

The Economic Impacts of Fair Trade in Tourism

Linda Krause

table of contents

1. INTRODUCTION.....	3
1.1 BACKGROUND FACTORS.....	3
1.2 AIM.....	5
1.3 RESEARCH PROBLEM.....	6
1.4 LIMITATIONS.....	6
1.5 JUSTIFICATION.....	6
1.6 RESEARCH METHODS.....	7
1.7 FRAME OF REFERENCE.....	8
1.8 KEY CONCEPTS.....	9
2. FAIR TRADE.....	13
2.1 FAIR TRADE IN COMMODITIES.....	13
2.1.2 Fair Trade criteria.....	14
2.1.3 Fair price.....	15
2.1.4 Benefits for Producers.....	16
2.1.5 Trends and Perspectives for Fair Trade.....	16
2.2 FAIR TRADE IN TOURISM.....	18
2.2.1 Tourism as trade.....	18
2.2.2 Defining Fair Trade in tourism.....	19
2.2.3 Main criteria of Fair Trade in Tourism.....	19
2.2.4 Fair Trade in tourism today.....	21
3. ECONOMIC IMPACTS OF TOURISM.....	22
3.1 TOURISM AND ECONOMIC DEVELOPMENT.....	23
3.2 MEASURING THE ECONOMIC IMPACT.....	24
3.3 THE POSITIVE AND NEGATIVE ECONOMIC IMPACTS OF TOURISM.....	24
4. METHOD.....	35
4.1 CHOSEN RESEARCH METHOD.....	35
4.2 CHOSEN RESEARCH OBJECTS.....	36
4.2.1 Oy Aurinkomatkat – Suntours Ltd Ab.....	36
4.2.2 PeterPan Maailma.....	36
4.2.3 The economics of tour operation.....	37
4.3 INTERVIEW QUESTIONS.....	38
5. ANALYSIS.....	40
5.1 INTERVIEW RESULTS.....	40
5.1.1 Fairness of operations.....	40
5.1.2 Monitoring of operations.....	42
5.1.3 Difference between “fair” and “standard” tour operating.....	43
5.1.4 Pricing and the distribution of income.....	44
5.1.5 Implementing Fair Trade in tourism.....	45
5.2 ANALYSING THE RESULTS.....	46
5.3 THE ECONOMIC IMPACTS OF FAIR TRADE IN TOURISM.....	49
6. DISCUSSION.....	51
6.1 VALIDITY, RELIABILITY AND OBJECTIVITY.....	51
6.2 SUGGESTED FURTHER STUDIES.....	52
6.3 CONCLUSION.....	53
REFERENCES.....	55

1. INTRODUCTION

This thesis will focus on the economic impacts of Fair Trade in tourism. What is studied is how the money paid for an inclusive holiday is distributed between the destination and the tourist sending country. The assumption is that a holiday purchased from a 'Fair Trade tour operator' benefits the local economy more than a holiday purchased from a mass tour operator.

1.1 Background factors

The tourism industry is dominated by a few powerful corporations, most of which are based in the West (Mann 2000, 11), thus it caters for a market of Western tourists. The consequences are that the wishes and needs of the receiving countries are mostly neglected. Tourism could be the source of greater economic benefits for the less developed countries in the world. However, at the moment there is a considerable amount of leakage, as the greatest part of the benefits generated from tourism rest within the sending countries of the West. Currently there are large operators monopolising the market as they cover a number of the sectors, such as accommodation and transport. Thus the production, the delivery and the marketing of a product might be operated by one company in terms of vertical integration. (Kalisch 1996, 84.) This phenomenon makes it very difficult for the local entrepreneurs to compete and as they need the tour operators and the airlines to supply the customers, the transnational corporations are let to rule (Tourism Concern 1998, 14). Furthermore, as local populations rarely are involved in tourism planning or implementation of tourism projects, the industry has contributed to the marginalisation of many people and expanding the unequal gap between the rich and the poor (Tourism Concern 1999, 1). The power lies in the hands of the multinational corporations and in many instances tourism can be referred to as neo-colonialism, perpetuating dependency. According to Mann (2000, 9), the World Bank estimates that 55 pence out of every £1 spent on holidays in less developed countries, returns to the West and much of the rest goes to the business-elite in the capitals of the less developed countries.

As tourism keeps on spreading, it needs new destinations, which has lead to the fact that tourism in less developed countries is growing (Tourism Concern 1999, 1).

This is partly due to the fact that the image of the less developed countries has changed in the eyes of the advanced world (Mowforth and Munt 1998, 1-2). The basic package tour destinations such as Greece and Spain are now challenged by long-haul package holidays to Africa, Asia and Latin America. The emphasis is on all-inclusive holidays, operated by transnational tourism corporations. This re-inforces the danger of returning to a kind of new colonialism and unfair trading conditions, as most of the destinations in question are poor and lack the infrastructure and tourism expertise that would be needed in order to cope. As a result of this, most of the profits of tourism risk flowing back to the industrialised nations and the host destination remains poor, receiving either an unfair and low return or suffering from deterioration of their living caused by negative effects of the tourism activity. (Tourism Concern 1999, 1.)

As Figure 1 shows, countries where tourism has been growing fast are for example Egypt and South Africa. The arrivals in Egypt have increased from 2.9 million in 1995 to 5.1 million in 2000, which is at a growth rate of 57%, whereas the arrivals in South Africa have increased from 4.7 million in 1995 to 6 million in 2000, the growth rate being 28%. (Tearfund 2002, 19.)

