices and agencies, by entering into dedicated agreements for promoting and developing processes aimed at harmonising tourist information and welcoming services and also, on payment, for promotional and advertising activities and public relations;
- the implementation of **agreements and forms of collaboration** with public bodies and with the offices of the diplomatic-consulate network of the Ministry of Foreign Affairs and International Cooperation, including the Cultural Institutes.

The regulatory reform and ENIT's new mission may make it possible to overcome the fragmentation of responsibilities, **provided that there is close coordination with the regions and with the regional tourism administration offices and agencies**. Interesting from this standpoint is the establishment of the **Federal Council**, a new unit of the organisation with planning and consultative functions in relation to the executive bodies.

Furthermore, ENIT should act as the focal point for the promotion of the tourism industry or individual segments of it. Think, for example, of the collaboration required between **ENIT and Convention Bureau Italia**, which is managed and funded entirely by the private parties who participate in it, in order to promote the Italian conference and events industry abroad.

It is obviously crucial to ensure that ENIT has adequate resources to perform its institutional tourism promotion functions, reinforce the wide-ranging scope of its own action abroad and increase digital

(27) See Art. 16 of Decree-Law no. 83/2014, which was declared constitutional by Constitutional Court Decision no. 140/2015, pursuant to the exclusive power of the state for the regulation and administrative organisation of national public bodies and in the light of special mechanisms for collaboration between the state and regions within ENIT. In June and July 2015, when the administration period for the body had ended, the Minister appointed the Chairman and the two members of the board, one of whom was designated by the permanent State-Regions Conference, and the other one after consulting the most representative trade organisations. It should be borne in mind that ENIT, established by Act no. 610/1921, has been reformed several times and has undergone a profound change, particularly in 1990, when it was given public-law legal personality and statutory autonomy by Act no. 292/1990, and subsequently in 2005 with Decree-Law no. 35/2005, which transformed the Ente Nazionale Italiano per il Turismo into Agenzia Nazionale del Turismo, with public-law legal personality and statutory, regulatory, organisational, capital, accounting and operational autonomy.

(28) See the articles of association of ENIT, adopted by Extraordinary Commissioner Resolution no. 6/2015 and approved by the Prime Ministerial Decree of 21 May 2015.

promotion of Italian tourism²⁹. The goal is to definitively guarantee **unified (or at least coordinated) governance of the strategic task of promoting and marketing the image and supply of Italian tourism abroad**, as is already the case in France, Spain, Austria and Switzerland.

In addition to the unified management of the task of promoting “Brand Italy” and marketing “Product Italy”, it is necessary to guarantee the **institutional stability of ENIT** in order to ensure that further organisational and functional changes do not give rise to a new operational impasse.

The stability and unified management of national tourism promotion are necessary, but not sufficient, conditions for strategic and effective governance of the task of promoting and marketing Italian tourism.

Above all, it is necessary to exploit the internet as a strategic vehicle for promoting Italy at international level as a unified tourism destination, and at the same time for developing its cultural, artistic and natural wealth and for **marketing Italian-made goods**. Trips by foreigners to Italy constitute very effective channels for marketing Italian products, which are not only purchased during the holiday, but will presumably continue to be purchased from abroad, too. It is therefore important to develop effective marketing strategies and combine the promotion of tourism with an **improvement in e-commerce**.

... but other tools are also necessary for an effective relaunch

The fundamental tool on which ENIT can count is **the development and promotion of Italian tourism via the web**. 70% of international travellers choose their destination on the internet. From this viewpoint, the **Italia.it portal** is an interesting tool that should at least include links to local and regional tourism promotion sites. It could also be enriched along the lines of the Spanish portal (www.spain.info), which provides a very interesting benchmark. This site’s many informative contents simultaneously promote Spain as a whole and its various autonomous communities in over 20 languages, including Russian, Chinese and Japanese. The portal also promotes cultural initiatives, cultural sites, wine and food products and natural attractions, and includes them in various thematic itineraries. The portal is also an example of best practice, as it makes it possible to keep abreast of initiatives and offers through newsletters, and acts as a booking centre where it is possible, in real time, to select and book accommodation, transport and activities to enjoy during the trip.

Furthermore, a good policy for promoting Italian tourism must be based on a **knowledge of the figures for the sector**, in order to quantify and follow the evolution of the tourism phenomenon at regional, national and international level. It is therefore crucial to guarantee the **functionality of the Osservatorio Nazionale del Turismo** (ONT/National Tourism Observatory) to which the “Art Bonus” decree gave fresh power, by allocating the jobs of studying, analysing and monitoring the economic-social, technological, quantitative and qualitative dynamics of tourism interest to it, within the ENIT framework. Also desirable is interfunctionality between digital platforms and the convergence and integration of the data collected at regional and local level, so as to prevent information from becoming fragmented.

While the reform of the governance of tourism promotion appears to be very positive and, looking forward, capable of improving the penetration of international markets, it is necessary to **act decisively on implementation times** and on an operational approach that is both innovative and capable of guaranteeing efficient coordination between state and regions.

Finally, it should be pointed out that the activity of promotion and unified marketing of the image and supply of Italian tourism abroad is closely linked not only to the exploitation of the country’s cultural wealth³⁰, but also to international promotion of Italian-made goods, the globalisation of tourism businesses, and the attraction of foreign investments to the “Tourism Italy” product.

Interesting from this standpoint are the financial measures envisaged in the **2016 Finance Act**, which **increased the resources available to ENIT** so that it will now have an extra €10 million available each

(29) ENIT’s articles of association envisage that its income will be as follows: transfers from the state and regions; income from services rendered for the state; fees for services rendered to other public or private entities; other income.

(30) Seemingly positive from this standpoint are both the decision to select new managers of Italian museums by means of competitions of international scope, and Decree-Law no. 146/2015, converted into Act no. 182/2015, which is intended to bring the services associated with the exploitation and accessibility of public cultural heritage back into the framework of essential public services, partly with a view to guaranteeing the reliability of the image of “Product Italy” for the countless tourists who choose our country as a tourism destination and who, in the event of serious disorganisation or disruption, could choose alternative destinations or products in the future.

year for the international promotion of the country. Other significant resources are allocated to cultural heritage and to the Strategic Plan entitled “Major Cultural Assets Projects”, and may be significant from a tourism standpoint. The resources for promoting “Made in Italy” and internationalising businesses have also been upgraded.

Effective governance, which systematically promotes the Italian tourism industry and projects it at international level, must therefore also involve close **coordination between the activities of ENIT and the state authorities that have complementary or potentially overlapping responsibilities**. This refers in particular to ICE³¹, the agency for the promotion abroad and internationalisation of Italian businesses, which reports to the Economic Development Ministry (Mise), and to **INVITALIA**, the national agency for attracting investments and business development, belonging to the Economy and Finance Ministry (Mef). Greater collaboration between ENIT and the two ministerial agencies could make it possible to channel the public policies for relaunching tourism, internalisation of businesses and attracting foreign investors into a single national strategy.

The operational relaunch of the **Permanent Committee for the Promotion of Tourism in Italy**, already envisaged in the Tourism Code, is necessary in order to promote coordinated action between the public policies that concern or interfere with tourism and guarantee the link between policy and national programming, while at the same time ensuring periodic monitoring of the results achieved. This committee currently operates under Mibact’s Directorate-General for Tourism as a consultative body for the Minister and focal point for the coordination of various state and other parties that are required to give substance to the new governance of the sector³².

2.7 The tax structure. The tax structure constitutes a variable that is capable of influencing the competitiveness of the industry and of tourism destinations. The level of **taxation on tourism has been rising progressively** in Italy over the last decade: according to trade association Assoturismo Confesercenti, Italian taxation on travellers alone amounts to about €2.5 billion each year, but this revenue has not been reinvested effectively in the sector.

Accommodation structures and tourism service activities, just like all productive activities, are subject to a **plethora of taxes** in the form of property tax (IMU) and taxes on indivisible services (TASI), on waste (TARI)³³ and on the purchase and provision of services (VAT).

In order to incentivise tourism, legislators envisaged the application of a 10% **VAT rate** for some services (the services rendered to customers in accommodation structures; the serving of food and drinks; and the transportation of people and their luggage), and established a special VAT regime applicable to operations performed by travel and tourism agencies for the organisation of package holidays³⁴.

(31) ICE was established by Art. 14 of Decree-Law no. 98/2011 as a body with public-law legal personality, subject to the powers of direction and supervision of the Economic Development Ministry, which exercises said powers, for the matters for which it is responsible, in liaison with the Foreign Affairs Ministry and in consultation with the Economy and Finance Ministry. Moreover, ICE has specific responsibilities in the tourism and tourism facilities sector and must manage the resources of Plan 2015 for the extraordinary promotion of “Made in Italy” and the attraction of investments to Italy, in order to promote exports and attract foreign investments to support the Italian production system.

(32) See Art. 58 of Legislative Decree no. 79/2011, the Code of State Regulations governing the tourism market, on the basis of which the Permanent Committee promotes: the homogeneous identification of the public structures dedicated to guaranteeing services to tourists; the programmatic agreements with the regions and the development of the structures for tourism in the area; national training projects; support and assistance to businesses that contribute towards upgrading the national tourism supply; Italy’s image in the tourism sector within the nation’s borders, with particular regard to tourism systems of excellence, guaranteeing equal advertising opportunities and unified communication throughout the country; the organisation of national moments and events of a tourism nature involving territories and public and private parties; liaison and cooperation between regions, provinces and municipalities and government institutions; “Brand Italy”.

(33) Federalberghi (2014a) estimates that in 2014, hotel structures paid the treasury about €900 million.

(34) See Presidential Decree no. 633/1972 and, in particular, Art. 16 for VAT rates and Art. 74 and Ministerial Decree no. 340/1999 on the special VAT rules applicable to travel and tourism agencies.

It has been estimated³⁵ that a further reduction of the VAT rate (from 10 to 5%) on services in the tourism sector would not only allow Italy to be more competitive – especially compared to the European countries that apply rates below 10% (e.g. Germany, France and Spain) and compared to the emerging countries that do not plan to impose such a tax – but would have positive macroeconomic effects in terms of increased consumption and investment in tourism, and a general increase in employment in the sector.

Alternatively, the Gnudi Plan proposes assigning a portion of the VAT, greater than that of the main competitors (which apply a rate of 7%), to the tourism sector, and channelling it into a national fund dedicated to investments. This fund would also receive: a portion of the margins of the operators specialised in tax refunds, the proceeds deriving from increased tourism visas, and the income obtained from a percentage of the tourist tax, to be harmonised at national level.

Despite the benefits of the proposed solutions, public finance needs imposed **fiscal policy adjustments that had the opposite effect**: the 2015 Finance Act envisaged that the 10% VAT rate would be increased by two percentage points, starting from 1 January 2016, and a further point, from 1 January 2017³⁶. The 2016 Finance Act only postponed the rate increase to 1 January 2017, stating that it will amount to three percentage points. There is therefore a perception that the Italian tourism sector will risk losing further competitiveness in the coming years as a result of increased prices for tourism services because of the increased VAT rate.

What does appear positive however, and in line with other European countries, is the measure in the 2016 Finance Act that envisages the adoption of tables that fix minimum VAT reimbursement percentages for citizens outside the EU who make purchases in Italy. The **tax refund system** has therefore been rendered more certain and transparent.

Then there is the very thorny matter of the specific tax in the tourism sector, which was reintroduced into the Italian system by the 2011 decree on municipal fiscal federalism: the **municipal tourism tax**³⁷. The income from this tax – payable by the tourist and collected by accommodation structures – is supposed be allocated to funding interventions in the tourism area, including activities for supporting accommodation structures, maintenance work, exploitation and recovery of local cultural and environmental assets, and investments for the associated local public services.

However, the tourism tax **turned out to be an ineffective fiscal policy tool** because of various implementation problems: the government has yet to adopt the regulations that were to have contained the general rules for implementing it. In the absence of general regulations, the local authorities that have decided to apply the tax have adopted different municipal rules, following different models of application and, consequently, different competitiveness levels in different places.

The many problems associated with the municipal tourism tax have constrained tourism even further...

Furthermore, note must be taken of the widespread tendency by some municipalities **to use the tourism tax income substantially for covering balance sheet losses**, instead of respecting its ordained purpose, as established by the lawmakers, or to allocate most of the proceeds to investments that are only indirectly important for tourism and without any evidence of improvement in tourism performance.

An initial estimate of the destination of the sums collected from the tourism tax shows that the proceeds have been concretely used to make investments that for the most part are only indirectly relevant to tourism. Almost half of the proceeds (48.3%) were found to be allocated to cultural activities for the direct support of institutions (theatres, museums, academies, etc.) or for organising cultural events or shows. The interventions in favour of sustainability amounted to 17%, while those relating to local public transport services came to 12.8%. Direct interventions in favour of tourism amounted only to one fifth of the total (20%), subdivided into: promotion (5.7%), information to the customers/tourists (5.3%), support for accommodation (4.5%), support services for beaches, mountain refuges, etc. (4.5%).

(35) Ciset-Confturismo (2008).

(36) See Act no. 190/2014, Art. 1, para. 718, letter a).

(37) See Art. 4 of Legislative Decree no. 23/2011. Municipalities that are provincial capitals, unions of municipalities and the municipalities included on regional lists of tourism localities or cities of art can establish, by council resolution, a tourism tax of up to €5 per overnight stay, payable by those who lodge in accommodation structures located in their territories and applied in proportion to the price, according to gradation criteria.

The proceeds from this tax would be very important for investments in the sector, especially as they are rather large in terms of absolute value: they constitute a significant part of the total tax proceeds in some municipalities. It has been calculated, in fact, that the total proceeds from the tourism tax amounted to about €175 million in 2012 (in many cases the tax was introduced when the tourism season had already started); €268 million in 2013 and €367 million in 2014³⁸.

It is necessary, however, to remedy a further problem: the tourism tax is particularly unpopular with Italian and foreign tourists who, according to a recent survey, declare that they are influenced by the tax variable when choosing their destination and complain above all of the lack of information when booking about the obligation to pay and the sum due³⁹.

In conclusion, the lack of uniformity in the application conditions, the distorted use of the proceeds, insufficient transparency as regards the income, and lack of information for tourists, in addition to the progressive increase in the amount of the tax by some municipalities – Rome above all – make the Italian and local tourism and accommodation system less competitive than other international tourism destinations.

In this context, policy-makers and competent local authorities should take action above all to guarantee greater simplicity and homogeneity in the tax application conditions, especially as regards information to tourists and on the management/collection by accommodation structures, which act as tax collectors. Common rules and greater transparency are necessary, including with reference to use of the income from the tax by municipal authorities, which should provide more evidence and perform more controls as regards the link between tax income and the investments envisaged and those actually made in the tourism sector. In order to avoid heavily ideological battles, it would be useful to conduct an analysis of the actual improvement of the supply and of the tourism services obtained thanks to the tax, measured using homogeneous criteria at national level that would permit an effective comparison of local experiences, in order to make the benefits linked to collecting the tax known and very clear.

The Gnudi Plan already pointed out the need to harmonise the tourism tax at territorial level and make it truly a tax with a purpose that the municipalities must use to invest in supporting tourist activities.

The debate should not concentrate on achieving homogeneity by uniformly raising the maximum ceiling envisaged by law or obliging all the municipalities to implement this tax. It would be appropriate to concentrate above all on the effectiveness of the existing tax tool, with the improvement of its operational mechanisms, which are currently too discretionary and differentiated (sometimes the sum is already included, at others it is paid separately, sometimes by card, at other times in cash only, etc.), in order to prevent negative repercussions on accommodation structures and on the general perception of tourists, especially foreign ones.

2.8 Incentives and measures for tourism entrepreneurship. The Italian tax system envisages incentives and specific measures for reinforcing regional tourism entrepreneurship. It is very positive that state legislators recently brought in a set of innovative tax incentives in order to improve the tourism supply and support businesses in the sector, especially in terms of sustainability and innovation. It is also important that the competent central administration (the Mibact Directorate-General for Tourism) has adopted the implementing decrees promptly.

In particular, the “Art Bonus” decree envisaged the award of a tax credit for various interventions:

- for charity donations by private parties to support culture (the 2016 Finance Act renders the 65% tax incentive permanent);
- for the upgrading and refurbishment of hotels and other tourist accommodation structures⁴⁰;

(38) Mercury and ISTAT (2014) calculate that in July 2014, the municipalities in Italy that applied the tourism tax (628) and disembarkation tax (23) totalled 651, almost double the figure for the two previous years.

(39) National Tourism Tax Observatory (2014).

(40) See Art. 10 of Decree-Law no. 83/2014, which envisages a tax credit for refurbishment and for work to eliminate architectural barriers by hotel businesses for a sum amounting to 30% of the expenses incurred, up to a maximum of €200 thousand. For the implementation of the rules and the specific rules for applying the tax credit, see the Mibact decree of 7 May 2015, Application provisions for awarding the tax credit to hotels and other tourist accommodation structures.

- for the digitalisation of accommodation businesses, travel agencies and tour operators.

Of particular interest is the innovative **digitalisation tax credit**, i.e. the tax incentive envisaged for a three-year period to encourage digital investments in tourism (technologies and human resources). This refers in particular to a tax credit equal to 30% of the costs incurred for investments and development activities, which must exclusively concern:

- **Wi-Fi systems**, on condition that the accommodation business makes a free service available to its customers with a download speed of at least 1 Mbps;
- **websites optimised for mobiles**;
- **programmes and IT systems for the direct sale** of services and overnight stays, provided that they are capable of guaranteeing the interfunctionality standards required for integration with public and private promotion sites and portals, and of encouraging integration between accommodation and non-accommodation services;
- spaces and advertising for **promoting and marketing** tourism services and overnight stays on specialised sites and IT platforms, including those managed by tour operators and tourism agencies;
- **consultancy** services for digital communications and marketing;
- tools for **digital promotion** and proposals and innovative offers relating to inclusion and hospitality for persons with disabilities;
- services relating to **training** for the proprietor or their employees.

The beneficiaries of the tax credit are hotels and other structures, accommodation services aggregated with non-accommodation or ancillary services and, finally, travel agencies and tour operators that are specialised in incoming tourism, up to a maximum limit of 10% of the sums allocated. The total amount of the eligible costs is, in any case, limited to a sum of €41,666 for each party eligible to benefit, which, in any case, will be able to receive a maximum total tax credit of about €12,500⁴¹.

With a view to improving and innovating the tourism supply, legislators also envisaged a special rule in the “Art Bonus” decree dedicated to **“Start-up tourism”** for starting up and developing new tourism businesses⁴². The term “innovative start-ups” refers to businesses whose corporate purpose is the promotion of the national tourism supply through the use of technologies and the development of original software, particularly by providing services aimed at tourism businesses⁴³.

Tourism start-ups can also be established in the form of simplified limited companies (Art. 2463b of the Italian Civil Code) and, if established by natural persons aged under 40, they can also enjoy tax benefits with exemption, at the time of incorporation, from the registration tax, tax office fees and government concession fees.

... the tax credit
for promoting
digitalisation ...

... and specific
measures for tourism
start-ups

(41) As regards the implementation of the tax credit for digitalisation, see the Mibact Decree of 12 February 2015, Application provisions for the award of the tax credit to accommodation businesses, travel agencies and tour operators. On the basis of this decree, hotel structures must be understood as: the hotels, hotel villages, tourist-hotel residences, “scattered hotels”, condo hotels and marina resorts referred to in Arts. 31 and 32 of Decree-Law no. 133 of 12 September 2014, as well as those identified as such by specific regional regulations. Non-hotel structures are understood as: room rentals; youth hostels; holiday homes and flats; residences; holiday homes; bed and breakfasts; and mountain refuges, as well as the structures identified as such by specific regional regulations. “Accommodation businesses aggregated with non-accommodation or ancillary services” are understood as the aggregation in consortium form of business networks, temporary associations of businesses or similar bodies, or of an individual accommodation business with parties that provide services that are accessory to accommodation, such as catering, transport, booking, promotion, marketing, tourism accommodation and analogous activities. Finally, “travel agencies and tour operators” are understood as businesses that apply the study of the sector approved by the Decree of the Economy and Finance Ministry of 28 December 2012, as amended, and that belong to cluster 10 - Intermediary agencies specialised in incoming tourism, or to cluster 11 - Agencies specialised in incoming tourism. 1,893 tourism businesses benefited from the digitalisation tax credit in 2014.

(42) See Art. 11b of Decree-Law no. 83/2014.

(43) Services aimed at tourism businesses must concern: the training of the proprietor and employees, the establishment and association of tourism and cultural businesses, museum structures, retail travel agencies, tourism offices for informing and welcoming tourists and road transport tour operators, in such a way as to increase opportunities for overnight stays in the country, both qualitatively and quantitatively; the provision of centralised services for booking in any form, including IT systems and data banks in agreement with travel agencies or tour operators, the collection, organisation, rationalisation and statistical processing of data regarding tourism movement; the processing and development of web applications that make it possible to interrelate tourism, cultural and entertainment aspects of the territory, as well as the performance of activities for getting to know, promoting and marketing the national tourism supply in the form of incoming services, i.e. services for welcoming tourists in the territory in question, including the study and activation of new distribution channels.

These incentive measures are important because they reveal a **particular sensitivity towards innovation and entrepreneurial creativity**, which are fundamental for a relaunch of tourism. It is therefore crucial to investigate and study new measures for improving the financial sustainability of innovative business ideas in tourism.

Company aggregation must be a strategic objective ...

In addition to the tax incentives, and once again for the purpose of **encouraging and strengthening tourism entrepreneurship**, the lawmakers have envisaged some measures which in general tend to simplify bureaucratic procedures and **stimulate businesses in the sector towards aggregation**.

With a view to simplification, it is envisaged that the following be subject to SCIA (**certified reporting of the start of activity**)⁴⁴:

- the start-up and operation of tourist-accommodation structures;
- opening, transfer and modifications concerning the operations of travel and tourism agencies, in compliance with the requirements of professionalism, integrity and sound finances, as envisaged by regional laws and the laws of the autonomous provinces of Trento and Bolzano.

Furthermore, changes are being made to the rules on **tourism districts and business networks, with a view to stimulating and reinforcing the aggregation of tourism businesses**⁴⁵.

In particular, it is envisaged that **tourism districts** can be established by a decree of the Tourism and Culture Ministry, on the request of companies in the sector that operate in the territories involved, following an understanding with the regions involved.

The aim of the districts must be to upgrade and relaunch the tourism supply at national and international levels; increase the development of the areas and sectors; improve efficiency in the organisation and production of services; and provide guarantees and legal certainties to businesses that operate in them, with particular reference to the opportunities for investment, access to credit, and simplification and speed of relations with government authorities.

Furthermore, it is possible within the districts framework to create pilot projects, in agreement with the Ministries responsible for administrative and tax simplification, including for the purpose of increasing attractiveness, encouraging investments and creating favourable areas for intervention by means of actions for upgrading areas of the district, for building infrastructural works, for updating the skills of staff, and for the promotion of new technologies.

In general, districts constitute zones with zero bureaucracy, pursuant to the law, with the exclusion of the permits and other authorisation requirements, whatever they are named, laid down in the Code on Cultural Assets and the Landscape.

With reference to the **network contract**, it is envisaged that such an instrument may be utilised in the tourism sector, partly to achieve the following goals:

- supporting the processes for the reorganisation of the tourism supply chain;
- improving the specialisation and certification of the sector;
- encouraging investment in order to grow the competitive and innovative capacity of national tourism entrepreneurship, in particular on foreign markets.

(44) See Art. 13 of Decree-Law no. 83/2014 and Art. 19 of Act no. 241/1990.

(45) See Art. 3, Business networks, "zero bureaucracy zones", tourism districts, leisure sailing of Decree-Law no. 70/2011, as well as Art. 10, para. 6, of Decree-Law no. 83/2014.

In addition to the regulatory changes regarding the network contract, also of interest is Mibact's recent initiative to **award specific contributions**, by means of a competition procedure, **to business networks** that operate in the tourism sector⁴⁶. The integration of micro and small tourism businesses is incentivised with funding of €8 million through aggregation projects relating, for example, to: systemising information and booking tools for tourism services; online promotion/marketing; the use of new social marketing tools; and promotion on foreign markets.

Finally, an interesting measure in favour of entrepreneurship is contained in the **2016 Finance Act**, which provides for the deductibility of the labour costs from the IRAP tax base, up to a 70% limit for seasonal workers.

While the intention of policymakers and legislators to influence the tourism supply by improving certain aspects of it (digitalisation, simplification and scaling) is clear and understandable, **government intervention on the demand side is still not very incisive**. There are no effective measures, fiscal or otherwise, supporting tourism demand, even though a national holiday vouchers fund is envisaged in Article 27 of the Tourism Code and holiday vouchers were tried for a brief period, conceived mainly for developing a social tourism model.

There is also an initiative for protecting tourism demand: the **National Guarantee Fund**, governed by Article 51 of the Tourism Code and currently managed by Mibact, which intervenes to reimburse package holidays sold with contracts entered into in Italy by travel agencies or tour operators authorised by the competent authority that have become bankrupt or insolvent. The operational procedures for reimbursement have turned out to be ineffective, however, from the standpoint of consumer protection, and are the subject of a dedicated **European infringement procedure**⁴⁷.

The 2016 Finance Act envisages a €500 bonus card that young people can use for entry into theatres, museums, archaeological areas, exhibitions and cultural events and for purchasing books. It would be interesting to extend such a measure to alternative forms of tourism in Italy, linked to sustainability and accessibility, for example.

A national strategy that takes account of the existence of a general context in which tourism demand is greatly affected by the economic crisis must be projected internationally, but without failing to study and implement effective measures for supporting and protecting domestic demand.

Supporting domestic demand remains a fundamental socio-economic goal

(46) Published on 29 October 2015.

(47) See Procedure no. 2012/4094 on the poor acknowledgement of EEC Directive 90/314 regarding travel, holidays and "all-inclusive" networks.

03

Italian tourism in figures

A supply that is inadequate for changing demand; targeting more dynamic forms of tourism to relaunch the sector

69

Despite countless statistical surveys, tourism is still a phenomenon that is difficult to quantify

Giving an exact measure of the tourism phenomenon is complicated, to say the least. The reasons for this difficulty can be attributed partly to the very nature of the sector, which involves a broad range of parties and activities. However, they are also linked partly to the fact that the **subject of the economic impact of the sector on the territory has been ignored for a long time**, while attention has instead been concentrated above all, if not exclusively, on the sociological aspects of tourism.

As regards the accommodation sector, which along with catering constitutes the most important of the segments that make up the tourism sector, the official statistics to date are predominantly concentrated on the scale of the tourism flows in terms of arrivals and overnight stays, on the demand side, and the number of businesses and beds available, on the supply side. **These measurements** are unquestionably fundamental in order to define the scope of the tourism industry, but **do not provide a real measure of the economic value of the phenomenon**. Still not widely at retail level, though fundamental for estimating the economic impact of the sector, are the official statistics on the expenditure of tourists and on the average return of the associated industry, both as a whole and by structure type.

Another aspect of extreme importance is that **a large part of the tourism phenomenon takes place in the informal economy**, especially with regard to “residential” tourism or second homes, i.e. private dwellings for holiday use. Tourism linked to private homes has always been considered to be a marginal social and economic phenomenon compared with conventional tourism. As a consequence of this, and of the resulting lack of monitoring, its qualitative and quantitative characteristics are not known, nor is it possible to estimate its economic, social and environmental impacts. Yet this is tourism to all intents and purposes, capable of generating flows that are even higher than those of conventional structures.

Finally, the fact that the tourists in question are subject to less intermediation does not make it easy to record some of their movements. In most cases, in fact, travellers organise their holidays on their own, use the internet for booking accommodation and purchasing travel tickets, and often stay in private homes and travel by car, adopting consumption behaviour similar to that of local inhabitants.

A **great opportunity** for measuring the phenomena that affect the sector, including those that are beyond controls and measurements, comes from so-called **big data**. In an increasingly digitalised world, **all tourist behaviour is able to generate data**. If aggregated, these data can provide an enormous amount of information on the tourists' behaviour, in real time, and contribute to the measurement of the phenomenon both as a whole and in its various facets.

3.1 The impact on the country's economy. The tourism sector in Italy makes a significant contribution to the GDP and employment. According to the latest World Travel and Tourism Council estimates, the direct contribution to the GDP of the Travel and Tourism sector - estimated considering the companies in the tourism sector in a strict sense, i.e. the activities of hotels, tourism intermediation companies, airlines and catering or recreation businesses that deal directly with tourists - amounted to €66 billion (4.1% of GDP) in 2014. The contribution of the sector should increase over the next 10 years until it reaches a value of €82.4 billion (4.6% of GDP) in 2025.

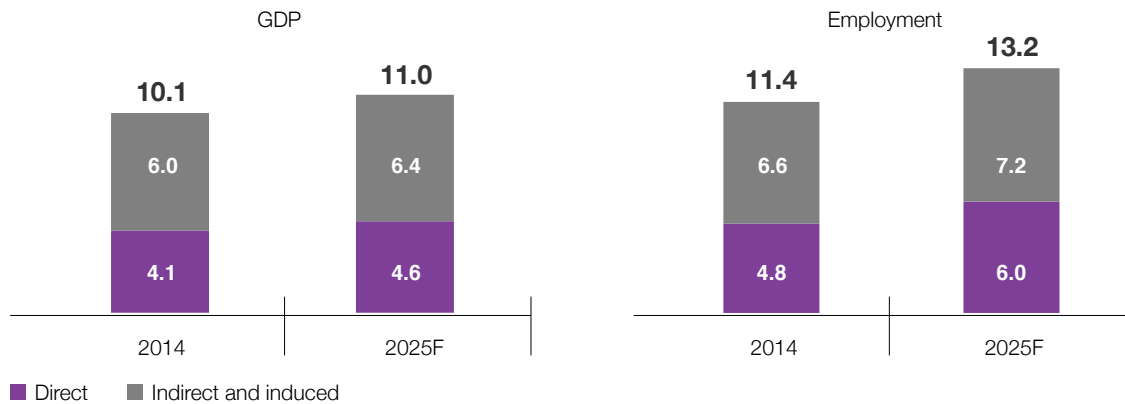
With reference to the total contribution, which takes into account not only the direct effects, but also the indirect and induced effects, the **Travel and Tourism sector accounted for 10.1% of GDP in 2014**, with an overall value of €162.7 billion. The contribution of the sector to the Italian economy in 2025 should reach 11.0% of GDP (about €195.5 billion).

As regards the effects on employment, the sector directly supported 1.1 million jobs in 2014, 4.8% of total employment. The first estimates are that over the next 10 years the sector will reach an employment level of almost 1.4 million workers (6% of the total).

The overall direct, indirect and induced impact of the sector on national employment amounted to 11.4%, with 2.6 million jobs, which, according to WTTC forecasts, should reach 3 million by 2025 (13.2% of total employment).

The tourism sector makes a significant contribution to GDP and national employment

Graph 13 – Total contribution of the tourism sector to GDP and employment, 2014 and 2025F (%)

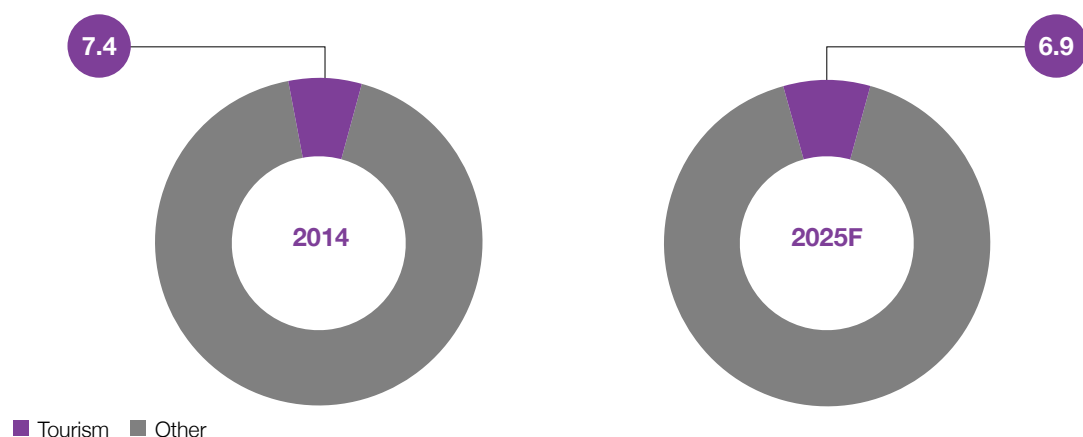


Source: World Travel and Tourism Council, 2015

Consumption by foreign tourists is an important component of the direct contribution to GDP of the Travel and Tourism sector, as well as being **one of the Italy's biggest exports**. This consumption reached €34.8 billion in 2014, 7.4% of the total value of exports, and, based on the first estimates, will grow further in the coming years to reach €43.3 billion in 2025, though with a reduction in its share of total exports to 6.9%. Compared to this expenditure by foreign travellers in our country, that of Italian tourists abroad, though positive, is lower, leading to **a positive net result in the tourism balance of payments**.

The consumption of foreign tourists is one of Italy's biggest exports

Graph 14 – Contribution of the tourism sector to exports, 2014 and 2025F (%)

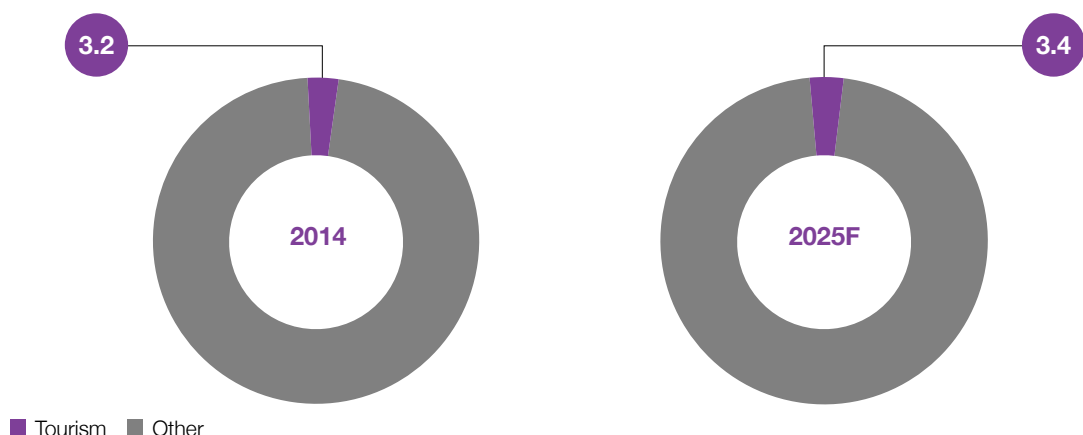


Source: World Travel and Tourism Council, 2015

The investments attracted by the sector are still rather low compared to the sector's role in the national economy

Finally, the investments in capital attracted by the sector amounted to €9.2 billion in 2014 (3.2% of total national investments). During 2015, these investments should have remained quite stable, before beginning to grow again from 2016 at an average annual rate of 2.0% in the following 10 years, when they should reach the €11.2 billion mark (3.4% of the national total). Despite the forecast growth, **the weight of the aforesaid investments as a proportion of the national total is quite low, especially considering the prospects for growth in the sector.** The trend envisaged today for the next 10 years not only reflects the difficulty in finding national resources to allocate to the sector, but also points to the reduced ability of the country to attract capital from abroad, notwithstanding the great interest in the sector at international level and the appeal our country has to tourists.

Graph 15 – Contribution of the tourism sector to investments, 2014 and 2025F (%)



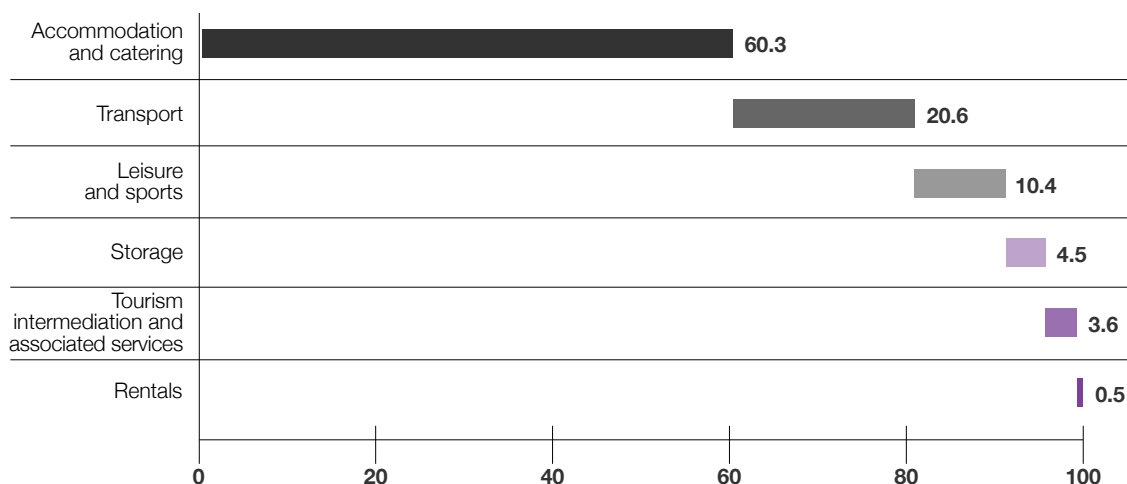
Source: World Travel and Tourism Council, 2015

3.2 The tourism system. In recent decades, the Italian tourism system, composed of almost 700 thousand companies operating in various sectors (accommodation, catering, transport, intermediation) has been considerably influenced by the great changes affecting the market (the internet, the appearance of new tourist destinations, the rise of low-cost companies, etc.).

According to Mercury figures¹, in Italy **the sector represents 11.2% of the total number of national businesses**. The majority work in the accommodation and catering field (60.3%). Also considered to be directly connected to tourism are transport (20.6%), storage (4.5%) and rental (0.5%) companies, as well as leisure, cultural and sports activities businesses (10.4%) and, last but not least, tourism intermediation and associated services companies (3.6%), which include travel agencies, tour operators, booking services and other support services.

11.2% of Italian businesses carry out tourism activities

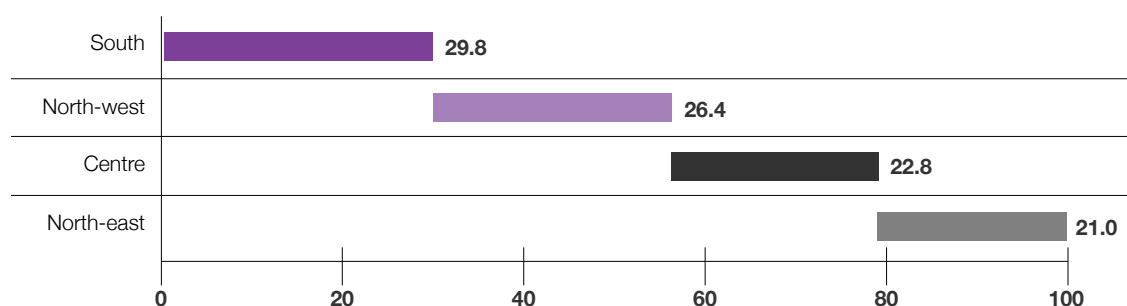
Graph 16 – Tourism businesses by sector, 2013 (%)



Source: Mercury, 2014

29.8% of Italian tourism businesses are located in the south and on the islands, 26.4% in the north-west, 22.8% in the centre, and the remaining 21.0% in the north-east. A higher number of businesses does not always correspond to a greater weight for the sector as a proportion of the total economic system, however. While tourism businesses represent 11.2% of the total in the whole country, in the south tourism companies account for 10.2% of the total economy, the lowest value recorded at macro-area level (11.3% in the north-west, 12.1% in the north-east and 11.8% in the centre).

Graph 17 – Tourism businesses by geographical area, 2013 (%)



Source: Mercury, 2014

(1) Mercury (2014)

Intermediation is the sector that has suffered most from the great changes affecting tourism in recent decades

With reference to the accommodation sector alone, it can be observed that in addition to the traditional hospitality formulas – hotels above all, as well as campsites and holiday villages – other accommodation solutions such as agritourism structures, B&Bs and holiday residences are becoming increasingly common. These reflect the clientele's interest in finding increasingly authentic solutions that are linked to local characteristics. In this context, **the role of hotels appears to have been reshaped, with the significant exception of the luxury segment**, which has recorded exponential growth in recent years, although it continues to represent a small portion of our country's accommodation supply.

