

“Public-Private Partnerships (PPPs) for Sustainable Tourism”

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Abstract

The past two decades have seen a rapidly growing and global interest in sustainable tourism. This new focus on sustainability is driving changes in both product development and tourism marketing and promotion, creating an additional challenge for national tourism agencies (NTAs) which are already struggling to maintain or increase market share in an ever more competitive global market. Not surprisingly, both NTAs and subnational tourism agencies are turning to the private sector as a partner in creating and maintaining sustainable tourism programs. Through relationships termed “public-private partnerships” (PPPs), private entities and NGOs contribute financing, management expertise, technology, and other resources which can support the development of sustainable tourism. What are the forms of such PPPs, and what practices lead to successful partnering with the private sector? What is the potential role of Medium, Small, and Micro-Enterprises (MSMEs) in the partnering effort? These questions will be explored in the following pages.

Introduction

The United Nations World Tourism Organisation (WTO, 2004) defines sustainable tourism as “tourism that meets the needs of present tourists and host regions while protecting and enhancing opportunity for the future.” The WTO views sustainable tourism not as product type, but as an ethos which should encompass all tourism activities. As such, it is integral to all aspects of tourism development and management rather than being an add-on component.

The objective of sustainable tourism is to retain the economic and social advantages of tourism development while reducing or mitigating any undesirable impacts on the natural, historic, cultural or social environment. This is achieved by balancing the needs of tourists with those of the destination, and requires participation of all stakeholders in the planning process.

The WTO identifies three key attributes of sustainable tourism. Such programs should:

1. Make optimal use of environmental resources that constitute a key element in tourism development, maintaining essential ecological processes and helping to conserve natural heritage and biodiversity.
2. Respect the socio-cultural authenticity of host communities, conserve their built and living cultural heritage and traditional values, and contribute to inter-cultural understanding and tolerance.

3. Ensure viable, long-term economic operations, providing socio-economic benefits to all stakeholders that are fairly distributed, including stable employment and income-earning opportunities and social services to host communities, and contributing to poverty alleviation.

A number of different mechanisms exist by which the public and private sectors can collaborate to help achieve these objectives, ranging from small, local projects, which may frequently be based on voluntary support from the private sector, to major infrastructure and attraction development projects.

Discussion

Private sector participation in sustainable tourism may occur in a wide array of activities; among those with significant experience in private participation are:

- Marketing and promotion
- Product development
 - Infrastructure development/renewal
 - Attraction development/renewal/diversification
 - Enhanced productivity and service
 - Community development/renewal
 - Cultural and heritage protection
 - Environmental protection/enhancement

While this list is extensive, it is important to remember that there are certain activities which are inherently governmental in nature. Although private input may in some cases be valuable, it will remain the government's responsibility to: determine and approve tourism strategy; contract for major infrastructure projects; grant project approvals, permits and licenses; evaluate/monitor contracted services; approve payment for contracted services; and in certain instances to act as a regulator.

Within each of the categories above, partnerships may range from relatively simple, collaborative efforts to large, complex projects requiring significant investment. Examples of the former include:

- On the Pacific island of Saipan, in the Northern Mariana Islands, local businesses financed the provision of free wireless internet in the departure areas of Saipan International Airport. This voluntary effort is intended to create a more attractive destination, and help ensure that visitors leave with a positive experience.
- Many destinations have used voluntary contributions, both financial and in-kind, from local citizens and businesses to improve destination attractiveness. These may range from neighborhood clean-up or repainting efforts to installing new lighting or implementing a Neighborhood Watch program to provide a more secure environment for tourists.

- On the island of Guam, in the Western Pacific, the government wished to develop an elaborately designed history and culture museum, not only for the indigenous people, but also as a tourism attraction. Led primarily by private sector tourism leaders in partnership with the government's Department of Chamorro Affairs, the Guam Museum Foundation was formed to accept donations and apply for grants. Together these partners have been successful in raising millions for the new facility from private donations and hotel occupancy taxes.
- Another common form of partnership is for the private sector to help subsidize air routes to remote tourist destinations, improving ease of access and transport capacity. This can be a key tactic for remote destinations where lack of convenient flight options may discourage potential visitors.

In each of these examples, the private sector participation is provided on a voluntary basis, with peer pressure being perhaps the strongest form of coercion. Private sector participation occurs because businesses of all sizes can see the potential for increased tourism revenue through provision of a more attractive, secure, or accessible destination. Such collaborations are feasible when the required investment is commensurate with the perceived potential for enhanced revenue. Similarly, individual citizens may participate in neighborhood improvement projects not just for the indirect (to them) benefits of increased tourism, but because their quality of life is enhanced through a cleaner, more secure local environment.