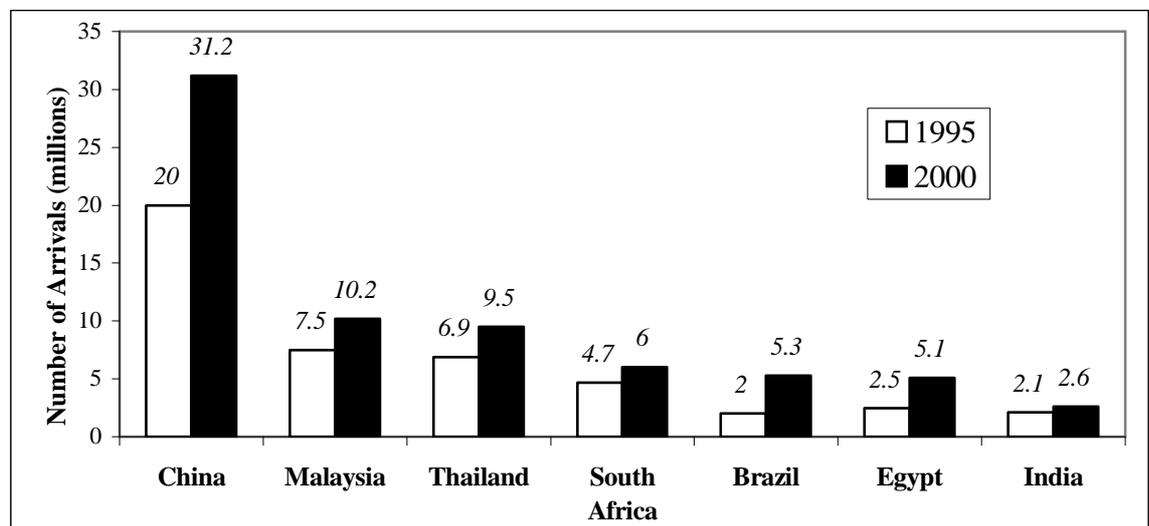


Figure 1. Number of tourist arrivals to some less developed countries 1995-2000 (WTO Tourism Market Trends in Tearfund 2002, 19)

Many less developed countries have seen tourism as a quick chance of gaining economic profit and tourism has thus become a rival to, for example, agriculture, and in many cases thereby a mono-crop. As these countries are generally poor and largely in debt and without previous experience of the tourism industry, tourism infrastructure developments rely heavily on foreign investments. These investments tend to exhaust the national economy as well as the local communities' resources such as water and electricity. Imports are usually increased because of the taste of the tourists, and usually these imports tend to get more expensive than the price received for exports. These factors lead to the fact that the cost of introducing tourism in less developed countries tends to get higher than the benefits, especially with regard to the local, disadvantaged communities. (Tourism Concern 2000, 2.)

It is against this background that the thesis sets out to study Fair Trade and the implications it could have in the tourism industry. The thesis is divided into four major parts, the context is that of Fair Trade, the theory focuses on the economic impacts of tourism, and the empirical part tries to answer the question of differences in economic impacts between "fair" and "standard" tour operators, through interviews with professionals in the field. Finally, the fourth part will analyse the results and combine them to the theory.

1.2 Aim

The thesis aims to find out to what extent Fair Trade in tourism can be (made) successful, by comparing two Finnish tour operators with different scale of operations – one being a mass-market tour operator, whereas the other is a small-scale specified tour operator with an image of being 'fair'. Another aim is to find out if Fair Trade is just another marketing tool or an actual method for improvement in the sense of economic benefits for the local stakeholders. This will be studied by comparing the price structure of the two tour operators in order to find out where the money of an all-inclusive tour goes. The thesis will also try to find out to what extent Fair Trade can be incorporated into already existing products. This will be done by comparing the mass-market tour operator's operations to the criteria of Fair Trade. In general, the thesis aims to serve as a pointer for further research, hopefully generating a greater interest in the subject.

1.3 Research problem

The thesis sets out with a number of questions: What is Fair Trade in tourism? What are the economic impacts of Fair Trade in tourism? How can Fair Trade in tourism improve the economic impacts of tourism? Does Fair Trade in tourism exclude large-scale development? What can be done in order to make existing tourism products more fair? What would tour operators have to lose or to gain by implementing Fair Trade as a kind of ‘operational manual’?

The main problem of the thesis is: Is there a difference in economic impacts between a holiday purchased from a standard tour operator and a “Fair Trade tour operator”? Who are the real beneficiaries and who will stand for the costs?

1.4 Limitations

The questions and problems raised above will be looked at from an economic point of view in order to outline the scope of the thesis. The focus will thus be that of economic impacts, environmental and social impacts will not be addressed. The thesis will also focus on international tourism and more specifically tourism from the advanced world to the less developed world. It will not include other kinds of sustainable tourism such as ecotourism; the perspective will be that of Fair Trade. Moreover, in terms of the empirical part, focus will be on tourism from Finland to less developed destinations, as the interviewed tour operators are Finnish. It is also noticeable that Fair Trade in tourism only exists on paper so far, thus the discussion is still on a more hypothetical level, being a limitation as such.

1.5 Justification

Why focus on tourism to less developed countries? As Tearfund (2004, 1) observes, “11 out of the world’s 12 poorest countries are dependent on tourism for a significant part of their foreign exchange and jobs”. Less developed countries as tourism destinations are increasingly popular.

They cover more than 30% of all international tourist visits and this proportion is constantly growing. As tourism is generally growing every year, long-haul travel constitutes the fastest growing sector. (Tearfund 2002, 16.)

Why combine Fair Trade in tourism with the economic impacts of tourism? Fair Trade is based upon the principles of a fair price. This premium is for the benefit of the producers, in order for them to use it for developing community infrastructure, environmental regeneration or training programmes. It includes advance payments, long-term commitment and no middlemen. (Tourism Concern 2000b, 2.) These are some of the actual economic impacts of tourism, mostly beneficial ones. The theoretical part will however assess the economic impacts of tourism from all angles in order to answer one of the problems set; how can Fair Trade in tourism improve the economic impacts of tourism?

Fair Trade in tourism has yet to receive a great deal of interest and research. It is however growing and offers an interesting option in the quest for sustainable tourism, thus it deserves attention.