The catering sector has the highest number of tourism businesses in absolute terms. In many cases these are micro and small businesses and are often family-run. Catering is a critical aspect of a tourist's stay, especially in a country like Italy, which has always been renowned for its rich and varied culinary tradition². Once again, the area with the highest number of businesses is the south, with 30.8% of companies, followed by the north-west (26.1%), the centre (23.6%) and the north-east (19.5%). Given that catering targets not only tourists, but also residents, it follows that it is influenced by population density; and in fact the most populous regions are also those that record the highest share of businesses that provide catering services: 13.7% in Lombardy, 11.1% in Lazio, and 8.6% in Campania.

Finally, **the tourism intermediation sector is unquestionably among those that have suffered the greatest upsets in recent decades**. This is partly because the arrival of the internet has allowed tourists to organise their holidays autonomously, without the support of travel agencies and tour operators, and partly because it has led operators in the sector to compete with one another, whereas once their activities were more clearly distinct. To give just a few examples: travel agencies have partly been replaced by tour operators offering their own packages; the larger hotel groups have set up their own tourism agencies; and airlines have put packages on the market that include not only the flight, but also accommodation and car hire.

In recent years, however, in order to increase sales and intercept the new segments of demand, and to prevent the loss of significant market share, **accommodation businesses have once again turned to tourism intermediation**. There has been great diversification within the tools adopted, and **the major online booking portals** have been the first port of call. **Between 2008 and 2013, the share of structures with close ties to the tourism distribution system rose from 35% to 55%**, mostly hotels. This approach seems to have been positive, since the accommodation structures that availed themselves of intermediation have recorded higher room occupancy percentages than other structures, particularly during the autumn months. It is therefore with regard to combating the seasonality phenomenon that hotel accommodation structures have revealed their need for intermediation again, as they are evidently unable on their own to calibrate revenue management policies that permit better occupancy rates during every period of the year.

3.2.1 The accommodation supply. There were almost 160 thousand accommodation structures in Italy in 2014, with a total of 4.8 million beds. 80% of structures were of the non-hotel type, with over 50% of the beds.

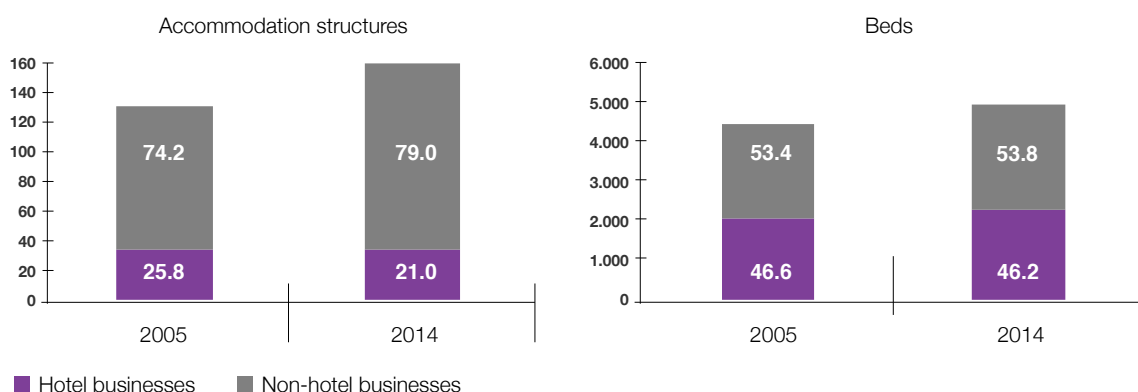
The accommodation supply increased by 22% overall during the last decade, passing from 130 thousand accommodation businesses to 158 thousand. The increase was caused by the growth in non-hotel structures (+30%), compared to a slight reduction in hotels (-1%). As a consequence, the non-hotel share of businesses rose by 5 percentage points, passing from 74% to 79% of the total.

An overall increase of 11% was recorded in terms of beds, due to the growth in the number of beds both in hotels (+10%) and in non-hotel businesses (+12%). The percentages of the total for each of the two accommodation types remained quite stable.

There has been a significant growth in the accommodation supply in recent years...

(2) In 2010, the Mediterranean diet, of which Italy is one of the main representatives, was awarded UNESCO "intangible heritage" status.

Graph 18 – Accommodation by type, 2005 and 2014 (no. and %)



Source: Istat, 2015

With reference to the hotel component only, it can be seen that the quality of Italy's accommodation supply improved during the last decade; the number of beds in three-, four- and five-star hotels increased, both in absolute terms (+291 thousand) and in terms of the percentage share of total hotel businesses, which rose from 73.4% to 79.4% between 2005 and 2014. At the same time, the number of beds in structures with one and two stars fell by 116 thousand units and 7 percentage points in terms of share of the total, from 18.8% to 11.9%. This phenomenon is easily explained by the increasing needs of tourists who, on average, look for comfortable structures that are equipped with all the main services. This is especially the case with flows of visitors from emerging economies, who often represent the better-off brackets of the populations of those countries.

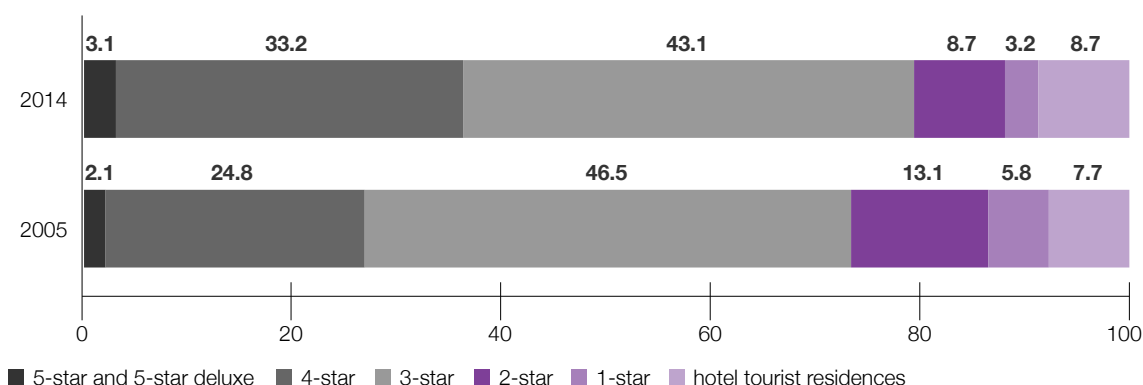
... in particular for the higher-quality hotel businesses

However, the Italian hotel supply remains concentrated on three-star structures, whose bed numbers, though down on 2005, still constitute the majority of the total (43.1%). The highest percentage increases during the decade were recorded for the beds in four-star (+48%) and five-star (+62%) hotels. Today, the former represent about 33.2% of total beds, up 8 percentage points on 2005, and the latter 3.1%, one percentage point higher, a significant increase given the relatively low number compared to the other categories. The beds in tourism hotel residences³ were up 24% in absolute terms and one percentage point in terms of share of the total, rising to 8.7%. The beds in one- and two-star structures fell during the decade, by 39% and 27% respectively, and today constitute 3.2% and 8.7% of the accommodation supply in our country.

65

However, the supply remains concentrated on medium-quality structures

Graph 19 – Hotel beds according to category, 2005 and 2014 (%)



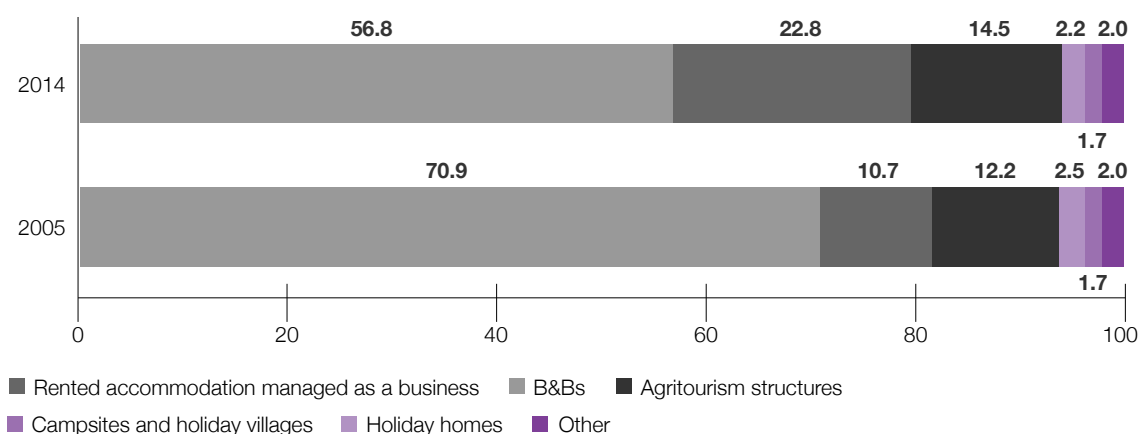
Source: Istat, 2015

(3) Hotel businesses that provide their services in furnished dwelling units fitted with their own kitchens.

As regards **the non-hotel sector**, the last decade was characterised by the **proliferation of forms of accommodation that were once new but are extremely common today: B&Bs and agritourism structures**.

Because taking the number of beds as the reference could be misleading in this case, given the tendency to over-estimate the number of beds in campsites and holiday villages, an analysis carried out in terms of the number of businesses reveals that from 2005 to 2014, B&Bs increased from 10.7% of the total to 22.8%, with a 178% increase. Agritourism businesses recorded a 54% increase, which translated into growth of two percentage points in the total share of accommodation businesses, from 12.2% to 14.5%. These increases cut into the share of rented houses managed as a business, which dropped from 70.9% to about 56.8%, though recorded a slightly positive change in absolute terms (+4% compared to 2005).

Graph 20 – Non-hotel businesses by type, 2005 and 2014 (%)



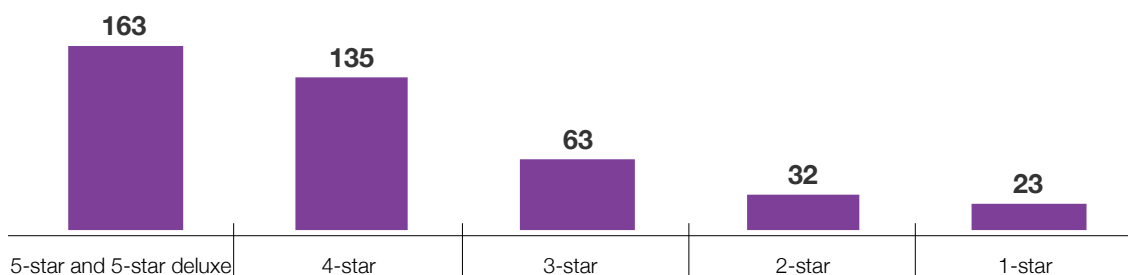
Source: Istat, 2015

Italian accommodation structures are typically small, with an average number of beds per structure of 31 in 2014. Moreover, the average accommodation capacity is down on 2005, when the number of beds per structure was 33. This dynamic, however, is characterised by great internal differences. If we analyse hotel structures only, the average number of beds per business is 67 and up compared to 10 years ago, when it was 61. In non-hotel businesses, on the other hand, the average accommodation capacity is much lower and down compared to a decade ago. In 2014, the average number of beds per structure was 21, against 24 in 2005.

The average hotel size⁴ is proportionate to the quality standards of the structures. **The higher-category hotels are also the bigger ones**, with 163 beds per structure in the five-star ones, compared to 63 beds on average in the more common three-star hotels.

(4) The average size is given by the ratio between the number of beds and the number of accommodation structures.

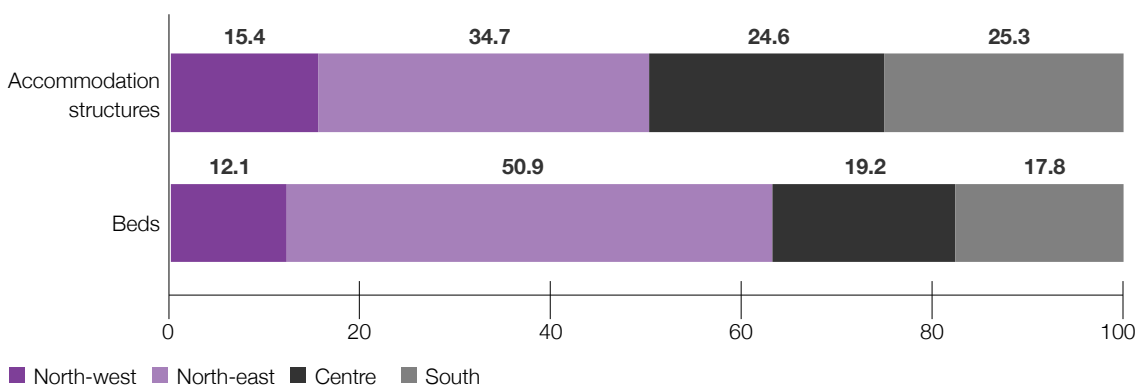
Graph 21 – Average hotel size by category, 2014 (no.)



Source: CDP processing of Istat data, 2015

At territorial level, the accommodation supply is concentrated above all in the north-east, where 50.9% of the businesses and 34.7% of the total beds are located. Just 17.8% of the businesses are located in the south and on the islands, on the other hand, corresponding to 25.3% of beds at national level.

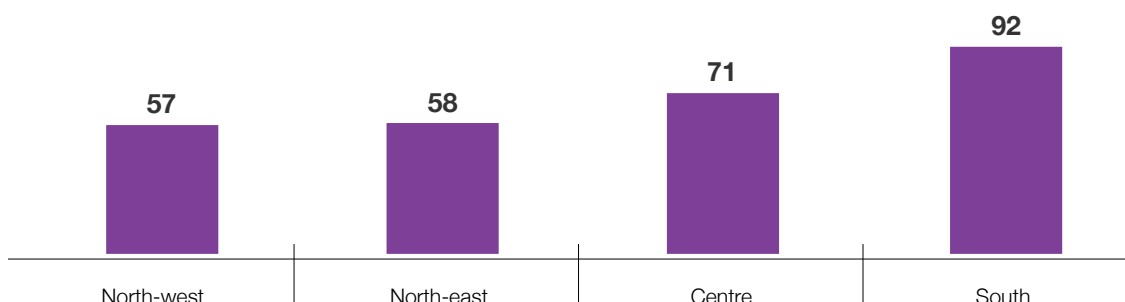
Graph 22 – Accommodation supply by geographical area, 2014 (%)



Source: Istat, 2015

The largest hotel structures are concentrated in the centre and the south, mainly in the areas where Italian families used to spend long seaside holidays, while tourism hospitality in the north is characterised by the presence of smaller structures, especially in mountain resorts.

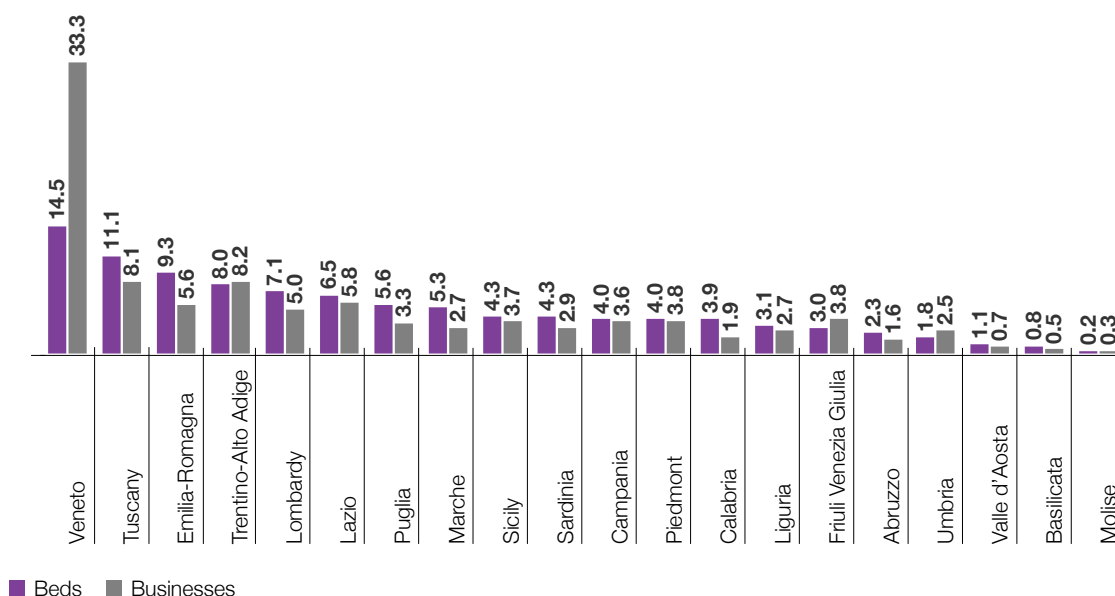
Graph 23 – Average hotel size by geographical area, 2014 (no.)



Source: CDP processing of Istat data, 2015

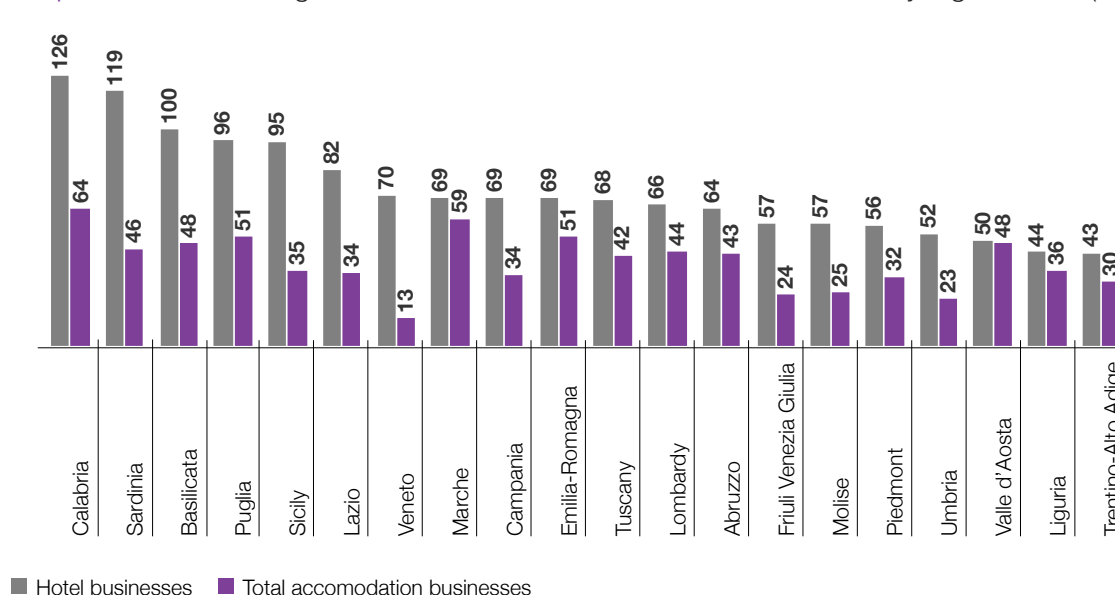
At detailed regional level, the accommodation supply is more concentrated in Veneto, where 14.5% of the beds are located and, above all, 33.3% of the accommodation businesses, a much greater proportion than in the other regions. Overall, the size of the accommodation structures in Veneto is well below the national average, with only 13 beds per business, the lowest regional figure. This average is influenced by the high number of small, non-hotel structures, however, while the hotels, with 70 beds per business, all fall within the national average. **The largest hotel structures are located in the regions that have typically been seaside destinations:** Calabria, Sardinia, Basilicata, Puglia and Sicily. Unfortunately, in none of these cases does this great availability correspond to adequate usage. As will be seen below, the above-mentioned regions, and the south in particular, are characterised by low usage of accommodation structures during almost the entire year, with the exception, of course, of the summer season.

Graph 24 – Accommodation supply by region, 2014 (%)



Source: Istat, 2015

Graph 25 – Total average size of accommodation sector and hotel sector by region, 2014 (no.)



Source: CDP processing of Istat data, 2015

3.2.2 Demand. Italian accommodation structures recorded 107 million arrivals and 378 million overnight stays in 2014, giving an average stay⁵ of 3.5 nights. Compared to 2005, arrivals of tourists in Italy rose 21%, but overnight stays were only 6% up, with a consequent drop in the average customer stay from 4.0 to 3.5 nights (-12%).

Table 1 – Arrivals, overnight stays and average stay by type of accommodation business and provenance, 2005 and 2014

	2005			2014			Change (%)		
	Hotel businesses	Non-hotel businesses	Total	Hotel businesses	Non-hotel businesses	Total	Hotel businesses	Non-hotel businesses	Total
Italian									
Arrivals (m)	41.3	9.0	50.2	43.5	11.4	54.9	5.3	28.4	9.4
Overnight stays (m)	138.2	68.5	206.7	127.6	63.4	191.0	-7.7	-7.4	-7.6
Average stay (days)	3.3	7.7	4.1	2.9	5.5	3.5	-12.3	-27.9	-15.5
Foreign									
Arrivals (m)	30.9	7.2	38.1	40.8	10.9	51.6	31.1	51.2	35.7
Overnight stays (m)	102.1	46.2	148.3	127.4	59.4	186.8	24.8	28.6	26.0
Average stay (days)	3.3	6.4	3.9	3.1	5.5	3.6	-5.5	-14.9	-7.2
Total									
Arrivals (m)	72.2	16.1	88.3	84.2	22.3	106.6	16.7	38.6	20.7
Overnight stays (m)	240.3	114.7	355.0	254.9	122.8	377.8	6.1	7.1	6.4
Average stay (days)	3.3	7.1	4.0	3.0	5.5	3.5	-9.1	-22.7	-11.9

Source: Istat, 2015

The dynamic of overnight stays in Italy during the last decade has been rather up and down and, as might be expected, is closely linked to trends in the world economy. In the 2008-2009 two-year period and then in 2012-2013, negative percentage changes in tourism flows were recorded, in parallel with the severe economic crises that struck countries everywhere. The first signs of recovery seem to be emerging for 2014, with a timid +0.4%; however, unpublished figures seem to reinforce much more sustained growth for 2015⁶. These data are indisputably encouraging, even though it is impossible to ignore the influence that the economic and political crises in some of Italy's great competitors in the Mediterranean may have (particularly North Africa and Greece).

These general trends are different, however, when a distinction is made between Italian and foreign tourists. With regard to the former, compared to 2005, arrivals increased by 4.7 million (+9%), while overnight stays dropped by 15.7 million (-8%), triggering a drop in the average stay of 16%, from 4.1 to 3.5 nights.

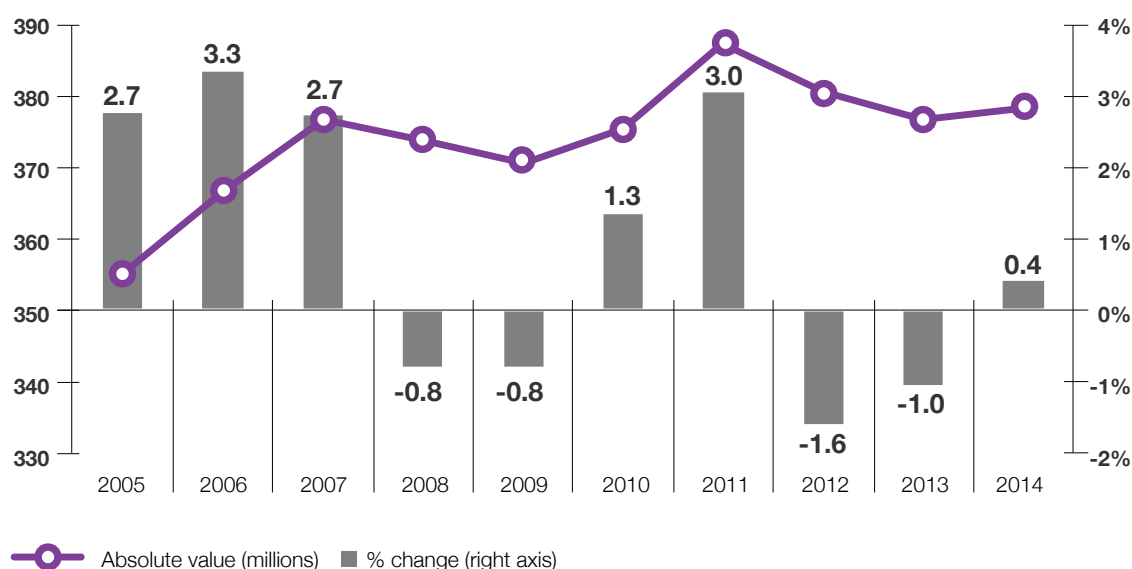
With regard to tourism flows from abroad, on the other hand, both arrivals and overnight stays increased between 2005 and 2014. The most marked percentage increase (+36%) was recorded for arrivals, which were up by 13.6 million, while overnight stays, with an increase of 38.5 million, rose less in percentage terms (+26%), leading to a drop in the average stay from 3.9 to 3.6 nights, a percentage change that is lower than the one recorded for Italian tourists, but still negative (-7%).

(5) The average stay is given by the ratio between the number of overnight stays and the number of arrivals.

(6) Federalberghi, Istat and OECD surveys.

After the great crisis, tourism demand dynamics are positive once again ...

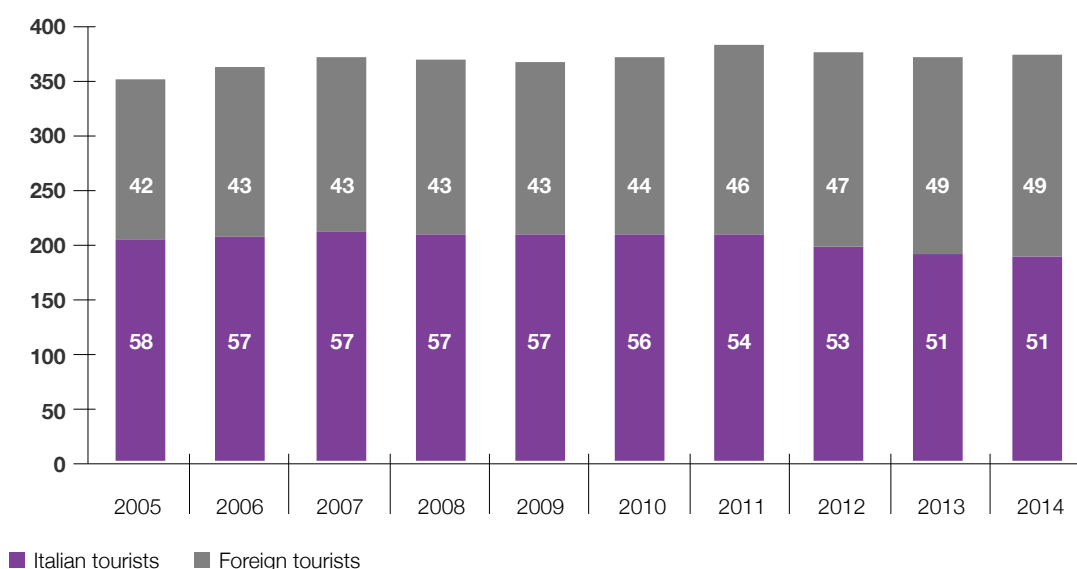
Graph 26 – Overnight stays, 2005-2014



Source: CDP processing of Istat data, 2015

The result of these dynamics is that in 2014, Italian and foreign tourists were distributed virtually evenly, with each constituting about 50% of total demand. Italy has always been one of the most popular destinations, both for travellers from abroad and for domestic tourism. Yet, in the 2005-2014 period, especially following the collapse in domestic demand provoked by the economic crisis, there was a progressive increase in the foreign tourist share, which rose from 42% to 49% in terms of overnight stays, while the Italian tourist percentage dropped 7 percentage points, from 58% to 51%. Therefore, even though domestic tourism flows still represent an important part of total national tourism, **growth in the sector depended principally on the particularly positive dynamic of foreign travellers in Italy.**

Graph 27 – Overnight stays by tourist provenance 2005-2014 (millions and %)



Source: Istat, 2015

With reference to the type of business, **tourists in 2014 prevalently stayed in hotel structures** (67%), without any particular differences between Italians and foreigners. This percentage distribution does not, however, reflect that of the supply, which was found to be distributed quite evenly between hotels (46%) and complementary businesses (54%). Very probably, this figure largely discounts the difficulties in measuring tourist flows linked to non-hotel businesses, which were mentioned at the beginning of the chapter; it can be presumed that **a large part of the tourists who stay in structures other than hotels are overlooked by the surveys and are therefore underestimated in the official statistics.**

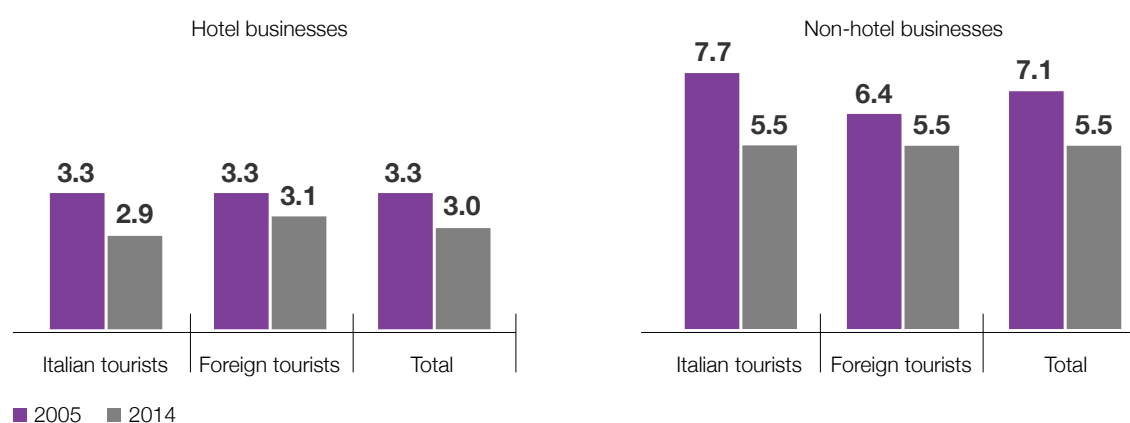
Between 2005 and 2014, tourist stays in the hospitality structures in Italy increased 6% in hotel structures and 7% in non-hotel ones. It was the tourism flows from abroad that generated the positive trend: these recorded an increase of 25% in hotel structures and 29% in non-hotel ones, while stays by Italian tourists fell by 8% and 7% respectively.

Arrivals were up 17% in hotels and 39% in other accommodation structures. In this case, the trend was positive both for foreign tourists (+32% and +51% respectively) and for Italian ones, though to a lesser extent (+5% and +28%).

Following these dynamics, **the average stay was down for both forms of hospitality**, with a reduction of 9% for hotel businesses, from 3.3 to 3.0 nights, and 23% for non-hotel structures, from 7.1 to 5.5. What emerges from comparing the data for the type of structure with those for client provenance is how **the fall in the average stay is particularly marked for those stays that are typically the longest tourist stays in our country**, i.e. those of **Italian tourists housed in non-hotel accommodation structures**, which dropped from 7.7 to 5.5 nights in the course of the decade in question.

The average stay is falling both for Italians and for foreigners, whatever type of accommodation they choose

Graph 28 – Average stay by business type and client provenance, 2005 and 2014 (no.)



Source: CDP processing of Istat data, 2015

Though there are some behavioural differences between Italians and foreigners, **tourist flows are still mainly concentrated in the summer months.** However, it appears to be quite evident that the highest seasonality peaks are recorded for Italian tourists, 25% of whom travel in August. The **presence of foreign tourists is much more evenly distributed, and in the spring and autumn months they exceed the number of Italian stays in absolute terms.**

Seasonality continues to be an element of great weakness in the Italian tourism system

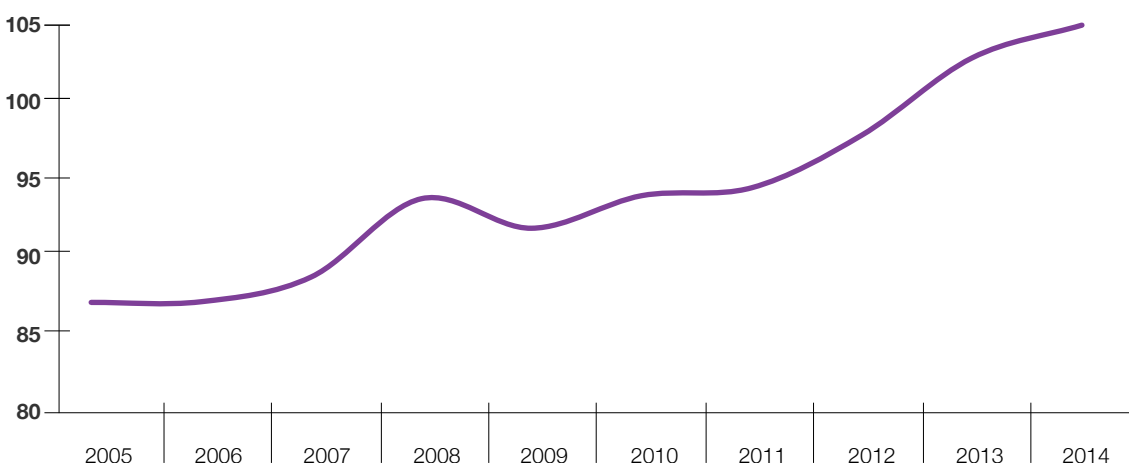
Graph 29 – Overnight stays by month, 2014 (millions)



Source: Istat, 2015

To sum up, the positive dynamic that characterised overnight stays by tourists in Italy during the last decade can mainly be attributed to foreigners. While being aware that we must continue to do our best to support domestic tourism, it is nevertheless necessary to highlight that **the ability to attract foreign tourism flows is an element of great strength in Italian tourism, which should be supported and incentivised**. Not only do foreign tourists stay longer on average and distribute their trips more evenly across the year, they **tend to have a higher average expenditure** and provide a significant contribution to the economy of the areas in which they stay. During the past decade, the average spend of foreign travellers in Italy increased considerably, rising from €87 per night in 2005 to €105 in 2014.

Graph 30 – Average expenditure of foreign tourists per night, 2014 (€)



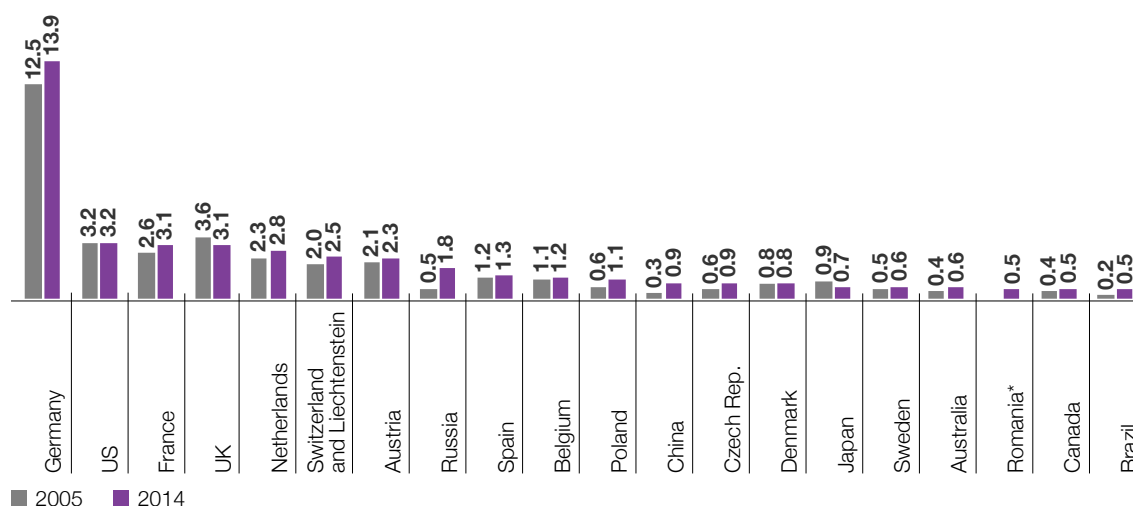
Source: CDP processing of Bank of Italy data, 2015

The analysis at the level of individual countries of provenance shows that tourism in Italy has also seen a **large number of German visitors**. The presence of clients from Germany in Italy has increased in the last decade by 18% (13.9% of total overnight stays). Also up were the overnight stays of US (+6%) and French (+27%) tourists, respectively in second and third place in the classification of overnight stays by foreign visitors in Italy; nevertheless, their shares were over 10 percentage points lower than that of Germany (3.2% for the Americans and 3.1% for the French), remaining fairly stable compared to 2005. On the other hand, there was an 8% drop in British tourists, who fell from second to fourth place in the classification, with a share of about 3.1% of the total. Travellers from the Netherlands, whose overnight stays rose 28% between 2005 and 2014, were in fifth place, with a consequent increase in their share from 2.3% to 2.8%.

There continue to be high numbers of Germans in the flows of foreign tourists, while the “newcomer” component is still irrelevant

Among **emerging economies**, the decade in question saw three-figure growth rates recorded for tourist flows from Russia (+251%), China (+185%) and Brazil (+143%), though these countries continue to represent minority shares of the total foreign tourist numbers in Italy (Russians 1.8%, Chinese 0.9% and Brazilians 0.5%). Among economically mature countries, on the other hand, there was a 22% drop in travellers from Japan, with a 0.7% share of the total, falling 0.2 percentage points between 2005 and 2014. Also of note is **the total absence from the top places of Far East nations (Korea, Indonesia and Vietnam)** and of the **United Arab Emirates** which have actually been the most dynamic markets in recent years.

Graph 31 – Overnight stays by foreign tourists by country of provenance, 2005 and 2014 (%)



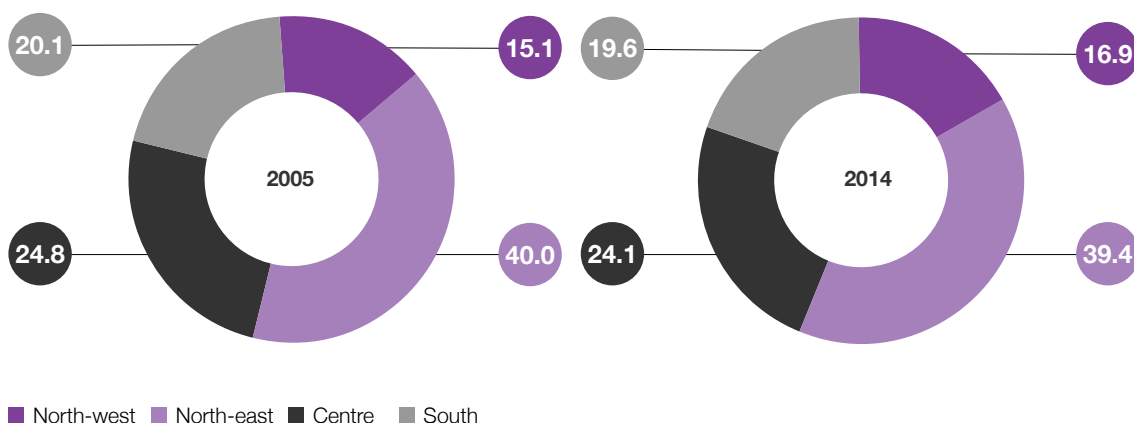
Source: Istat, 2015

(*) The 2005 figure for Romania is not available

The distribution of tourist flows across the country seems to be completely in line with that of the accommodation structures: the highest number of tourism overnight stays is recorded in the north-eastern (39.4%) and central regions (24.1%), followed by the south (19.6%) and finally the north-west (16.9%). In general, the **south is most visited by Italian tourists, who largely use complementary structures and have a longer average stay**, given the predominance of seaside holidays. The fairly low figure for the south could partly be attributed to the fact that a considerable slice of the tourist clientele visiting the south stay in private structures, with relatives and friends, or in rented or second homes.