While these examples may be private sector driven, the government also has a key role in each, whether this be: approving and granting access to airport facilities to install and maintain the wireless router, and installing signage to notify travellers of the free service; closing roads or providing traffic direction to facilitate safe clean-up and maintenance efforts; or the airport authority coordinating with the airlines on increased flight volume. Another key government role is to actively encourage the private sector to be on the lookout for, and participate in, such efforts.

On occasion, the participation of certain key stakeholders may be involuntary. For example, Grand Anse Beach on Grenada, a primary tourist attraction for the island nation, suffered from overly aggressive marketing of goods and services from local vendors to tourists sunbathing or walking along the beach. The Government of Grenada used financial assistance from the Canadian government to construct the Grand Anse Spice & Craft Market, and required all vendors to operate from this site. This effort was initially opposed by some local vendors, but the GoG advertised the market to ensure tourists were aware of it, and it soon became a tourist attraction in its own right, regularly visited by tour operators in addition to individual tourists. The result was increased revenue for local small business vendors, and for tourists, an improved beach environment, and a convenient centralized location to shop for local goods and products.

Larger product development efforts will typically require a more formal agreement or contractual structure, and an appropriate enabling legal and regulatory environment, to include clear and enforceable property rights, fair and transparent procurements, enforceable contracts, effective contract dispute provisions (to include the use of international arbitration

bodies) will help to attract private partners to such projects. However, the rule that the potential benefit to the private sector must be commensurate with the investment requirements (to include operating and maintenance costs, as applicable) is equally applicable for these projects. Where a large capital investment is required (e.g., to build a major road, airport, or water plant, or develop a major attraction such as a resort or theme park), the private investors will develop financial models to ascertain whether the probable project revenues will cover the project costs and provide an adequate return on investment.

Governments typically have a variety of tools available to help create a viable revenue stream for private investors in a major project. Depending on the individual project, these may include:

- The ability to collect user fees (e.g., for an airport, cruise ship port, road, or utility)
- Free (or reduced cost) use of government land for a specified period
- Government-furnished utilities
- Off-site infrastructure or access improvements
- Tax incentives
- Zoning exemption or relaxation
- Exclusivity or restrictions on approval of competing facilities within a specified distance and/or time
- Assistance with workforce training and development.

The application of these tools to attract private investment is well known (if still complex) as we consider projects such as an airport concession or a resort hotel. However, creating a viable revenue stream to support the goal of sustainable tourism development may sometimes require less traditional approaches. The following examples demonstrate the power of public-private partnerships to support sustainable tourism objectives.

- Chumbe Island, off the coast of Zanzibar, in Tanzania was experiencing destruction of the native ecosystem, and the health of the adjacent coral reef was also deteriorating due to overfishing and unsustainable fishing techniques. The government entered in to a PPP whereby it granted environmental NGO long-term concessions to the island and reef, and banned fishing in the reef area. The NGO hired displaced fishermen to patrol the reef and enforce the ban, and provided environmental awareness training to local villages. The NGO began restoring the island ecosystem, and built environmentally-friendly bungalows and a visitor center on the island. Today, the tourism revenues from visitors to the project cover all costs of both the destination operation and maintenance and the environmental improvement effort. The native

ecosystems have been significantly strengthened, with no capital investment from the government.

- The Marion Davies Estate in Santa Monica, California, is a mansion on a Pacific Ocean beach, once owned by the silent film star. After her death, the structure was heavily damaged by an earthquake, and the owners, unable to pay for its renovation, stopped paying taxes. The building was seized by the City, which was equally unable to pay the multi-million dollar renovation bill. The City entered into a PPP in which a private party restored the mansion to its former glory, and now uses the facility as an inn, movie set, and special event location.
- Union Station in Washington, DC was the largest train station in the world when it opened in 1907. By the 1970s, declining passenger rail traffic meant that it was no longer cost-effective, and the Station was closed. A PPP was used to restore it to commercial viability, by restoring rail traffic, linking it with other transport modalities, and introducing retail and office tenants to create a new revenue stream. More than 100 retail spaces were created, many operated by MSMEs. Today, Union Station is financially robust, and the single most-visited site in Washington, DC, with over 25 million visitors per year.
- In Paris, the venerable Vincennes Zoo was in need of renovation and expansion to meet its objective of becoming a 21st century research, teaching, biodiversity, and tourism center. Through a PPP, private investors provided EUR 132 million in initial financing, and will design, build, operate and maintain the new zoo for 25 years.

These projects demonstrate the diversity of partnership models for product development. However, partnerships can also be effective for tourism research, planning, marketing, and promotion. Again we find that private investment is attracted where there is a plausible expectation of concrete benefit to the private participants. For example, the Canadian Tourism Commission (CTC) operates a US Leisure Programme to promote tourism from its neighbor to the south. In addition to its budgeted funds, CTC receives contributions from provincial and municipal tourism organizations and the private sector. The solicitation of private contributions is typically most successful when the promotion is specific, e.g., the promotion of winter tourism in Quebec, so that potential investors can assess the promotion's relevance to their interests in the province.