1.6 Research methods

The thesis is divided into four major parts as outlined in the introduction. The contextual part will cover Fair Trade in commodities and Fair Trade in tourism. The theoretical part focuses on the economic impacts of tourism. The empirical part first covers the chosen research method and research objects, then briefly addresses the economics of tour operation in order to develop some understanding of the field, it also briefly covers the interview questions and their purpose. The thesis' empirical part consists of a qualitative analysis, based on semi-structured interviews with two professionals from two different tour operators in Finland, one being a major tour operator, the other a small, specialised one. What the study aims to find out is a price structure that to some extent shows how the money paid for an inclusive tour to a less developed country is divided. This is relevant in order to answer the research problem of whether there is any difference in the division of income between a mass and a specialised tour operator, or not. In the analysis, the interview results are given and analysed.

In other words, *what* is studied, is how the money paid for an inclusive tour is divided between the host destination and the sending country, *how* this is done, is by interviewing professionals that have the adequate information from the field and *why* it is done, is to inform the consumers about where their money really goes. The interviews are carried out in Helsinki, May 2004.

1.7 Frame of reference

The theoretical part of the thesis will be depending heavily on writings concerning the economic impacts of tourism and tourism and Fair Trade. The theory of economic impacts of tourism uses the book ‘Tourism-economic, physical and social impacts’ by Alister Mathieson and Geoffrey Wall as a base, developing the issues further with the help of authors like Peter Mason, J Christopher Holloway, Tamara Rátz and László Puczkó.

The contextual part regarding Fair Trade relies mostly on writings by non-governmental organisations related to Fair Trade, of which the most essential ones will be presented briefly below. The first part, Fair Trade in commodities relies to a great extent on Brid Bowen’s ‘Let’s go fair’ in The Fair Trade Yearbook of 2001, whereas Tourism Concern provides the greatest part of the information surrounding Fair Trade in tourism.

Tourism Concern is a UK-based non-governmental organisation, whose mission statement is “To effect change in the tourism industry by campaigning for fair and ethically traded tourism” (Tourism Concern 2004). Tourism Concern’s International Fair Trade in Tourism Network aims towards Fair Trade in tourism (Tourism Concern 1999, 2). Tourism Concern is the organisation that originally presented *Fair Trade in Tourism*.

The European Fair Trade Association, EFTA, currently imports fair products from over 700 trading partners in Africa, Asia and Latin America (Bowen 2001, 31). EFTA offers cost-reducing and hence competitiveness-increasing services to its members by “capitalising on the specific advantages of each member”.

It also acts as a co-ordinating body for the advocacy and campaigning work of its members and strives towards getting the Fair Trade movement towards European and international political institutions. (Bowen 2001, 35.)

IFAT, *The International Fair Trade Association* serves as an information point for the members. It collects and distributes market information and offers advice and guidance on several issues (Bowen 2001, 36).

The International Fair Trade Labelling Organisation, FLO, “co-ordinates the work of the international labelling initiatives and ensures that the two core ideas of the label concept, i.e. producer registers and product-related trading rules are harmonised and monitored all along the supply chain” (Bowen 2001, 36).

The Network of European Worldshops, NEWS! favours and facilitates co-operation and networking between members. It provides information and workshops, and organises a bi-annual European world shops conference and other campaign activities (Bowen 2001, 31).

Since 1998, EFTA, IFAT, FLO and NEWS! have been co-operating through an “informal umbrella network” called FINE. The aim is to “advance the development of a common definition of Fair Trade, criteria and monitoring systems and to co-operate on advocacy and campaign issues” (Bowen 2001, 36).

The organisation responsible for Fair Trade in Finland is Reilun kaupan edistämisyhdistys ry (Reilun kaupan edistämisyhdistys ry 2004c).

1.8 Key concepts

In order to make the thesis easily readable and thus available to anyone, some concepts need to be clarified. These concepts might not all come up in the text as such, but they are crucial for the understanding of the background factors leading to the need of change in the tourism industry and will thus also serve as a justification of the subject and research. The following subsections will clarify these concepts.

The *Fair Trade* label ensures fair and direct trade with the producers of the less developed countries. It also guarantees workers fair wages and working conditions. Fairly traded products are labelled with the Fair Trade logo. (Reilun kaupan edistämisyhdistys 2004b.)

“*Fair Trade in tourism* promotes equitable global trading terms and conditions between tourism generators and host communities as a key component of sustainable tourism. It also seeks parallel trading and decision-making equity among stakeholders in the tourism industry in host destinations”. (Tourism Concern 2000a.) Fair Trade in tourism is not yet monitored or labelled.

Sustainability involves three functional dimensions: the environmental, the social and the cultural dimension (Finnish UN Association 2004). The World Tourism Organisation offers a well-cited definition of sustainable tourism development: “Sustainable tourism development meets the needs of the present tourists and host regions while protecting and enhancing the opportunity for the future. It is envisaged as leading to management of all resources in such a way that economic, social and aesthetic needs can be fulfilled, while maintaining cultural integrity, essential ecological processes, biological diversity and life support systems”. (UNEP 2003.) Fair Trade in tourism is one of the key components of sustainable tourism (Tourism Concern 1999, 2).

Marginalised groups mostly work in the unofficial economy with low wages and income, mostly without social benefits and in difficult and/or poor working conditions (Bowen 2001, 28-29). They are usually not able to acquire direct market access, neither locally nor abroad, mostly due to economic and geographic factors as well as lack of skills and/or resources. (Bowen 2001, 28-29). Thus the marginalised countries are often heavily *dependent* on the advanced world (De Schutter 2001, 14).

As some authors have pointed out (Harrison 1995, 1-2, Holden and Burns 1995, 11), it is hard to find a suitable expression covering the state of development of different countries. The less developed countries, the developing or the underdeveloped countries are the economically underdeveloped countries of Asia, Africa, Oceania, and Latin America.

These countries are considered as an entity, sharing characteristics like poverty, high birth rates and economic dependence on the advanced countries. However, what has to be kept in mind, is that these countries are highly differentiated as they include countries from various levels of economic development and despite the general poverty, the ruling elite of most of these countries is, in general, wealthy. (Chaliand 2004.) Burns and Holden (1995, 11) point out that most of the terms used for describing the countries outlined above, are unsatisfactory in their own ways. However, in order for the thesis to be fluent, one consistent term must be chosen. The term used will be *less developed countries*, LDCs, and the higher income economies, usually referred to as the developed world or the First World, will here be referred to as the *advanced countries*, or the *advanced world*.