The south attracts few tourists; those who do visit tend to stay for longer periods and are mainly Italians

Graph 32 – Tourists overnight stays by geographical area of destination, 2005 and 2014 (%)

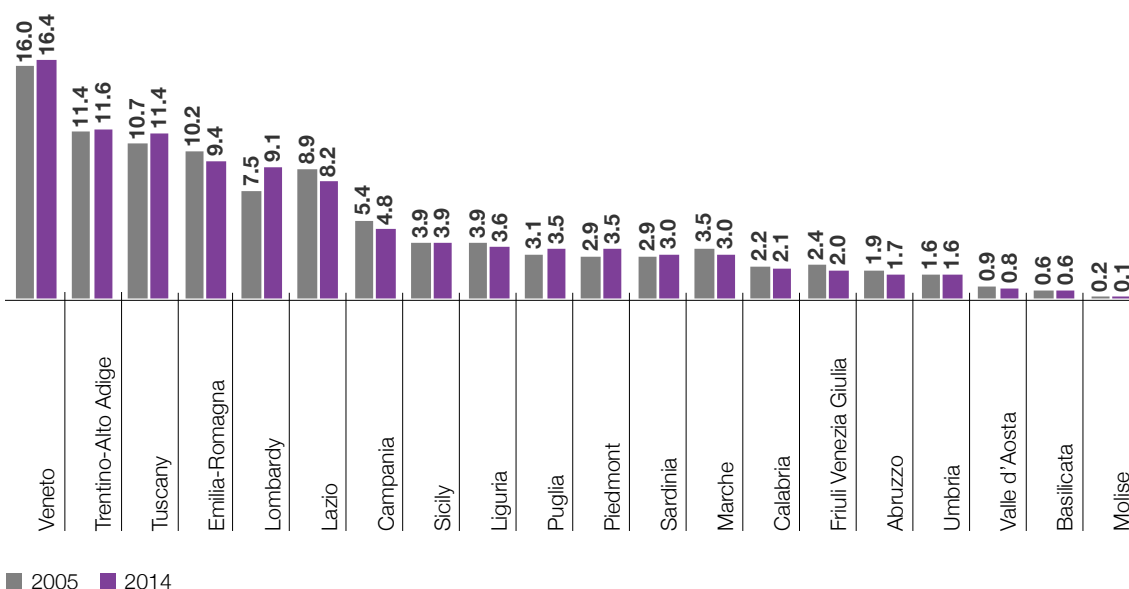


Source: Istat, 2015

Standing out among the most visited Italian regions is Veneto, with 16.4% of total overnight stays, followed by Trentino-Alto Adige (11.6%), Tuscany (11.4%) and Emilia-Romagna (9.4%); therefore, the top four regions alone attract almost half of all tourists.

In the case of Veneto and Tuscany, the famous cities of art attract the greatest tourism flows, particularly Venice, where 55% of the regional overnight stays are concentrated, and Florence, with 30%. As regards Trentino-Alto Adige, a traditional magnet for mountain tourism, 65% of the tourism flows are concentrated in the Bolzano province and mainly arrive from abroad, largely from the countries immediately across the Alps: Germany, Switzerland and Austria. Emilia-Romagna, on the other hand is distinguished by the concentration of tourists in Rimini, which hosts 43% of the regional overnight stays, mainly for seaside and conference activities.

Graph 33 – Tourists overnight stays by destination region, 2005 and 2014 (%)



Source: Istat, 2015

About half
the tourists are
concentrated
in just four
regions

Significant numbers of overnight stays were also recorded in Lombardy and in Lazio, amounting to 9% and 8% of the Italian total respectively. These flows are mainly concentrated in the regional capitals: Milan is the destination for 40% of overnight stays in its region, as is Rome, to a much more striking extent, with a figure of 85%.

It can be noted that there were no great upsets over the course of the decade in the general classification of the most visited regions. **The regions that recorded the greatest increases in overnight stays were Lombardy, Piedmont and Puglia**, in that order.

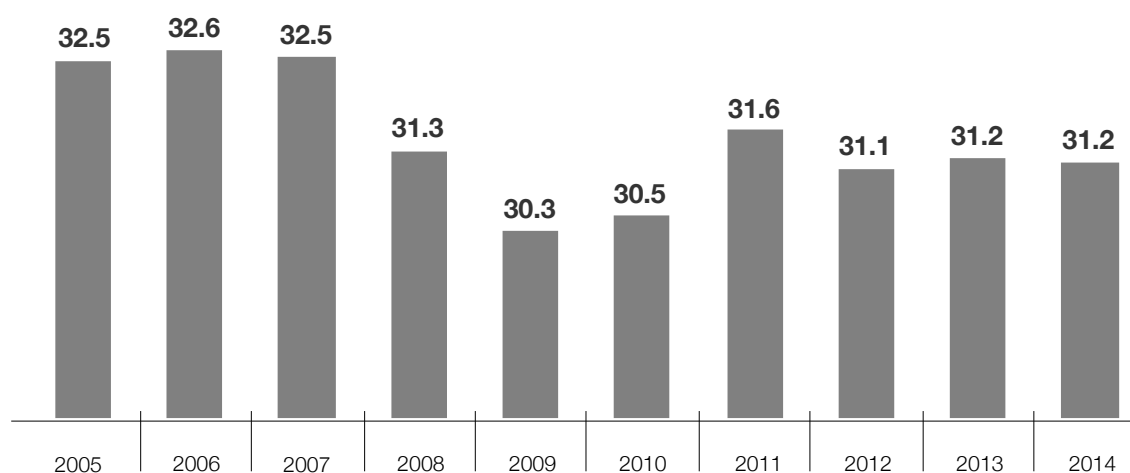
There was an increase in the share of foreign tourists in all the regions, with the exception of Basilicata, Abruzzo and Molise. This phenomenon is particularly evident in Sardinia, where the percentage of foreigners out of the regional total increased by 18 percentage points, from 29% to 47%. Positive changes above 10 percentage points were also noted in Friuli Venezia Giulia, Liguria and Sicily. On the contrary, the overnight stays of Italian travellers fell everywhere, with the exception of Piedmont, Puglia, Basilicata and Lombardy.

Though up in almost every region, foreign tourists continue to prefer the centre-north

Foreign tourists in Italy are highly concentrated at territorial level, however, with over 70% of overnight stays in 2014 recorded in the regions of Veneto, Trentino-Alto Adige, Tuscany, Lazio and Lombardy, with visitors once again being concentrated in the main cities and in the mountain resorts. The situation appears to be critical in the **south, whose eight regions attracted just 14% of foreign tourists**, the same number as those hosted in Trentino-Alto Adige alone, and just over half the foreigners who go to Veneto.

3.2.3 Utilisation rates. By analysing the gross utilisation rate of hotel businesses⁷, which indicate, as a percentage, how much of the theoretically usable supply was utilised, it can be noted that **the utilisation level of the hotel structures in our country is rather low and, furthermore, is falling compared with a decade ago**.

Graph 34 – Gross utilisation rate of hotel businesses, 2005-2014 (%)



Source: CDP processing of Istat data, 2015

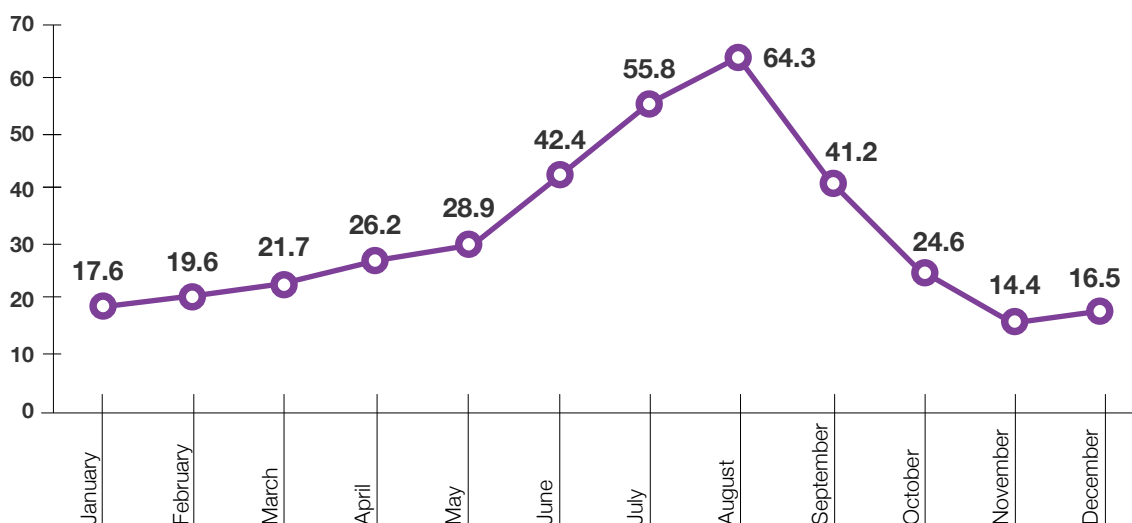
On average, the gross rate of utilisation of accommodation structures in 2014 was 31.2%, with a peak of 64% in August and minimum values – below 20% – in January, February, November and December⁸. With the exception of the summer months, when the rate always exceeds 40%, **Italy's accommodation capacity is always largely underused**, even in periods of the year, such as April, May and October, when the weather conditions are ideal for visiting our country.

The utilisation rates of accommodation structures are low and very seasonal

(7) The gross utilisation rate is given by the ratio between overnight stays and potential bed-nights (calculated as the product of the number of beds and the 365 days of the year). It was decided to calculate the rate only for hotel structures, as the figure for the potential beds in complementary structures is highly distorted, because the values for beds in campsites and holiday villages are constantly overestimated.

(8) The gross utilisation rate per month is given by the ratio between monthly overnight stays and monthly potential bed-nights.

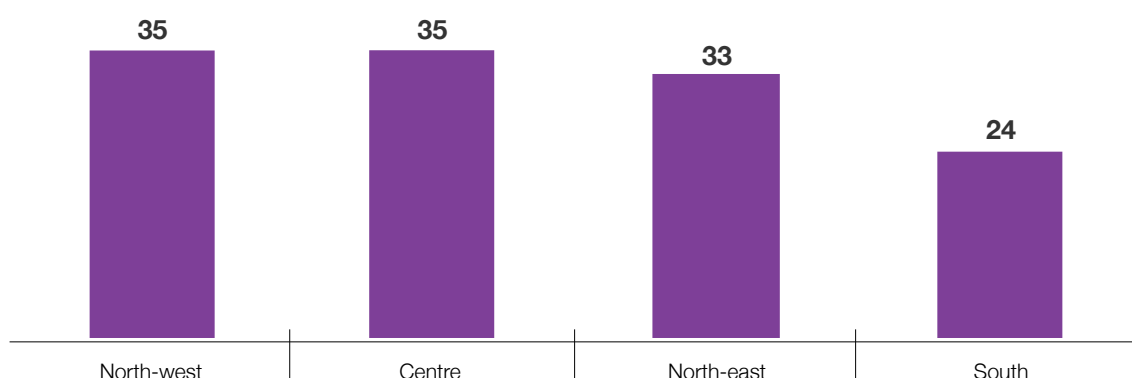
Graph 35 – Gross utilisation rate of hotel businesses per month, 2014 (%)



Source: CDP processing of Istat data, 2015

The gross utilisation rate of hotel structures is homogeneous for the north-west, north-east and centre, where it is between 35% and 33%. On the contrary, the average annual utilisation of hotel structures in the south and on the islands amounts to just 24%. **The difficulties of the south** are highlighted once again: **not only is the accommodation supply in the area considerably undersized compared to the real tourism potential of an area that is rich in cultural and natural attractions, but it also appears to be significantly underused.** Despite its strategic position at the centre of the Mediterranean and its enormous historical, cultural and natural wealth, Italy's south is at a severe disadvantage with respect to its direct competitors on the shores of the same sea, both because of evident **logistical difficulties** that make it hard to reach the area quickly, and because of **poor price competitiveness**.

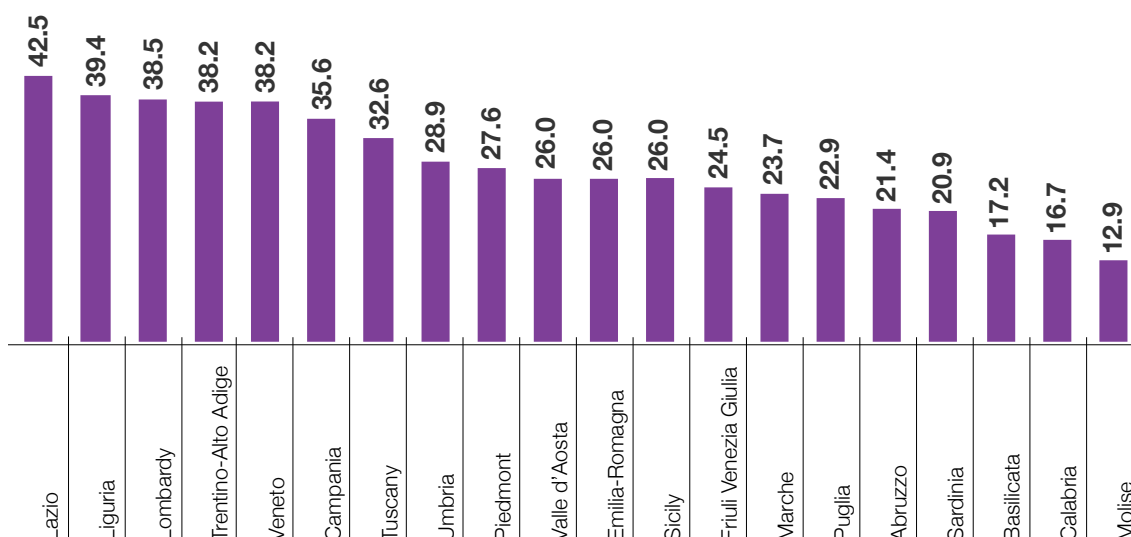
Graph 36 – Gross utilisation rate of hotel businesses by geographical area, 2014 (%)



Source: CDP processing of Istat data, 2015

Figuring among the regions with the highest average annual utilisation of accommodation structures are Lazio, with a rate above 40%, and Liguria, Lombardy, Trentino-Alto Adige, Veneto and Campania, which all have rates above 35%.

Graph 37 – Gross utilisation rate of hotel businesses by region, 2014 (%)



Source: CDP processing of Istat data, 2015

FOCUS

Second homes: an opportunity yet to be exploited

The figures used for analysing the tourism supply in Italy come from official ISTAT statistics, collected ex post from the various types of accommodation businesses. As regards the non-hotel sector, however, the observations present a lower level of coverage, because of the great difficulty of surveying the phenomenon in its entirety. This is particularly evident for the movement of tourists in personally owned holiday homes and homes rented from private parties, the so-called “second home” phenomenon.

Even though there are no official figures for the scale of these structures and associated tourist flows, it seems that they capture a large part of the tourism movement, with values in terms of overnight stays that are at least double those declared officially by accommodation businesses⁹. The difficulty of measuring the phenomenon lies in the fact that there is no obligation to record arrivals and overnight stays in personally owned holiday homes or in holiday rentals, except to a very small extent and only in certain provinces, because of the different regulations at regional level. Moreover, these flows often take place in the informal economy.

The availability of official figures for the movement of tourists in second homes would be extremely useful, both for estimating the benefits generated in added value and employment, and for assessing the negative fallout of any tourist overload in the areas involved, to the detriment of the tourists themselves, the residents and the territory.

The second-home phenomenon seems to be **particularly significant in the south**, where great flows of predominantly Italian tourists arrive, especially in summer. Some of these are returning to their places of origin and families, and stay in homes belonging to them or to family members and friends, while others head for seaside resorts where they rent holiday homes, often in the informal economy and sourced by word of mouth. **In the regions of the south, this movement seems to correspond to about four times the figure recorded officially**; if it were possible to quantify this phenomenon, the south would actually become the number one tourist destination in the country in terms of overnight stays¹⁰. While Italian tourists seem to be concentrated in the Puglia, Sicily and Sardinia regions, foreigners mainly choose Veneto, Tuscany and the cities of art.

(9) Mercury (2014)

(10) Mercury (2010)

In most cases, the houses involved are only used by their owners for a few days per year and therefore remain uninhabited for most of the time. **If they were used to generate income they could constitute a significant resource**, with evident advantages both for demand and for the tourist supply. On the one hand, in fact, customers interested in experiential forms of tourism can enjoy more traditional forms of accommodation that are comfortable and integrated into the real local setting, compared to other larger and more organised ones, while on the other hand, the proprietors can collect rent that can contribute towards taxes and maintenance costs relating to the property, if not a real source of income. In some cases, moreover, **the greater availability of structures of this type can make up for real shortcomings on the supply side**. A study carried out a few years ago¹¹ revealed that there are instances in Italy of tourism localities in which the accommodation needs of tourists cannot be satisfied, even though there are thousands of holiday homes that are only inhabited for brief periods and are empty for most of the year¹².

By comparing data from ISTAT, the land registry and an energy consumption analysis by Enel Energia, the same study estimated the number of homes that were effectively unused and calculated that only 15% of the 3.5 million second homes in Italy were used for seasonal or short-term rentals, while the remaining three million houses were left empty for most of the year, with **an estimated loss per family of around €10,000 per year**. Overall, this would amount to additional turnover generated by the non-hotel sector of about €10 billion per year, which would be in addition to the current €7 billion per year.

There are undoubtedly **cultural reasons** that explain the failure to use second homes in Italy: the general reluctance of owners to make their homes available to strangers, a relic from a past when buying a second home and keeping it unrented at one's own disposal all the time was still affordable given the low management costs. The picture today is quite different and **maintenance expenses and taxes mean that these costs are a much greater burden**. If we also consider that, unlike in the past, it can no longer be taken for granted that the house will go up in value over the years, the investment, if not put to profitable use, might no longer be worthwhile. This is what emerged during the recent economic-financial crisis, following which the number of second homes being rented out seems to have increased. The property market in tourist localities has suffered a sharp fall in recent years, in line with the general trend¹³.

In addition to this is the difficulty that individual owners have renting their homes, as they often live in different places and do not have the time to dedicate to this activity. In this regard, **support structures would be required to promote the rental of second homes**, by facilitating the encounter of demand and supply and providing the accessory services necessary to encourage more business development in the sector.

The growth in recent years of online portals for short-term rentals of rooms or homes is an initial step towards the development of the holiday home market and has contributed indirectly to the emergence of the phenomenon, making it easier to find such structures than it was in the past. Guiding and regulating this path is crucial if we are to make this segment an important part of the national quality accommodation supply.

3.3 The different types of tourism.

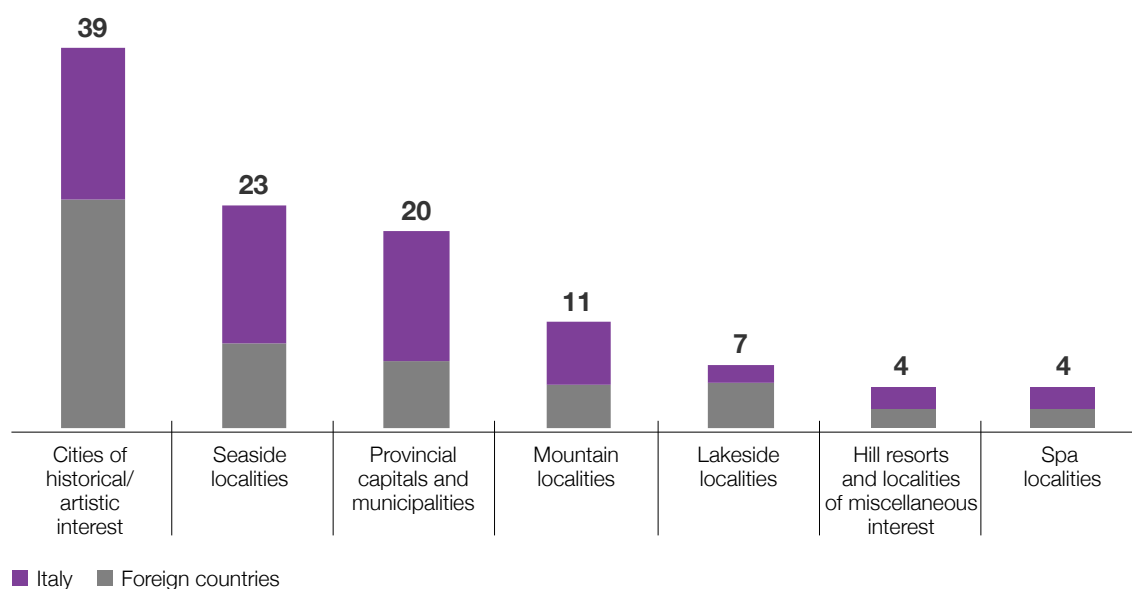
How to holiday has changed radically over the years. Tourism types have gradually multiplied and gone beyond the traditional segmentations of flows according to geographic destination, accommodation type and motivation for the trip. The world of tourism today is in continuous evolution. New destinations, new countries of tourist provenance and new ways of conceiving and organising trips and holidays are being discovered. Attempts are increasingly made to meet the needs of the client who, when travelling, wishes to enjoy different experiences at the same time. Having said this, **some of the "classic" sectors in our country – though evolving – continue to play a fundamental role.**

(11) The study was carried out by Halldis, a company belonging to the Windows on Europe Group, which specialises in renting homes for brief periods. The reported information is taken from the online edition of *Il Sole 24 ORE*, 2 July 2014.

(12) This is the case, for example, with Madesimo, a small locality in the mountains of Lombardy.

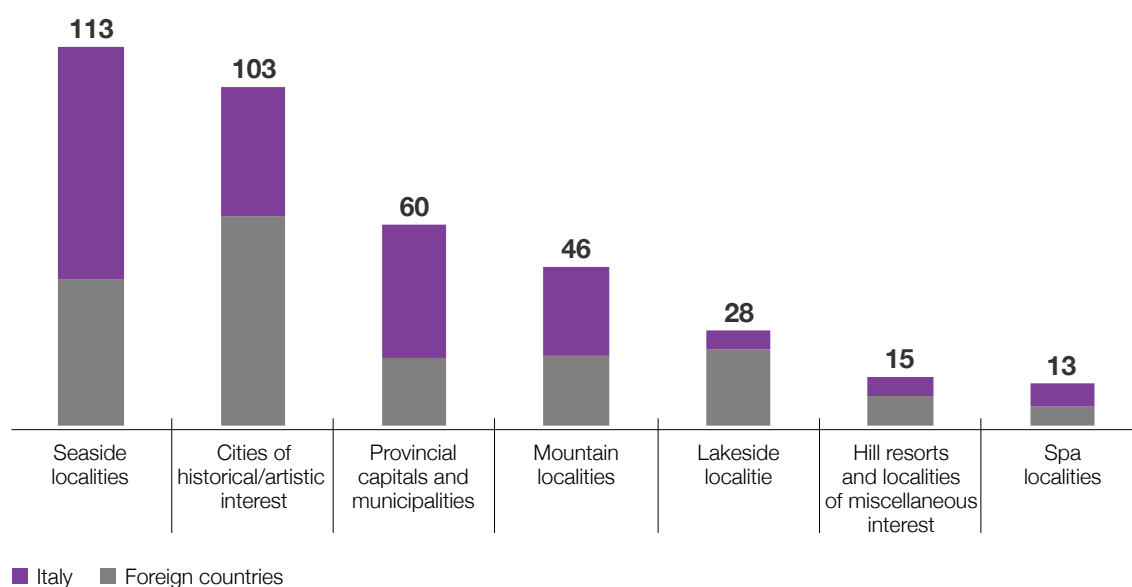
(13) Nomisma (2015).

Graph 38 – Arrivals by tourist destination type, 2014 (millions)



Source: Istat, 2015

Graph 39 – Overnight stays by tourist destination type, 2014 (millions)



Source: Istat, 2015

Cities of historical/artistic interest are among the preferred destinations of tourists in Italy. Despite the difficulties associated with the scarcity of financial resources and the organisational shortcomings in the public sector, in recent years the cultural sector has given considerable support to the tourism industry, above all thanks to visitors from abroad. Tourism in the cities of art, moreover, is of extreme significance for rebalancing tourism flows in our country over the course of the year – not only because of its importance in terms of its share of the total – **as it follows a less marked seasonal pattern than the general trend.**

Cultural tourism has historically supported the sector

Investing in new forms of tourism in cities is critical for encouraging “repeaters”, those interested in coming back to the same place more than once

Seaside holidays, a mature sector, have suffered considerably from the competition of other countries on the shores of the Mediterranean

80

Other tourism types risk losing competitiveness unless they find new supply models that are closer to the tastes of the new tourists

Traditional attractions, such as museums, monuments and old city centres are **no longer sufficient on their own to motivate tourists to visit, keep them there for long periods and, above all, make them come back**. Travellers today want to live the city rather than visit it. This aspect differentiates cultural tourism from the broader concept of **city tourism**, a type of tourism that includes visiting the main historical-cultural attractions, but which also entails a knowledge of the living fabric of the city and the discovery of its characteristic places, less well-known neighbourhoods and cultural buzz, and includes shopping, food and drink, and nightlife. In order to attract this new tourism, cities must therefore show that they are capable of continuous renewal and able to satisfy the most wide-ranging demands: “from the cultural needs of those who are interested predominantly in artistic/cultural heritage, to the more strictly leisure-related demands of those who want above all to relax and have fun; from the needs of those who travel for work or to take part in conferences, to the demands of those who want to discover new cultures, new realities, new languages or new lifestyles”.¹⁴

Seaside holidays have always constituted a pillar of domestic tourism and are still one of its principal components, ranking in first place in terms of total overnight stays (given the duration of the stay, which is longer on average), and in second place, after the cities of art, for the number of arrivals. For reasons of geographical proximity, **Italian tourists are the main component of the visitor flows**, especially as regards overnight stays. Foreign travellers, particularly intercontinental ones, come to Italy more for the artistic and cultural heritage than for holidays at the seaside, where competition with other destinations is greater. This is because of the presence of alternative offers, which are often cheaper and better organised, in various countries in the Mediterranean basin. In recent years, there has been a sharp fall in seaside holidaying, certainly as a result of increasingly tough international competition, but above all because of the steep drop in domestic tourism flows generated by the economic crisis, which has hit our country particularly hard. The political tension in Greece and, above all, the threat of terrorism in North Africa and the Middle East have redirected some of the Mediterranean tourism flows towards countries on the northern shores. However, these are (hopefully) factors linked to the economic situation, and of course are externally influenced. The subject of **competition between the countries around the Mediterranean basin** is therefore of great significance for Italy, where the seaside sector, though mature, nevertheless merits attention considering its importance, especially for the south. In order to attract new clients it is therefore necessary to focus on the **accessibility of the localities**, the **diversification of the services**, **upgrading of the accommodation supply** and **more dynamic price policies**.

Mountain tourism, concentrated mainly in the Alps, is suffering heavily from climate changes that are hitting the ski sector particularly hard because of low natural snow cover and the high costs of artificial substitutes. Some mountain destinations, however, **have managed to counter the lower flows thanks to the great dynamism of their offer**, with the addition to skiing of other ways of enjoying the mountains, such as trekking and open-air activities, wellness, and food and wine offers.

The lake sector and the hill and miscellaneous sectors are among the areas that have recorded the greatest growth in recent years. The former is highly appreciated by foreign tourists, probably partly because of their geographical proximity, given that the busiest destinations are in the centre-north. The growth in the latter sector has been aided, on the other hand, by the dissemination of the internet, which has contributed to bringing **rural localities and small villages throughout the country to the attention of potential tourists**.

Finally, in recent years holidays in **spa towns** have recorded a drop in tourist flows, even though the sector is expanding at global level. **Italy has struggled to adapt to the new needs of the market**, which is evolving from the traditional idea of the spa to a more extended concept of **wellness tourism**. Many of the traditionally famous spa resorts are in profound crisis today and are unable to find ways of converting to more dynamic forms of tourism.

(14) Glocus (2007)

Beyond the data available, referring to tourist destinations as listed by ISTAT, there are many different sectors that merit further examination.

Amusement parks represent one of the most dynamic sectors worldwide ...

Amusement park tourism, a sector that is enjoying strong growth at international level, has suffered a fall in Italy in recent years, especially in the centre-south. This trend seems to have been influenced by various factors, certainly including the high management and maintenance costs of the structures and the negative economic context. **Overall, the sector concerns our country to quite a marginal extent.** In fact, while there are over 200 amusement parks¹⁵, only two – Gardaland and Mirabilandia - are included in the classification of the top European parks¹⁶ and are capable of generating a significant impact on the local economy. However, these structures not only have a direct effect on tourist consumption, but can constitute **a driver for the development of the area, both when constructing the infrastructure and during operation of the park, with positive effects on local employment.** When they constitute the principal, if not exclusive, reason for the trip, theme parks are also able to throw light on areas that have no great attractions and where great flows of tourists would not arrive otherwise. When, on the other hand, they are not the main purpose for the trip, they can constitute an additional resource and contribute towards diversifying the tourism supply of the locality in which they are located, as is the case with Disneyland Paris. Another reason for not underestimating this sector is that Italy is a world leader in the construction of equipment for travelling fairgrounds: about 80% of the rides and structures for amusement parks in Europe are made in Veneto, where companies that are highly specialised in the sector are concentrated. The sparsity of amusement parks in Italy cannot be explained at the moment by low demand, but rather by the problems of the national economic system. What are important are **the shortcomings of the logistical and infrastructure system**, which often make these places difficult to reach, especially for foreigners, and it is no coincidence that the main theme parks in Italy are concentrated in the north-east, near major road junctions. Then there are also great **regulatory and bureaucratic difficulties** associated with the absence of specific legislation and the onerous landscape and other restrictions that must be complied with and procedures for obtaining the permits required for developing the business, which extend the timelines and costs involved in creating the structures, thereby reducing the attractiveness of investments in the sector.

... but they are struggling to find their place in Italy

10

Nautical tourism is another sector in which Italy is involved in every aspect, from boat building, in which we are a world leader, to the exploitation of services during the utilisation and navigation stages. The sector has a great economic impact thanks to boat enthusiasts' expenditure, including the costs of maintaining and operating the boats and local spending on on-shore transport, catering, shopping, entertainment and culture. After a long phase of expansion, however, the sector has experienced a severe crisis since 2008, which has involved both production in the boatyards and the practice of nautical activities.

Cycling tourism has great potential for the Italian tourism industry

One sector that is in rapid expansion at European level, however, thanks to the growing attention of tourists towards respecting nature, environmental sustainability and wellness, is **cycling tourism**. In Italy, however, the **supply is highly fragmented**, partly because of the climatic and morphological aspects of the landscape and the resulting varied dissemination of bicycle culture, and in part because of the different options chosen by local administrators and sector operators for developing and promoting cycling tourism. There are still only a few areas, concentrated in the centre-north, which have structured an organic supply that exploits bikeways and itineraries, and offers accommodation structures that include services conceived specifically for cycling tourists. The sector also suffers from **fierce competition at European level**, especially from Austria, France, Germany, Belgium and the Netherlands, which have not only shown themselves to be sensitive to natural and environmental matters and invested more in marketing activities, but have also created a dense network of itineraries for cyclists and ad hoc accommodation structures. The development of the sector presents **a great opportunity for our country**, given the favourable climate, the variety of natural landscapes, and the widespread characteristic smaller towns and centres. Moreover, cycling tourism is one of the sectors on which the tourism development strategy supported by the current government¹⁷ seems to be focused.

(15) Anesv (2015)

(16) Tea (2014)

(17) One example of this is the recent VENTO project, a bikeway that connects Venice to Turin.

Another very interesting niche for the Italian market is **wine and food tourism**. The agrifood and wine and food sector is increasingly becoming an integral part of the tourism experience and of local culture, in combination with other reasons for travel, and in some cases it can influence the choice of destination and the itineraries selected, especially following the discovery of small rural locations. The impact of wine and food tourism on clientele consumption is higher than in other sectors, moreover, and once they have returned home it is more likely that consumers will seek out Italian products, having discovered high quality standards and the most authentic products.

Many other forms of minor tourism integrate with more traditional ones or forms that have become popular more recently, contributing to the diversification of the supply (e.g. religious tourism and various forms of sports tourism). One example of the niche sectors that have been very successful with the public is **cine-tourism**, in which the main motivation for travel is to experience destinations that have been used as film locations. The sector has been boosted in recent years, both because of its direct and indirect impact on consumption and because of its high territorial promotion value. It is no accident that many Italian regions have created bodies or organisations whose goal is specifically to attract audio-visual productions to their areas.

There are two tourism types expanding strongly at global level and of great importance for our country that merit more thorough examination: **cruise tourism and conference tourism**. While the former is one of Italy's areas of excellence, thanks to the morphology of the land and the country's geographical position in the middle of the Mediterranean, the latter, as we will see, represents a lost opportunity, even though its potential in our country is considerable.

3.3.1 Cruise tourism. Initially an elite form of tourism, reserved exclusively for a wealthier clientele, cruising has undergone an extraordinary expansion over the course of the last 20 years, to the point that it has become a real mass phenomenon.

Historically, it has mainly concerned North America, with Europe following close behind, in terms of both demand and supply. In 2014, in fact, 55% of cruise flows came from North America, 29% from Europe and the remaining 16% from other countries¹⁸. It is the same for destinations: almost 40% of cruise ship beds are used for Caribbean Sea destinations (including Florida), with 30% used for Mediterranean routes (11% for Europe alone)¹⁹.

In 2014, Italy was among the top European countries as a destination and as an origin of cruise flows, in third place in both cases, after Germany and the UK/Ireland and ahead of France and Spain²⁰. That same year, **our country was ranked in first place for total cruise traffic in the Mediterranean area**, with 9.8 million passengers carried (equivalent to 38% of the total, ahead of Spain, which had 23%)²¹.

The Italian ports of **Civitavecchia and Venice came second and third respectively, after Barcelona**, in the classification of the top 10 cruise ports in the Mediterranean by passenger traffic. Naples followed in sixth place, with the Ligurian ports of Savona and Genoa in eighth and ninth place. All top 10 ports in the Mediterranean basin experienced extraordinary growth in the last decade. In particular, Civitavecchia almost quadrupled its passenger traffic and recorded the most significant increase. An analysis of the embarkation and disembarkation flows alone, and therefore excluding transits, confirms that Venice is the number one port of departure and arrival for cruise itineraries in the Mediterranean, unquestionably boosted by its tourist appeal and geographical position²².

Apart from the aforementioned Civitavecchia, Venice, Naples, Savona and Genoa, the other ports in the Italian top 10 were Livorno, Bari, Palermo, La Spezia and Messina, in that order. **90% of the flows handled move through these 10 ports**, with Civitavecchia, Venice, Naples and Savona almost reaching 60% on their own. When the Italian ports are broken down by geographical area, it emerges that over one third of cruise passengers (34.2%) are handled in the centre-south Tyrrhenian Sea, with Civitavecchia and Naples as the driving forces. These are followed by the ports in the northern Tyrrhenian (29.2%), the Adriatic ports

(18) CLIA (2015)

(19) Risposte Turismo (2015)

(20) CLIA (2015)

(21) MedCruise (2015)

(22) CLIA (2015)

(23.6%), led by Venice, and finally the island ports. 13.0% of passengers move through the latter, a large part of them in Sicily (10.6%), which is actually classified fifth, after Liguria, Lazio, Veneto and Campania, in the regional classification of the main cruise ports. Sardinia accounts for the remaining 2.5%, and suffers more severely from seasonality²³.

Overall, cruise tourism in Italy has shown that it **need not suffer unduly from the seasonality that characterises other forms of tourism**, though the highest number of passengers is always recorded in the period between May and October and there are considerable differences between the various ports. In this general dynamic, the extreme cases include Olbia, on the one hand, a typical port of call for seaside holidays, where three quarters of the total annual total are concentrated in the months of June, July and August, and Palermo, on the other hand, where passengers are much more evenly distributed over the course of the year, thanks partly to the variety of the types of tourism that can be enjoyed all year round²⁴.

The growth in the number of passengers handled at national level is closely linked to the ability of ports to take several ships at the same time, as well as handle bigger and bigger ships. In this regard, the activity of the bodies in charge of handling the ports – represented in some cases by the Port Authorities, and in others by ad hoc companies belonging to private and/or public entities – can play a crucial role. **In recent years, Italian ports have made considerable efforts to increase their capacity to handle new cruise ship flows:** from 2004 until the present, the number of dedicated terminals has almost trebled and the percentage of Italian ports that can host large ships is constantly growing²⁵. But if this sector is to be able to truly fulfil its potential, **it will need excellent connections, logistics and organisation on the ground.** Ports must become proper **cruise hubs**, with the associated accommodation, catering and shopping services, and all the indispensable organisational aspects. All of this must be done without ignoring environmental sustainability, a particularly relevant topic for mass tourism, as is the case with cruises.

The cruise sector could increase its contribution to tourism significantly with more suitable infrastructure facilities

The scale of the flows of passengers handled is unquestionably crucial for estimating the impact of the cruise phenomenon on the surrounding area. In fact, there can be no doubt that spending on land by tourists and crew members contributes to the economy and employment. Nevertheless, if it is true on the one hand that said spending increases in proportion to the flows transiting through the ports and constitutes quite a significant share of the turnover generated, it is also true that, more often, it is the cruise companies that manage the activities and services on land for the tourists, with fewer benefits than there might be for the local communities. **Much of the distribution of profits from the sector will depend, therefore, on the ability to organise the tourist offering on shore, in such a way as to amplify the economic impact of these flows for the local area.**

Italy is the European country that benefits most in economic terms from the cruise sector, with a turnover of over €4.6 billion in 2014 and over 102 thousand jobs of various types involved in the sector (in both cases, about one third of the European total)²⁶.

The **impact of the sector on the production system** should not be underestimated either. As well as being the geographical destination that handles the highest number of cruise passengers, Italy is also world leader in shipbuilding, both for the design and construction of new ships and for refitting operations for existing ships, with the sector being completely dominated by Fincantieri, which in 2014 obtained the highest percentage of orders worldwide (41.7%). Furthermore, our country is characterised by the presence of all the main cruise companies (over 50 in 2014), with a concentration in the ports of Venice, Civitavecchia, Naples, Cagliari and Olbia, followed by the Sicilian ports of Palermo, Catania, Messina, Trapani and Giardini Naxos, in that order.

Many factors influence the companies' choice of ports. As well as the geographical location and the structural characteristics of the individual ports, a decisive role can be played by such factors as the **regulations** that govern the activities of the companies in our country, the **tax regime** to which they are subject and, by no means least, the **cost of fuel**. Another aspect of great importance in the comparison with other Mediterranean countries is the **stability of the geopolitical context**.

(23) Risposte Turismo (2015)

(24) Ibid.

(25) Risposte Turismo (2014)

(26) CLIA (2015)

The niche of luxury cruises is still completely undersized compared to the country's potential in this area

With reference to this last aspect, the disorders and terrorist threats that continue to afflict North African and the Middle East seem, in some cases, to have had an effect on the ports of those areas that has benefitted the northern Mediterranean ports.

Another aspect of significance in the analysis of trends in the sector is that of **luxury cruises**, a phenomenon in rapid expansion, given the emergence of new consumers with high spending capacities arriving principally from emerging markets. Compared to more standardised types, luxury cruises are set apart by the **specific characteristics of the experiences proposed, the special attention paid to the customer and the personalisation of the services offered**. The uniqueness of the experiences seems to be that they can offer characteristic destinations that larger ships can only reach with difficulty, as well as on-shore trips which, by definition, could never be reached by large groups of people and which guarantee authentic contact with the cultures of the territories visited. Italy, in this context, seems capable of being a favourite destination for this type of tourism, given **the great presence in the country of minor ports through which it is possible to reach tourism localities of rare beauty**.

3.3.2 The new challenges of conference tourism. The tourism business is a multi-faceted sector that comprises countless activities, including individual work trips, meetings, conventions, conferences, seminars, courses and company events of various kinds and levels, including bonus trips for employees (incentives). As a whole, these activities, as well as the businesses and professionals that carry them out, are defined at international level using the term “meeting industry”, a sector in continuous growth that currently accounts for **about one quarter of the revenues of the world tourism industry**.

According to figures from the International Congress and Convention Association²⁷, the conference and event sector is the most important part of this industry, with a number of events organised in the last 50 years which, at world level, recorded **average annual growth of 10% and was unaffected by the economic-financial crisis**.

There are countless advantages for the host localities. In addition to the significant economic and employment impact, given the greater spending capacity of conference participants (which is two to three times higher than that of ordinary holiday-makers), conference and events tourism can be a driver for promoting investments and developing trade, communications and technology and, just as importantly, it can contribute to deseasonalising tourism activities.

