

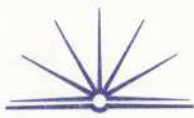


Question 21.

Tourism is the world's biggest legitimate industry. It employs 262 million people worldwide, or 10%, generates 10.7% of the world's Gross domestic product and is responsible for 8% of the world's total imports. The World Tourism Organisation estimates that the number of people travelling world wide will increase from 663 million in 1999 to 1 billion in 2010 and 1.6 billion in 2020. Earnings from tourism are expected increased from \$US 453 billion in 1999 to \$US 2 trillion by 2020. The statistics demonstrate the magnitude and expanse of the tourism industry.

Tourism is an economic activity that encompasses airline industries, accommodation, theme parks, souvenir shops and restaurants. The Hotel Intercontinental Sydney is one such enterprise on a local scale that is part of the tourism industry. It is located at 177 Macquarie St, Sydney, ~~close~~ to the heart of the CBD close to retail and business precincts, transport links and tourist facilities. The Intercontinental is only 12.5km from Sydney's Kingsford Smith airport.

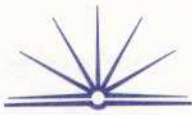
The Hotel Intercontinental is part of the five star Chase



of the Six Continents group which operates 3200 hotels in over 100 countries including 120 Intercontinental Hotels. The Hotel Intercontinental Sydney has 503 rooms, 207 are non smoking, on its levels 10 to 30 and the 31 story tower. It has 4 restaurants, 13 function rooms gym and pool.

The tourism industry and its economic enterprises are affected by global changes in the tourism industry and the world as a whole. Factors which have an effect on the Hotel Intercontinental include the changing nature and distribution of tourism, economic and climate worldwide, advertising and the success of the Intercontinental brand, government spending on tourism, and more recently the terrorist attacks on New York and Washington and the collapse of Ansett.

At present the options available to tourists are extensive and broad with particular rise in popularity of ecotourism and rural tourism. Tourism has become more concerned with cultural exchange, interaction with the environment and experiencing a life style different and new. This trend has impacted on the five star hotel sector which reshapes tourist experiences



by providing an environment - food, music, architecture; that is familiar and generally western.

The economic climate in regions such as the US and Europe impact on the flow of tourists to Sydney and ultimately patronage of Hotels such as the Intercontinental. The trends towards recession and economic downturn in the US and Europe (Australia's biggest market) has resulted in reduction to tourist influxes.

However the recovery of the Asia Pacific economy after its collapse has fuelled growth of 4.5% in the region.

Business and economic connections between Asian <sup>nations</sup> ~~nations~~ and Australia fuel the flow of business travellers who according to the Human Resources manager of the Inter.

Sydney, spend seven times more than an average tourist.

Economic factors such as the exchange rate which stands at ~~US\$~~ 51.1 US cents for every Australia dollar impacts on the spending by tourists in Australia. Five star hotels such as the Intercontinental are not so much out of reach when prices are halved due to the exchange rate by the US.

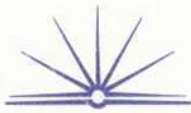
The success and recognition of the Intercontinental brand in a tourist home country or region has a affect on



Their confidence and willingness to stay at the Hotel Intercontinental Sydney. Advertising through airline companies and travel agents boost familiarity and awareness of the enterprise.

Most recently in Sydney, the Olympics in 2000 has affected the Hotel Intercontinental. 5 million tourists visited Sydney last year due to the Olympics boom and this assisted the Hotel Intercontinental in gaining a \$60 million profit last year. The government spending and foreign investment in Sydney, for example upgrades to the International Airport supported the influx.

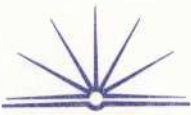
However an overflowing of the market in five and four star hotels has had a negative impact. In the period of 1997-2000, 40 4 & 5 star hotels were built in Sydney. As reported by Chris Brown, head of the Tourism Taskforce, the post Olympics boom has not occurred with devastating results. Hotels in the same market as the Intercontinental are adopting cost cutting measures to reduce the impact. The Renaissance Hotel for example has closed several floors and redundancies are



evident across most hotels. Occupancy rates stand on average at 47%, however the Intercontinental reports an average occupancy of 60%.

Most recently in Australia, the collapse of Ansett has had a devastating effect on the tourism industry. Domestic tourism has suffered with many tourists ~~to~~ losing tickets and being stranded without flights home. Regional tourism suffered dramatically with the collapse of regional airlines such as Hazelton. This event has left the Intercontinental and most hotels with cancellations and no-shows. Ansett Mark II has released some of the burden on the domestic market, however price rises and levies by the government have increased prices. The Hotel Intercontinental previously offered package deals in conjunction with Ansett but since the collapse that relationship is in jeopardy.

International tourism has also been devastated by this collapse. Tourists are delaying or cancelling holidays to Australia due to increased prices and an inability to move from city to city once here.



The terrorist attacks on New York and Washington on September 11th have devastated the tourism industry worldwide. In the US air flights and airports were shut down for two days and slowly picked up throughout that week. Massive cancellations and the fear of flying have left airline companies in dire straits. As reported by the Sydney Morning Herald, since the attacks, United and American airlines have cut 100 000 employees and Japan Airlines has reported losses of \$45.5 million. ~~Both~~ Sabena Air, Belgium, is another casualty of the attacks having shut down operations.

The Hotel Intercontinental is suffering, like most tourism enterprises due to these attacks. The WTO Secretary General Mr Franquelli, at a crisis meeting of the WTO, said "Terrorism is the chief enemy of tourism." ~~Many~~ Tourists are delaying or cancelling overseas holidays due to political uncertainty and fear of more terrorist attacks since the military action against Osama bin Laden and the Al Qaeda organization.

The <sup>Federal</sup> government of Australia has released a \$20 million dollar crisis management fund to assist the

hardest hit regions and promote Australia as a "safe haven".  
Advertising of Australia, since Sept 11<sup>th</sup> has stopped and  
a campaign promoting Australia to Japan is the first  
promotion of Australia since the attacks.

The Hotel Intercontinental, which is geared towards  
business travellers and conferences will continue to feel  
the impact of the terrorist attacks and political  
uncertainty into the future as will the rest of the tourism  
industry.

The Hotel Intercontinental Sydney is vulnerable to global  
changes such as economic climates, political instability,  
advertising campaigns, events such as the Olympics and  
the collapse of local companies. ~~is~~ A ~~significant~~ ~~and~~