When *leakage* occurs, expenditure is lost from the local system to other areas. By maximising local economic linkages through e.g. buying local produce and employing local people, the leakage can be decreased and the benefits of tourism to the locality increased. On the other hand, when the local economy is depending on a large number of imports, the leakage will also be higher. Many less developed countries that depend on tourism suffer from high leakage as multinational, foreign owned companies have entered (and often monopolise) the market. (Page 2003, 316-317.)

Tour operators organise and package parts of the tourist experience and sell them to the public, either directly or through travel agents. (Page 2003, 187.) The empirical part of the thesis will study the economics of tour operating. The package or inclusive tour usually includes at least two elements and are sold at an inclusive sale price. The elements include transport, accommodation and other tourist services. (Ibid.)

The most essential *international trade agreement* concerning tourism is GATS, the General Agreement on Trade and Services that favours free trade, and set up various obligations and rules that member states have to follow. GATS is a World Trade Organisation agreement with the aim to remove restrictions and internal government regulations that are considered as barriers to trade. It is however questionable, who the beneficiaries of GATS are. (Tourism Concern 2001/2002, 1.)

How does tourism fit into *globalisation*? Tourism has followed the path through colonialism to our society. The history of tourism is built upon romanticised stories of the British noblemen and the religious that travelled in order to become enlightened. They usually included chefs, maids and carriers. The traditions of tourism also include conquerors and other explorers who were looking for foreign and unknown countries for their own interests. Later, anthropologists and scientists became interested in distant and exotic countries, people and cultures, thus adding the general interest in these 'primitive countries and people'. (McLaren 1999, 10.) Today, the media and tourism marketing sell these countries and people in our modern consumer society. The most exotic destinations are wanted as luxurious vacation-spots and are developed into miniature copies of our consumer lifestyles. Thus it is without doubt that tourism can be said to be the greatest form of a *new or neo-colonialism*. Thanks to the liberalisation of transport, information and trade, the people and companies of the advanced world have easy access to the environmental and cultural resources of the less developed world. Tourism is a worldwide phenomenon that influences mankind and the environment. At the same time as the tourism industry and the people working in it benefit, the people in the host destinations feel that their dignity and autonomy is threatened. In the dynamics of globalisation, the vital rights of the local communities are at risk. (Ibid.)

Multi- and transnational corporations are a key feature of contemporary globalisation. These businesses operate on a large-scale basis, globally, and their share in global trade is growing steadily. (Meethan 2001, 50.) Estimations suggest that multinational corporations account for almost one third of global trade. (De Schutter 2001, 14.)

2. FAIR TRADE

Ever since the Fair Trade mark first was introduced, it has become increasingly known and appreciated. A research conducted by Tearfund (2002, 7) has shown that the consumers are willing to pay more for products that are produced in a producer-friendly way, which means that they benefit the country in which they are produced.

As this chapter will cover both Fair Trade and Fair Trade in tourism it is crucial to keep in mind that Fair Trade in commodities already exists, it is a labelled product with standards and criteria that are being monitored. Fair Trade in tourism is, on the other hand, still in the developing phase, thus it has not been labelled, there are no standards or labelled Fair Trade products in the tourism sector. Fair Trade in tourism as it is today is an endeavour, an ambition, which hopefully one day will be a standardised module for organisations to follow.

2.1 Fair Trade in commodities

The Fair Trade movement originates in decentralised citizens' movement, thus there are a number of definitions for the phenomenon. In 1998, FINE, an informal umbrella network in which The International Fair Trade Labelling Organisation, The International Fair Trade Association, The Network of European Worldshops and The European Fair Trade Federation meet to share information, was established. In 2001, it established the following definition for Fair Trade:

"Fair Trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalised producers and workers –especially in the South."

The strategic intent of Fair Trade, according to FINE, is to work with marginalised producers and workers, thus helping them to progress from a condition of vulnerability to "security and economic self-sufficiency". Another intention of FINE is to empower producers and workers to play a wider role globally in order to gain greater equity in international trade. (Bowen 2001, 24-25.)

The aim of Fair Trade is, in a general sense, to participate in the reduction of poverty in the South and to restore the producers' dignity. Fair Trade enables communities to play an active part in their own development as the system is built upon the producers' skills. The above mentioned aims are reached by offering a protected market to marginalised producers and assisting them in establishing capacities and skills needed for entering the mainstream export market. (Bowen 2001, 24 – 25.) What the Fair Trade movement wants to point out is that mainstream business need to take responsibility for the entire trade and production process, from producer to consumer. What need to be reported are not only the economic effects but the ecological consequences and the social effects on each participant of the chain as well. (Bowen 2001, 40.)

The most essential characteristic of Fair Trade products is their high quality. Today the variety and range of Fair Trade products is also increasing rapidly. From being almost exclusively about handicrafts, Fair Trade today ranges from jewellery and household items to food items such as bananas, coffee and sugar. Fair Trade offers a range of 5000 to 7000 different products globally (Bowen 2001, 30). The Fair Trade supply in Finland includes nine products; bananas, coffee, tea, cocoa, chocolate, sugar, honey, pineapple and oranges (Reilun kaupan edistämisyhdistys 2004b).

2.1.2 Fair Trade criteria

Both sides of the Fair Trade partners have agreed to certain criteria. The minimum criteria for the Fair Trade producers of the less developed countries, is that the functioning and decision-making takes place in a democratic way within the organisation. For the Fair Trade organisations of the advanced world, the minimum criteria are: to provide direct access to markets by reducing the number of middlemen; to pay a fair price in order to cover the basic needs of the producer; to offer the possibility of advance payment thus avoiding the producers falling into debt, and finally, to establish long-term relationships with the producers. In addition to these basic criteria, a number of other elements are usually agreed on as well, both on behalf of the producers as well as the Fair Trade organisations. (Bowen 2001, 25.)