Europe has hosted the highest number of events at international level and today **is still the number one destination for conference tourism**, with a market share which, though down on the 1960s (when it amounted to more than 70%), still exceeds 50% of the total. The trend reflects the evolution of the geo-economic scenario in recent decades, which has seen the emergence of different countries in the Asian and Middle-Eastern regions, on the one hand, and of Latin American nations, on the other. Today, the latter host 18% and 10% of the events in the sector, with an increase of 10 and 6 percentage points respectively, compared to 50 years ago.

Italy is ranked sixth in the global classification, with 452 events and over 175 thousand participants in 2014. In both cases, Italy is behind the United States, Germany, Spain, the United Kingdom and France, though the order is not the same for both rankings.

The principal destinations in Italy are concentrated in the centre-north, given the greater demand at local level, the higher presence of conference centres, the geographical position, and the existence of transport infrastructure that make them more directly accessible. The cities that hosted the highest number of events in 2014 include Milan and Rome, with the most events, followed by Florence, Turin, Venice, Bologna and Naples.

(27) ICCA (2013) and ICCA (2015)

In any case, there are structures that host conferences at territorial level in all the main cities. Some localities, furthermore, have diversified their tourism supply to specialise in the conference sector, in an attempt to **increase overnight stays even outside the summer period and, at least in part, counter the seasonality phenomenon**. This is the case with Rimini, Riccione, Riva del Garda, Stresa, Cernobbio, Sorrento and Taormina, to name but a few.

Until 10 years ago, conferences and events ranked in first place in terms of tourist expenditure in Italy. The crisis, however, caused a sharp fall in domestic demand in the sector, following which expenditure dropped sharply and **only destinations that had invested in attracting international events recorded an increase in activity**. Given the outlook for the national economy, it seems that the greatest opportunities for the sector in the coming years will also come from abroad.

Italy is among the top destination countries for conference tourism for a variety of reasons. Without a doubt, its geographical position in the centre of the Mediterranean, the mild climate all year round, its rich historic-artistic heritage and landscape, its lifestyle, and its food and wine make our country one of the most desirable destinations, both during and after conference activities. In addition to this, Italy also stands out for its highly specialised centres in the fields of training, research, science, medicine, industry, art and culture, design, agriculture and technology.

These factors are able to compensate for some of our country's **grave organisational and structural shortcomings**. The most important of these is the **lack of adequate transport infrastructure** linking airports with conference centres. With the exception of Rome and Milan, rail links for conference localities are often insufficient or inadequate. **There is also a lack of modern, efficient conference centres**, with the availability of rooms and exhibition spaces, **that are able to host large international conferences** – those with over 20 thousand participants – with personalised and increasingly high-tech facilities. **On the hotel structures front, Italy cannot always meet the needs on the demand side** with regard to the standards and the availability both of bedrooms and meeting rooms. Only a few cities have hotels with hundreds of rooms and conference rooms capable of hosting medium-large events. Finally, of no less importance is the **price factor**. Prices are not always competitive and adequate for the services offered, especially as regards hotel accommodation. In a context in which resources are generally restricted to dedicated budgets for this type of activity, this element is decisive for the choice of both conference venue and other company events.

Structures that are capable of facilitating the growth of large international conferences are completely lacking, with significant impacts on the territory that hosts them

Taken together, these aspects give an idea of the **unfulfilled potential** of conference and events tourism in our country. The sector is certainly complex and its clientele, especially the international component, is very demanding. In order not to lose important market share, and indeed expand its position on the international stage and thereby fully exploit the unquestionable advantages it possesses, Italy and the tourism industry must do a great deal in terms of **accommodation, infrastructure, technology, quality and professionalism, coordination, communication and reliability**.

It is necessary, moreover, to adapt to a context that is in continuous evolution, in which the number of events is increasing but their duration is shortening. At the beginning of the 1960s, association conferences – which, by definition, are among the biggest and best-attended events – numbered less than 2 thousand per year worldwide and, on average, lasted almost a week. In recent years, on the other hand, they have almost reached the 55 thousand mark, but with an average duration that has fallen to less than four days.

The organisation of an event is a very complex activity that involves a variety of parties and requires different planning depending on the type of event. The choice of location is one of the most important aspects, but is not the most significant cost item, as it constitutes only 3% of the total outlay. According to some estimates from the Osservatorio Congressuale Italiano, in fact, the greatest sources of expenditure are those linked to transport and accommodation. These account for 37% and 28% respectively of the total, while catering represents 20% of expenditure, commerce 9%, and conference services only a residual portion.

The conference sector is particularly penalised by the virtually total absence of planning and managing the sector at central level...

86

... with consequences in terms of lost opportunities

Most events in the sector are organised by companies, but it is scientific and professional conferences that generate the highest spend, given that on average they last longer and attract higher attendances. Company events are generally shorter and are organised very quickly, and for this reason it is fundamental for the industry to respond to market needs quickly and effectively. Furthermore, the activities organised by companies are more influenced by economic cycles and internal strategies. That is why in recent years, Italian companies have reduced the number of events, their scale and the expenditure involved. **The association conference sector, on the other hand, has shown greater vitality, guaranteeing the continuity of the sector in recent years.**

On the basis of what has been declared repeatedly by specialists in the sector, the **lack of a Convention Bureau** – i.e. a public-private national body in charge of guiding, coordinating and promoting the events industry in our country on foreign markets, as is the case in many other countries all over the world – **has severely penalised us**. In fact, the Italian localities which, on their own, have been able to exploit, where possible, their geographical location, their available resources and their infrastructure facilities, have managed to maintain their market position, while others, especially those that mainly focus on domestic demand, have lost ground.

In order to compensate for this shortcoming, at least in part, **some territories have set up Convention Bureaus or other systems for promoting conference activities at local level**. In some cases, such as those of Rimini, Florence, Turin and Genoa, these bodies have consolidated their role over the years, while the experience is more recent in other cases. This is what has happened in Veneto, for example, where, spurred by a regional law, seven Convention Bureaus were established and joined together in a single network, and in, Sicily, where, on the initiative of UniCredit, the Sicilia Convention Bureau was set up a few years ago in order to promote the development of the sector across the entire region. In the last 20 years, spurred on by government authorities or by specialised operators, Convention Bureaus have been set up in Tuscany, Lombardy, Piedmont, Puglia and Sardinia. Their activity has been quite limited to date due to a lack of resources and, in some cases, has even stopped.

While awaiting intervention at central level, **Convention Bureau Italia²⁸**, a private body promoted not only by Federcongressi&eventi but also by Confesercenti-Assoturismo, Confturismo-Confcommercio, Federalberghi and Federturismo-Confindustria, **was created in 2014** on the initiative of operators in the sector and of Federcongressi&eventi itself, with the **participation of private operators in the sector, united in the form of a business network**. Its goal is to promote the conference and events industry in our country and, in particular, Italy as a destination for holding conferences, meetings and events, through the provision of effective support for international and domestic demand in the search for conference locations.

In short, there is a general **absence of planning and coordination of the sector at central level**, and this translates into a loss of opportunities for our country. **The business segment represents about 20% of total tourism in Italy, compared to an average worldwide of 25%**. According to some OECD estimates, an alignment of this value would translate into a recovery of about half a percentage point of GDP, corresponding to over €7 billion.

(28) See para. 2.5

04

Hotel businesses

The Italian hotel sector is facing great changes in the worldwide tourism market: strategies for reacting



The hotel sector is under great pressure due to competition from new forms of accommodation...

The analyses performed so far reveal an Italian accommodation system which, though it has elements of unquestionable value (represented above all by the tradition of small businesses with deep roots in their localities), is characterised on the one hand by a hotel supply whose quality level is not very high, and on the other by a non-hotel supply that in many cases is still far from assuming some form of business organisation and is characterised by the burgeoning phenomenon of the second home.

The figures available do not, however, make it fully possible to grasp a series of transformations which, though still marginally, are affecting the accommodation supply of our country. **Increasingly gaining ground alongside traditional forms of accommodation are alternative types of hospitality, which are highly competitive compared to the mature hotel industry sector.** Just think of all those forms of hospitality that have developed in the sharing economy, as well as the quite recent¹ attention that Italian legislators have paid to new forms, such as “scattered hotels” and condo hotels.

The official statistics indicate that the hotel sector in Italy represents just under 50% of the hospitality supply in terms of bed numbers. Its actual weight is likely to be even lower, however, considering that, as has already been highlighted, a large part of the informal tourism economy is concentrated in the non-hotel sector. **Yet the average spend of a tourist who opts to stay in a hotel-type structure is generally higher than that of other tourists,** with a consequent greater impact on the economy of the territory in which the structure is located. It should be considered, for example, that the average daily spend of a foreign tourist in Italy was about € 105 in 2014; in the same year, the average expenditure of a tourist who stayed in a hotel was about € 153 per day², almost 50% more.

The profound changes affecting tourism in general did not fail, however, to make their effects felt in the hotel sector. In particular, in addition to the ever fiercer competition from alternative forms of accommodation, which has been already be mentioned, it should be noted that:

(1) Decree-Law no. 133/2014 (“Sblocca Italia”) and no. 83/2014 (“Art Bonus”)

(2) Bank of Italy (2015)

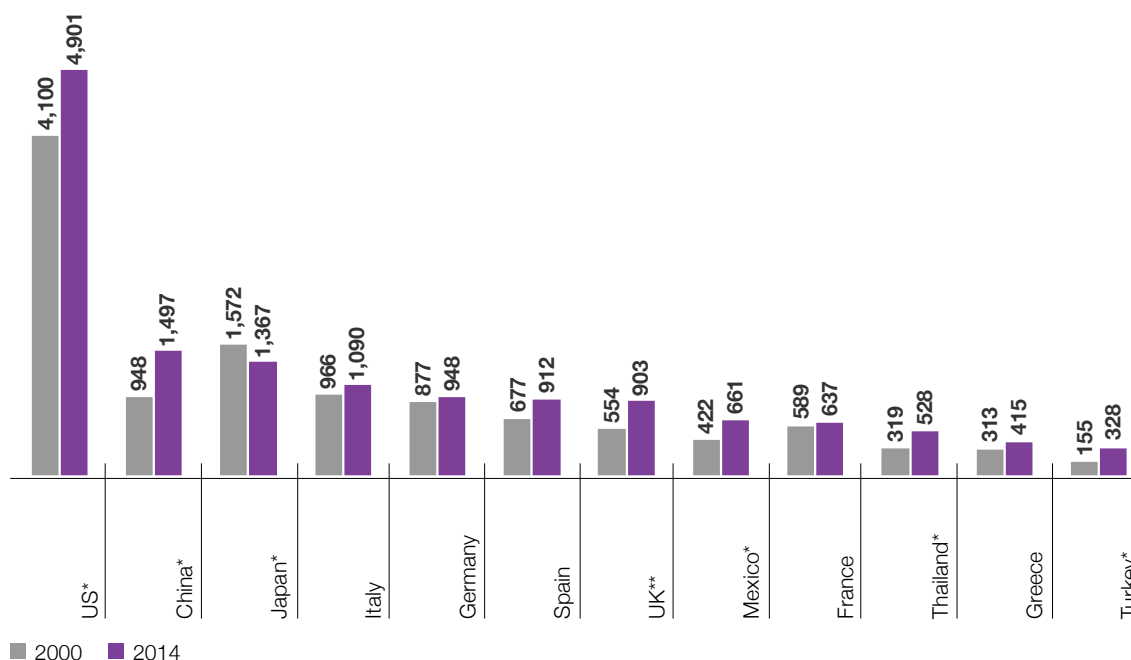
- **the evolution of demand** towards forms of supply that are increasingly personalised has led hotel structures to differentiate the services they offer, in order to meet the many and varied needs of the new “DIY” tourists. In the same way, the explosion of mass luxury has made it imperative to carry out significant improvements to the quality of the structures;
- **the rapid growth of online agencies**, which allow users to perform comparative selection of the supply available, has significantly affected the management costs of hotel businesses, whose balance sheets have been burdened by the high commissions requested by organisations that manage online bookings. However, this has also stimulated hotels to introduce price differentiation policies and new advertising and marketing policies, and to implement booking and brand grouping systems via a single web channel;
- finally, the **increased role of finance in the sector**, with the arrival on the stage of financial funds and the tendency to separate the ownership of a building and its operations, has had significant consequences for the balance sheets and business models of hotel businesses.

... and because
of the changes
affecting international
tourism

The context is therefore **putting the hotel sector under great pressure**, and must be carefully examined and evaluated in order to understand the dynamics that have characterised the sector and evaluate the interventions and transformations that are becoming increasingly necessary if hotels are to continue to be of strategic importance for the country’s tourism development, albeit in a framework that will inevitably reshape the central role they once played.

4.1 Characteristics of the sector in Italy. The Italian hotel sector occupies a position of great prominence on the international stage. **In first place in Europe in terms of room numbers**, Italy is ranked fourth worldwide after the US, Japan and China.

Graph 40 – Number of hotel rooms in some leading countries, 2000-2014 ('000)



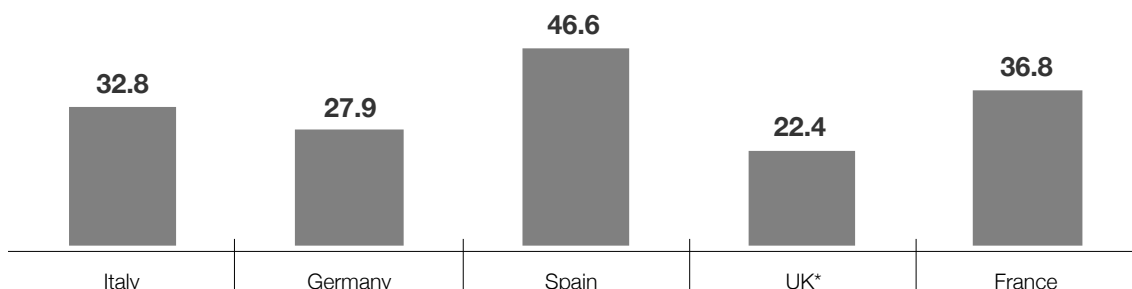
Source: Mercury 2014 and Eurostat 2015

(*) 2012

(**) 2013

This good stock of rooms, however, is accompanied by a **fairly small average size**, almost 33 rooms per hotel, compared to 46 in Spain and 37 in France.

Graph 41 – Average number of rooms per hotel in some European countries, 2014 (no.)



Source: CDP processing of Eurostat data, 2015
(*) 2013

The average hotel size is growing, but there is a lack of structures capable of hosting mass tourism

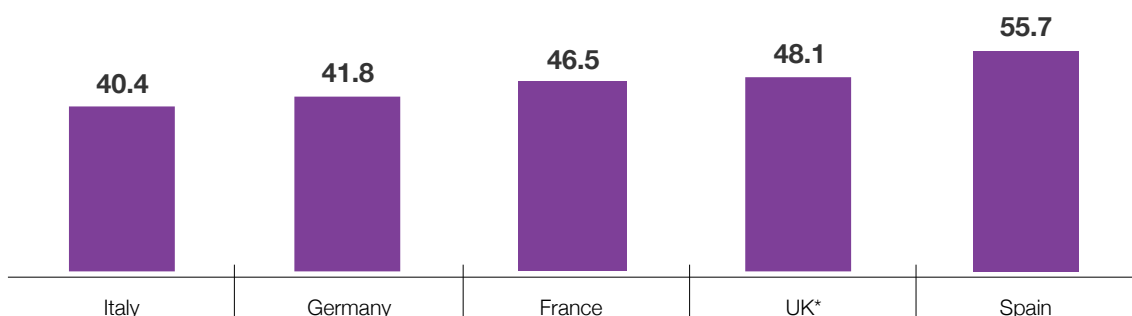
The average size of Italian hotels has grown significantly in the last decade, rising from 30.4 rooms per hotel in 2005 to 32.8 in 2014. **Small businesses** are still very common, however, but are not necessarily a limit to Italy's accommodation supply. Indeed, **if traditional, of good quality and with strong local roots**, they can provide a valid alternative for those types of demand where there is a desire for authentic experiences and greater contact with the local population. The real problem with the Italian hotel supply, in particular in today's tourism scenario characterised by large numbers, is not so much the average hotel size, but rather **the absence of large structures that are able to host the masses of new tourists: the number of hotels with over 100 rooms remains quite meagre, accounting for just 4% of the total, compared with 12% in Spain**, for example. If we accept that to be an effective operator on the international market, it is necessary to be able to manage at least 700-800 rooms, it is obvious that the question of size remains extremely significant in the Italian accommodation context.

90

The occupancy rates of Italian hotels are lower than those of the other European countries

However, it is especially **in performance terms that the problems of the Italian hotel system can be found**. The net occupancy rate of hotel structures³ is much lower than that of direct competitors (40.4%, compared to 41.8% in Germany, 46.5% in France, 48.1% in the UK and as high as 55.7% in Spain). Furthermore, tourism flows continue to use Italian hotels predominantly during certain periods of the year: the ratio between the occupancy rate in the month of highest use and that of the month of minimum use is highest in Italy, where it is 2.7, compared to 2.1 in Spain, 1.8 in Germany and the UK, and 1.7 in France⁴.

Grafico 42 – Net hotel occupancy rates in some European countries, 2014 (%)



Source: Eurostat 2015 and Mercury 2014
(*) 2012

(3) Given by the ratio between overnight stays and beds, multiplied by the days the structures are open

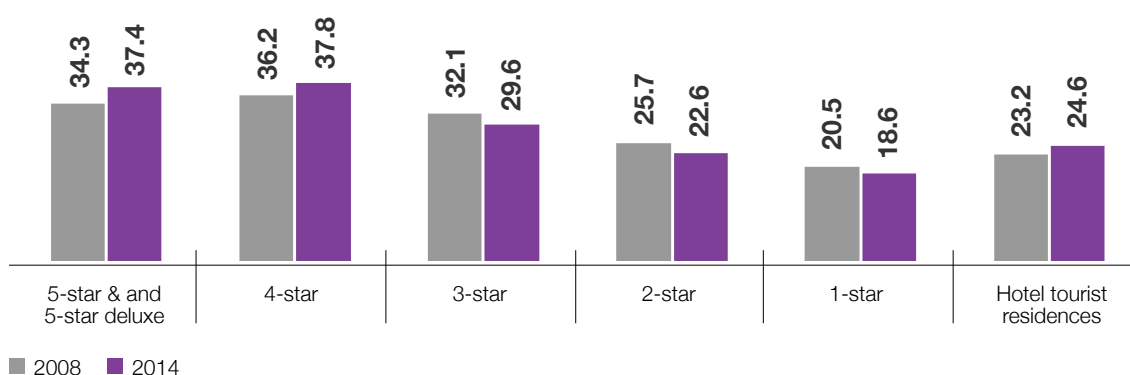
(4) Mercury (2014)

One element that can help to achieve a good result in terms of hotel occupancy is the **presence of structures with a high quality profile**; gross occupancy rates record the highest values for hotels in the higher categories. In particular, in 2013, the last year for which figures are available, luxury structures recorded the highest occupancy rate, 38.9%. In any case, luxury hotels often act as drivers and emblems for a locality, which is chosen because of the presence of a particular structure. Furthermore, only hotels with four or five stars are recording growth in occupancy compared with 2008, while the rate is falling in lower-level structures.

The hotels of the lowest quality are also those that perform worst

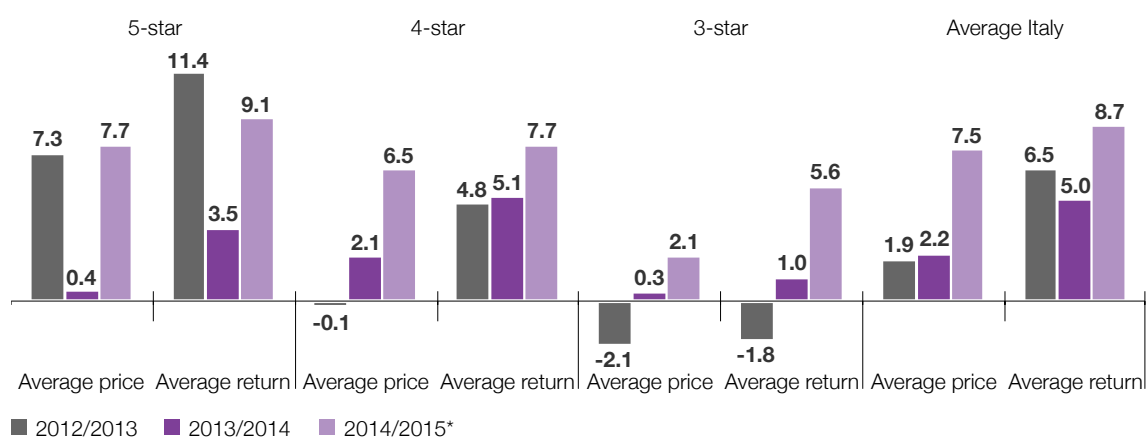
Finally, it should be noted that **the occupancy rate was up in hotel tourist residences**, hotel businesses that also provide their services in furnished living units with one or more rooms and with their own kitchens. This phenomenon is rapidly gaining ground, both because of greater interest from the demand side for this type of hospitality, and because of the expediency for the structures themselves of diversifying their offer.

Grafico 43 – Gross hotel occupancy rate by category, 2008-2014 (%)



The main indicators of the Italian hotel market also reveal positive dynamics for hotels in higher categories. **Five-star hotels are the only ones that recorded rises in their average prices and in the returns per occupied room from 2012 onwards.** After 2013, the positive dynamics also applied to 3- and 4-star hotels, though with different increases depending on the number of stars.

Graph 44 – Hotel market indicators per room, 2012-2015 (% change YoY)



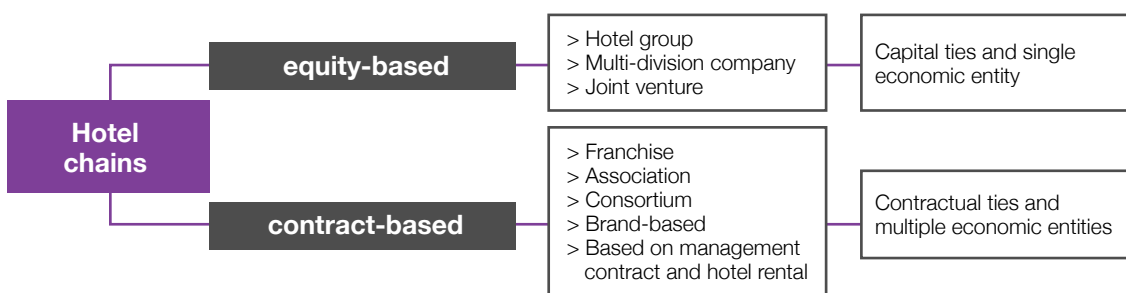
Probably because of the better performances recorded by higher-category hotels, **over 40% of new openings in the hotel sector in Italy in 2014 and in the first part of 2015 were in the top bracket**. Italy's accommodation supply was enriched during this period by five new 5-star and 5-star deluxe establishments, totalling 422 rooms or suites. The interventions in the intermediate categories over the last 18 months were also all strictly oriented towards improving quality⁵.

4.2 Hotel chains. The presence of national and international hotel chains is an important factor for our country's tourism supply; **a chain's brand often appears to potential tourists to be a guarantee of assured and reliable accommodation standards**. This is particularly true in Italy, where the traditional system of stars, which varies wildly from one place to another, can only be taken as a very approximate indicator of quality.

In the hospitality services sector, hotel chains constitute very common organisational solutions that operators are using with increasing frequency to overcome traditional barriers to expansion. In an unstable and competitive market such as hospitality, **intercompany collaborations have become an imperative strategic choice**, particularly in a context in which a small size is now a huge limitation.

The term 'hotel chain' is a broad one that includes **widely differing forms of aggregation, with very varied structural and operating features**. However, it is possible to provide some micro-categories of classification based on the different operational and aggregation approaches.

Figure 6 – Hotel chains



Source: Confalonieri, 2010

Hotel chains can enjoy economic advantages associated with:

- **economies of scale** that lead to savings generated by more economical use of certain production factors, thanks to the higher number of operations performed;
- the **transfer of know-how** between individual structures in the chain;
- the **centralisation of some activities and services**, of an administrative, organisational, commercial and financial nature, with a consequent reduction of costs;
- **greater contractual power** in negotiations with other operators in the tourism sector, and with suppliers of materials and services, which permits further cost reductions;
- finding **less costly sources of funding**, resulting in greater competitive capacity on international markets;

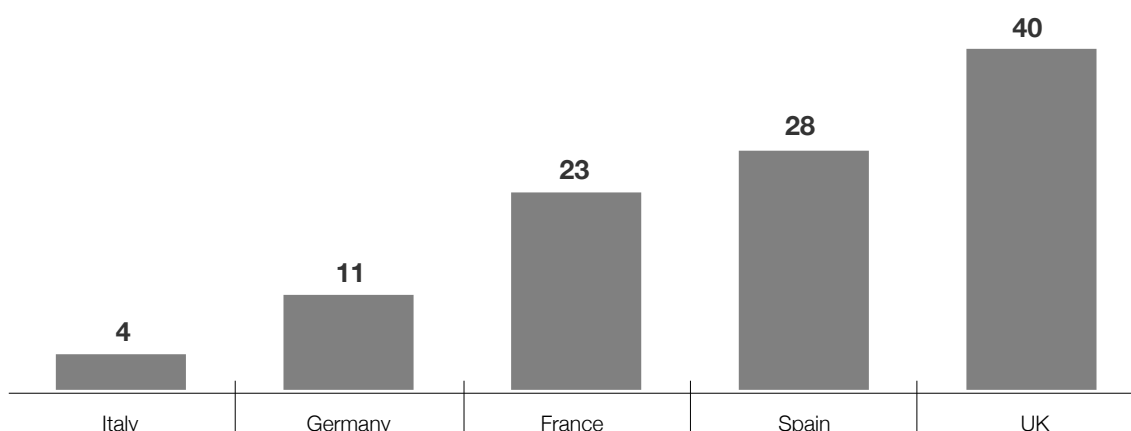
(5) Scenari immobiliari (2015)

- the possibility, if the hotels of the chain are in nearby locations, to **manage the flow of tourists** and optimise occupancy rates.

Hotel chains, though growing, still constitute a minority of the Italian accommodation supply

In Italy, as in the rest of Europe, **the weight of hotel chains is clearly growing** (CAGR of about +13% in the last decade). 196 hotel brands were recorded in 2015, amounting to a total of 1,365 hotels (4.1 % of hotel businesses) and about 148,402 rooms (13.6% of total hotel rooms); this involved international brands in 44% of cases. Nevertheless, the Italian accommodation system continues to be characterised by **the highly marginal role played by hotel chains, especially compared to the main European competitors**: in 2015, the proportion of hotels belonging to chains was 11% in Germany, 23% in France, 28% in Spain and as high as 40% in the United Kingdom.

Graph 45 – Percentage of hotels belonging to a chain in some European countries, 2015 (%)



Source: Horwath HTL, 2016

36

While **rooms belonging to hotel chains make up 13.6% of total hotel rooms in Italy**, the percentage changes considerably from one category to the next. Considering 5-star hotels only, the proportion represented by hotel chains is 49%⁶. In any case, the luxury sector is the main focus of hotel chains: about three quarters of the rooms managed or owned by hotel chains are in 4- or 5-star hotels. Within the panorama of Italian hotel accommodation, there has been a particularly sharp fall in the number of lower-category establishments, which are suffering from increasingly fierce competition from B&Bs and new players such as Airbnb. On the other hand, demand is increasingly evolving towards **the luxury segment**, and it is **in this category that hotel chains are making the biggest investments**. The main groups are aiming to increase their presence in the luxury sector, and are even envisaging more top brands.

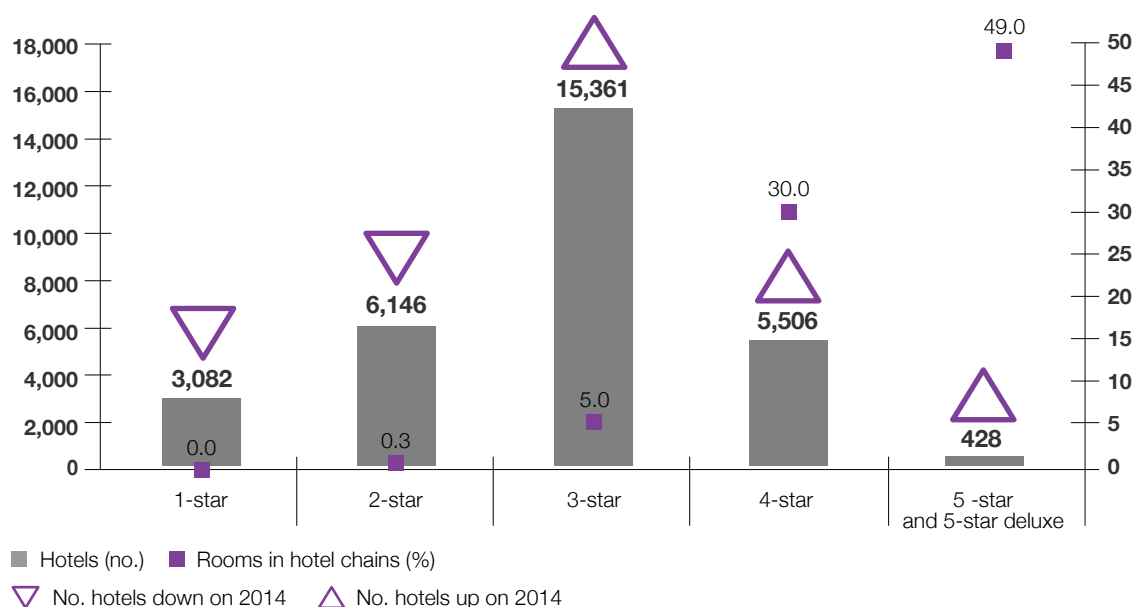
There are still no major national chains that can compete at global level

Notwithstanding the increasingly important role big hotel chains are assuming, **the only Italian business listed in the international classification** of the top 220 companies worldwide **is Atahotels**, which is only ranked number 215. The global scenario is dominated by the United States (43 groups in the top 100 places with over 4 million rooms), followed by China, with 12 chains and about 930 thousand rooms. Then come three European countries representing Italy's main competitors, the United Kingdom (six groups and over 800 thousand rooms), France (four groups with about 580 thousand rooms) and Spain (seven groups with 280 thousand rooms)⁷. In Italy, the international chains have **mainly chosen the cities of art and the business destinations** in the north and centre of the peninsula, while the national chains are concentrated in ski, seaside and spa resorts.

(6) Horwath HTL (2016)

(7) Federalberghi (2014b)

Graph 46 – Hotel distribution by category and the role of hotel chains, 2015



Source: Horwath HTL, 2016

The widespread presence of local family groups – of very low international significance – can be very limiting, especially with respect to international tourism demand. **A hotel's membership of a large chain can be a great competitive strength;** customers feel that the brand guarantees them high quality standards, which are not dependent on the characteristics and peculiarities of the place in which the hotel is located. Furthermore, the major international hotel groups generally also operate a variety of structures under different brands, differentiated according to the target clientele, thereby succeeding in extending the group's presence to several strategic markets: one example of this is the French Accor chain, in sixth place in the international classification. It is the proprietor of well-known brands such as Sofitel, Novotel, Mercure, Ibis and Formula 1, each oriented towards a specific market bracket.

Therefore, there is **still broad scope to grow the role of hotel chains** within the Italian accommodation supply, and not just for the large international groups.

The formation of networks, moreover, is the best response to the need to aggregate in order to reduce the fragmentation of the national supply; in services such as hotel management, location nevertheless remains important for the economy of individual hotels, and therefore **expansion must involve the creation of groups, chains, consortia, etc.**

It would therefore be useful to facilitate the repositioning of the Italian accommodation supply via two channels: on the one hand, **the creation of large Italian groups should be encouraged** with a view to greater competitiveness with respect to mass tourism. These would be “made in Italy” national champions that could exploit the positive features of Italian hospitality, overcome the limitations of fragmentation and small scale, and contribute to promoting “Italianness” abroad, thereby managing to compete in the international arena. Having one global player with a very extensive network of hotels, present not only in Italy but also in the most visited places in the world, would also be an excellent driver for growing the flows of foreign tourists: those who are happy with one hotel often seek out other possible destinations in the same group, certain that they will find the same quality standards.

On the other hand, **it would be good to encourage softer forms of collaboration and aggregation** between small businesses with strong local roots, which could satisfy the demand for experiential tourism, and could benefit from the economies of scale that arise from such forms of aggregation.

Focussing on chains certainly does not mean overlooking the widespread wealth of **small structures**, which could even be **stimulated to innovate their operational models** by the presence of chains structured around more effective management criteria and by the more modern competitive climate that would result. If large chains have, over time, brought hospitality models that struggle to match the traditional nature of small localities that are rooted in their surroundings, it is still true that they have made a valid contribution to enriching the formulas and businesses models of the various hotel structures, permitting them to achieve lower operating costs and higher margins.

The presence of chains can stimulate operational innovation among small structures

4.2.1 Operating formulas. In Italy, the link between ownership of the structure and management of the hotel business, which is traditionally family run, is the prevalent operating model. Even though there are many examples of excellence within this model, the international trend is moving in a completely different direction.

The international hotel panorama is evolving towards a wide range of different business models, which often overlap and can coexist. Many hotel companies, especially medium or large ones, employ franchising and management formulas that are less costly than traditional ownership. The proprietors of a hotel structure may also transfer the operation of the hotel to another company, with the latter then entering into a contract to lease a brand from a chain or consortium.

The most frequently used contract types in Italy are those governed by the Italian Civil Code:

- **leasing or renting the building.** The owner of the building grants it under lease and receives an annual consideration, often split into monthly payments. In this case, the tenant manages the business without any involvement from the owner. On the basis of Act no. 392/1978, the duration of the lease cannot be shorter than nine years in the case of an urban building, whether furnished or unfurnished, used for hotel activities or for the conduct of similar businesses pursuant to Article 1786 of the Civil Code;
- **leasing a company or a division of a hotel company.** The subject of the contract is not so much the granting of usage of a real estate asset, even if it is complete with appurtenances and accessories relating to hotel use, but rather the entire complex, complete with all its assets, moveable and immovable, tangible and intangible, organised as a whole for the conduct of a hotel business⁸.

Some national hotel companies have, however, also begun to use the **hotel business management contract**, an atypical contract not expressly regulated in the Italian Civil Code, the dissemination of which nevertheless requires the development of specific technical and managerial skills for the operation of hotel businesses. On the basis of the management contract, the owner of the hotel structure transfers the management of the building to a third party, almost always a hotel company (the manager or hotel operator), which manages the assets in the name of and on behalf of the property owner for a fee, without assuming the business risk, whilst able to use its own brand.

Atypical contract forms are becoming increasingly common, particularly management contracts and franchising

Franchising contracts, not regulated directly by the Civil Code, are also widely used for the operational management of hotel structures. In this case, an affiliating company (the franchisor) grants the counterparty (the franchisee) the right to produce or market goods or services with its own distinctive trademarks or patents, experiences and know-how, and assists it in the production and/or distribution process, on condition that certain quality standards are respected and for a cash consideration.

At present, about 41% of chain hotels in Italy are directly owned by the operator, while leasing and franchising contracts represent 27% and 24% respectively, and just 1.8% are operated under a management contract⁹.

(8) The provisions of Act no. 392 of 27 July 1978, Rules for leasing urban buildings (Arts. 27-42) with regard to the leasing of buildings used for hotel businesses, including those regarding the duration of the relationship (minimum 9 years), cannot be invoked in the distinct case of the leasing of hotel businesses.

(9) Horwath HTL (2016)

Finally, consideration should also be given in Italy, especially as regards small businesses with deep local roots, to **the French experience of “voluntary chains”** (Relais et châteaux, Logis de France), national networks of entrepreneurs that promote a specific supply model, but nevertheless remain independent structures for all intents and purposes. These are characterised by cooperation in the management of commercial and booking services, which can also be extended to centralised management of common production stages, such as general services (accounting, suppliers, etc.), even in the absence of a common hotel brand.

Focus

The management contract

The management contract allows the owner of one or more hotel structures, and often also finance companies, to transfer the management of said structures to a professional, specialised operator that must act in the name of and on behalf of the **owner**, which **still remains the proprietor of the business activity and the business risk**.

The **manager**, also known as the hotel operator, uses **its own know-how** and possibly its own **distinctive trademarks** for the operational and commercial management of the hotel business, but in compliance with the instructions of the structure's owner. **All strategic decisions** regarding operation of the hotel are **agreed with the proprietor** from year to year and for the entire duration of the management contract, which usually has a medium or long term (from six to 20 years).

Thanks to its supervisory power, the owner is guaranteed control of operations, with a view to conserving and getting the best out of the building and its equipment and fittings. **Moreover, the proprietor must allocate adequate financial resources** so that the operator can manage the hotel in compliance with the regulations in force, and with the specifically indicated quality standards. The owner's control usually consists of checking compliance with various performance indicators, such as room occupancy levels, sales, net income and quality levels.

The hotel structure's personnel are employed by the hotel owner, as proprietor of the business, but recruitment and training are delegated to the company that manages the hotel, which can, among other things, appoint the general manager and head of finance (with the owner's approval, in the latter case).

The proprietor pays a **management fee** to the hotel company, which is calculated by applying a generally fixed percentage of the revenue generated (2%-5%), and an incentive fee, which is calculated on the basis of a variable percentage (2%-10%) of EBITDA (gross operating margin).

On the basis of this system, the profits generated by the management activities are allocated to the owner, but the manager is highly motivated towards greater operational commitment to increasing quality and profits, and also enjoys the benefits of a lower economic investment, especially in relation to the costs associated with ownership of the structure.

The management contract therefore makes it possible for an entrepreneur who is interested in investing in the hotel sector, without necessarily having the relevant experience and professional skills, to get a fast return on the investment, while maintaining ownership of both the building and of the hotel business; at the same time, it allows the manager to free the company assets from the burden of ownership of the property and the associated costs.

Aside from the specific advantages for the proprietor and for the hotel operator, **the development of the management contract can facilitate a new business model** that would make it possible to develop hotel real estate whilst also aggregating businesses, thanks partly to the economies of scale guaranteed by management by a hotel chain.

Furthermore, it is reasonable to maintain that the model that separates operational management from ownership of the property can **encourage the entrance of qualified investors**, including those active in the property sector, and **specialised foreign operators** that can make available their international know-how and the associated tourism networks with a view to further development of the Italian tourism market.

4.3 The hotel real estate market. After a long period of crisis, the European hotel property market has recorded significant growth rates, to the point that it constituted the number one asset class in the sector in 2014. The constant growth of tourists in Europe, the contraction of property values and the improvement in investor confidence, accompanied by greater availability of funding, were all elements that contributed to enhancing the attractiveness of the sector. The prospects are good, and all the main groups have plans for expansion and intensive investments.

The Italian hotel property market is recovering

Italy accounts for 6%, in volume terms, of European transactions involving the hotel property sector.

Before the crisis in 2008, the volume of hotel investments in Italian territory exceeded €1 billion. It then dropped continuously, reaching its lowest point in 2009, with €230 million, and continued at quite low levels all the way throughout 2011. From 2012 onwards, property investments in the hotel sector have begun to show some signs of recovery, reaching about €600 million in 2014¹⁰.

Turnover in the Italian hotel property market – composed both of transactions and of leasing contracts concluded after new openings or rebranding operations and management changes – also recorded constant growth from 2008 onwards, and the outlook for 2015-2016 is positive, even if we are still a long way from reaching pre-crisis values.¹¹

Driving the recovery of the Italian hotel property market are, above all, so-called trophy assets, buildings of great prestige whose value does not seem to have been affected by the crisis. Foreign investors in particular and, principally, sovereign funds, are driving the luxury property market by showing interest in these iconic buildings, which allow them to increase their capital and minimise risks over time. **Our market, characterised by family-run businesses, lends itself above all to the purchase of single assets, making it rather difficult to create portfolios of hotel buildings.** In this context, things are obviously easier for the trophy assets because of their iconic value and their ability to keep their economic value more or less stable over time.

The market is also reacting positively to the trend for some large hotel chains to transfer the ownership of their buildings to investors in the sector, opting to concentrate on the operation of the accommodation structures: an **“asset-light” strategy** that seems to reward hotel companies in terms of economic results and profits. The sale of buildings makes it possible for companies to lighten their property portfolio, so as to free up financial resources to invest in new areas and services, thereby diversifying the range they offer. The number of transactions is therefore rising, with the major chains selling their buildings to funds, particularly Middle-Eastern ones, which are very interested in the Italian market, and in particular the great cities of art.