In Grenada, the public and private sectors came together in an effort to share information and jointly plan for a more integrated and positive tourism experience. This collaborative effort identified local transport as an area for improvement and resulted in a new cruise tourism policy which was intended to enhance visitor satisfaction. With the implementation of this plan, the Government began to consider various proposals to improve services and facilities offered to cruise passengers, and there was enhanced awareness of overall tourist satisfaction among the various private actors, such as cruise operators, hoteliers, and surface transport services.

Conclusions

PPPs can be a powerful tool for tourism product development and enhancement, as well as for research, marketing, and promotion. While a PPP is not the best tool for every requirement, the strategic use of partnerships can contribute significantly to the development of a sustainable tourism program, and PPPs can be a vital tool for facilitating tourist access and improving the destination experience.

PPPs for sustainable tourism encompass a variety of different models, from simple social collaborations designed to improve the tourism experience, to major infrastructure and project development projects. As the capital investment required for the partnership increases, so does the need for a formal enabling environment.

Private investment is attracted by open market conditions, and transparent and predictable policies and procedures. The potential rewards for private sector participants must be commensurate with their investment; this applies to all PPPs, from small, voluntary projects to major development efforts.

While one-off PPPs such as Chumbe Island can provide benefit, maximum benefit can be obtained from PPPs that support the national or regional tourism strategy, and contribute to tourism cluster development. Governments should carefully evaluate partnership opportunities to ensure that the anticipated outcomes will support the public sector's sectoral objectives in a sustainable manner.

Partnerships create opportunities for private sector enterprises of all sizes, and for NGOs, throughout the tourism value chain. Large infrastructure PPPs will be awarded to large contractors, but MSMEs typically participate as subcontractors, and benefit from the project outcomes. Other partnership models may offer greater scope for MSME direct participation, due to the lesser investment requirements.

Attachment 1. Case Study: Chumbe Island Ecotourism PPP, Tanzania

Chumbe is an uninhabited 55-acre island off the south-western coast of Zanzibar, in Tanzania. In the late twentieth century, the island's ecosystem was ravaged by an invasive species of rat, which was crowding out native species, while the adjacent coral reef was endangered by overfishing and unsustainable fishing practices, such as dynamiting the reef.

An advocate for the environment saw the potential for an ecotourism partnership which could restore these fragile ecosystems to health. After negotiation, the Government of Zanzibar agreed to provide concessions for both the reef and island to a special purpose company formed for this project, the Chumbe Island Coral Park Ltd. (CICP), and to ban fishing over and around the reef.

CICP assumed all responsibility for the project, including the capital investment. After raising \$1.2 million in initial capital, the company began to exterminate the non-native rats and restore the island's natural environment. It also began construction of bungalows and a visitor center, designed as environmentally low-impact facilities and built from local materials, with the idea that revenues from limited, sustainable tourism would support the CICP's environmental improvement goals.

The project's goals were not initially understood by local residents, and the fishing ban resulted in loss of income to nearby villages. CICP hired former fishermen to patrol the reef, held village meetings, and implemented an education program for the villagers, most of whom perceived coral as a rock, not living organisms. These efforts helped create stakeholder support.

The project soon became financially self-supporting tourism destination which provided employment to many local villagers. The island ecosystem began to recover, and the government, realizing that Chumbe Island provided one of the most protected environments in the country, relocated populations of several endangered species there, beginning with the Aders' duiker, a small antelope native to the region. The reef ecosystem, as well, has benefitted from this project. Studies conducted by the Institute of Marine Studies at the University of Dar es Salaam show that fish families are of greater size and abundance inside the protected areas than on other area reefs. These outcomes demonstrate the effectiveness of this sustainable tourism model.



Attachment 2. Case Study: Union Station PPP, Washington, DC

In 1901, planning began for the first centralized train station in Washington, DC. When the Union Station opened in 1907, the elegant structure was the largest train station in the world. The station quickly became one of the key transportation links in the U.S. capital. Usage peaked during the 1940s, when as many as 200,000 passengers a day thronged the station, but with completion of the U.S. highway system in the 1950s, rail passenger traffic began to drop. By the 1970s, the station no longer generated sufficient revenue to pay for its operation and maintenance, and in 1978 the station was closed, and maintenance suspended. In 1981, the deteriorating structure was sealed and condemned. Structural collapse was considered imminent, and demolition of Union Station was under consideration.