The activity of the producers should be sustainable, both in an economic, environmental and social sense. It should provide acceptable working conditions and assist in the development of the community, e.g. by creating jobs. (Bowen 2001, 25.) Where possible, the core ILO (International Labour Organisation) standards have to be respected and followed, as in the case of plantations. The activity or its outcome should not jeopardise the local markets but producers must find a balance between exports and the local market. Finally, what should also be aimed at, is that as much as possible of the production process would happen in the region, in order to gain the highest possible return on sales and to acquire new skills. (Bowen 2001, 26-27.)

Additional principles with regard to the Fair Trade organisations concern issues such as providing finance, assistance and training for the marginalised producers. They shall also take part in the promotion of Fair Trade. (Bowen 2001, 28.) In case of failure to meet all or some of the criteria, the producers are not disqualified as Fair Trade partners. The diversity of products and producers and their operational environment, demands a 'case by case basis' approach. The scenario where the producer groups aim towards fulfilling these criteria and the 'advanced partner' assists in this evolution is more important than that it is already at the 'optimal position'. However, the Fair Trade label should act as a guarantee for the consumers, ensuring that the criteria of Fair Trade have been met. (Ibid.)

2.1.3 Fair price

"The Fair Trade price should cover the full cost of producing the good, including social and environmental costs. This price must be sufficient to provide the producers with a decent standard of living and a margin for investment in the future." (Bowen 2001, 29.)

Generally, the producers set their price or give their calculations, which are then accepted by the importing organisations. In cases where the price is set on international commodity exchanges, the international price and a premium is paid by the Fair Trade movement. A minimum price is always guaranteed, without regard to the whims of the market. Liberal economists fear that this intervention will lead to increased production of already over-supplied products. (Bowen 2001, 29.)

However, as Brid Bowen (2001, 29) points out: "evidence from over 40 years of fair trading suggests that very few producers have expanded production due to the higher price paid – given the tiny parcels of land they possess and the lack of working capital and resources, it is almost out of the question."

2.1.4 Benefits for Producers

Fair Trade offers the producers direct access to markets, which, in turn, often leads to producers building up outlets, visiting business fairs and commercial traders and connecting with the European market independently. This development is supported, as it helps avoiding an 'over-dependence on the Fair Trade system'. (Bowen 2001, 31.) Despite getting producers of the less developed world in contact with the European markets, Fair Trade also encourages contacts in between the producers of the less developed countries, which gives them the chance to learn from each other and thereby also decreases the over-dependence on the advanced world. (Ibid.) A fair price is guaranteed and the extra premium paid goes to whatever the producer finds of value. However, it should be allocated so that the community benefits from it. Most of the Fair Trade producers sell only part of their total production to the Fair Trade market and the rest is sold to the mainstream market according to the usual selling conditions. This on the other hand means that availability of products to middlemen is reduced, whereby they have to offer higher prices in order to get adequate quantities. What is probably most valued by producers is the possibility to get advanced payments as well as the guarantee of payment. Assistance offered in terms of e.g. technical assistance and training and research to develop ecological products as well as loans offered to expand the products, are also of great value to the marginalised producers. (Bowen 2001, 31-32.)

2.1.5 Trends and Perspectives for Fair Trade

An EFTA survey shows that Fair Trade is growing significantly. In 1998, a survey estimated that the turnover of Fair Trade in 16 European countries counted for more than 200 million euros. An update on that survey in 2001, gave the figure over 260 million euros, which means an increase of 30% during those 3 years. (Bowen 2001, 33.)

There is also an increased awareness of Fair Trade and the consumer behaviour patterns and changes in society all favour the idea of Fair Trade. In the UK, 86% of the consumers says they are aware of Fair Trade and 68% of the consumers affirm being willing to pay a higher price. (Ibid.) Recently Fair Trade has also been put on the political agenda, both at a national and a European level (Bowen 2001, 34). In Finland this was seen for instance, at the president's annual Independence Ball, where fairly traded coffee was served. According to Bowen (2001, 35) the success of Fair Trade in the recent past is, to a great extent, "attributed to two other complementary developments – the professionalisation of the movement, and the emergence of a strong European dimension." (Ibid.)

The success of Fair Trade products is growing both in Finland as well as around the world. According to the first estimates there was an increase in sales of about 30%, which is about 10% more than the previous years. In Finland the turnover of Fair Trade products was 7.5 million euros in 2003. (Reilun kaupan edistämisyhdistys ry 2004d.) The professionalisation has taken place at a number of levels. Investing in building up production and managerial capacity of the producers has led to improvement in quality and choice of products as well as improved efficiency of production. A great effort has been put on the marketing of Fair Trade and the image of Fair Trade has changed, it reflects trends in mainstream business and it is easily recognisable to the public through common names, logos and packaging. The establishment of European Fair Trade networks has reinforced national initiatives to professionalise and expand the market. Increased centralisation of decision making on legislation on trade and increased competition at the retail market led importing and labelling organisations to establish their own European co-ordinations, such as EFTA, NEWS! and FLO. (Bowen 2001, 35.)

Although the success of the Fair Trade movement seems obvious, it faces great challenges. The producers of the less developed countries still need to expand their Fair Trade market in Europe, both in order to supply a bigger part of their production as well as to 'give access to other Fair Trade producers'. (Bowen 2001, 36.) The figures show effective growth in Fair Trade turnover. However, this is mostly the case in areas where the concept of Fair Trade is fairly new.

In countries where the concept has already existed for a number of years, the growth rate has slowed down, in some parts even started to decline. Some of the factors that make it difficult for Fair Trade to expand, are the multinational companies and their marketing strategies as well as port regulations and fashion changes. (Ibid.)

2.2 Fair Trade in tourism

Fair Trade in tourism derives from the presumption that it is possible to share the benefits, and disadvantages, of tourism in a much more fair way than what has been done, observing both the economic, ethical as well as the environmental points of view (Avara Maailma 2004). Fair Trade in tourism is also one of the key aspects of sustainable tourism. The aim of Fair Trade in tourism is “to maximise the benefits from tourism for local destination stakeholders through mutually beneficial and equitable partnerships between national and international tourism stakeholders in the destination”(Tourism Concern 1999, 2).