The increased interest from international property funds could, not least, have an important positive effect on the presence in Italy of major hotel chains, which are predominantly interested in the operational side alone, and therefore to date have not been very disposed to investing in our country, as they were uneasy about taking on the property component of the hotels. It is no coincidence, then, that **alongside the renewed vitality of property sales, there has also been a recovery in sales operations involving hotel management only.**

Finally, mention must be made of a trend that is particularly widespread abroad, but has recently been getting a foothold in Italy: the **transformation of traditional hotel structures into “condo hotels”**, structures in which the proprietor of the hotel can sell an autonomous and independent room with its own kitchen. Buyers can use it on an exclusive basis for holidays and let it out when not in use, entrusting its management to the hotel, with which they then share the income. This formula could also help revitalise the tourist property market, as it **constitutes a way for hoteliers to fund themselves and reduce the weight of the property component on their balance sheets.**

The buying and selling of buildings and of operations only is showing the positive effects of the trend of separating property from operations

(10) JLL (Jones Lang La Salle) estimates

(11) Scenari immobiliari (2015)

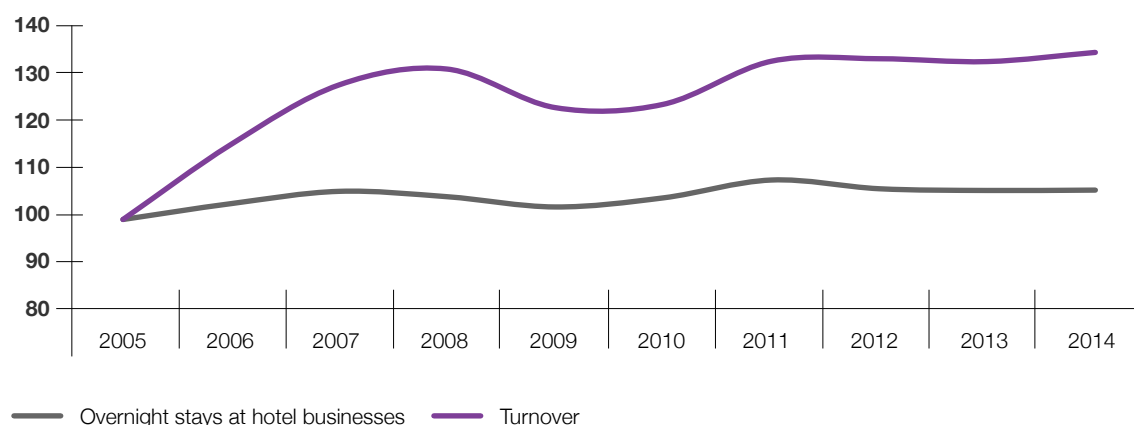
Notwithstanding the increased interest of foreign investors in the hotel property market, **purchasing processes are still very long as a result of the barriers to entry into the sector caused by lengthy bureaucratic procedures.** If we intervene in this area, however, and eliminate the obstacles to entry for investors, growth in the market will not be far behind.

4.4 The balance sheets of hotel businesses. By analysing the balance sheets of Italian hotel businesses, it was possible to examine the main economic, financial and capital aspects of companies in the sector and the associated dynamics of their activities in the last decade. The analysis was carried out on the basis of the balance sheet data of a sample of 4,173 companies extracted from the Aida – Bureau van Dijk¹² database, pertaining to the hotel sector (55.1 in the ATECO classification)¹³.

The dynamics of hotel revenues and overnight stays in the 2005-2014 decade were obviously similar, yet experienced different degrees of intensity. In particular, **the very intense growth in turnover that can be seen in the early part of the decade** can presumably be attributed to the reshaping of demand in favour of foreigners, who typically spend more on average. After 2008, the *annus horribilis* for the world economy that had inevitable repercussions on tourists' spending capacity, tourism also hit a roadblock to which hotel businesses responded with **price containment policies**¹⁴. This resulted in **lower turnover growth**, which essentially mirrored the trend in overnight stays.

The dynamics of the growth in overnight stays were in line with those for hotel revenues ...

Graph 47 – Dynamic of overnight stays and revenues of hotel businesses, 2005-2014 (2005=100)



Source: CDP processing of Istat and Aida – Bureau van Dijk data, 2016

(12) The data are correct as at 4 January 2016

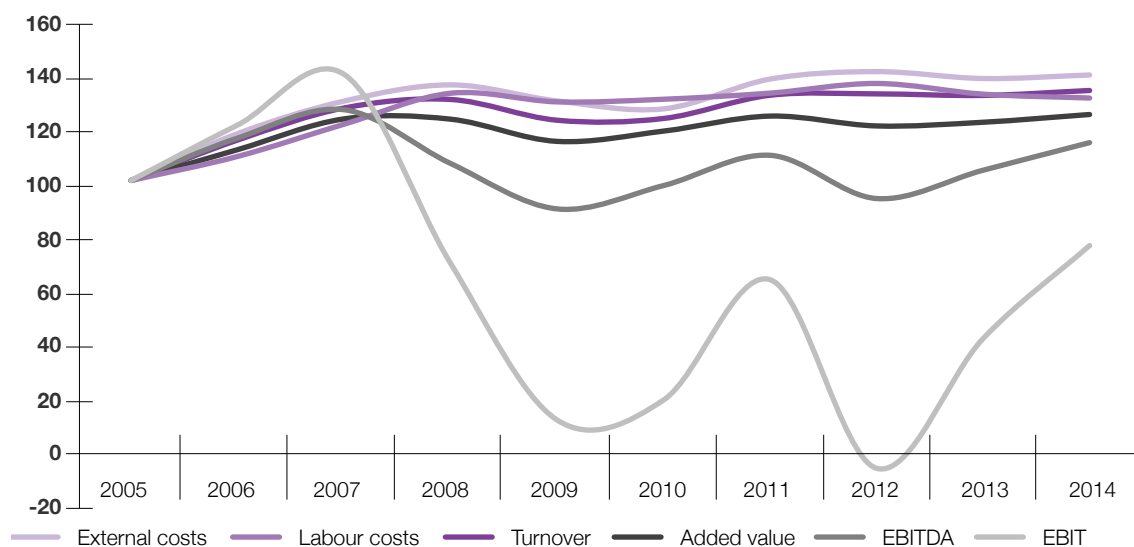
(13) Only companies that were active in 2014 were taken into consideration, as this was the last year for which accounts were available when retrieving the figures. In the case of membership of a group of companies, reference was made to the individual accounts of the hotel businesses, and not to the consolidated figures for the group.

(14) According to Federalberghi, the average sale prices per room in 2009 fell by 8.8%.

However, the positive turnover dynamics were not accompanied by a clear trend in Italian hotel margins; in fact, the growth in production costs during the decade was almost always higher than that of turnover, with a more modest performance for added value¹⁵. Even more complex is the situation as regards EBITDA¹⁶ and operating result or EBIT (net operating margin)¹⁷, which recorded extremely negative dynamics from 2007 onwards as a result of the rise in labour costs and, above all, non-monetary operating costs (amortisation and depreciation, write-downs and provisions). **In other words, the hotel sector has had to incur excessive operating costs that were not offset by turnover**, with the transfer of part of the value generated by sales to its counterparties and suppliers, resulting in a loss of competitiveness.

... but margins changed significantly during the decade

Graph 48 – Dynamic of the economic indicators of hotel businesses, 2005-2014 (2005=100)



Source: CDP processing of Aida – Bureau van Dijk data, 2016

The reduction in margins has effectively hindered the average profitability of the hotel sector: after reaching values above 4% between 2005 and 2007, the ROI (Return On Investment), the indicator of the profitability of investments given by the ratio between EBIT and turnover, collapsed, and oscillated between a maximum of 1.4% and even negative values (-0.2% in 2012) for the remainder of the decade. Theoretically, in order to achieve good ROI values, companies can choose to act either on the sales margins, represented by a good ROS (Return On Sales, given by the ratio between operating income and turnover), or on the capital rotation rate (turnover/capital invested), which indicates the capacity of the invested capital to be converted into income or, in other words, in the case of hotel businesses, the ability to fill the rooms. From 2007 onwards, both indicators actually contributed to dragging the profitability of the sector downwards: pricing policies aimed at keeping prices low through advance-booking discounts, promotional packages and other incentivised tariffs compressed sales margins, but were still unable to guarantee higher room occupancy rates.

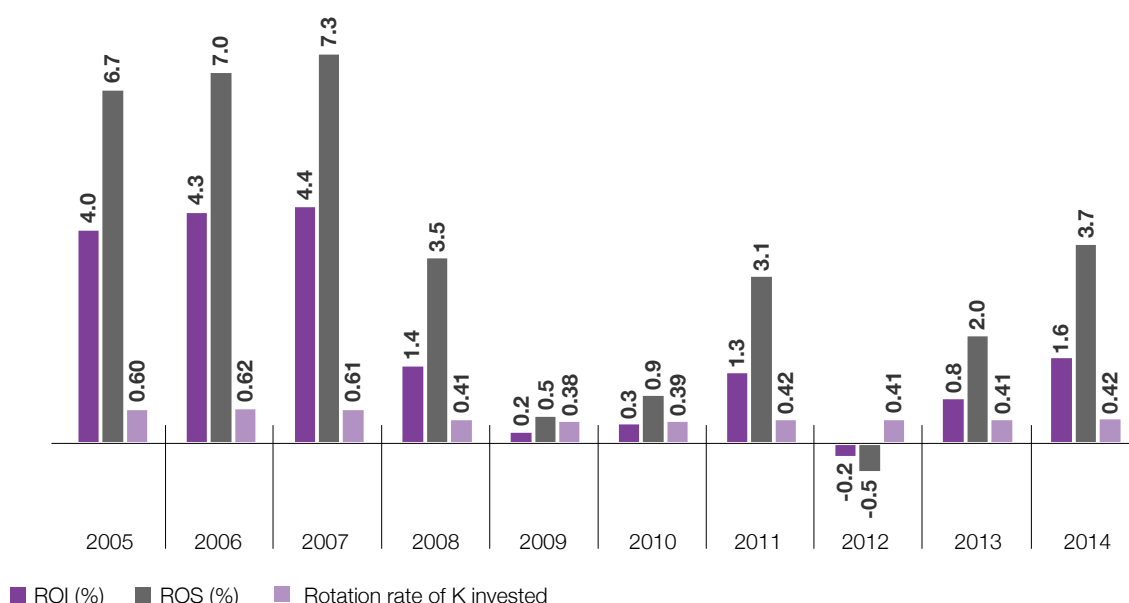
Hotels implemented price containment policies after the 2008 crisis, yet failed to improve room occupancy rates

(15) Given by the difference between production value and costs incurred to purchase the goods required for production, this represents the company's ability to get a return on its production factors (labour and capital) and therefore create wealth.

(16) Given by the difference between added value and personnel costs, this indicates how much the business has left after paying its employees, and provides a measure of the company's ability to fund itself from operations.

(17) Given by the differences between EBITDA and non-monetary operating costs (amortisation and depreciation, write-downs and provisions); if positive, it indicates the presence of proceeds that can offset the production costs of the company's core business.

Graph 49 – Profitability indices of hotel businesses, 2005-2014



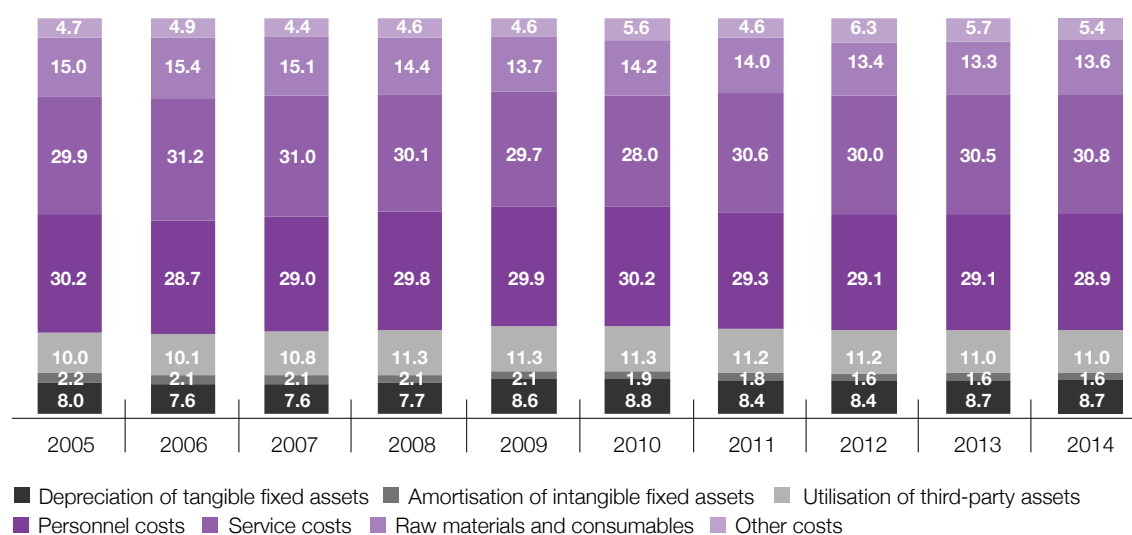
Source: CDP processing of Aida – Bureau van Dijk data, 2016

Moving on to a more detailed examination of the composition of hotel production costs, one initial aspect to highlight concerns the **substantial stability of their distribution** over the decade in question. This was characterised by the significant proportion represented by fixed costs (amortisation and depreciation of tangible and intangible fixed assets and utilisation of third-party assets) and personnel costs, which **considerably reduces the capacity of businesses to control their margins**. In particular:

- **depreciation of tangible fixed assets** increased between 2008 and 2009, as a result of the revaluation of land and buildings carried out by hotel enterprises pursuant to Decree-Law no. 185/2008, "Revaluation of business assets", which led to an increase in the value of the tangible fixed assets recorded in the financial statements;
- despite the importance of investments in marketing, brands and ICT for the performance of businesses in the sector, the weight of **amortisation of intangible fixed assets**, on the other hand, diminished over the course of the decade, represented just 1.6% of hotel production costs in 2014, compared to 2.2% at the start of the period;
- on the other hand, an increase was recorded in **costs for the utilisation of third-party assets**, which also include leasing and rental payments and expenses incurred in running the accommodation structures managed by the companies. These costs are fairly rigid and are difficult to cut, even in negative economic contexts, and their increase is in any case indicative of the new trend in the sector of separating the ownership and operational sides of the building;
- **personnel costs**, though falling, are still quite a significant part of total costs. In any case, this is an item that hotel businesses have quite a limited ability to act on. The labour factor itself constitutes an important part of the product offered to the clientele, and only a minimal part of it can be replaced by machines or ICT;
- finally, **service costs** increased, confirming the trend towards increasing the diversification of the products offered by hotels and outsourcing an increasing number of activities, thereby partly reducing the burden of labour costs, to the benefit of a cost component that is more flexible and more closely linked to turnover dynamics. One item that has had a powerful effect on the service costs of hotel businesses in recent years is the commission requested by organisations that manage online bookings, which are deemed very high. For this reason, many hotels, predominantly chain

hotels but also small structures that form consortia, are increasing their own booking systems by grouping their brands together in a single web channel.

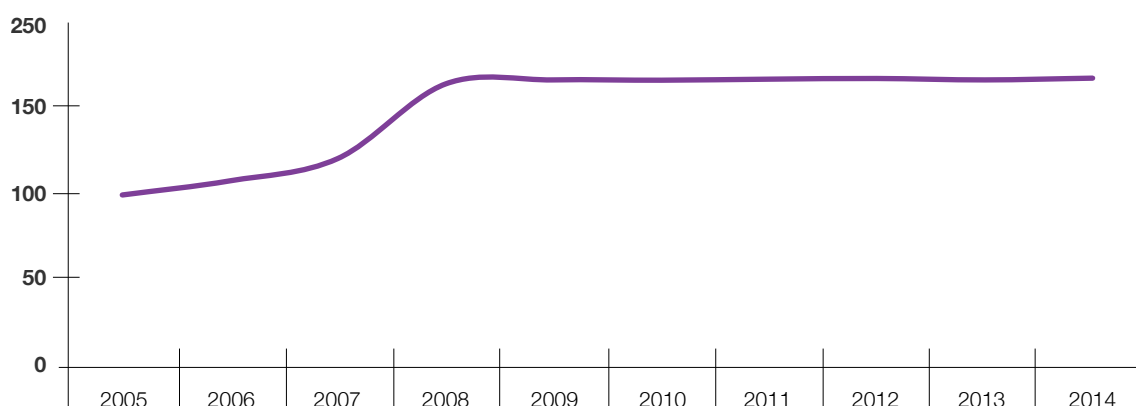
Graph 50 – Cost structure of hotel businesses, 2005-2014 (%)



Source: CDP processing of Aida – Bureau van Dijk data, 2016

It seems quite clear that **the revaluation of buildings carried out pursuant to Decree-Law no. 185/2008** has heavily conditioned the dynamics of the capital invested by hotel businesses. These nevertheless remained substantially stable, thanks partly to the 2008 crisis.

Graph 51 – Capital invested by hotel businesses, 2005-2014 (2005=100)

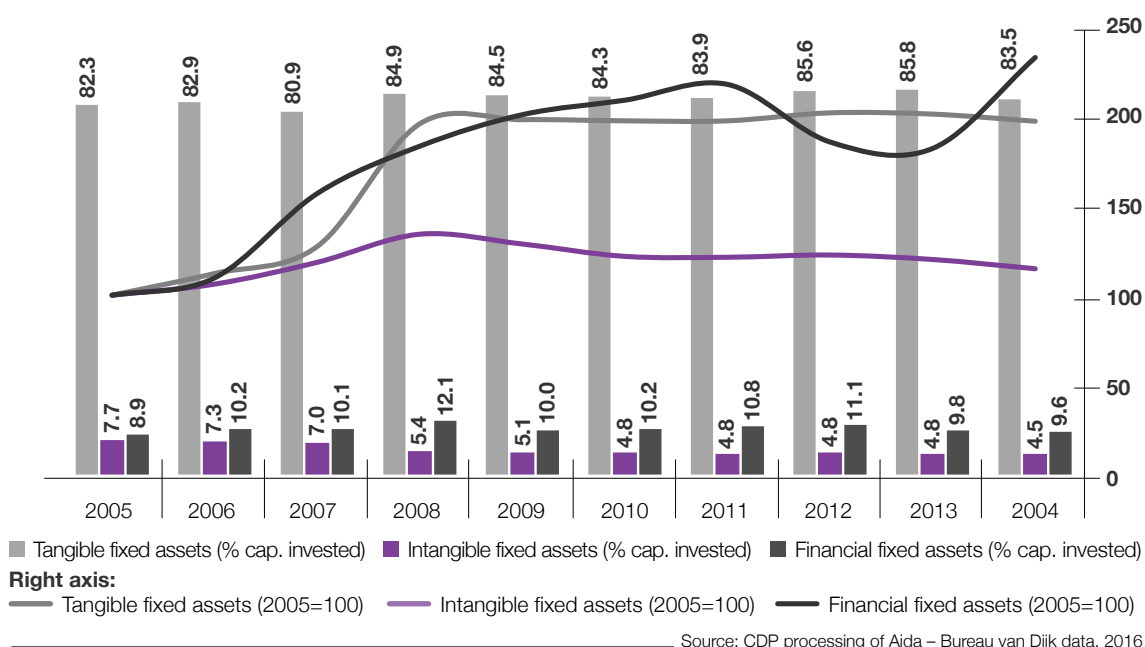


Source: CDP processing of Aida – Bureau van Dijk data, 2016

The capital invested by hotel businesses obviously consists mainly of **tangible fixed assets** (83.5%). As regards **intangible fixed assets**, the growth rates recorded in the last decade were lower than those for tangible fixed assets, considerably reducing their importance as a proportion of investments in the sector, falling from 7.7% in 2005 to 4.5% in 2014. Finally, it is clear that **over the years, the weight of the financial component of capital is slowly growing**.

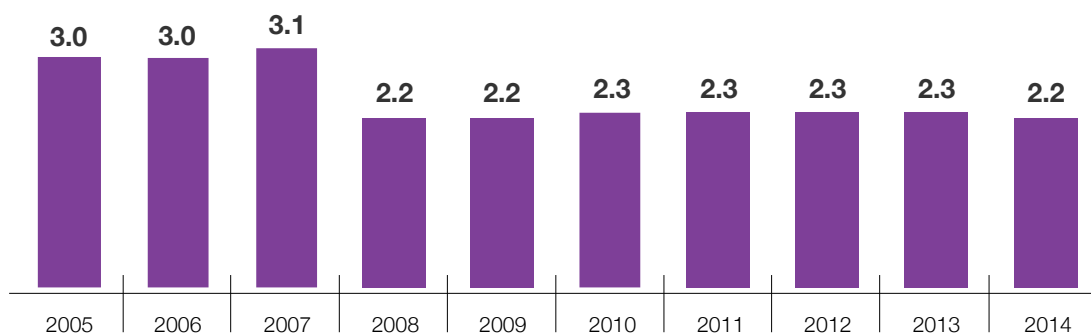
The capital invested is composed mainly of tangible fixed assets, but the weight of the financial component is growing

Graph 52 – Investment types of hotel businesses, 2005-2014



Finally, the analysis of the capital structure of Italian hotels highlights a **clear tendency towards the use of third-party capital and high use of financial leveraging**. Moreover, the drastic reduction in the debt ratio¹⁸ that was observed in 2008 is not due to fresh contributions of capital or to substantial repayment of debts, but rather to the increased level of equity capital plus the aforementioned revaluation of buildings.

Graph 53 – Debt ratio of hotel businesses, 2005-2014



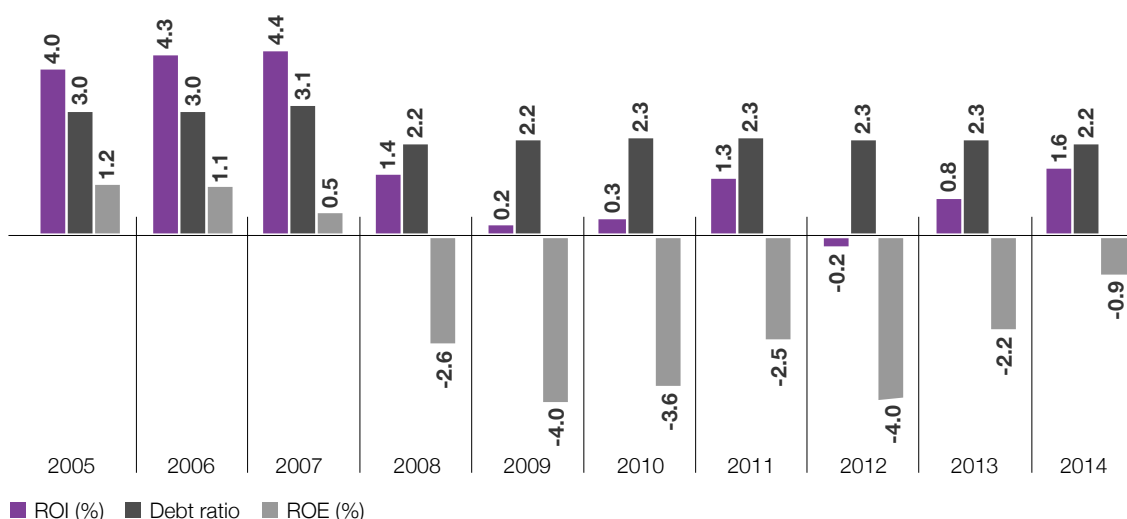
The reduction in the debt ratio that followed the recapitalisation of hotels in 2008 could have led to benefits for the overall profitability of the businesses, if the simultaneous worsening of ROI had not produced a negative differential in which the cost of financial debt cancelled out the effect of the improvement in leverage¹⁹. As a consequence, **ROE (Return on Equity), which expresses the overall profitability of companies** and is calculated as the ratio between net profit/loss and equity capital, **was no longer positive after 2008**.

The total profitability of hotel structures was no longer positive after the crisis

(18) The debt ratio is given by the share of a company's equity capital as a proportion of its total sources of funding. If the value equals one, it means that the company has not had recourse to borrowing; a value of between 1 and 2 indicates that the company's equity capital is greater than the third-party capital; a value of above 2 indicates that the third-party capital is greater than the equity capital.

(19) It should be remembered that, given the structure of the equation for determining ROE, the debt ratio has an amplifying effect on this index, though it can go either way: it can be positive, if the ROI is greater than the cost of the borrowed capital, or negative, if the ROI is below the cost of the borrowed capital.

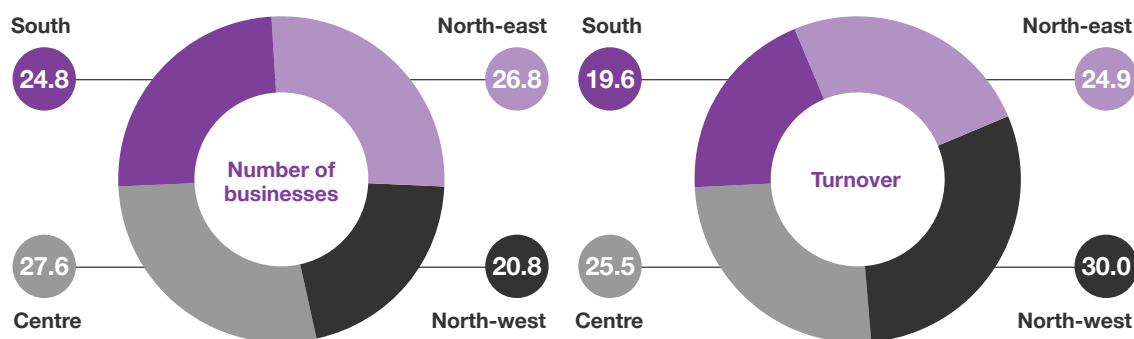
Graph 54 – Overall profitability of hotel businesses, 2005-2014



Source: CDP processing of Aida – Bureau van Dijk data, 2016

4.4.1 Territorial distribution. The businesses in the sample examined are **distributed fairly evenly throughout the country**. The businesses in the north-west, however, which represent 20.8% of the total analysed, generate 30% of turnover. Businesses in the south, on the other hand, despite representing 24.8% of the sample, generate only 19.6% of turnover.

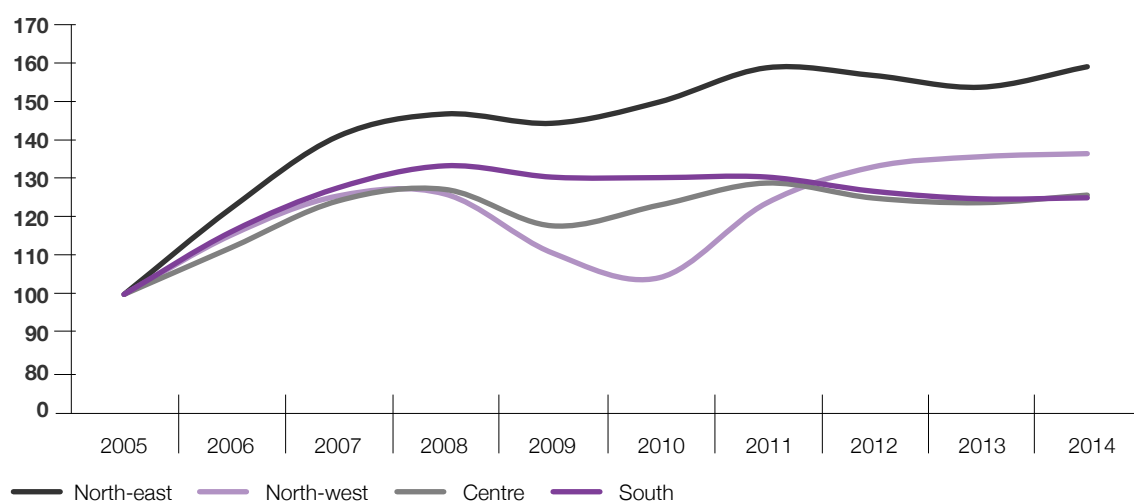
Graph 55 – Territorial distribution of the sample businesses and of turnover, 2014 (%)



Source: CDP processing of Aida – Bureau van Dijk data, 2016

The most dynamic hotels in terms of turnover growth over the past decade are those in the **north-east**, while the businesses in north-west Italy felt the effects of the 2008 crisis more strongly than the others. However, in the last three years, these hotels have completely recovered the lost ground. Over the same period, the returns of the businesses in the centre and south of Italy diminished.

Graph 56 – Dynamic of hotel businesses turnover by territory, 2005-2014 (2005=100)

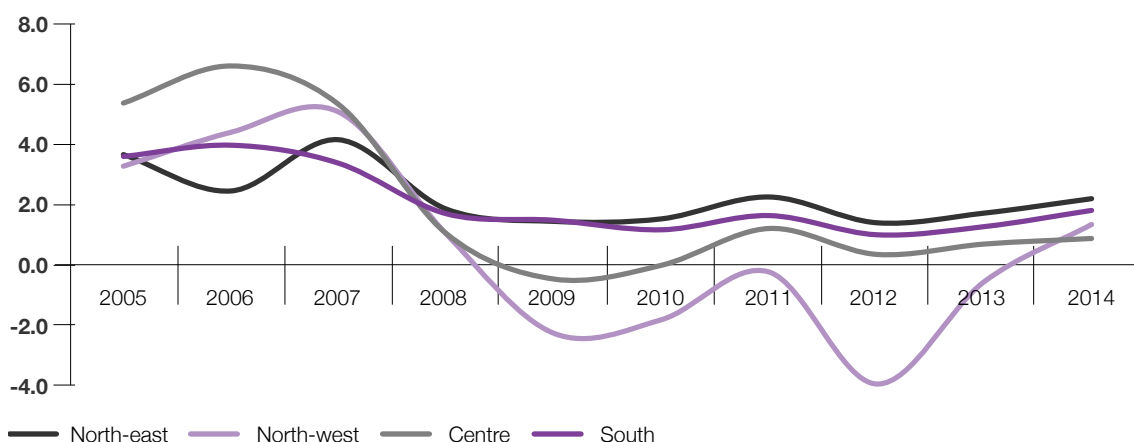


Source: CDP processing of Aida – Bureau van Dijk data, 2016

The impact of the crisis was particularly negative for businesses in the north-west

The deeper impact of the crisis suffered by companies in the north-west is also borne out by the trend in ROI: in the case of businesses in the north-east and south, though the profitability index is falling, it still remains positive, whereas in the case of businesses in the centre and even more so in the north-west, ROI recorded a drastic fall between 2008 and 2009.

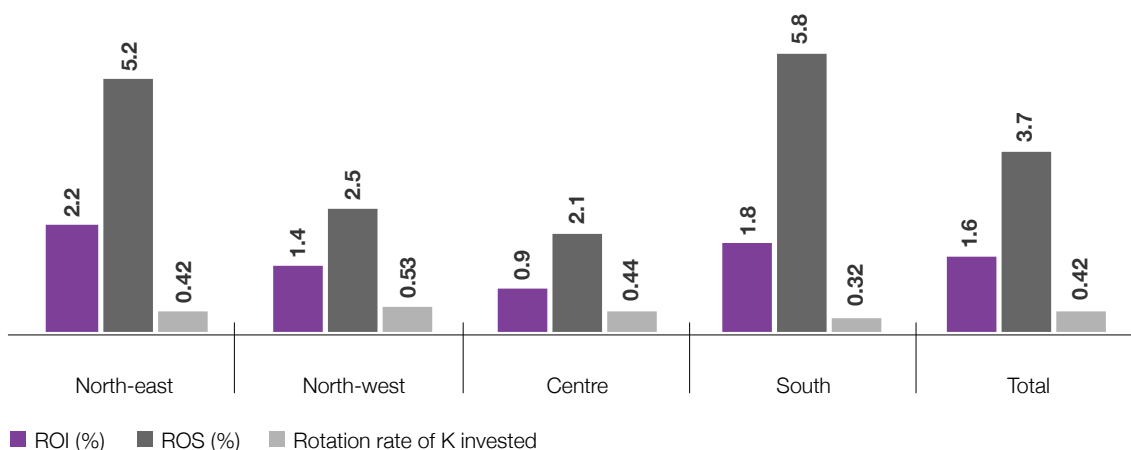
Graph 57 – Dynamic of hotel businesses ROI index by territory, 2005-2014 (%)



Source: CDP processing of Aida – Bureau van Dijk data, 2016

In general, the margins of businesses in the north-west seems to be less stable, recording sharper falls, but also sudden and decisive recoveries. In the course of just three years, between 2012 and 2014, ROI improved from a very negative value (-4%) to 1.4%, a higher value than that recorded by companies in the regions of central Italy. It would seem that what penalised the latter in particular were the far from brilliant dynamics of their turnover, represented by an ROS value lower than that of all the other areas.

Graph 58 – Profitability indices of hotel businesses by territory, 2014

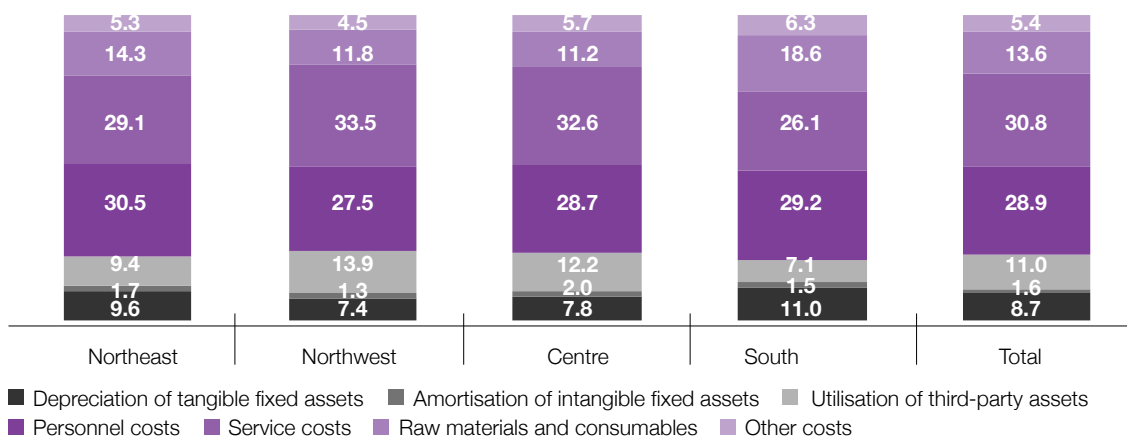


Source: CDP processing of Aida – Bureau van Dijk data, 2016

Looking at the territorial breakdown of the cost structure of hotel businesses, we can see that the percentage weight represented by depreciation of real estate assets is higher than average in the case of hotels based in the north-east and south, while the proportion pertaining to the utilisation of third-party assets is higher than average for those businesses in the sample based in the north-west and centre. Taken together, the two figures highlight **the more significant presence in the south and north-east of hotel businesses that own their own buildings** and, vice versa, more companies that lease the buildings in the north-west and centre. Furthermore, we can observe a significantly higher proportion in the south compared to other areas for costs for purchasing raw materials, with consequently lower service costs. This could denote **less attention paid to diversifying the services offered to guests beyond the basic services linked to overnight stays and catering**.

The cost structure of businesses in the south reveals companies in which ownership of the property is widespread and there is no tendency to diversify the services offered

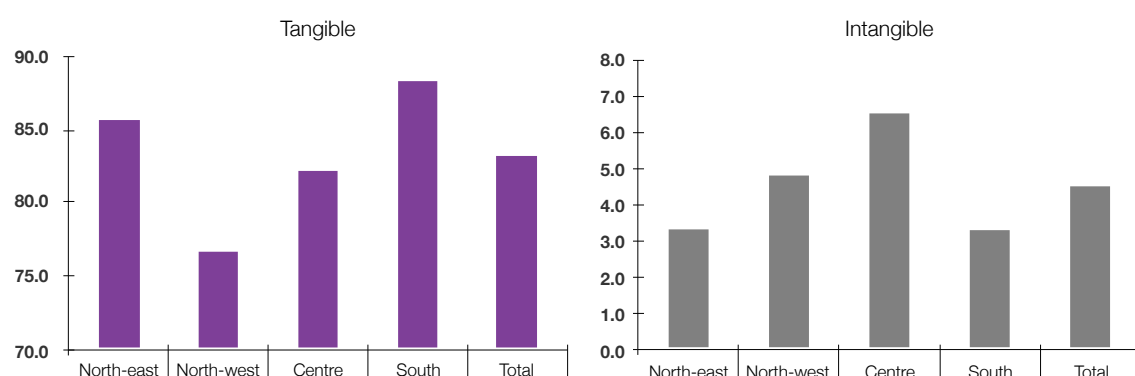
Graph 59 – Cost structure of hotel businesses by territory, 2014 (%)



Source: CDP processing of Aida – Bureau van Dijk data, 2016

The figure corresponding to tangible fixed assets as a proportion of invested capital confirms the predominance of ownership for businesses in the south, whereas **the proportion of intangible investments made by these structures is fairly meagre**. This last aspect can also be seen for hotels in the north-east, which invest just 3.3% of their capital in ICT, marketing and advertising.

Graph 60 – Fixed assets as a share of capital invested by hotel businesses by territory, 2014 (%)



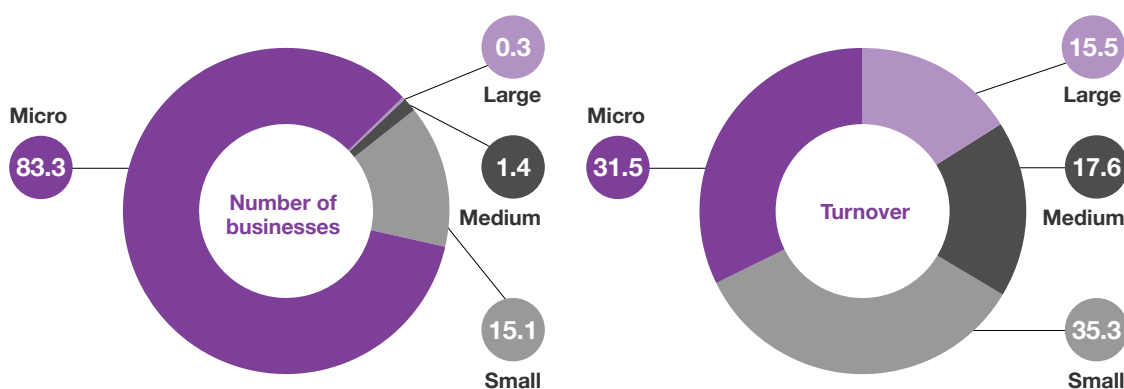
Source: CDP processing of Aida – Bureau van Dijk data, 2016

4.4.2 Hotel businesses by size. At this point, the hotel businesses in the sample were classified based on available turnover figures for the last year, broken down into four categories:

- **large enterprises**, those with annual turnover of above €50 million;
- **medium enterprises**, with an annual turnover of between €10 million and €50 million;
- **small enterprises**, with an annual turnover of between €2 million and €10 million;
- **micro enterprises**, with an annual turnover of below €2 million;

The first figure to highlight concerns the distribution of turnover, which, as is fairly obvious, appears to be much more homogeneous than the distribution of the number of businesses. Large businesses that represent just 0.3% of the total sample account for 15.5% of the turnover, just as the medium businesses that account for only 1.4% of the sample produce revenues amounting to 17.6% of the total.

Graph 61 – Distribution of the sample businesses and of turnover by size, 2014 (%)



Source: CDP processing of Aida – Bureau van Dijk data, 2016

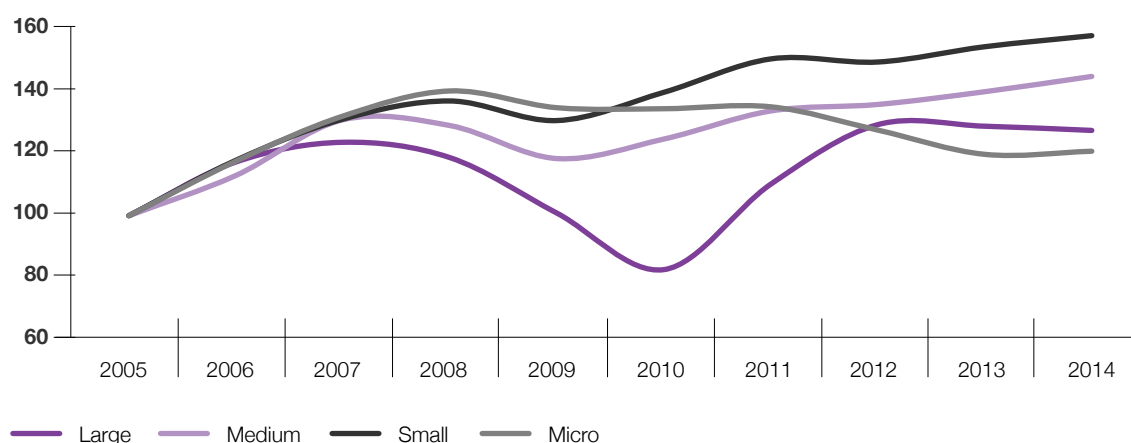
If large enterprises were most affected by the crisis ...