Reflecting popular opposition to the destruction of this historic landmark, the U.S. Congress passed a law, the Union Station Redevelopment Act of 1981, authorizing the Department of Transportation to enter into a PPP to restore the building to its original state and renew rail operations. Since it was apparent that rail service alone would not provide sufficient revenue to accomplish this, private partners were sought to help finance the renovation and create innovative concepts for long-term revenue generation.

Through a competitive tender process, a private consortium was selected to lead this process. This entity, a special purpose vehicle called Union Station Venture, Ltd., was backed by two large real estate development firms and an architectural firm with retail leasing expertise. The consortium provided \$42 million of the \$160 million in total financing required.

The renovation concept had two foci: creating a multi-modal transportation hub, and developing Union Station as a destination in its own right, one which would attract travelers and generate retail revenue. To support the first goal, the redevelopment included: a multi-deck public parking garage, with over 2,000 spaces; a tour bus area capable of accommodating 80 buses; and a rail service waiting area.

To create a retail revenue stream, the developers added 210,000 square feet of retail space within the capacious station. More than 120 stores, restaurants, and cafes were built, along with a nine-screen cinema, and the old baggage handling area in the basement was converted into a food court. Part of the station's excess capacity was converted into 100,000 square feet of office space, and Amtrak, the national train company, relocated its headquarters there, providing a long-term source of rental income.

The renovated Union Station opened on September 29, 1988, and has now been operating as a joint public-private facility for 23 years. The project has been a phenomenal success. Passenger rail service has been restored to downtown Washington, DC, and the historic facility restored to its original appearance. Great pains were taken to be authentic in the reconstruction; 70 pounds of gold leaf were

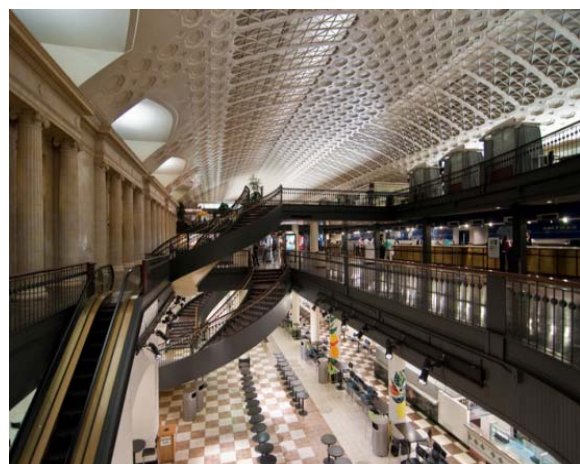
consumed to restore the original décor. The station is the single most visited tourist destination in Washington, with over 25 million visitors a year, and a hub of economic activity. The revenue stream created is sufficient both to cover the station's operation and maintenance, and to provide a return on investment to the private investors. Hundreds of new jobs were created, and many of the retail spaces are occupied by small business and individual entrepreneurs. The success and durability of this public-private partnership have led the U.S. government to employ the same model to develop other aging urban rail stations.



Union Station 1925



Union Station Exterior



Union Station Food Court

Attachment 3. Case Study: Grand Anse Spice & Craft Market, Grenada

Beautiful Grand Anse Beach, on the west coast of Grenada, is a primary tourist destination for the island nation. The congregation of tourists, in turn, drew increasingly large numbers of vendors offering handicrafts, spices, and services. As the competition for tourists' business grew more intense, with many local suppliers offering similar goods and services, vendors became more aggressive. Tourists sunbathing or walking along the beach were repeatedly and insistently solicited, creating an atmosphere termed by many as "harassment".

Concerned by the potential negative impacts on tourism, the Government of Grenada sought a solution which would create a more serene environment for tourists without adversely affecting the incomes of local vendors. They conceived a central market area, where all vendors could offer their goods and services, and tourists would have the convenience of comparison shopping at their leisure. An initial obstacle, however, was the reluctance of many local vendors to commit to this concept.

The construction of the market was facilitated by financial assistance from the Canadian government's Small Project Facility Programme. The Government of Grenada then prohibited vending on the beach, and required vendors to operate from the market. Critical to the success of this effort was a commitment to making it work. The government advertised the new market to build product awareness, tour operators added it as a destination, and hotels and restaurants helped to build tourist consciousness of the site. By helping to ensure that there was a sufficient number of visitors to the market, the government and other tourism industry stake holders built acceptance of the market among the vendors. As the popularity of the centralized market grew, there were ancillary benefits: being under one roof led vendors to offer a greater variety of goods in order to differentiate their wares, leading to the potential for greater total sales. The market soon became a popular destination, benefiting many individual and family-owned local businesses, and harassment of tourists along the beachfront has been greatly reduced.



Grand Anse Craft & Spice Market in Grenada



Grand Anse Spice Vendor



Grand Anse Crafts