2.2.1 Tourism as trade

Tourism is an “invisible export industry” which means that there is no tangible product to deliver. In tourism, just as in banking, the consumer collects the service personally from the point of production. Thereby, there are no direct freight costs outside the exporting destination’s boundaries unless it owns the transportation used. This is extremely unusual in less developed countries and thus tourism is sold “free on board” (f.o.b.). In advanced countries on the other hand, the exporting country often owns e.g. the airline and thus tourism is sold both f.o.b. and c.i.f., which includes cost, insurance and freight. (Mathieson and Wall 1992, 38.)

Tourists need auxiliary goods and services while staying at a destination. These include transportation facilities, water supply, sewerage systems and retailing and they need to be created, further developed or imported, depending on accessibility. Tourism is a fragmented product and it is a very precarious export being sensible to external forces, highly elastic pricing and income as well as dependent on seasonal changes. (Mathieson and Wall 1992, 38.)

2.2.2 Defining Fair Trade in tourism

Fair Trade in tourism values indigenous host communities and supports their participation in the process of tourism development, whether they are involved in tourism or not. Fair Trade in tourism can consist of an integrated development process in the destination, it can be a corporate ethical code or trade partnership agreement or it can be an actual certified Fair Trade product. (Tourism Concern 1999, 2.)

In order for Fair Trade to achieve a better equity for destination stakeholders, change is necessary in many levels, including international trade agreements, in the tourism industry, in destination government policies, in consumer behaviour and among destination community stakeholders. This diversity clearly shows that there is no single way in which Fair Trade should or can be implemented in tourism. A general framework can, however, be set up as a guide for best practice. (Ibid.)

As Fair Trade in tourism strives towards making tourism more fair, it prioritises the following groups in the host destinations; groups with no previous influence in the process of decision-making concerning tourism, groups that are discriminated or disadvantaged economically or socially, especially through tourism developments, groups that would commit to the market but lack technical and organisational support, groups involved in new tourism-related initiatives and finally, groups that are employed in tourism. (Ibid.) Thus, the beneficiaries of Fair Trade in tourism are supposed to be those that need the support the most; the local community stakeholder groups. Many of these would not be able to function without the support of Fair Trade organisations.

2.2.3 Main criteria of Fair Trade in Tourism

The main criteria of Fair Trade in tourism have been put together by members of the International Network on Fair Trade in Tourism. They represent the result of a “long-term international multi-stakeholder process”, which excluded mass tourism operators and governments. (Tourism Concern 1999, 2.) This means that the criteria cannot be seen as definitive, but they are a part of a process and offer a basis on which to develop benchmarks and indicators. (Ibid.)

The criteria can be divided into five groups; Fair Trade partnerships between tourism and hospitality investors and local communities, Fair share of benefits for local stakeholders, Fair Trade between tourists and local people, Fair and sustainable use of natural resources and finally Fair wages and working conditions. (Tourism Concern 1999, 3.) These criteria will be dealt with in more detail below.

Fair Trade partnerships between tourism and hospitality investors and local communities include six major areas. The consultation and negotiation should be equitable and it should take the interests of *all* local community stakeholders into account, whether involved in tourism or not. The business operations' transparency and accountability should be environmentally and socially audited. Locals, including indigenous people, should be employed in order for them to be able to develop their human potential. Training for managerial positions should be offered and the investors should be made aware of relevant regulations, both national and international. Finally, anti-corrupt practices should be encouraged. (Tourism Concern 1999, 3.)

Fair share of benefits for local stakeholders, in other words "reduction of leakages – increase of linkages" is divided into nine levels. The main point is a fair price, which should be a result of negotiations with local suppliers, covering the 'costs of production'. (Tourism Concern 1999, 3.) Fair competition and use of local products and material should be stimulated as well as fair distribution of revenues, ensuring that the return from tourism benefits the destination. Foreign investors should be able to adapt to the tax regulations of the destination and the "transfer pricing policies of transnational corporations should be reviewed to ensure adequate liability". Information and education that are a part of the marketing process to the consumer should be open and transparent. This in two ways; the way in which locals gain benefits from the tourist activity, and the way in which tourists can assist in increasing the respect for the socio-cultural, economic and environmental priorities. (Tourism Concern 1999, 3.) Fair share of benefits for local stakeholders also means taking into account and respecting the cultural assets of the destination. This means that for example the marketing of the destination has to observe intellectual property and human rights, sacred sites and traditional community livelihoods should be protected from tourism development and local communities involved should be consulted before using these for tourism purposes. (Ibid.)

Fair Trade between tourists and local people involves a mutually beneficial exchange, which can be achieved through informing tourists so that they become responsible travellers that value and respect the culture they are visiting. The tourists should also be paying a fair market price and the locals on the other hand should charge a fair market price. (Ibid.)

Fair and sustainable use of natural resources involves researching and investing in environmental protection, implementing measures improving the local environment, adhering to national and international conventions and finally consulting the local community. (Tourism Concern 1999, 3-4.)

Fair wages and working conditions refers to wages and working conditions that reflect appropriate international labour standards, for example considering minimum wages, health and safety and child and slave labour. (Ibid.)

2.2.4 Fair Trade in tourism today

The most essential issue that came up in a discussion regarding Fair Trade in tourism with Mari Mero (12.5.2004), the chairman of Reilun Matkailun Yhdistys ry (a Finnish association for Fair Trade in tourism) was the fact that Fair Trade in tourism today still is 'under construction'. Tourism Concern's mission was to establish principles and guidelines in order to develop certified Fair Trade tourism products but the situation did not proceed any further due to lack of funding and resources. According to Mero, what should be developed are 'fairly traded tourism *products*', as opposed to e.g. certified Fair Trade tour operators. The products would be more easily monitored and easier to certify. A tour operator, on the other hand, has quite a few different products on offer, some of which are more fair than others. (Mero 2004.) Mari Mero suggests, as one possibility, a network of fairly traded tourism products to be established in a period of approximately ten years.