If we then look at the turnover dynamics during the course of the decade in question, it seems quite clear that **the large businesses were those that felt the crisis most**, with extremely negative performances after 2008 and recovering only as of 2010. The picture is different for the **micro enterprises**, whose the lacklustre

revenue trends seem to be **independent of the economic cycle and linked more to structural difficulties**. Small and medium businesses, on the other hand, revealed a more marked ability to adapt, and were better able than the others to recover from the drop in 2008, which was, in any case, more limited.

... micro ones appear to be in difficulty structurally

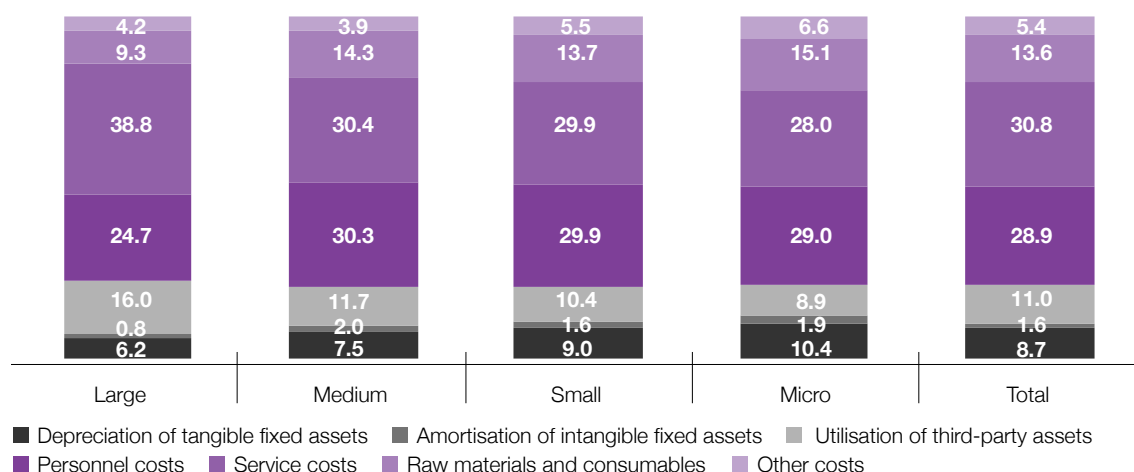
Graph 62 – Dynamic of hotel businesses turnover by size, 2005-2014 (2005=100)



Source: CDP processing of Aida – Bureau van Dijk data, 2015

The cost structure of businesses broken down by size does not reveal any great differences, except perhaps for the largest: the higher proportion of costs for the utilisation of third-party assets, with a consequent decrease in depreciation of tangible assets, confirms the **tendency of businesses with higher turnovers to separate their operations from ownership of the building**; in the same way, the significantly higher weight of service costs, accompanied by a smaller role for personnel costs, indicates that the management of these companies tends to **outsource a large part of their activities and diversify the types of services offered**.

Graph 63 – Cost structure of hotel businesses by size, 2014 (%)

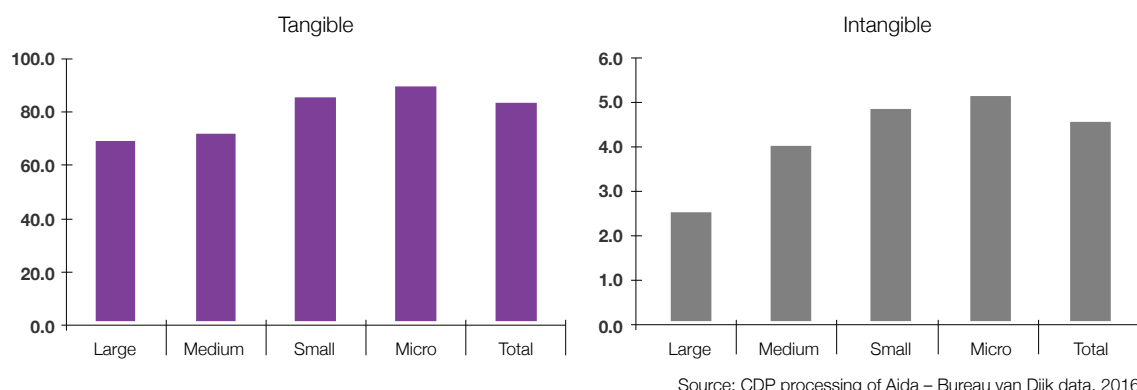


Source: CDP processing of Aida – Bureau van Dijk data, 2016

The smaller hotels have almost 90% of their capital invested in the ownership of the building, while the businesses with higher turnovers have more diversified investments, with the buildings accounting for a lower share of the total. Nevertheless, the large businesses are also characterised by having a lower

share of intangible fixed assets, and therefore differ from businesses of other sizes in terms of their decision to allocate more resources to investments of a financial nature.

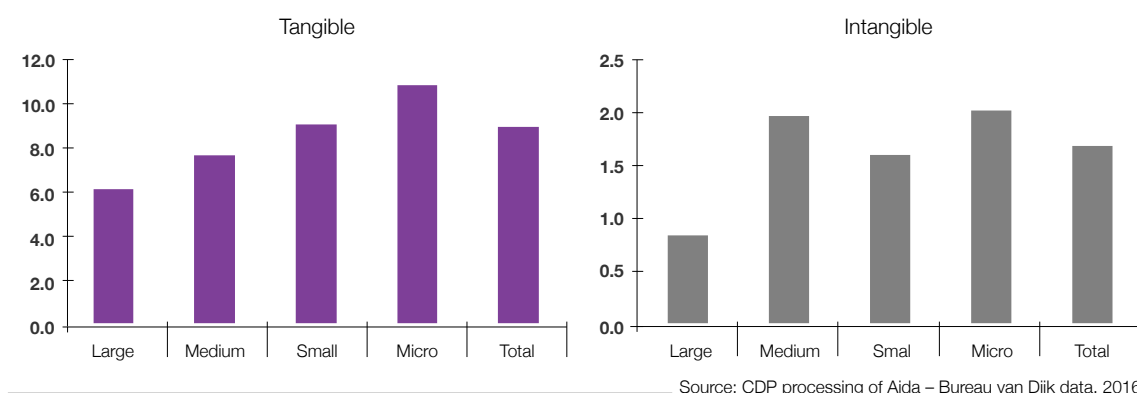
Graph 64 – Fixed assets as a share of the capital invested by hotel businesses by size, 2014 (%)



However, large hotels make few investments in new technologies and renovations of their facilities ...

Furthermore, the weight of the amortisation of intangible assets is rather low for **large hotels**, and lower than that for all the other business types: this suggests that the **facilities and assets owned by these companies have already been amortised to a great extent, and therefore were not acquired recently**

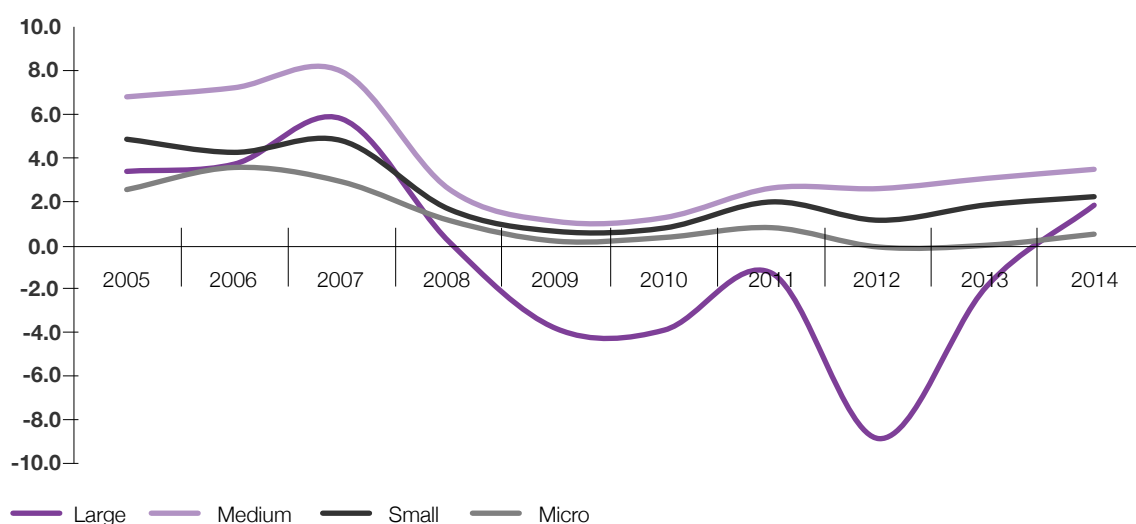
Graph 65 – Depreciation and amortisation of fixed assets as a share of hotel businesses turnover by size, 2014 (%)



... with negative effects on their margins

In reality, the situation was profoundly different at the start of the decade, when the large businesses invested a very significant part of their capital in intangible assets (14.4%, compared to a 7.7% average for the sector). **The crisis therefore seems to have radically changed the strategy of these businesses, which, after 2008, reduced their capacity for investment more than other businesses**, to the detriment above all of new technologies and the renovation of their facilities. This strategy does not seem to have borne much fruit, given that the **profitability of the large hotels fell drastically** and only returned to positive values in 2014, the year in which a sharp peak in investments by this category was recorded (+17.3%, compared to an average of +0.7%).

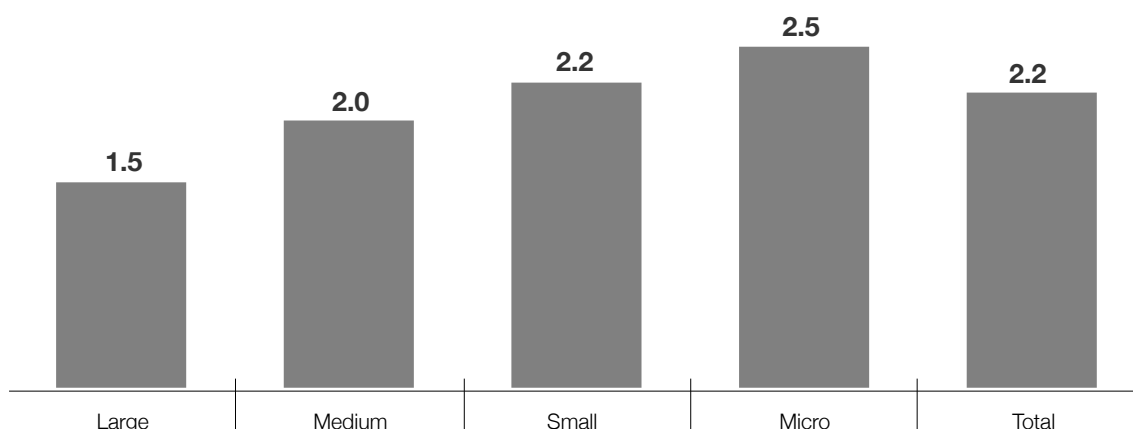
Graph 66 – Dynamic of hotel businesses ROI index by size, 2005-2014 (%)



Source: CDP processing of Aida – Bureau van Dijk data, 2016

Finally, the analysis of the capital structure of hotel businesses by size simply confirms the trend for small and micro concerns to turn to third parties for funding, and shows **a debt ratio that grows with the reduction of company size.**

Graph 67 – Debt ratio of hotel businesses by size, 2014



Source: CDP processing of Aida – Bureau van Dijk data, 2016

The absence of a link between size in terms of turnover and positive performance is not surprising, considering that, in the hotel sector, **aggregation and expansion take place through network structures, groups, chains and consortia**, given the importance of location in the economics of every single hotel. These organisations lend themselves to centralised management of common production phases, such as general services (accounting, suppliers etc.), as well as the collection and management of bookings, management and promotion of the brand, and loyalty and cross-selling plans between brands in the same group; this has **indirect consequences for company balance sheets and no significant impact on the turnover class to which the businesses belong.**

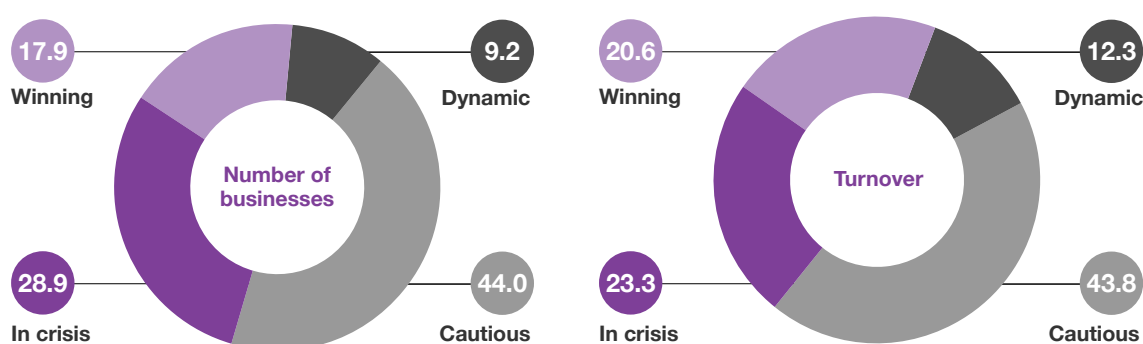
Size does not seem to have had any significant impact on the performance of hotel businesses

4.4.3 Performance and strategies for reacting to the crisis. The examination of the accounts of hotel businesses has clearly shown that from 2008 onwards, the economic and capital situation of these companies has been in deep crisis. In order to attempt to identify **the elements that influenced the performance of the hotels following the 2008 crisis** and the effect that the revaluation of the buildings had on the company balance sheets, the hotel sample was divided into four groups²⁰:

- **winning businesses**, which, during the post-crisis period, have recorded a turnover average annual growth rate above the mean for the hotel sector and an average profitability (average ROI value for the period) above the figure for the sector;
- **dynamic businesses**, which, despite achieving average profitability during the period that is lower than that of the hotel businesses as a whole, have recorded a turnover average annual growth rate greater than that of the rest of the sector;
- **cautious businesses**, which are able to obtain profitability levels that are above the average for the sector, but with a turnover that is growing more slowly than that of hotel businesses as a whole;
- **businesses in crisis**, which are recording both profitability and turnover growth that are below the average for the hotel sector.

The winning business represent 17.9% of the sample and generate 20.6% of turnover; the dynamic businesses represent 9.2% of the sample companies and 12.3% of the turnover generated; the cautious business are the most numerous (44%) and generate the largest part of the sector's turnover (43.8%); finally, the businesses in crisis represent 28.9% of the total and produce 23.3% of the revenues.

Graph 68 – Distribution of the sample businesses and of turnover by performance, 2014 (%)



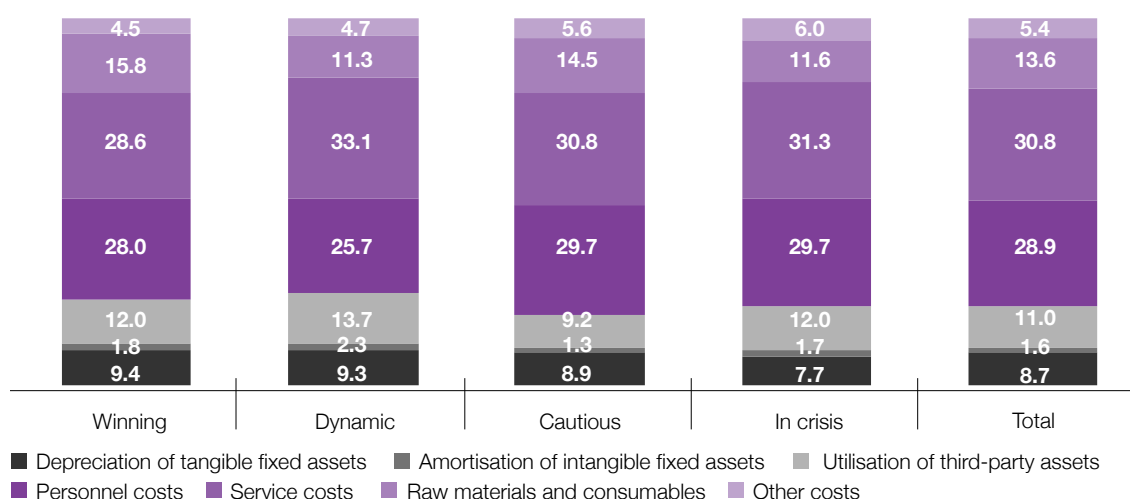
Source: CDP processing of Aida – Bureau van Dijk data, 2016

The balance sheet variables examined above were then calculated for the four groups, in an attempt to **identify the strategic decisions** that led to the success or failure of these businesses.

As regards the **structure of the production costs**, it can be seen that in 2014, the businesses classified as winning and dynamic present lower-than-average labour cost percentages, while the weight of the costs for utilisation of third-party assets is higher. This cost item includes all the costs incurred in running the accommodation structures operated by the company, such as payments for leasing, rental and hiring equipment. They are therefore more significant **in those concerns that do not own the buildings** they manage; this approach seems to have turned out to be a successful one, at least in terms of **achieving a strong turnover performance**.

(20) Reference was made to Banca Intesa (2006) for the methodological approach

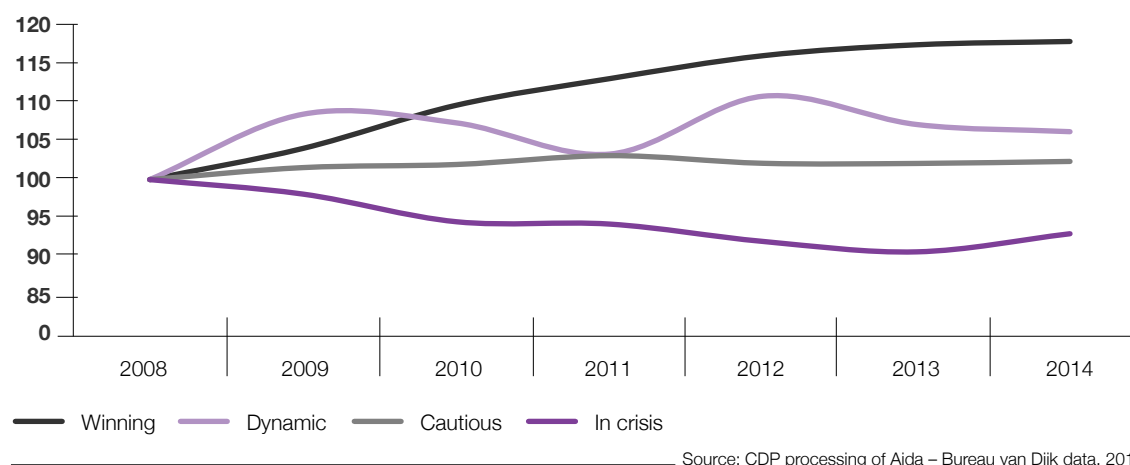
Graph 69 – Cost structure of hotel businesses by performance, 2014 (%)



We can see, therefore, that **the winning businesses have chosen an expansive investment policy**. After 2008, the capital invested by these companies increased by about 17%, while the businesses in crisis recorded a significant contraction of their total investments (-7%).

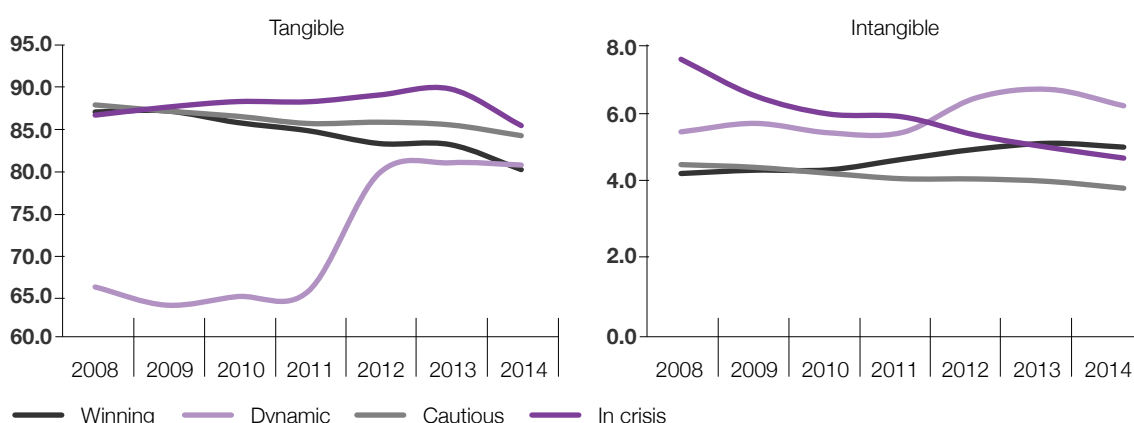
...as well as an expansive investment policy ...

Graph 70 – Dynamic of capital invested by hotel businesses by performance, 2008-2014 (2008=100)



Furthermore, **the winning businesses not only increased the amount of capital invested, but also improved the type of investments made** by increasing the share of the capital locked up in intangible assets, while reducing investments in tangible fixed assets. Once again, it appears quite evident that the **new technologies and the promotional and marketing policies** turned out to be of strategic importance for overcoming the 2008 crisis. It is also interesting to observe how the dynamic enterprises stand out, along with the winners, by having the lowest percentage of capital invested in tangible fixed assets in 2014 (about 80%) and, correspondingly, the highest percentage of investments in intangible fixed assets (6.1%). Presumably, the investments in ICT made it possible for these hotels to implement a highly targeted revenue management policy that guaranteed higher turnover growth than the average for the sector²¹.

Graph 71 – Dynamic of fixed assets as a share of the capital invested by hotel businesses by performance, 2008-2014 (%)



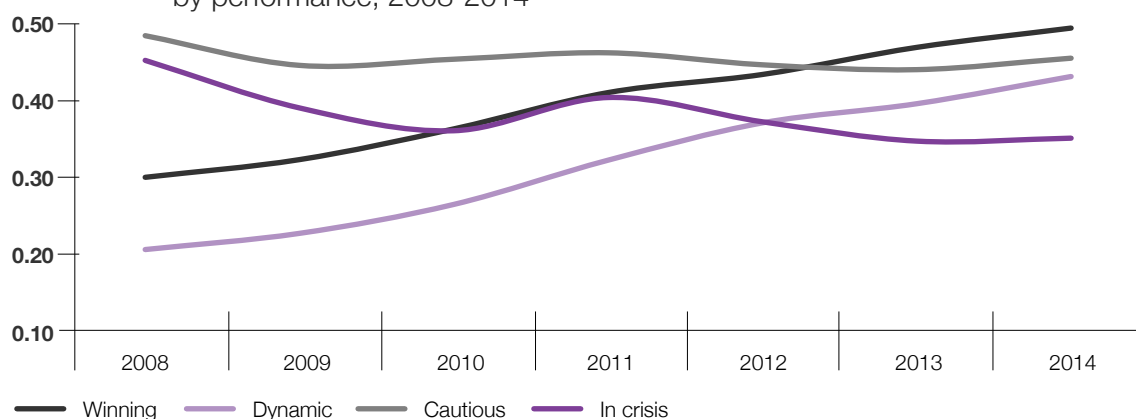
Source: CDP processing of Aida – Bureau van Dijk data, 2016

On the other hand, what allowed the **businesses classified as cautious to maintain a good profitability level**²², even though they concentrated their investments in tangible fixed assets, to the detriment of investments in ICT, was **a capital rotation rate above that of all the others**. This meant greater ability to transform the invested capital into revenue through a high room occupancy level, which, after 2012 was lower only than that recorded by the winning hotels. However, it must be pointed out that this value, while high, is falling, meaning that these businesses may begin to suffer worsening margins if they do not take action on their investment policies. Meanwhile, **the winning and dynamic companies, on the other hand, despite starting from lower levels, have improved their ability to fill the rooms** (the capital rotation rate has been growing throughout the entire post-crisis period).

(21) In 2012, one company in the "dynamic" group recorded a significant change in locked-up capital, with considerable growth in tangible fixed assets (+ €436 million), attributable to the refurbishment of several prominent hotels; this was accompanied by a significant reduction in financial equity investments (-66.5%). These two elements gave rise to the upswing in the share of tangible fixed assets pertaining to the "dynamic" group that can be observed between 2011 and 2012.

(22) It should be recalled that these businesses differ from the others by having recorded average profitability that was higher than the total, but lower average annual growth in turnover.

Graph 72 – Dynamic of the invested capital rotation rate of hotel businesses by performance, 2008-2014

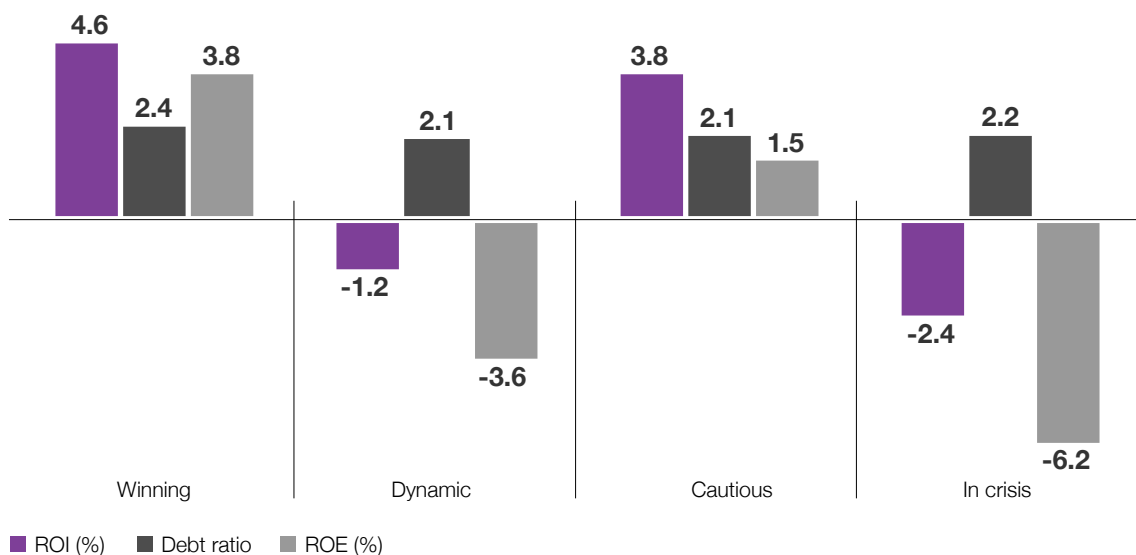


Source: CDP processing of Aida – Bureau van Dijk data, 2016

Worth noting, finally, is the figure for the **overall return on equity (ROE) for the hotel businesses**, which in 2014 **was positive for both the winning concerns and the cautious ones**. A positive value was never actually observed for this indicator when classifying the businesses according to territorial area or to size. Good operating profitability (very positive ROI) therefore allowed these businesses to benefit from positive leverage. In the case of the dynamic companies and those in crisis, on the other hand, even though their debt ratio was lower than that of the winning ones, their leverage was still negative, dragged downwards by their negative ROI values²³.

Good operating profitability has boosted the overall profitability of the winning and cautious businesses ...

Graph 73 – Overall profitability of hotel businesses by performance, 2014

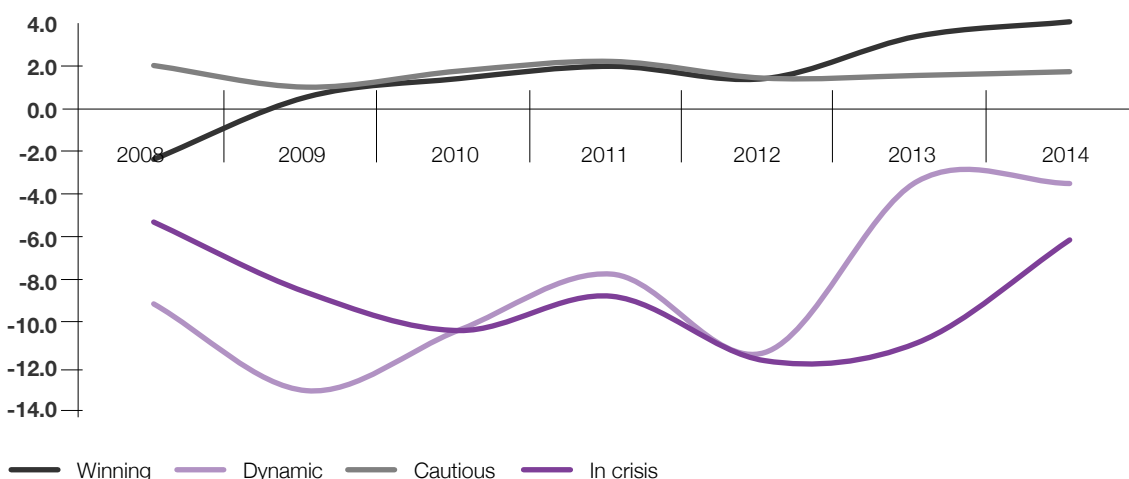


Source: CDP processing of Aida – Bureau van Dijk data, 2016

(23) As previously mentioned, given the structure of the equation for determining ROE, the debt ratio has an amplifying effect on this index, though it can go either way: it can be positive, if the return on the investments made (ROI) is greater than the cost of the borrowed capital, or it can be negative, if the ROI is below the cost of the borrowed capital.

It must be noted that between 2008 and 2014, the businesses classified as cautious always recorded overall positive profitability, while the winning ones succeeded in reaching a positive value only after 2009, though it started to climb increasingly quickly after 2012. Considering that the ROI was always positive during the period for both groups of businesses, what seems to have favoured the winning ones was the ratio between net profit and operating profit.²⁴ **The positive figure for non-core, extraordinary, financial and tax operations was the factor that reinforced the growth of these businesses.**

Graph 74 – Dynamic of hotel businesses ROE index by performance, 2008-2014 (%)



Source: CDP processing of Aida – Bureau van Dijk data, 2016

The group of winning businesses, which were able to combine good performance in terms of both profits and growth, is composed of small, medium and large operators located in the north, centre and south. **In other words, it is neither the size nor the geographical location that makes the difference, but rather the strategy chosen by these companies.** An analysis of their balance sheets leads to the conclusion that the positive effects may be largely ascribed to:

- the **separation between real estate property and hotel management**;
- the **right mix between in-house personnel and the outsourcing of services** that require increasing specialisation, targeting an offer that is tailor-made for the client and that is not limited to accommodation and catering;
- a **higher level of investments and the type of investment made**. Investments in marketing and ICT are the most successful;
- even so, investment in intangible fixed assets alone was not enough; it was also necessary to maintain a high rate of capital rotation, achievable through **appropriate revenue management techniques**;
- the ability to “square” not only the operational management of the structures, but also the **non-core business**, which includes income components that fall outside operational management and those linked to financial and tax management.

(24) The profitability of equity capital, expressed by the ROE, can be understood as the product of the combined action of three main factors: the profitability expressed by the ROI, the financial structure expressed by the debt ratio and, finally, net profit as a share of operating profit. The operating profit is the profit generated by core business, while the net profit also incorporates the result of financial, extraordinary and tax operations.

To sum up, what the hotel system requires is **a highly managed approach** that goes beyond the excessive spontaneity and the artisan approach that too often characterise Italian accommodation structures.

A highly managed approach, along with various forms of aggregation, may be the right way to tackle the challenges faced

The fragmentation of the supply does not help in this regard. However, **one way to overcome business fragmentation is through network-based forms of aggregation**, which can range from membership of hotel groups and chains to softer forms of aggregation, such as consortia and associations. The latter offer advantages in terms of economies of scale associated with joint marketing and risk diversification, while also **maintaining the “recognisability”** of those small structures that are deeply rooted in their surroundings.

4.5 Funding investments. An expansive investment policy was found to be fundamental to the strong performance of those hotels that were able to obtain good results, despite a difficult general context. Overall, however, **the Italian hotel system has significantly reduced its investment capacity** just when it seems essential to put in place a process for repositioning the tourism and accommodation supply if this industry is to stop simply having potential, and instead transform itself into a real opportunity to get the Italian economy back on course.

The criteria that cannot be ignored when creating a series of investments that can provide the development the sector needs are those linked to:

- the **economic resilience of the investment** over the long term;
- the **environmental and social sustainability** of the projects;
- the **forecast market dynamics**, in the sense of seeking to interpret the future desires of clients and meet their needs.

The tourism industry must make investments that are economically, socially and environmentally sustainable

The hotel market in Italy certainly has an immense potential for growth, even if investing in a hotel or planning a new one appears to be increasingly difficult today. The global economic crisis has had serious consequences for the tourism sector, which has suffered from ever higher management costs and consequent lower investment levels.

The ability to make investments is, in any case, closely linked to companies’ ability to access the capital market, which is not easy for many tourism structures, particularly those of a smaller scale. Larger companies find it easier to get access to credit and to employ more innovative financial instruments. Moreover, the loss of profitability recorded by hotel businesses in the last decade has generated not only a gradual deterioration in the quality of the accommodation supply, but also a quite significant flight of capital from the sector.

In this context, a **reinforcement of hotel businesses in equity terms** could be a positive element capable of facilitating a recovery of investment activity, in order to improve the quality level of the accommodation supply. We have seen that companies in the sector are notable for an excessive recourse to borrowing, rather than using equity capital, an element of weakness that risks making them excessively dependent on the credit market.

Growth of businesses in equity terms could facilitate access to credit ...

A second channel for reinforcing the Italian accommodation stock, whilst also enhancing the state’s property assets, is represented by **projects such as the recent “Valore Paese”** (“Country Value”)²⁵, which aims to **convert assets of great historical-artistic quality into accommodation and cultural structures, inserted into a tourism network across the entire country**. The first project being launched concerns the exploitation of 11 lighthouses, which will be leased for 50 years for tourism projects with high potential for their localities, based on a public-private partnership. In this way, it should be possible to **channel**

(25) Promoted by the Agenzia del Demanio, Invitalia and ANCI

private resources towards the hotel accommodation sector, guaranteed by long leases, while safeguarding public heritage and promoting the tourism development of the surroundings. Furthermore, in terms of spending reviews and the need to reduce debt, these projects could also constitute important sources of income for the public purse²⁶. One example that could provide inspiration is that of Spain's "Paradors", hotels belonging to the tourism ministry that have succeeded in combining the promotion of the country's image with the conservation of national cultural heritage, while also upgrading the accommodation supply²⁷.

Financial leasing is a financial instrument that lends itself to creating the investments required by Italian hotel structures. Because of the way it is structured, it would have the indisputable advantage of lightening company balance sheets that are excessively "locked up". Leasing allows companies to obtain the availability of an asset or building, without having to shoulder large initial financial outgoings and without affecting their creditworthiness, while the lessor (the leasing company) remains the proprietor of the asset.

European structural funds²⁸ provide another way of funding the investments required by hotels in order to adapt to the demands of a market that requires ever higher quality standards. Examples of activities that can obtain European funding include improving the quality of the structures, increasing the number of rooms, and creating and diversifying tourism products.

Finally, it should be noted that, as regards the separation between businesses operations and property ownership, several **investment funds specialised in the tourism property sector** have been launched in Italy. These should become integrated into the market and bring real estate and financial know-how, as well as actively collaborating with hoteliers to achieve a professional approach to property management, whilst also helping to **make the hotel management market more attractive** for large chains that are uneasy about taking on the onerous property component.

In this context, moreover, there are broad margins of growth for the development of **funds intended** not only for purchasing buildings, but also for **funding hotel management only**. At the moment, this activity has not been developed to a great extent in Italy, partly because of a general inability to assess the actual profitability associated with the production of hotel services, rather than with the income from real estate ownership. Operators that manage funds specialised in either acquiring real estate or the management of hospitality structures are performing increasingly well in foreign markets, however.

(26) An estimated sum of €700/800 thousand per year in rent, based on a hypothesis of investments involving the construction of high-level residences.

(27) The Spanish "Paradors" initiative is a successful case, with an average annual room occupancy rate of 70% (and almost 100% during weekends and holidays), an example of how a government can both protect and get the most out of its historic buildings.

(28) See para. 2.2

05

Catching on to the new trends in tourism: priority actions

Interventions and actors for the relaunch of the Italian tourism industry

118

Tourism is one of the highest-impact sectors for the Italian economy

During the last 60 years, the impact of tourism on the socio-economic context has been growing and intensifying in almost every country in the world. Indeed, tourism, once an activity that was concentrated only in the more economically advanced areas, has been gradually spreading in less developed countries, where it is often a driver of development. It is not far from the truth to say that the worldwide volume of business associated with tourism development can now be compared to the volumes generated by the sectors that have led international trade over the years, such as oil and gas, food commodities and the car sector.

In Italy, too, the role of the tourism sector shows no sign of diminishing. On the contrary: **the added value of Italian tourism is worth almost twice that of the agrifood business and almost five times that produced by textiles and clothing, including fashion¹**. The contribution in terms of GDP and employment is of extreme importance, not only because of the effects directly linked to tourist expenditure, but also because of the impact in countless other sectors, thanks to the dense network of relationships between tourism and the country's other economic/production activities.

As we know, tourists spend their money on a great variety of goods and services: transport, accommodation, entertainment, museums, eating and much more. It has been said that the tourism product is composed of a set of goods and services that are substantially heterogeneous at commodity level, and united only by the type of need satisfied. It appears evident that **tourism is closely linked to countless sectors, and the entire national economy is affected by its development**.

The sectors involved, to varying degrees, include:

- **transport**, a vital driver for tourism. The most beautiful place in the world will never be a tourist destination unless it can be reached;

(1) Federalberghi (2014b)

- the “**made in Italy**” brand (fashion, crafts, agrifood), as these goods attract tourist flows and motivate the choice of destination, but also because tourists purchase them during their stay in Italy, and again after returning home. Tourism is a very important vehicle for exports in this sector, a channel of contact between Italian supply and foreign demand. Along with their memories of the experience, tourists will take home a desire to try once again what they tasted and enjoyed during their trip, or will look for the brand or the design that they found in Italy, having discovered high quality standards and the most authentic products;
- **local public services and the construction sector**, given that today, the “quality” of cities and urban areas is an important factor for attracting flows of tourists. Just think of the impact that the waste emergency had on tourism in Naples², not to mention the importance of the general quality of the area for the tourism sector, which was severely affected in this case by the failure to maintain the soil and the ensuing hydro-geological and environmental instability³;
- **ICT**, because of its revolutionary impact on the sector;
- the so-called **green economy**, because of the increasingly important role and the environmental, social and economic sustainability that it is assuming for growing numbers of tourists;
- the **cultural assets** and **restoration** sector, because of the indisputable weight that tourism of the cultural type has for Italy as a destination, whose role in the collective imagination is inseparably associated with its history and artistic tradition;
- the **creative industry**, whose relationship with tourism essentially involves “intangible assets” linked to a country’s traditions, lifestyles and ability to move with the times, engaging the entire population in the creation of the tourism supply, and also involving activities such as film production, events and entertainment⁴. In any case, in today’s constantly changing context, characterised by lively international competition, creativity represents the most effective way to make a mark on the world tourism stage.

Many sectors are involved in tourism in various different ways

The list could go on, since the entire country and a large part (if not all) of its economic activities can be involved in **repositioning “Destination Italy”**, which, despite its undisputed and universally recognised potential, still reveals some, or even too many, problems.

5.1 The problems within the Italian tourism sector. The market share of the Italian tourist system has continually shrunk over the last 30 years, a phenomenon that is common to all of its most direct European competitors, but which has a particularly strong impact on Italy. **Losing competitiveness** with respect to fierce competitors that have been on the world tourism market for less time, but with more energy and dynamism, **has cost us almost 2% of GDP and 3% of employment in the last 10 years.**

Not investing in tourism has meant significant losses in terms of GDP and jobs

The comparison of Italy’s performance with that of its most direct competitors suffers from various **big gaps in the statistics**, which, especially because of the considerable weight of informal-market tourism, means that Italy is considerably underestimated compared to other similar European countries.

Having said this, the comparison of tourism dynamics with our main European competitors is still valid as an indicator of trends⁵ and is quite disturbing. The analysis carried out clearly reveals that the **loss of Italian competitiveness with respect to France, Germany, Spain and the United Kingdom** cannot be attributed to the geographical specialisation model of incoming tourism, nor to a loss of competitiveness in price terms.

(2) Estimates for the Campania region indicate that the net utilisation rate of Neapolitan hotels fell to low points of 35% (2010) in the years of deepest crisis, compared to values that had never fallen below 50% before 2007 and which in 2013 were back to a noteworthy 66%.

(3) Unioncamere has estimated that between 2011 and 2014, the Italian accommodation sector lost 16% of its revenues because of lack of care of the area and the ecological and environmental damage that has occurred.

(4) OECD (2014b)

(5) The statistics problem has certainly not worsened in recent years and is as valid today as it was decades ago. However, the Italian shares, which were underestimated at the beginning and at the end of the period in question, fell much more than those of other countries.

The reasons why the Italian market share has dropped more than that of other countries must therefore be sought elsewhere, and can presumably be attributed to a **deterioration of the quality of the accommodation supply** and, more generally, of the **country's ability to attract visitors**. The tourism competitiveness index calculated by the World Economic Forum places Italy eighth in the world classification, and identifies **the following systematic elements as the country's main weak points**: the entrepreneurial context, human resources and the employment market, and all infrastructure components (ICT, roads, ports and airports). Among the problems affecting the Italian tourism system, the OECD also identifies the weakness of the tourism supply, a general context that is not very favourable to tourism, and the **lack of long-term strategic investments** aimed at exploiting the country's competitive advantages linked to its natural, artistic and cultural heritage.

It therefore seems that it is **the entire country system that is not working, and is counteracting the development of tourism to help it fulfil its potential**. The infrastructure shortcomings are many and well known, and concern mobility, digital infrastructure and local public services. There are places, especially in the south, with enormous potential in terms of tourist appeal, that are practically impossible to reach except by car, when the time factor is the number one variable when potential tourists are making decisions. Often localities are chosen because they are easier to reach than others, and therefore also more suitable for increasingly popular short breaks.

It is no surprise, therefore, that **tourism demand** in Italy in the last decade, though growing, has nevertheless **performed less brilliantly than in the past**, especially during the years following the crisis. In particular, we have seen a marked reduction in domestic demand and a more general reduction in the average length of stays by both Italian and foreign tourists. Furthermore, tourist flows continue to be characterised by excessive seasonality, both in the hotel sector and in the complementary accommodation supply. Finally, the more traditional and "mature" sectors of tourism, particularly the cultural and seaside sectors, continue to be the main drivers of demand, while **the more dynamic segments and those with the highest added value still do not seem to be adequately exploited**; think, for example, of tourism associated with **major conferences, cruises, minor tourism** linked to local traditions and wine and food experiences, to shopping and entertainment, and to wellness.

However, the **crux of the problem can be found in the supply system**; we are living in a world in which tourism destinations are springing up in the desert that are capable of attracting more visitors than the Colosseum, and **the Italian supply** still seems to be rigid, **incapable of creating products that meet the needs of the new tourism flows, with standards that are comparable with the best performers worldwide** (France, the United States, Spain and China).

Demand has changed and is polarised between two extremes:

- **mass luxury**, typical of rich tourists from recently industrialised nations who, though representing a low percentage of the population of their country of origin, are numerous in absolute terms; they travel in groups, by aeroplane, they have a different culture, they like different foods, and they have a different hierarchy of interests, with lots of shopping and less culture (with the exception of monuments and the most iconic attractions), and they demand international standards and prefer large, branded hotel structures;
- **"DIY" travellers**, who are looking for authentic experiences, the small-scale business structures that are characteristic of the lifestyles in the places they visit, and contact with the local population, but who still demand quality and have no time for hitches and unexpected setbacks.

Yet the Italian hospitality system still seems unable to catch on to these changes. The specialisation indices calculated in the study clearly show Italy's difficulty in attracting the so-called newcomers from growing economies. These represent not only large masses, but also flows of people with high spending potential, who are therefore able to generate a significant economic impact. What most hurts the Italian accommodation supply as regards these flows is the **absence of adequate structures for hosting the large numbers** typical of such visitors. There are too few hotels with a sufficient number of rooms to even host the passengers of a charter flight. **Hotels with more than 100 rooms account for only 4% of the total in Italy, while they represent 12.5% in Spain.** If the difficulties of accessibility that characterise many parts of our country are also taken into consideration, we can understand why, when these large groups of tourists come to Italy, they inevitably tend to be concentrated only in the best-known and most easily reached destinations, particularly Rome, Venice and Florence.

However, there are also quite a few difficulties as regards the demand for experiential tourism. Italy has always made its tradition of **small structures deeply rooted in the territory a very powerful competitive asset**. While this continues to be true for non-hotel forms of accommodation, which have shown themselves to know how to evolve towards new forms that have greater appeal to tourists, it is not applicable to small hotel structures. These are beginning to suffer both from the obsolescence associated with **lack of investment** and from **family business management models** that are based on the intuition and entrepreneurship of the individual proprietors, but are no longer sufficient on their own for competing in a very competitive global scenario.

... as well as
experiential tourists

The great anomaly of the Italian hotel system is in the size of the structures involved, **not because of the high number of small hotels, but rather because of the low number of large ones, accompanied by the inability of many small ones to stay in the market**.

For both types of structure, **the quality aspect is as important as ever** because, as previously mentioned, the new travellers, whether “mass” or individual, are increasingly demanding, but also because a negative experience can have a much greater impact than before thanks to online reviewing systems, with amplified economic effects. **On average, the Italian accommodation system appears to be inadequate for the standards demanded by the new tourism flows**, with reference to both hotels and non-hotel concerns. Moreover, this last sector is heavily penalised by the widespread reach of the informal economy, especially as regards second-home rental tourism, where the quality level is beyond any kind of control.

The quality level of
the supply, not al-
ways the highest, is
accompanied by an
inadequate system
of classification of
the structures

Faced with this, **Italy still does not have a homogeneous tourist structure classification system that is in line with international standards and permits an accurate perception of the quality of accommodation businesses**. In the Italian system, it is up to the regions to classify and assign stars to accommodation structures in their own territories, on the basis of criteria and quality standards contained in dedicated laws or provisions. Regional competence has, in concrete terms, translated into an extremely uneven and fragmented classification, oriented more towards the structures’ need to conserve the status quo than that of potential clients to be adequately informed about the quality of the supply.

The current classification system particularly penalises small businesses, both because of the difficulty of respecting the standards envisaged by current regulations, all of which are based on criteria that are suitable for larger scales, and because it is these structures – which are likely to be less well known – that suffer more from the unreliability of the general quality rating system.

This is because larger businesses can find a partial solution to the shortfalls of the current classification system through organisation in the form of hotel chains. The **presence of recognised hotel chains can be a very important factor for competitiveness**; a chain’s brand often appears to potential tourists as a **guarantee of assured and reliable accommodation standards**. In Italy, however, though clearly rising over the last 10 years, rooms belonging to hotel chains constitute only 13.6% of the total. Italian-based chains, furthermore, still occupy a rather low position, with the highest in room number terms ranked only 215 in the international classification. Italy’s main competitors, on the other hand, have chains of international importance in the highest places of the classifications by number of rooms.

The penetration of
hotel chains is still low

Alongside structures that are unable to meet international standards are **personnel who are not always up to the highest professional levels**: the hospitality industry requires highly qualified personnel and a welcoming culture that permeates throughout the entire destination. The welcome a tourist receives is not only the result of the activities of tourism operators and personnel, but is generated by the relationships a tourist has with the entire local environment, though this does not always happen where spontaneity and improvisation prevail. In any case, a market that is highly seasonal, like the Italian tourism sector, also means that **employment is precarious** and closely linked to the dynamics of arrivals. The changeability of employment levels inevitably damages the professionalism and quality of the tourism supply; job insecurity inevitably means professionals who are less well prepared, in **a sector in which human capital represents one of the key assets for a business’s competitiveness**.

In addition to this is **a tourism training system that is not always oriented towards excellence**. As well as technical and occupational institutions for tourism-related skills that generally respond poorly to the needs of the sector and a university and post-graduate system that is still poorly connected to actual requirements in the business sector, there is a **total absence of high-level training schools**, along the lines of the leading European hotel and catering colleges.

The workforce is
not sufficiently
qualified, partly
because the
training system is
inadequate

The sector's difficulties are reflected in a fall in hotels' margins

The **managerial and entrepreneurial system** does not seem to be adequate for the changes either; little accustomed to international competition and probably spoiled by decades of prosperity, the tourism business does not seem to be able to react to the period of stagnation that followed the great crisis of 2008.

It emerged from the analysis of the balance sheets that Italian hotels have recorded positive dynamics in terms of turnover during the last decade, but this has not been accompanied by a good performance in terms of margins, especially after the crisis. The sector found itself having to bear **excessive operating costs that were not offset by revenues**, and therefore lost competitiveness. Pricing policies aimed at keeping prices low through advance-booking discounts, promotional packages and other incentivised tariffs further compressed sales margins, but were still unable to guarantee higher room occupancy rates. Furthermore, **hotel accommodation structures** have shown **low investment capacity**, just when an improvement in quality was required. The excessive weight of tangible fixed assets on the balance sheet was highly conditioned by investment decisions that penalised those investments – in brands, marketing and digitalisation – that would have been capable of giving a fresh boost to the performance of these businesses.

The low digitalisation level in the country constitutes a further obstacle to tourism competitiveness

As regards **digitalisation**, Italy is effectively **weak on both the demand and supply sides**. Despite the fact that tourism is one of the most important components of domestic e-commerce, the contribution of the online tourism market to the total tourism market is significantly lower than that of other European countries. This is partly because the use of the internet in the context of tourism is still predominantly limited to searching, while the sales component – which has the greatest return in economic terms – is still a minority one. Furthermore, **about 70% of the purchasing transactions of Italian travellers are carried out on sites belonging to foreign operators**, with increasingly large proportions of the **profits made overseas as a consequence**.

Then there is also the serious risk that low use of online channels for tourism-linked purchases will translate into more limited publication of online content. In other words, weakness in domestic demand, partly for cultural reasons, could influence the development of the supply. This could seriously handicap our country vis-à-vis international markets, potential areas of demand for Italian tourist destinations, which in turn could be overtaken by other destinations that are simply better promoted on the web.

Moreover, the shortcomings of the digital offering are significant and concern both the public sector, for all promotional activities, and the private one. **The percentage of Italian tourism businesses on the web is still low, and there are few accommodation structures that make it possible to book online, while the number of structures that can offer free Wi-Fi is also quite low**. Yet this is the service that travellers look for most. Moreover, it should be noted that the accommodation system is not the only one with this weakness: half of Italian museums do not even have a website, for example.

Complex governance has hindered the sector

What emerges, then, from the analysis of the system of tourism rules and governance in Italy is a picture of a sector that lives off the country's exceptional artistic and cultural heritage, and which does not seem to benefit adequately from intervention by legislators. Instead of supporting and facilitating the development of tourism, the **regulatory and bureaucratic structure** has simply burdened and restricted it, **blocking the grassroots vitality that has always been a fundamental driver for the growth in the sector**.

Tourism policies have absolutely no implementation framework

There are many policy guidelines at national level, most of which seem to be connected to cultural tourism, but there still seems to be no clear and cohesive vision of which direction to take. **Above all, there is no actual implementation strategy to enable the provisions**, set out in general terms in the countless programmatic documents adopted, **to take shape**.

The situation is no better in terms of the regulatory context, which is characterised by a collection of state and regional regulations that are often badly coordinated and potentially contradictory, **giving rise to the fragmentation of jurisdictions and institutional conflicts**. Moreover, it must be noted that in the last 10 years, the organisational formula behind the structuring of the central administration of tourism, entrusted today to the Ministry of Culture and Tourism, has been changed a total of six times.

The absence of strong central coordination is felt even more strongly because the regions have very broad prerogatives, not only in terms of legislative jurisdiction, but also as regards administrative functions. They are responsible for tourism planning and programming. **This fragmentation also translates into a lack of effectiveness in the international promotion of the country, which has absolutely no unified vision**, something that is fundamental for global competition. It is “brand Italy” that sells; in a world in which the new tourist is even beginning to think in terms of continents, the promotion of individual Italian regions, unknown for the most part to the great tourist masses, appears futile and costly, when the region itself would benefit much more from unified promotion and marketing of the country’s tourism supply.

Finally, **despite a fairly invasive tax system, there is limited usage of tax receipts to fund the investments** that the sector needs more than ever. In fact, the investment crisis in the hotel sector is accompanied by **a lack of resources and, therefore, of investments by the public sector**, with the dual effect of having inadequate accommodation structures in a quite inhospitable context.

The difficulties for the country as a whole that have been highlighted so far appear to be amplified and even more severe in the south, which, as a tourism destination, suffers from all the inefficiencies that it already has to put up with in other contexts (the poor quality of local public services, accessibility problems, unattractiveness for investments, etc.). The regions of the south seem to be absolutely incapable of exploiting their immense artistic, historical, cultural and natural wealth and landscapes. **All eight southern regions put together manage to attract about half the number of international visitors that Veneto attracts, and the same number as Trentino-Alto Adige**; the average occupancy rates of accommodation structures in the south are among the lowest in the country and do not even reach 25% of their potential. **The supply is still mainly concentrated at the seaside, a mature seasonal sector with low added value** and subject to intense competition from the other countries on the Mediterranean. And yet, there is no shortage of resources for targeting more dynamic and profitable markets, but **the difficulty of international connections** and links with the rest of the country, and even within the south itself, means that this area is completely cut off from the profitable weekend tourism market, for example. The regions of the south also still seem to be far from fully exploiting the possibilities offered by “slower” tourism, linked to the discovery of specific areas, footpaths, cycle tracks, and “scattered hotels”.

In light of all this, it seems that it is no longer possible to put off the construction of a **“path towards quality”** involving operators, accessory services and the entire tourist destination. This would once again give the sector its rightful role, **relaunch “Destination Italy” with particular attention on the south, which constitutes an extremely important asset for reinforcing the tourism industry throughout the country**. Some recent regulatory initiatives seem to go in the right direction for relaunching the sector, at least from the standpoint of more streamlined governance and effective incentives for businesses.

The regulatory and administrative system is fragmented and contradictory

The problems at national level are even worse for the south, which is incapable of exploiting its enormous potential

The "Pompeii paradox"

The Anglo-Saxon world talks of a paradox when referring to the situation in Pompeii, an archaeological site that is unique in the world and in 2001 was defined by the European Union as **the most dilapidated in Europe**, comparable only to those located in the middle of civil war zones.

We are talking about an area that is able to attract **2.5 million short-stay visitors** every year, who would not know where to go if they wanted to stay on after visiting the site. There are 24 hotels and 15 non-hotel structures in the Pompeii area, giving a total of 1,564 beds, **sufficient capacity for less than a quarter of the demand**.

We are faced with the absurdity that **the site is falling into ruins**, despite emergency procedures that channelled over € 100 million into the area, and **earns practically nothing from its fame**, apart from the cost of the entrance ticket. Moreover, visitors to the excavation site tend to belong to a select group of cultured, well-off clientele with good spending capacity, all of which are qualities that would suggest the provision of a supply comprising large hotels, luxury restaurants and fashion outlets. Instead, potential customers leave without bringing any economic benefit to the area, purely because of the absolute inability of the services on offer to retain them.

Everything in Pompeii contrasts with the most elementary rules for generating tourism. And yet, it has all the elements required to transform the area into a **leading tourist destination**. In addition to the archaeological attractions, which also include nearby Herculaneum, Oplontis, Boscoreale and the villas of Stabiae, are the natural attractions, the islands of Ischia and Procida, the Sorrento coast and, not much further on, Capri and the Amalfi Coast. The nearby tourist port of Marina di Stabia has berths even for the mega yachts of the super rich. Other tourist itineraries could extend out to include the Cilento national park and even the whole of Campania.

Just a few kilometres away from the archaeological site, around Marina di Stabia, the former Falck works can be found, which could be developed with a view to attracting tourists. **What is lacking, therefore, is a clear planning concept** to act as a magnet for attracting the private capital required for accommodation structures and for upgrading the area⁶, accompanied by public support for creating the necessary infrastructure, including in the form of public-private partnerships. There is a project currently in place, the **Great Pompeii Project**, as established by Decree-Law⁷, though it is intended principally for the restoration of the archaeological areas and the socio-economic recovery of the "Buffer Zone", the area identified as necessary to protect the site. The project, which is currently focusing on the works interventions to restore the site, could be **the starting point for encouraging private entities to become involved, whilst also expanding the prospects for developing the area from a tourism standpoint**.

A tourist destination usually seeks a brand or recognisable trademark with which to promote itself, but Pompeii does not need one, as its name is already so evocative. **What is lacking, however, is everything that is required to ensure that this fame translates into economic impact and growth** for the territory and for the entire country.

5.2 Prospects for development: priorities.

UNWTO forecasts estimate annual growth in tourism of 3.3% from now until 2030. This means that the approximately 1 million travellers in the world at present will expand to reach over 1.8 million, about 60% more than the current flows worldwide. **The potential for growth in tourism for national economies is therefore enormous, but the competition is increasing and becoming ever fiercer.** In order not to lose ground and, indeed, to attempt to return to the role that made Italy stand out in the not-too-distant past, it will be essential to **rethink every single component of the sector**.

(6) There is already a group of businesses ready to build a five-star resort.

(7) Legislative Decree no. 91/2013 identifies the Strategic Plan as an instrument for defining a single strategy aimed at an economic-social relaunch, environmental and urban upgrading, and improvements to the attractiveness of the area. Very significant, moreover, are two recent regulatory initiatives (the 2016 Finance Act and Legislative Decree no. 146/2015) which allocated greater resources to culture and heritage protection, and deemed some cultural services to be essential public services, including the regulated opening of museums and other places of culture to the public.

To build a real tourism
hospitality system
around the brand ...

The starting point is, of course, the brand. **“Brand Italy” does not even need sponsorship:** tourists everywhere dream of visiting Italy at least once in their lives, but are not always able to do so. It is up to Italy itself to make them come back, again and again. The artistic, cultural, environmental and human heritage that the country is able to offer has all the qualities that make this goal not only achievable, but also compulsory and essential, considering the general economic condition of the country, which needs to find the way towards stable and lasting recovery.

The potential is there and is undisputed, but the chance for success lies in **pooling all the elements present.** It is the entire country that must orientate itself towards welcoming tourists, by taking action to improve accessibility and mobility, the accommodation system, and services linked to hospitality, but also the territory, the urban context, water quality and local public services.

Necessary above all to achieve this is **a national strategy, a common idea that can then be expanded at territorial level** so as to make the most of the particularities and specific features of every destination and gather the many talents and values of the entire country around this idea. However, the actions involved need to be extremely clear and simple, and must be **managed at central level** and linked essentially to:

- **unified promotion of the brand**, especially in order to access distant markets, such as China, Korea, United Arab Emirates, Brazil and Russia, that are used to thinking in terms of “continents”: promoting a little village rather than the local festival could turn out to be futile;
- **uniform classification of hospitality structures**, in order to facilitate the recognition of their quality both at home and abroad, coordinated with world standards as much as possible. The definition at national level of a modern classification system for accommodation structures would be an important first step towards reorganising the existing supply in a more organic manner on international markets;⁸
- **construction of a complete website**, not only for promoting Italy, but which, starting from the story of the country, its traditions, its history and its present, would then move towards individual tourism products, making it possible to book accommodation, transport, museums, exhibitions and entertainment, and to select restaurants and find useful services (taxis, post offices, pharmacies, etc.), traditional shops and typical local venues. This would be a single search-and-booking system that would provide a real source of competitiveness, not only for the tourism system, but for the entire country, which would allow tourists to put together a personalised travel package, but also orientate themselves and move around with ease during their stay in Italy, as well as preventing the disappearance of a business that is diverting much of its profits abroad today.

... the starting point
is the definition
of a national strategy ...

Again, **at central level**, it will be important to support and facilitate all the initiatives aimed at sustaining the development of the country’s tourism, through the **integration and coordination of actions that have a direct impact on tourism** (measures for transport infrastructure, the defence of the environment, simplifying red tape, attracting foreign capital, increasing digitalisation, etc.).

The organisational instability of the central administration has certainly not helped to create favourable conditions for drawing up and implementing an effective national strategy for developing tourism and the tourism industry. After being handed over to several different departments, the responsibility for tourism has now been attributed to the Ministry for Culture and Tourism, with the intention of reinforcing the **link between tourism and culture**. This combination has certainly been a winner in the past and has long been the true competitive asset of Italy’s tourism industry, but today it must be **reinterpreted in the light of the country’s actual potential and, above all, compared to the new tourism demand**. Tourism is peculiar, as it is a private sector that also exploits public assets, cultural and environmental resources. And where conservation and protection of these assets is discussed, what should be seen as an investment – especially in terms of developing tourism – is all too often seen as a cost.

...as well as going
beyond the
inextricable link
between tourism
and culture...

(8) In the absence of a change in responsibility, currently assigned to the regions, and while awaiting the creation of a national strategy, it would nevertheless be possible to continue along the path already taken by the government to define standards that would ideally be checked and assessed periodically and independently, followed by the adoption of a “moral suasion” strategy aimed at the regions, in order to make the classifications as homogeneous as possible.

It would be appropriate to modify a **conception in which cultural assets are still seen only as resources to preserve, rather than to exploit**, in such a way as to reinforce the entrepreneurial and industrial aspects of tourism. Excessively linking the development of tourism to the culture sector alone could limit its growth, because of the close link with the public sector that characterises it and that risks limiting the dynamism and vivacity that should instead be the main sources of development of the tourism sector.

So, **what is required in order to achieve a real Italian tourism industry is central governance that is capable of exploiting not only the cultural component of tourism, but also the entrepreneurial and industrial components**. What is desirable, in other words, is for organisational and functional coherence within the administrative apparatus responsible for tourism to be accompanied by the reinforcement of **coordination with the other ministries** that manage other areas linked to tourism, such as economic development, regional affairs, foreign affairs, agricultural, food and forestry policies, the environment, and protection of the land and sea. **Only through coordinated and sectorally integrated public policies will it be possible to optimise the economic, environmental and socio-cultural benefits associated with tourism.**

Extravagant strategic plans that are little more than pipe dream are useless; instead we need **initiatives that can have an impact on tourism, even indirectly**: tax agreements to guarantee certainty for investors; simplification of the authorisation process; measures for promoting investments in the property market and facilitating changes in the designated use of buildings; simplification of the issuance of tourist visas.

At local level, on the other hand, it is necessary to create and promote single destinations around **clear guidelines** and **specific tourist products** (a great attraction, a certain type of target demand, some specific events, and so on), accompanied by policies on mobility, logistics and services associated with hospitality, oriented towards the development of the entire tourism destination. To achieve this, however, it is necessary to review the **general territorial planning system**, which at present is broken down into multiple and parallel policies and plans (town, agricultural, landscape, etc.), which are often separate, uncoordinated and sometimes in conflict with one another. Close collaboration between the different departments involved will therefore be strategic.

We therefore need new models of cooperation and coordination between different institutional levels, with recognition of the role of public and private actors, whilst **placing the territories and their identities centre-stage**. Above all, we can no longer put off addressing the problem of a **clear and stable distribution of responsibilities between the state and regions, with a comprehensive reform of Section V of the Constitution**. More organic governance of tourism is necessary, with a strategic redefinition of the legislative and administrative jurisdictions that makes it possible to integrate the national, regional and local levels in a productive manner.

Having chosen the strategy and defined the governance system, it will then be necessary to act on the country's supply system, in which there are various problems, as we have seen.

The repositioning of the supply, which is too fragmented at the moment, must above all include **business consolidation within the sector**. In this regard, we have explained that the **formation of network structures** is the best response; in services such as those of hotel management, location remains important for the economy of individual businesses and, therefore, consolidation must involve the creation of groups, chains, consortia, etc.

Action must be taken on two fronts: on the one hand, it would be useful to **encourage forms of collaboration and soft aggregation between small concerns rooted in their surroundings, which are capable of satisfying the demand for experiential tourism**. Network-based forms of aggregation, such as consortia and associations, would provide benefits in terms of economies of scale, linked to joint marketing and diversification of risk, whilst maintaining the "recognisability" of small structures. This was exactly the direction taken in the recent announcement published by Mibact, promoting networks of businesses operating in the tourism industry, with a view to incentivising the integration of micro and small

The spreading of chains and consortia improves the business context, with positive effects for all the different types of supply

The hotel sector must be reorganised, targeting the procedures most suited to the new demand

tourism businesses. Again, so as to prevent dispersion of this wealth, it would also be possible to consider the experiences of the “voluntary chains” that have developed predominantly in France (Relais et châteaux, Logis de France), national networks of entrepreneurs characterised by the promotion of a specific supply model, but which nevertheless remain independent structures for all intents and purposes. In this way, excessive spontaneity and the artisan approach would be overcome, whilst maintaining the elements of the authentic welcome that have always represented a positive asset of Italian hospitality.

On the other hand, **the creation of large Italian groups should also be encouraged, with a view to becoming more competitive in mass tourism.** These would be “made in Italy” national champions that could exploit the positive features of Italian hospitality, overcome the limitations of fragmentation and small scale, and contribute to promoting “Italianness” abroad, thereby managing to compete in the international arena. Having one global player with a very extensive network of hotels, present not only in Italy but also in the most visited places in the world, would also be an excellent driver for growing the flows of foreign tourists: those who are happy with one hotel often seek out other possible destinations in the same group, certain that they will find the same quality standards.

In general, **the presence of large hotel chains could be boosted by the current trend, both in Italy and elsewhere, towards separating ownership of the property from management of the hotel.** This asset-light strategy seems to be preferred by the major international chains, which to date have not approved of the excessive burden that property ownership places on the balance sheets of Italian hotels.

The analysis carried out on the balance sheets effectively **showed that the businesses that held up best after the 2008-2009 crisis are those that chose to separate the property ownership side from their hotel operations.** Freeing up resources allowed these businesses to achieve **good investment levels**, especially of the intangible type, and therefore concentrate on new technologies. All this was also possible thanks to a **highly managed approach to running the structures**, which replaced forms of organisation that were too often left to individual initiative and personal improvisation, and which today appear inadequate for tackling the competitive challenges faced.

Focussing on chains certainly does not mean forgetting about the widespread wealth of **small structures, which could be stimulated to innovate their operating models** by the presence of chains structured around more effective management criteria and by the more modern competitive climate that would result.

With particular reference to the hotel sector alone, it is clear that the most promising area remains the **luxury hotel segment**, which, as we have seen, performs very well and targets a type of demand that is growing, thanks to the tourist flows from the more recently industrialised countries. Nevertheless the **low-cost hotel category** must not be overlooked, perhaps in the form of sub-brands of large hotel groups; these are virtually absent in Italy at the moment but destined to grow, driven in part by the success of the development policies of low-cost airlines. **Green or “sustainable” hotels** also represent an interesting sector; these are structures which could, on the one hand, benefit from funding on favourable terms and, on the other, by counting on lower running costs, could be more profitable than their competitors. Finally, a category that should not be underestimated is that of **wellness hotels**: these should be located in places that can offer both spa environments and attractive, typical local surroundings.

Considering, then, that **organised tourism** continues to play a completely respectable role in the Italian and international panorama, an attempt could also be made to **exploit the large unused structures** that can be found, above all, in seaside and spa localities and that cannot be converted into condominiums because the property market is saturated, and that if left in a state of abandonment risk becoming unproductive “ecomonsters”. In order to be successful, however, **it is necessary to create a product around these structures**: it would be possible, for example, for them to be refurbished and upgraded, and then inserted into the large-conference segment. Alternatively, they might be included in tours that envisage initial visits to internationally famous places, followed by stays in what might be less well-known localities where tourists could enjoy a few days’ rest and relaxation at the end of their holiday, and where events and entertainment activities might also be organised.

A reorganisation of the hospitality sector seems more necessary than ever as regards **alternative forms of accommodation**⁹: **condo hotels**, structures composed of self-contained and independent living units in which hotel-type services are offered, i.e. reception, assistance, catering, and common spaces and services for guests; or the **"scattered hotel"**, an Italian model of hospitality that is usually found in the old centre of a village or in a small town, where the houses and rooms to stay in are scattered around the neighbourhood, but where it is still possible to enjoy all the typical hotel services.

Moving on to the **widespread phenomenon of second homes**, it certainly seems possible to explain the failure to exploit the huge stock of buildings that are uninhabited for much of the year with cultural reasons. Owners are generally reticent to make their homes available to third parties, and remember a time when, because of low management costs, it still made sense to buy a second home and keep it empty, so that it was always at their disposal. However, the picture today is very different, with **maintenance and tax expenses that have made these costs much steeper**. Added to this is the logistical difficulty that individual owners have renting their homes, as they often live elsewhere and do not have the time to dedicate to it. In this regard, **support structures** would be useful, to promote the rental of second homes by facilitating the encounter between demand and supply, and providing the accessory services necessary in order to **encourage more business-like development in the sector**.

In general, the growth of forms of hospitality that have developed in the **sharing economy** (e.g. Airbnb or other portals for short-term rentals of rooms or homes) could make a significant contribution to the reorganisation of the holiday home market and the expansion of the phenomenon, by making structures much easier to find than in the past. Last but not least, **the entrepreneurial development of tourism linked to second homes could also have positive effects on relaunching tourism in the south, where this phenomenon is widespread**.

We are therefore talking about new forms of hospitality, in relation to which lawmakers must act in order to prevent the creation of competition distortions caused, on the one hand, by red tape and administrative difficulties, and by excessive deregulation on the other. New forms of accommodation that make it possible to capture ever larger flows of tourists are welcome; we certainly cannot have illusions about stopping the phenomenon, nor is it desirable to do so, but particular attention must be paid in order to prevent market distortions. In other words, it is a question of taking action on two fronts: **lightening an excessively bureaucratic administrative climate that holds back the more traditional hospitality system, whilst also reordering the new one**, but without limiting its spontaneous and innovative character, all the while bearing in mind the characteristics of each type of offer.

These forms of accommodation are the key **to exploiting the priceless heritage of small centres, hamlets and villages** that are at the heart of the charm and attractiveness of our country, which is certainly not limited to the major urban, artistic and cultural centres that are extremely well known among the general public, like Rome, Florence and Venice. These smaller urban areas have considerable resources and attractions that are potentially of great appeal to tourists, but they are unable to compete today on the international stage, despite the great demand for forms of tourism associated with the quest for authenticity. "Minor" tourism, moreover, could also be a source of great interest to domestic flows, which have suffered considerably from the economic crisis and are still struggling today to recover fully. We have already discussed **the complete absence, at the moment, of fiscal and other measures for supporting domestic demand**.

The **internet** can unquestionably provide an important contribution **to the revitalisation of the myriad minor centres scattered throughout Italy** and, more generally, to the development of new and different forms of tourism supply. It has been estimated that the positive impact of the visibility offered by the web is particularly strong for small structures, which are able to reach consumers more easily thanks to the internet.

Therefore, the **digital channel** must not be overlooked in any way, and indeed must be strengthened as much as possible. We have described how the web has profoundly changed the tourism market in recent years, and the positive impact that this has had for those destinations that, more so than others, have managed to develop this channel of communication with the clientele. If the Italian tourism system is to fully exploit the opportunities offered by the so-called digital revolution, it is necessary to intervene as soon

(9) Accommodation types governed by the "Sblocca Italia" decree (Decree-Law no. 133/2014), and the "Art Bonus" decree (Decree-Law no. 83/2014)

as possible in some of the structural issues that are still blocking its development, acting on **infrastructure**, which is still inadequate for supporting the digital services necessary, on the **online supply of content**, and, finally, on the **digitalisation of operators in the sector**.

It is necessary to intervene on both the demand and the supply sides to reinforce digital tools

On the demand side, this means **stimulating and incentivising online activities and digital relations and contact between operators and tourists**. Today, searching remains the primary form of interaction between the tourism industry and consumers, while **booking activities**, whose impacts on the profitability of businesses are greater, **still play a secondary role**. It is for this reason that it is no longer possible to put off the creation of a portal through which customers can access all the attractions that our country has to offer: not a simple marketing tool, but a place in which it is possible to create and find complete tourism products.

What is needed on the supply side is **action on the infrastructure gap** that still characterises the country, which is linked both to the very low dissemination of fast broadband and to the lack of progress in digitalising Italian accommodation businesses. In this regard, the government has intervened with the “Art Bonus” decree, which envisages a tax credit for the costs incurred by hospitality structures for investments aimed at improving digitalisation. The results have been very satisfactory.

The tourism market is an export industry that is strongly linked to foreign markets, where there is a greater inclination to use the web. **Failure to use internet channels would therefore be highly irresponsible on the part of the operators involved in the tourism system, in various ways**; it would mean deliberately ignoring a significant proportion of potential clientele.

A strengthening of the business structure of the sector, accompanied by better organisation of the accommodation supply and by an adequate level of digitalisation, cannot be achieved without also taking action on the **quality of the workforce**, which is not currently adequate for the development of the sector on an international level. From this point of view, it is absolutely necessary to **act on the training system**, reviewing the curriculums of the teaching institutes in the sector, and targeting the reinforcement of basic management and, above all, language skills. We could also think about forming consortia to establish a few large hotel and catering schools, bearing in mind the greater appeal of the sector to younger generations, who have started looking at various tourism-related jobs with renewed interest.

The training system must also be upgraded so as to improve the quality of the workforce

Alongside this, there is a clear need to continue **improving the country's general infrastructure**, which is currently an obstacle to strong, homogeneous development of the sector, especially in the south.

In addition to general infrastructure ...

As well as infrastructure that involves the entire country, however, the **specific infrastructure of the tourism sector** also needs to be developed. Such infrastructure serves three broad areas, which, as we have seen, are among the most promising in the current tourism market, all of which are undersized within the current Italian tourism sector, effectively cutting it off from international competitiveness in the areas with the greatest prospects for development.

Mention has been made of **theme parks**, a source of tourist demand in their own right, and the difficulties they are facing. These belong to a type of tourism that combines entertainment with catering, logistics, retail, and so on. A large theme park (and this concept includes aquariums, zoos, and other activities for families with children) creates and/or amplifies possibilities for a territory more than any other resource. Why, then, not consider facilitating the development of investments in a field that is also characterised by a **great ability to attract foreign capital**? This is a sector, moreover, that is capable of revitalising rundown areas and sites, but in order to develop these it is necessary to tackle bureaucratic difficulties and delays, as well as providing links to the main traffic arteries.

... specific investments must be promoted in the most dynamic tourism sectors, such as theme parks, cruise hubs and conference centres

We have seen that the **cruise market** is a growing segment that is capable of generating additional tourism demand without any need to build hotels or residences, given that the ships hold between 2,000 and 5,000 passengers. Nevertheless, the success of this sector depends not only on the fame of the places where ships can call, but also on their ability to berth there, i.e. on the logistics, the terminals available, precise on-shore organisation, port-airport/port-city links, and so on. In other words, this success depends on the **ability to transform a simple port into a place that tourists will want to stay in**. At the moment, there is no cruise terminal in Italy with all these characteristics.

Regardless of the polarisation between small numbers and large numbers, sustainability is the element that all initiatives in the tourism field must address

Investments are insufficient in terms of both tourism businesses ...

... and upgrading destinations

Many channels can be activated to spur a recovery in investments in the hospitality sector ...

Finally, mention has been made of the **conference sector** and, in particular, of the **major international conventions** that Italy is unable to host, but which constitute a **formidable business opportunity because of the large numbers and quality of the clientele**. Once again, however, succeeding in this sector requires an adequate mobility and logistics system, a large convention centre close to an international airport, and the availability of major hotels of international standards. In other words, it needs a set of elements that cannot be found anywhere in the country at the moment, and which are more important to organisers when selecting a conference venue than a place's attractiveness. It would therefore be useful to examine the possibilities for building at least one large conference centre with these features in the near future.

Within the development of the two forms of Italian tourism that have been identified – on the one hand, the tourism of small numbers, scattered accommodation, and integration with the territory and local population, and, on the other, the tourism of large masses, hotel chains, international conferences and cruises – the element that both forms need to focus on is **sustainability**. Italy has a great deal to invest in this field, but, while the theme clearly makes sense in terms of soft tourism (nature trails, soft mobility, scattered hospitality, etc.), **the real challenge lies in making mass tourism** – the large numbers about which so much has been said – **more sustainable** through spasmodic attention to the impacts it has and containing these impacts. This is a form of tourism with enormous growth prospects that it would be foolish to ignore, and which needs to be structured, planned and organised in the most effective way possible. **Any tourism strategy that aims for quality, for both the masses and small numbers, cannot fail to achieve sustainable results.**

The final problem to tackle, and perhaps the most important for the success of all aspects involved, is the matter of **funding**. We have already mentioned that a tourist destination is a combination of accommodation structures, urban and/or territorial contexts, mobility and logistics, catering and commercial services, local public services, and the creative industry. Everything is relevant and everything must be exploited, improved and upgraded as part of a "roadmap to quality" that starts from a more general image of the country as a whole, and along the way incorporates individual destinations, hotel and non-hotel structures, and support services. However, in order to be achieved, this path requires **rational, efficient and prompt investments**.

The general picture is not reassuring. The hotel system has found it extremely difficult to fund investments, with only the more dynamic businesses being able to sustain them, but those few enterprises that have opted for an extensive investment policy are the ones that have recorded the best performances. However, many hotel businesses suffer from problems of scale and undercapitalisation, **problems that limit access to the capital and credit markets**. This is a problem that also affects small, non-hotel structures, traditional and artisan businesses, and the creative industries - in other words, the entire business environment that contributes to enhancing a destination's tourism supply.

In any case, the contextual situation – which necessitates actions on urban development, restructuring of the territory, consolidation of the services system, and reinforcement of transportation logistics and infrastructure - is not the best. The **public purse is no longer capable of supporting all the initiatives and projects required** to revitalise and/or create tourism destinations that are capable of competing on the international stage, and therefore the question of **private sector involvement** appears to be increasingly relevant and urgent.

As regards **repositioning the Italian accommodation supply**, and the hotel system in particular, the channels that seem to be most relevant for **reactivating investments** are:

- a **reinforcement of hotel businesses in equity terms**, which could also tackle the problem of excessive recourse to borrowing that emerged in the analysis of the balance sheets;
- the development of **projects linked to the reconversion of assets of historical-artistic value**, entailing the involvement of private and public entities that would have the dual advantage of improving the accommodation supply, whilst protecting the nation's historical-artistic heritage;
- the **use of adequate financial instruments**, such as financial leases, which let businesses obtain the availability of an asset or property, without having to incur the considerable initial financial outlay and without impairing their creditworthiness;

- **efficient use of European structural funds**, which can provide funding for activities aimed at improving the quality of accommodation structures, especially in the south;
- the **development of dedicated property funds**, including in the form of funds of funds, which can revitalise the tourism property market and give a new boost to investments for upgrading accommodation structures. Moreover, there are broad margins for growth for the development of **funds intended for funding hotel operations only**, within the framework of the separation of ownership of the real estate from management of the business. Though still not very widespread in Italy, such funds are becoming increasingly common abroad, with operators managing funds that specialise in either acquiring real estate or the management of hospitality structures.

As regards **the more general relaunch of tourism destinations**, we need solutions that can **involve private capital** to compensate for the **crisis in the public finances**. The tools we can use differ according to the wide variety of investment types that might be necessary:

... there are also countless instruments for funding investments linked to the relaunch of tourism destinations

- one source of public funding could be the **income from the municipal tourism tax**, which in theory is a tax with a specific purpose, but in reality is used by local authorities mainly for balance sheet requirements;
- for infrastructure investments, private capital could be involved through **public-private partnerships (PPP)**, funded using project financing techniques;
- as regards more specific projects linked to various sectors of importance, such as the safeguarding of cultural assets, architectural heritage and the environment – of extreme importance for any economic system, but even more so for areas that wish to market themselves as tourist destinations – the private sector can play a role by providing **support and/or sponsoring**;
- as regards interventions for the protection and conservation of cultural assets, the **crowdfunding** channel must not be overlooked. Such is the fame of Italy's cultural wealth that several international initiatives have already sprung up spontaneously, to support the recovery of the country's historic-artistic heritage¹⁰;
- as regards the local tourism supply, linked to small-scale accommodation structures, cultural and creative businesses, small-scale craft goods, and activities associated with food and wine products and traditional cuisine, **instruments should be developed that are specially dedicated and adapted to small/micro businesses** (funding start-ups, microcredit, guarantee funds, venture capital). **Tax benefits** should also be assessed as an option, especially during the start-up and consolidation phases of a business;
- finally, where the conditions exist, it is important for the public sector to create an **environment that is as business-friendly as possible**, capable of stimulating private initiatives with positive economic, social and environmental effects for the entire territory involved, particularly through the **simplification of bureaucracy**.