It is crucial to once again emphasise the fact that there are no certified Fair Trade in tourism products or businesses today and that Fair Trade in commodities is not identical with Fair trade in tourism in any way.

3. ECONOMIC IMPACTS OF TOURISM

The impacts of tourism can be said to be more than the outcome of a certain tourist event or facility. Impacts appear as modified human behaviour, originating from the “interactions between the agents of change and the sub-systems on which they impinge” (Mathieson and Wall 1992, 14). The links between the different categories of tourism impacts; economic, physical and social are very close and thus interpreted and indicated complex and difficult to measure and plan (Mathieson and Wall 1992, 24). The tolerate limits of a destination area’s carrying capacity, concerning the economic, physical and social sub-systems, determine the dimension and direction of the tourist impact. These limits have been exceeded when the impacts become negative. (Mathieson and Wall 1992, 34.) When compared with physical and social impacts of tourism, the economic ones are relatively easily measurable. This is because the physical and social impacts are often composed by intangibles and incomparables, thus hard to quantify or analyse numerically. (Mathieson and Wall 1992, 36.) One of the key issues arising when discussing economic impacts of tourism is scale (Mason 2003, 35-36). And as Douglas Pearce (1989, 186) notes: the size, diversity and vitality of an economy together with the degree of tourism, local participation and external influences will further influence the impacts of tourism on a destination.

The impacts studied here, shall be those of economic impacts. However, what should be kept in mind is that all of the factors above are interwoven in real life and the economic impacts affect and are affected by the natural environment and the socio-cultural factors. Thus, tourism impacts are not only social, environmental or economic, but there are many inter-related levels. (Mason 2003, 27-28.) The economic impacts are particularly obvious in less developed countries (Mason 2003, 36). However, there seems to be a trade-off situation, where the positive impacts outweigh the negative ones. (Mason 2003, 29). In general, the study of economic impacts has tended to have a more positive point of view, focusing on the number of benefits that tourism can bring although these benefits have been accompanied by a number costs. (Mathieson and Wall 1992, 91-92.) The thesis aims to view the economic impacts of tourism from both perspectives.

3.1 Tourism and economic development

The benefits and costs of tourism development are different in different areas. Some of these are characteristic of the changes in the destination area's economic structures and geographical locations, the most obvious difference being that between less developed and advanced areas. In less developed countries the level of income is usually low, the distribution of income and wealth is usually uneven, there are high levels of unemployment and underemployment, the industrial developments are barely existing, there is a strong dependence on agriculture and the service and manufacturing industries are usually under foreign ownership. These factors can also be associated with disparities in wealth between less developed countries, a considerable leakage of profits, high inflation and a lack of foreign exchange. Many of the factors mentioned above do trouble advanced countries as well. However, the reasons are usually other kinds of economic factors. It is also clear that increased tourist expenditure and foreign investment has quite different effects in terms of scale if injected to a less developed as opposed to an advanced economy. (Mathieson and Wall 1992, 40.) However, not only the economic development of the destination, but also the source of tourists and investment, influence the directions of monetary flows, distribution of benefits and employment and income characteristics. (Mathieson and Wall 1992, 40.)

Tourism is relatively new in less developed countries, but it has expanded rapidly over a short period of time, thus heavily burdening the local infrastructure and human resources, not always in a positive sense. However, there is a desire to transform from a traditional agricultural economy into an industrial economy in order to develop economically. This would however require vast amounts of capital and foreign earnings or loans, which the less developed countries are unlikely to possess; thus their governments have turned to tourism, as a fast way of acquiring the revenue needed for industrialisation. Supporters of tourism development in less developed countries also indicate that tourism despite these positive impacts also would lighten problems of urban unemployment and provide a substitute for traditional exports facing less secure futures. These kinds of arguments have led to the fact that, especially among policy-makers in less developed countries, tourism is seen as a viable strategy for economic growth. (Mathieson and Wall 1992, 41.)

Developing tourism in less developed poor countries is also appealing since the profits usually are higher for the industrialists here, as prices tend to be a lot cheaper due to the low standard of living (Krippendorf 1987, 50). On the other hand, when compared with export of primary products, tourism does have a comparative advantage in that the host destination has more control over pricing and thus the developing country is not subject to the whims of commodity exports. Compared with raw materials, tourism is also more income-elastic, as small increases in income of the potential tourists might lead to considerable growth in tourist arrivals and tourist receipts thus favouring the less developed countries. (Mathieson and Wall 1992, 44-45.)

3.2 Measuring the economic impact

The economic impact of tourist expenditure can be calculated by using the multiplier analysis whereas estimating the economic impact of tourism development projects, project appraisal techniques such as cost-benefit analysis are more appropriate (Cooper, Fletcher, Gilbert, Wanhill and Shepherd 1998, 131). However, as the black or grey turnover is relatively high in many less developed countries, the actual economic impacts of tourism are quite hard to measure. In a black economy a considerable amount of the income from tourism does not flow through the official channels. (Rátz and Puczkó 2002, 65.)

Christopher Holloway offers four ways of measuring the economic impacts of tourism, that is, the effect on income, employment, the area's balance of payments and finally the effect on investment and development (Holloway 1998, 46).

3.3 The positive and negative economic impacts of tourism

Rátz and Puczkó (2002, 98) distinguish between the negative and positive economic impacts of tourism as illustrated in Figure 2 on the following page.