5.3 The stars of the relaunch. There are therefore many aspects that must be taken into account when approaching the subject of relaunching the tourism sector, but perhaps the first and most important is that, in reality, this means **relaunching the entire country**. Taking action on the country's economic system also means **intervening above all in the south**, with regard both to the accommodation supply and to the infrastructure and territorial context¹¹.

(10) Loveitaly.org è un'associazione di crowdfunding internazionale, dedicata a tutelare, promuovere e valorizzare il patrimonio culturale italiano. L'associazione è la prima nel suo genere a sostegno dei progetti di restauro in tutta Italia. Loveitaly! è stata creata da LVenture Group, holding di partecipazioni in startup digitali, quotata presso la Borsa Italiana, insieme a un gruppo internazionale di coordinatori, esperti di settore e volontari con diverse professionalità, accomunati dalla passione per le bellezze artistiche italiane.

(11) Il Masterplan per il Mezzogiorno presentato dal Governo a novembre 2015 va proprio nella direzione di affrontare con un approccio sistemico tutte le differenti problematiche che limitano lo sviluppo di quest'area, indicando nel turismo una delle leve più importanti per la crescita meridionale.

It has been said that everyone is directly or indirectly involved in hospitality and in contributing to the memories that tourists will take away from their visit; in the same way, it is true that everyone can benefit from a recovery of tourism in the country, as businesses, as operators, but also simply as citizens.

Each individual certainly has their own role to play. We can identify the actions required from each actor for the consolidation of the sector and define their order of priority. There can be no doubt, in fact, that every element that has been highlighted contributes in a substantial manner to the balance sheet of the country's tourism sector. However, it is equally undeniable that some **interventions are imperative and crucial for the success of a path towards the development of quality tourism** (above all, the priority role assumed by the streamlining of governance and the funding of investments).

Figure 7 – Actions for relaunching tourism

Interventions	Priority	Actors			
		Central Government	Local Authorities	Business system	Financial system
Redefining the national strategy and rationalising the governance	*****	X	X		
Reinforcing and finalising the funding system	*****	X			X
Encouraging the development of innovative tourism products and those linked to their surroundings	****		X	X	
Encouraging the creation of national groups and networks of enterprises	****	X		X	X
Reviewing the tax and permit system	****	X	X		
Creating infrastructures and improving services for supporting the country's competitiveness (transport, local public services, digitalisation)	***	X	X		X
Creating the specific infrastructures for tourism (cruise hubs, conference centres, theme parks)	***	X	X		X
Intervention in the tourism training system	**	X	X		
Spreading digital innovation in the enterprise system	**	X		X	
Reviewing the statistics and data collection system	*	X			
Supporting domestic demand	*	X			

Source: CDP

It is quite obvious that the **public sector** is called upon to take action on the front line in relaunching the sector, as it has a role in almost all the actions identified. The starting point is, however, **to streamline the sector's governance, a process that is more urgent than ever**, to provide a solid base on which to anchor an equally solid national strategy. In this context, the central state must be assisted by **local bodies**, which are required to make an effective **collaborative contribution** to the definition of a strategy that they will then be called upon to realise and integrate at territorial level.

However, the challenge is also open to the **business system**, which is still quite immobile today and not accustomed to competing on international markets, vis-a-vis the innovations that are transforming the sector. The commitment of the businesses involved in different ways (the accommodation structures, but also the firms involved in services, craft production, catering and creative industries, etc.) must be expressed both in the **structuring of innovative tourism products** and in the **reorganisation of the sector**, through **paths towards aggregation and cooperation** that make it possible to overcome the fragmentation and fragility of the system. Finally, it is imperative to underline the crucial role of the **financial system**, which is called upon to support, with different instruments, the countless types of investment required.

The **foundation on** which to promote the growth of a real hospitality industry, and a production sector for all intents and purposes, remains an **amalgam of the places, history, traditions, typical items, wine and food products, fashion, design, and the iconic and evocative brands** that characterise Italy.

Leaving aside rhetoric about the most beautiful cultural heritage in the world, Italy is much, much more than this. Alongside its unique history and past is the power of its present. One example is **Milan**, the city that in the collective imagination means industry and business, but which instead has become an increasingly popular tourist destination, thanks above all to the excellence of its creative and fashion sectors and, more recently, to the EXPO. Another is **Turin**, the city of FIAT, which has reinvented itself today as a destination for long weekends, with its museums, squares and music. And these are just a few examples out of many.

Certainly, Italy represents culture above all, but nowadays that is no longer enough. **In the relationship between cultural assets and tourism, the benefits can and must be reciprocal:** the country's art, culture and traditions constitute one of the most important attractions for tourists, and tourism is an extremely important driver for attracting investments and private capital towards cultural assets. **Tourism is the keystone for offering a real business opportunity to private lenders**, thereby encouraging investments, including through the exploitation and conservation of the national historical and cultural heritage.

In short, it is a question of taking action for a general repositioning of the country in the international tourism market, starting from its cultural dimension, but exploiting many other components. **Tourist Italy must change from an aggregate of individual operators into an industrial chain**, but without sacrificing the authenticity and sustainability of its supply; a destination that is able to build an **interlinked system of logistics, hospitality, culture and entertainment** around its fame and reputation, conscious that there is no point in the existence of a brand if there is no product behind it.

It is necessary to go beyond the brand and the cultural aspect in order to develop a real tourism industry

A.I

The methodology used to estimate the impact of "lost tourism"

Methodological aspects. The approach used to analyse the impact of having lost ground to the rest of the world over the last ten years, in terms of fewer international visitors, involves input-output models that measure the effects generated in terms of added value and employment by changes in one or more components of the final demand, in this case the lower tourist spend. This takes account not just of how the sector in question is directly affected by the lower spend, but also of all those effects caused when each sector relies on another for purchasing the intermediate and semifinished goods required in the production process.

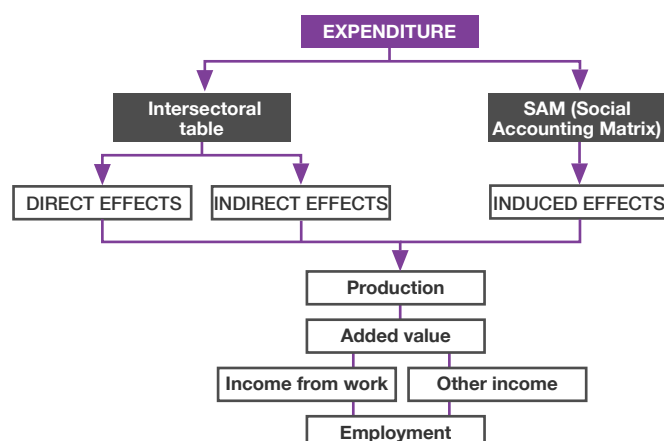
Using this method, the estimated impact is the result of three types of effects:

- **direct effects**, i.e. those impacting only the sector affected by the change in demand and its first intermediate inputs;
- **indirect effects**, i.e. those arising when each sector relies on another (the Leontief multiplier);
- **induced effects**, i.e. those deriving from the additional income flows that stimulate greater spending by end consumers (the Keynesian multiplier).

As this is a simple mechanical description of how the different sections of an economy are connected, it does not provide any explanation regarding the economic behaviour of operators but it does take into account how external factors affect the economy, especially in the short term and assuming like-for-like conditions. It does not make spending distinctions based on who is doing the spending (there is no difference, for example, if the outlay comes from the private or the public sector), nor does it allow us to assess how the impact is affected by changes in the short-term economic environment.

The intersectoral table. Conceived by Wassily Leontief, input-output analysis is an economic statistics technique involving analysis of the relationships resulting from the production and circulation of goods and services between the different economic sectors. The main feature of input-output analysis is the double-entry intersectoral table, in which the national economy is imagined as a set of sectors, each of which carries out two types of transaction:

Figure 8 – Flowchart of the input-output methodology



Source: CDP

- purchases from other sectors of goods and services that they use for their own production activity (**branches of use**);
- sales of goods they produce to other sectors and end consumers (**branches of origin**).

The sectors are grouped in branches, i.e. groupings of production units characterised by similar cost structures, production processes and products.

There are three sections (or sub-matrices) in an input-output table:

- the **production branches section**: this shows inter-industry transactions, i.e. transactions involving intermediate goods and services flowing from the branches of origin to the branches of use, where they are used as inputs for the respective production processes (the row total in this section will indicate the total intermediate uses in each sector, while the column total will indicate the total intermediate costs for each of the branches);
- the **final uses section**: this contains columns under headings of the individual components of final demand (public and private consumption, investments, exports). It shows the goods and services which, instead of being used in production, flow to end users for consumption, to the formation of capital and to exports;
- the **primary resources section**: this contains rows under headings of added value and its distribution to production factors. As such, it records the primary income paid to the production factors as remuneration for services rendered in the various production processes.

Therefore, by reading the rows of the table we can analyse production of the different types of products/services according to their destination, while by reading the columns, we can see the resource development process and the production costs structure for each product.

By providing an overview of inter-industry relationships and the economic structure of a country, and by determining the value of the intermediate goods and services produced by one sector and used by another, the input-output table makes it possible to quantify the many effects that a change in demand (consumption, investments, public spending, exports) can have on domestic production, added value and foreign-trade accounts in the country in question.

Figure 9 – Layout of the input-output table

		Branches of use										Final sectors					
Production branches	Branches of origin	1	.	.	i	.	.	j	.	.	n	Intermediate uses	C	I	E	Final uses	Total uses
	1	X_{11}	.	.	X_{1i}	.	.	X_{1j}	.	.	X_{1n}	$\sum_{k=1}^n X_{1k}$	C ₁	I ₁	E ₁	D ₁	X ₁

	i	X_{i1}	.	.	X_{ii}	.	.	X_{ij}	.	.	X_{in}	$\sum_{k=1}^n X_{ik}$	C _i	I _i	E _i	D _i	X _i

	j	X_{j1}	.	.	X_{ji}	.	.	X_{jj}	.	.	X_{jn}	$\sum_{k=1}^n X_{jk}$	C _j	I _j	E _j	D _j	X _j

n	X_{n1}	.	.	X_{ni}	.	.	X_{nj}	.	.	X_{nn}	$\sum_{k=1}^n X_{nk}$	C _n	I _n	E _n	D _n	X _n	
Intermediate costs	$\sum_{k=1}^n X_{k1}$	.	.	$\sum_{k=1}^n X_{ki}$	.	.	$\sum_{k=1}^n X_{kj}$	.	.	$\sum_{k=1}^n X_{kn}$	$\sum_{k=1}^n X_{kk}$	C _T	I _T	E _T	D _T	X _T	
Primary resources	Wages and salaries	W ₁	.	.	W _i	.	.	W _j	.	.	W _n	W _T	Final uses				
	Social welfare contrib.	S ₁	.	.	S _i	.	.	S _j	.	.	S _n	S _T					
	Other income	K ₁	.	.	K _i	.	.	K _j	.	.	K _n	K _T					
	Added value	V ₁	.	.	V _i	.	.	V _j	.	.	V _n	V _T					
	Domestic production	P X ₁	.	.	P X _i	.	.	P X _j	.	.	P X _n	P X _T					
	Imports	M X ₁	.	.	M X _i	.	.	M X _j	.	.	M X _n	M X _T					
	Total resources	X ₁	.	.	X _i	.	.	X _j	.	.	X _n	X _T					

Source: CDP

By establishing the output that each sector must produce in order to satisfy a given sectoral demand, the input-output model makes it possible to estimate how particular economic policy decisions affect the future performance of the economy, especially in the short term (which is when the assumptions of the input-output model are more realistic). This is a static model in which the technological relationships remain fixed at a given moment in time, assuming a linear production technology and with fixed coefficients, so that the quantities requested adapt to the demand and not to the prices.

The input-output table can be represented as a system of equations that describe the relationships between production and respective usage. These relationships are subject to several constraints, the first of which envisages that the total production value generated in the i -th sector is equal to the sum of the intermediate uses and final uses (**balance equation**).

$$X_i = \sum_{k=1}^n x_{ik} + D_i \quad [1]$$

The second constraint envisages that the production value of an i -th sector is equal to the cost of the inputs and the overall income paid to carry out the production activities (**costs equation**).

$$X_i = \sum_{k=1}^n x_{ki} + V_i \quad [2]$$

Finally, the **equilibrium equation** establishes the constraint that the total uses of the i -th sector be equal to the total resources of the same sector (equal values by row and by column).

$$\sum_{k=1}^n x_{ik} + D_i = \sum_{k=1}^n x_{ki} + V_i \quad [3]$$

Using the input-output table, it is possible to construct the matrix of technical coefficients, which in turn calculates the impact in terms of production, added value, imports and jobs of a change in demand. The **model's underlying assumptions** used to analyse the impact are:

- **linear production technology.** In other words, it is assumed that in each production activity the input quantity required is directly proportional to the output volume achievable;
- **fixed economies of scale in all the production sectors.** The unit input need is assumed to be constant regardless of changes in production volumes;
- **absence of external factors.** The effect of an entity's economic activity outside the market transactions is not considered;
- **fixed-coefficient production technology.** There are no input substitutions for production, meaning that the quantities requested adapt only to the demand and not to price variations;
- **imports as a share of the total product are assumed to be constant** regardless of changes in the final demand.

The technical coefficient matrix values are given by the ratio of the values in the intersectoral table to the row total or to the production of each sector (column total). These coefficients therefore show the contribution each sector makes to the value created in the other sectors.

$$\alpha_{ij} = x_{ij} / X_j$$

The technical coefficient α_{ij} indicates how many units of the asset coming from branch i are necessary for producing one asset unit in branch j . The matrix of technical coefficients can be calculated not only for the internal production inputs but also for the imported inputs and the primary inputs (wages and salaries, added value, etc.).

Equation [1] can therefore be rewritten:

$$X_i = \sum_{k=1}^n \alpha_{ik} X_k + D_i \quad [4]$$

This system of equations expresses the internal production flow of the product as the value of the intermediate goods and services supplied to all productions plus the value of the goods and services that satisfy the final demand. The basic input-output model can thus be represented as follows in matrix form:

$$X = AX + D \Rightarrow D = X - AX \Rightarrow D = (I - A)X \Rightarrow X = (I - A)^{-1}D \quad [5]$$

where:

X	Production vector
A	Matrix of the production coefficients
D	Final demand vector
I	Identity matrix

In this way, production broken down by production branch is expressed as a function of the final demand addressed to each single branch. The elements of the $(I - A)^{-1}$ matrix, known as the Leontief matrix, indicate the overall need for goods and services generated internally by the product of the i -th row required for directly and indirectly satisfying a final unit demand for the product j , thereby enabling **the impact of a change in external demand on production, intermediate import inputs and primary resources inputs to be estimated.**

Social accounting matrix. The SAM (social accounting matrix)¹ is a tool that represents the economic process and highlights its circular nature. It can be viewed as an extension of the Leontief input-output table that shows not only the links that exist within the production system, but also the relationships between the production and distribution of income towards production factors (work and capital) and institutional sectors (families, businesses, public administration). The SAM is a simple and effective way of representing the fundamental economic law according to which an expense or outlay corresponds to every income item. **The distribution of the income is inserted into the economic process and becomes a simultaneous cause and effect of the economic activation processes.**

In the SAM layout, an increase in aggregate demand therefore triggers a double circuit of effects:

- the first determined by the **direct and indirect effects** of inter-industry links on the production level (**Leontief multiplier**);
- the second determined by how increased income in the institutional sectors affects consumption, the so-called **Keynesian-type induced effect**.

Furthermore, the SAM is a flexible tool that makes it possible to disaggregate accounting flows on the basis of different classification criteria depending on the objective of the analysis or availability of the data (for example, the family sector can in turn be broken down by income distribution or professional position).

Figure 10 – The structure of the Social Accounting Matrix

	Production	Production factors	Institutional sectors	Rest of the world
Production	Matrix of intermediate uses (T_{11})		Use of disposable income (consumption and investments) (T_{13})	Exports
Production factors	First passage of primary distribution (T_{21})			Income from abroad
Institutional sectors		Second passage of primary distribution (T_{32})	Secondary distribution (T_{33})	Transfers from abroad
Rest of the world	Imports for production	Income sent abroad	Imports for consumption and investments	

An SAM takes the form of a squared block matrix in which every account is represented in both the rows and columns. The rows constitute the inflows (takings) and the columns the outflows (payments) of the various economic frameworks and parties, and the sum of the items in a row must equal the sum of the items in the corresponding column².

- Matrix T_{11} , referring to the **production process**, coincides with the production branches section in the input-output table and represents all the intermediate production flows.

(1) Pyatt (1988)

(2) The capital account is missing in this simplified description as it is considered external to the system; in this way, the model takes on a typically Keynesian form in which the savings adapt to the level of investments. If the capital account were to be added, we would have a neoclassical model assuming a market in which the interest rate balances the investment demand with the savings supply.

- The T_{21} matrix is already present in the input-output table and represents the **first passage in income distribution**. This is the transfer of resources from the production branches to the institutional sectors and represents the added value creation phase, i.e. the increased profits generated during the production process.
- The **second passage in the primary distribution** of income, i.e. the transfer from the production factors to the institutional sectors (proprietary) of the remuneration for participation in the production activities, is represented by matrix T_{32} .
- The income that the institutional sectors receive for their participation in the production activities cannot be used in full because there are other transactions between the institutional sectors that, while not affecting the overall income produced in the economic system, nevertheless modify its distribution. As such, these are transfers made not as consideration for some service but which derive from the need to remunerate the financial capital and redistribute the income (remuneration of own securities, taxes, welfare contributions, insurance, etc.). This set of transfers generates a **secondary distribution** (matrix T_{33}) that determines the disposable income.
- The disposable income is then used by every institutional sector for consumption or savings. Resources that are not set aside for savings will therefore be used for individual consumption, collective consumption or investments, and will enter the **income utilisation matrix** (T_{13}).
- Finally, the accounts headed **Rest of the World** include all the structures that are outside the economic system being analysed. The inflows for the rest of the world are entered by row, representing an outflow for the economic system in question. Vice versa, the outflows for the rest of the world are recorded by column, representing inflows for the economic system in question.

As an extension of the input-output model, the SAM analyses the impact of the exogenous variables by calculating the multipliers. In order to use the social accounting matrix as a model for calculating the impact, a distinction should be made between the endogenous accounts and the exogenous ones. The selection criteria depend on the aim of the analysis; in our example, the endogenous accounts are those in which changes in expenditure directly follow every income change (families, businesses), while the exogenous accounts are those for which expenditure is assumed to be established regardless of income (public administration, rest of the world). The layout shown above can therefore be reproduced, this time distinguishing the exogenous accounts from the endogenous ones.

Figure 11 – The structure of the Social Accounting Matrix - endogenous and exogenous counts

	Production	Production factors	Institutional sectors (families and businesses)	Exogenous accounts (Public administration and Rest of the World)	Total
Production	T_{11}		T_{13}	F_1	X_1
Production factors	T_{21}			F_2	X_2
Institutional sectors (families and businesses)		T_{32}	T_{33}	F_3	X_3
Exogenous accounts (Public administration and Rest of the World)	L_1	L_2	L_3	G	X_4
Total	X_1	X_2	X_3	X_4	

The same method used for deriving the inverse Leontief matrix is followed for calculating the accounting multipliers, except that this time the matrix of the multipliers also contains the circular effect of income in the economy. It is therefore possible to construct a matrix of expenditure coefficients a_{ij} by dividing each element of the T_{ij} matrix by the corresponding element of the sum vector of column X_j . In matrix form, we will therefore have:

$$A = T \left[\bar{X} \right]^{-1} \quad [6]$$

where \bar{X} is the diagonal matrix featuring as elements the total payments of the endogenous operators. In this way, a system of SAM equations can be expressed in compact form as follows:

$$X = AX + F \Rightarrow F = X - AX \Rightarrow F = (I - A)X \Rightarrow X = (I - A)^{-1}F \quad [7]$$

The matrix $M = (I - A)^{-1}$ is the **global accounting multipliers matrix** and measures not only the direct and indirect effects of a change in exogenous demand on the production sectors, but also the effects of an increase in the earnings of those institutional sectors that are deemed to be endogenous (families and businesses) in terms of greater end consumption (matrix T_{13}). Unlike the inverse Leontief matrix, the **M matrix is closed vis-a-vis income distribution and consumption, and is therefore able to describe the circular effect of income in the economy.**

Construction of the tables. For the purposes of analysing the impact of a lack of tourism development, we used the system of input-output tables supplied by the Italian national institute of statistics (Istat) and updated in 2011 for 63 product groupings and 63 branches of production activities³. In compliance with the European System of National and Regional Accounts, ESA 2010, Istat has now been producing the supply and use tables (SUTs) for several years. These are matrices that provide detailed descriptions of the relationships between the supplies and the corresponding uses, the added value components, the production inputs and the associated outputs.

The supply table shows the total available production by branch and product⁴, distinguishing between domestic and imported production, and is constructed using base prices⁵. The use table shows the uses of the goods and services by product and type of use (intermediate and final) and illustrates the added value components by branch; it is constructed using purchase prices⁶. The classification used for the economic activities is NACE Rev.2, while the one used for the products is CPA 2008. The two classifications are perfectly aligned so that at each level of aggregation the CPA shows the main product groupings of the corresponding branches of the NACE classification.

For the purpose of assessing impact using the Leontief multiplier model, it is necessary to convert the asymmetrical "branch by product" system in Istat's SUTs into "product by product" or "branch by branch" statistics, thereby creating symmetrical input-output tables⁷. This information is made available by Istat only once every five years and with a considerable delay (the most recent dates back to 2010). The substantial difference compared with the SUTs is the uniform classification of rows and columns, which is arrived at by cross-referencing the information in the SUTs.

(3) Istat (2015c)

(4) The term "product" is used when the goods are classified on the basis of a homogeneous production process, while the term "branch" is used when the goods are classified on the basis of the economic activity that gave rise to them. For example, if a farm has – in addition to its core production – an agritourism business, the latter will be classified in the agricultural branch or in the hotel product. Therefore, every branch of economic activity can produce more than one product.

(5) The base price is defined as the price that the producer can receive from the purchaser per unit of good or service produced, less any taxes to be paid on the unit, as a consequence of its production or sale, but including any contribution to be received on the unit.

(6) The purchase price is defined as the price actually paid by the purchaser per unit of good or service produced.

(7) If there were no secondary productions and therefore no distinction exists between branches and products, the production matrix would be perfectly diagonal and the use table itself could be used as a normal symmetrical table that would be "product by product" and "branch by branch". As the secondary production entered in the supply table increases, so does the difference between a "product by product" and a "branch by branch" table.

In order to construct a symmetrical table, it is necessary to relocate all the secondary productions of the production matrix along the rows or along the columns, depending on the type of table you want. When creating the symmetrical table, the intersectoral relationships can be modelled on the basis of two different assumptions, with respect to which the inputs and outputs of secondary production are reallocated:

- **product technology** assumptions, according to which it is assumed that every product is made using the same technology, wherever it is made (the same input structure for each product even if made in different branches);
- **branch technology** assumption, according to which the inputs are consumed in the same proportion in each production activity, whatever the type of product made (main products and secondary products are all made with the same input structure as the branch to which they belong).

To **reconstruct the 2011 symmetrical matrix**⁸, it is therefore necessary to convert the asymmetrical structure produced by Istat into a Leontief table. In order to ensure compliance with the table constructed every five years by Istat, **we decided to construct a symmetrical “product by product” table with branch technology** in which every branch has its way of producing regardless of product mix.

Every good can therefore be made by various producers who, in order to do so, require a mix of inputs that depends on their industrial technology. The inputs necessary for producing a unit of this good will therefore depend on the input structure of the various producers, weighted by the market share of each. In matrix form:

$$\mathbf{A} = \mathbf{B}\mathbf{D}$$

with

$$\mathbf{B} = \mathbf{U}\mathbf{g}^{-1}$$

and

$$\mathbf{D} = \mathbf{M}'\mathbf{q}^{-1}$$

where

B	Matrix of the expenditure coefficients for intermediate consumptions by branch (dimension: product by branch)
D	Matrix of the market shares, namely the proportions in which the different branches produce the output of a given product (dimension: branch by product)
U	Intermediate matrix of the use table (dimension: product by branch)
M	Supply production matrix which describes internal production (dimension: product by branch)
g[^]	Diagonalised vector of the output by branch, i.e. production by supplier branch
q[^]	Diagonalised vector of the output by product, i.e. supply by product

A is the direct coefficient matrix that describes the input required for making each good; multiplied by the product output levels (\mathbf{q}^{\wedge}), it makes it possible to reconstruct the intermediate production matrix of the symmetrical "product by product" table. The net taxes and added value rows in the use table and classified by branch can be entered with appropriate reclassification by product in the new matrix (using a procedure similar to that for the reconstruction of matrix A that envisages the passage from branch values to branch coefficients by means of the vector \mathbf{g}^{\wedge} and then the transformation by product by using matrix D). Finally, in order to complete the symmetrical table, the final use columns and imports row are added with no need for transformation since they are already expressed by product.

(8) The last year for which Istat supply and use tables are available.

Once we had reconstructed the 2011 symmetrical matrix, we updated it to 2014, the last year for which the necessary Istat national accounting figures are available. The most common method for updating matrices is based on biproportional balancing techniques⁹, the most popular of which is known as RAS¹⁰. This procedure has two advantages over other algorithms: it is relatively simple and ensures that there are no negative values inside the matrix; and it can be used when there is a minimum data set. It entails entering the frames of the matrix as at the time in question (2014 in our case) and using the inter-industry flows of the available table (2011 in our case) as the basis for reproportioning.

The **RAS method**, named for the reproportioning diagonals by row (R) and by column (S) of the technical coefficient matrix (A), is an **iterative procedure that allow us to estimate the 2014 matrix based on production values and added value for 2014 and the intersectoral matrix for 2011**.

Let A^0 be the 2011 technical coefficient matrix and Y^0 and P^0 the 2011 row and column totals, and let Y^1 and P^1 be the 2014 row and column totals. The updating of the table to 2014 will take place in accordance with the following iterative process¹¹:

$$Y^{(0)} = Y^0 \quad [1]$$

$$R^{(0)} = \begin{bmatrix} Y_1^1 / Y_1^{(0)} & 0 & \dots & 0 \\ 0 & Y_2^1 / Y_2^{(0)} & \dots & 0 \\ \dots & \dots & \dots & \dots \\ 0 & 0 & \dots & Y_n^1 / Y_n^{(0)} \end{bmatrix} \quad [2]$$

$$B^{(0)} = R^{(0)} A^0 \quad [3]$$

Let $P^{(0)}$ be the total column vector of $B^{(0)}$

$$S^{(0)} = \begin{bmatrix} P_1^1 / P_1^{(0)} & 0 & \dots & 0 \\ 0 & P_2^1 / P_2^{(0)} & \dots & 0 \\ \dots & \dots & \dots & \dots \\ 0 & 0 & \dots & P_n^1 / P_n^{(0)} \end{bmatrix} \quad [4]$$

$$A^{(0)} = B^{(0)} S^{(0)} \quad [5]$$

The passages just described will be reiterated (assuming $Y^{(i)}$ to be equal to the row vector of the matrix $A^{(i-1)}$ and so on) until the process is fully converged, giving us $A^i = A^{(i-1)}$.

(9) Lahr - de Mesnard (2004)

(10) Stone (1962); Stone - Brown (1962)

(11) Parikh (1979)

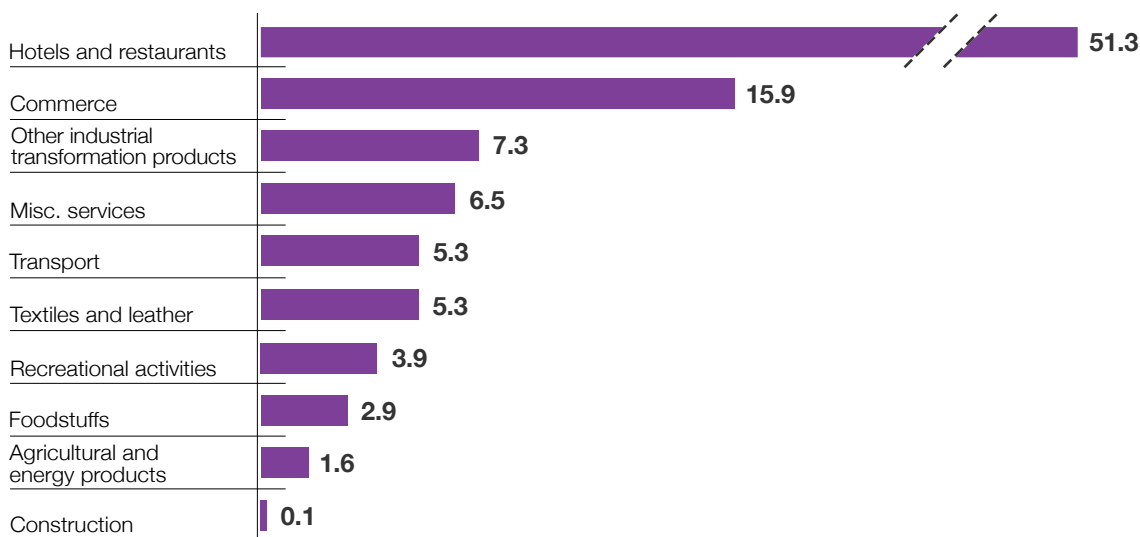
Lastly, the **reconstruction of the SAM** was made possible using the sequence of the national economic accounts by institutional sector made available by Istat¹² that provide a systematic and integrated illustration of the behaviour of the different operators in the essential moments of the economic process: production, development, distribution, redistribution and usage of income, and financial and non-financial accumulation. The information contained therein enabled us to reconstruct the second passage of the primary distribution and the account of the secondary distribution (see the previous paragraph), by transforming the input-output table into an SAM and thereby calculating the total impact (direct, indirect and induced) of the investments made.

For the impact analysis, we then used the **input-output table and related SAM reconstructed for 2014**.

Construction of the matrix activation vector. The ability of the model to correctly assess the effects of lost tourist spend on added value and national employment clearly depends on the possibility of **correctly attributing the lost spend flows to the different product items in the classification the input-output matrix**, a reallocation that inevitably contains a degree of subjectivity.

The spend vector was constructed using data from the annual Mercury Report on Italian Tourism¹³, which provides some indications on how the spend of foreign tourists in our country tends to be distributed on average between the various items. What emerges is a tourist spend concentrated predominantly under the “hotels and restaurants” item, followed by spending of various kinds in commercial businesses (supermarkets, food outlets, clothing shops, tobacconists, souvenir shops, etc.). Other notable items of tourist spend are those relating to “recreational and cultural activities”, “food and wine products” and “transport”. Using data relating to the principle spend items, **we established a link between these items and the sectors of the input-output matrix**, arriving at the construction of the table activation vector, which made it possible to calculate the direct, indirect and induced effects of this lost spend in terms of lower added value and employment.

Graph 7a15 – Foreign tourist consumption by expenditure item (%)



Source: Mercury, 2013

(12) Istat (2015d)

(13) Mercury (2013)

Bibliography

- Akerlof G.A. (1970), *The market for "lemons": quality uncertainty and the market mechanism*, The Quarterly Journal of Economics, Vol. 84, No. 3, Aug. 1970
- Banca d'Italia (2015), *Turismo internazionale dell'Italia, anno 2014*
- Banca IMI (2007), *Le nuove sfide del turismo globale. La grande opportunità dell'Italia: dal primato nel brand a quello sui mercati*
- Banca Intesa (2006), *Il settore alberghiero italiano: verso nuovi modelli di business?*
- Caramaschi E. (2004), *Matrice di contabilità sociale e distribuzione del reddito. Un'applicazione al caso italiano - IRPET*
- Casaleggio Associati (2014), *L'E-commerce in Italia 2014*
- Casini L. (2014), *Il decreto valore cultura: "senza pietre non c'è arco"*
- Ciset - Confturismo (2008), *Politiche fiscali per il turismo ed effetti macroeconomici*
- CLIA (2015), *The Cruise Industry. Contribution of Cruise Tourism to the Economies of Europe, 2015*
- European Commission (2007), *Agenda for sustainable and competitive European tourism*
- European Commission (2010), *Europe, the world's No 1 tourist destination, a new political framework for tourism in Europe*
- European Commission (2014), *Proposal for a Regulation of the European Parliament and of the Council on the Union Code on Visas (Visa Code)*
- European Commission (2015a), *Connectivity. Broadband market developments in the EU*
- European Commission (2015b), *Digital agenda scoreboard*
- European Commission (2015c), *Guide on EU funding for the tourism sector*
- Confalonieri (2010), *L'associazionismo alberghiero, Economia Aziendale On Line 2000*
- Cooper et al. (2002), *Economia del turismo. Teoria e pratica*
- Costa P. – Manente M. (2000), *Economia del turismo. Modelli di analisi e misura delle dimensioni economiche del turismo, T.U.P. Touring University Press*
- Dewailly J. M. – Flament E. (1996), *Geografia del turismo e delle attività ricreative, CLUEB*
- Eurostat (2015), *Tourism Statistics 2014*
- Federalberghi (2010), *Sesto rapporto sul sistema alberghiero in Italia*
- Federalberghi (2014a), *La tassazione sui rifiuti*
- Federalberghi (2014b), *Settimo rapporto sul sistema alberghiero e turistico ricettivo in Italia*
- FederCongressi&Eventi e BTC (2014), *Libro bianco del Congressuale Italiano*
- Federturismo Confindustria (2013), *Turismo una rinascita competitiva, la visione delle imprese*
- Federturismo Confindustria (2015), *Primo Rapporto sulla programmazione regionale turistica.*
- Glocus (2007), *Turismo: the next big thing*
- Google (2014), *The 2014 Traveler's Road to Decision*
- Horwath HTL (2016), *Hotels & Chains in Italy*
- ICCA (2013), *A modern history of International Association Meetings, 1963-2012*
- ICCA (2015), *ICCA Statistics Report 2014*
- IFEL (2013), *Le imposte comunali sul turismo*
- IPSOS (2015), *Tripbarometer 2015*
- ISTAT (2006), *Le tavole delle risorse e degli impieghi e la loro trasformazione in tavole simmetriche. Methodological note, October 2006*
- ISTAT (2013), *I musei, le aree archeologiche e i monumenti in Italia, year 2011*
- ISTAT (2015a), *Movimento turistico nel 2014: offerta e domanda*
- ISTAT (2015b), *Viaggi e vacanze in Italia e all'estero, year 2014*
- ISTAT (2015c), *Il sistema delle tavole input-output. Years 2010-2011, 13 January 2015*
- ISTAT (2015d), *Conti economici nazionali per settore istituzionale. Year 2010-2014, 24 April 2015*
- Italiadecide (2014), *Il Grand Tour del XXI secolo: l'Italia e i suoi territori, Società Editrice Il Mulino*
- Laboratorio per il Turismo Digitale (2014), *Piano strategico per la digitalizzazione del turismo italiano*

Lahr M.L. - de Mesnard L. (2004), *Bioproportional Techniques in Input-Output Analysis: Table Updating and Structural Analysis - Economic Systems Research*, Vol.16, n.2, June 2004

MedCruise (2015), *Cruise activities in MedCruise ports: statistics 2014*

Mercury (2010), *XVI Rapporto sul turismo italiano, 2008-2009*

Mercury (2013), *XVIII Rapporto sul turismo italiano, 2011-2012*

Mercury (2014), *XIX Rapporto sul turismo italiano, 2012-2013*

Mercury and ISTAT (2014), *L'imposta di soggiorno. Osservatorio sulla fiscalità locale*

Ministry of economic development (2013), *Piano Destinazione Italia*

Netcomm (2014), *Net retail. Il ruolo del digitale negli acquisti degli italiani*

Nomisma (2015), *Osservatorio Nazionale Immobiliare Turistico 2015. Mercato delle case per vacanza, FIMAA*

OECD (2011), *OECD Studies on Tourism: Italy. Review of Issues and Policies*

OECD (2013), *Green Innovation in Tourism Services*

OECD (2014a), *Tourism Trends and Policies*

OECD (2014b), *Tourism and the Creative Economy*

OpenCoesione (2015), *L'attuazione delle politiche di coesione 2007-2013 al 30 June 2015: un focus sul turismo nelle politiche comunitarie in Italia*, Pillola di OpenCoesione n.23 – 9 September 2015

Osservatorio eCommerce B2c (2014), *L'eCommerce B2c in Italia: le Dot Com corrono, i retailer rincorrono*

Parikh A. (1979), *Forecast of Input-Output Tables using the RAS Method*, *Review of Economics and Statistics*, n. 61 (3)

European Parliament (2015), *Report on new challenges and concepts for the promotion of tourism in Europe*

Preiti A. (2014), *Turismo: cambiamo tutto! Capire l'industria dell'ospitalità per tornare primi*, Gallucci editore

Prime Minister's Office (2013), *Turismo Italia 2020. Leadership, Lavoro e Sud*

Prime Minister's Office (2015), *Strategia governativa per la crescita digitale 2014-2020*

Pyatt, G. (1988), *A SAM approach to modeling*. *Journal of Policy Modeling* vol.10, n.3, pp. 327-352

Renna M. (2006), *Turismo*, in *Dizionario di diritto pubblico*, edited by S. Cassese, Giuffrè.

Risposte Turismo (2014), *Italian Cruise Watch 2014*

Risposte Turismo (2015), *Il traffico crocieristico in Italia nel 2014*

Saltari L. (2013), *L'inflazione regolativa del turismo: freno all'iniziativa privata? in La regolazione intelligente. Un bilancio critico delle liberalizzazioni italiane* edited by Mattarella B.G. and Natalini A., Astrid, Passigli editore

Santos (2011), *Constructing SAMs from the SNA – Working Paper 18/2011*, ISEG (School of Economics and Management)/UTL (Technical University of Lisbon)

Scenari immobiliari (2014), *Rapporto sul mercato immobiliare alberghiero in Italia*

Scenari immobiliari (2015), *Rapporto alberghi*

Smyth P.C.B. - Wu G. - Greene D. (2010), *Does Trip Advisor Makes Hotels Better?*, Technical Report UCD-CSI-2010-06

Stone R. (1962), *Multiple classifications in social accounting*, *Bulletin de l'Institut International de Statistique*, n. 39

Stone R., Brown A. (1962), *A Computable Model of Economic Growth*, Volume 1, Chapman & Hall

Tourism Economics (2013), *L'impatto dei contenuti on line sul turismo europeo*

Unicredit (2015), *Unicredit 4 Tourism. Rapporto sul turismo 2015*

Unioncamere-Isnart (2013), *Impresa turismo 2013*

Unioncamere-Isnart (2014), *Le performance di vendita delle imprese del ricettivo*

UNWTO (2014), *Global Report on Shopping Tourism*

UNWTO (2015), *Tourism Highlights 2015*

UPI (2011), *La legislazione delle Regioni: i Sistemi Turistici Locali e le funzioni delle Province in materia di turismo*

World Economic Forum (2015), *The Travel & Tourism Competitiveness Report 2015*

World Travel & Tourism Council (2015), *Travel & Tourism. Economic impact 2015, Italy*

Ye Q. - Law R. - Gu B. (2008), *The impact of online user reviews on hotel room sales*, *International Journal of Hospitality Management* Vol. 28 (1), 2009



Roma

Via Goito, 4
00185 Roma - Italia
Tel +39 06 4221.1

Milano

Palazzo Litta
Corso Magenta, 24A
20123 Milano - Italia
Tel +39 02 4674.4322

Bruxelles

Square de Meeûs, 37
(7° piano)
1000 Bruxelles - Belgio
Tel +32 2 2131950

www.cdp.it