POSITIVE IMPACTS	NEGATIVE IMPACTS
<ul style="list-style-type: none"> - Increased employment opportunities - Multiplier effects - Developing of infrastructure - Increased prices (e.g. land) - Import increase (e.g. developed technology) - GDP/GNP increase - (Additional) income - Regional development, decreasing inequalities - Changing the economic structure - Supporting traditional activities - Increase of foreign exchange - Increased tax income - Involving external sources - Widening of the scope of services - Increase of entrepreneurial spirit 	<ul style="list-style-type: none"> - Seasonal employment, high fluctuation - Migration - Inflation - Increased prices (e.g. food) - Increased imports of products replacing domestic - Constrained development - Dependence - Increased regional inequalities - Changed economic structure - Disappearance of traditional activities - Elimination costs of negative effects - Saturation of infrastructure - Increased governmental expenses - Income and labour leakage - Remaining / increased black turnover

Figure 2. *Economic impacts of tourism (Rätz and Puczkó 2002, 98)*

No distinction has been made in the discussion of positive and negative impacts of tourism that follows, as the impacts are interrelated. Taking employment as an example, as Figure 3 shows, employment can have both positive and negative impacts. It is positive that locals are employed, however, employment in tourism is usually seasonal, and as people choose to work in the tourism industry, other sectors might loose out and perhaps vanish, thus also leading to socio-cultural and perhaps environmental impacts. The positive and negative impacts of tourism will be discussed in further detail in the following sub-sections.

Balance of payments

“The balance of payments account is a record of economic transactions during a period of time (usually a year) between residents of the country in question and the rest of the world” (Mathieson and Wall 1992, 54).

The income a country gains from tourism can help to balance the national balance of payments. This is considered important as the country then gains foreign, or hard, currency. Effects on the balance of payments are considered the most known economic impacts of tourism. The balance of payments account includes the value of all goods, gifts, loans, foreign aid and gold that comes in or leaves the country as well as the connections between these. (Mathieson and Wall 1992, 53-54.)

Tourism effects the balance of payments in two ways; effects within the country and effects on international tourism. This is useful to know in order to calculate foreign earnings in the balance of payments and compare them with the costs. In other words it is useful in the sense of knowing if more money is leaving the country than what is earned from international tourism. (Mathieson and Wall 1992, 54.) The amounts spent on international transport are however not included as part of the income generated from tourism in the balance of payments. This is mainly due to the fact that the transport companies usually are registered in the country of departure, whereby the destination may not account for the amount spent on transport as income. (Rátz and Puczkó 2002, 66.)

The effects of tourism on the balance of payments can also be divided into three categories; primary, secondary and tertiary effects. The primary effects are direct and comparatively easily measurable. They concern the actual consumption by foreign tourists as well as the consumption of the country's citizens abroad and occur only when international boundaries are crossed. The secondary and tertiary effects are more complicated and hard to measure. The secondary effects are divided into direct secondary effects, indirect secondary effects and induced secondary effects. Direct secondary effects involve, among others, imports, commissions to travel agents and outflows in terms of e.g. dividend payments to foreign investors. (Airey 1978, 4-5.) The indirect secondary effects include secondary transfers of initial tourist expenditure. Induced secondary effects involve the proportion of payments remitted abroad in terms of expatriate labour. The tertiary effects are the flows of currency that are not set up by direct tourist expenditure. (Ibid.) They involve for example products that have been imported for travelling abroad; such as suitcases as well as the investment opportunities that tourism creates (Rátz and Puczkó 2002, 63).

The expenditure by overseas visitors in the country together with the expenditure by residents abroad is considered to be the travel account or travel balance and the results are compared in order to determine which number is larger. The tourism balance on the other hand, takes into account “all readily identifiable items of international visitor expenditure”. The travel account might be of use when preliminary assessing the involvement of a country in international tourism. (Mathieson and Wall 1992, 56.)

Currency flows

International price and currency controls such as currency restrictions – in terms of the volume that can be taken abroad, import duties and export taxes can manipulate the volume of tourist traffic (Mathieson and Wall 1992, 40). The direction and dimension of currency flows are determined by factors that make the difference between gross and net foreign earnings. When supply and demand is stable, they include the *tendency to import*, *expatriate labour* and *the nature of capital investment*. (Mathieson and Wall 1992, 59-60.)

The propensity to import takes every unit of tourist expenditure that is moved to another area to purchase goods or services into account and thus shows the likelihood of leakage. The imports can be either direct or indirect and are usually influenced by the importing country’s size and development status as well as by its import policies. (Mathieson and Wall 1992, 60.)

When the ‘home country’ is unable to supply the labour domestically, it needs to employ *expatriate, foreign, labour*. The amount of leakage from the exporting country is larger when the total expatriate earnings are high. (Mathieson and Wall 1992, 61-62.) It is generally thought that most of the tourism-related labour is semi-skilled or unskilled, thus it would seem as if the less developed countries would possess their tourism labour domestically and thereby not be in need of expatriates. This again would save them from the outflow of currency in terms of remittance payments. (Ibid.)

Particularly in less developed countries foreign *capital investment* has been a very common feature in the tourism industry. It is a result of two major conditions; the encouragement of foreign investment in early tourism development and the rise of the multinational corporations and it has lead to high leakage. (Ibid.)

Tourism and the gross national product

The economic impacts of tourism to a country can be assessed through the gross national product, GNP. GNP is calculated by estimating tourist expenditure, both domestic and foreign, and subtracting the products and services bought by the tourist sector. The payments by foreign tourists are considered as foreign exchange receipts. The GNP amount comes from the total tourist consumption, minus the costs of servicing these tourists. For the countries with low levels of domestic tourism, this mode of measuring is more interesting than that of domestic and international tourism together. This concerns less developed countries in particular, as the levels of domestic tourism usually are quite low. (Mathieson and Wall 1992, 63.)

Economic multipliers

Respending the incomes and thus creating additional income is known as the multiplier effect. This process of respending goes on, until all money has leaked away. A definition of the multiplier effect could be as proffered by Mathieson and Wall (1992, 64): “the number by which initial tourist expenditure must be multiplied in order to obtain the total cumulative income effect for a specified time period”. The size of the multiplier is different for different countries and regions and it depends on their economic base. Other factors influencing the multiplier are: the quantity of imported goods and services for the use of tourists, the propensity of locals to use imported goods and services as well as the inclination of locals to save. The multiplier is low when the levels of import and thus the leakage of money, is high (Mathieson and Wall 1992, 64-65). Income multipliers are useful when assessing the short-term impacts of tourism expenditure (Mathieson and Wall 1992, 71).

Tourism interaction occurs when tourism products are transferred from enterprises to customers. The money that circulates here shows the volume of the interaction. The stage for economic interaction is the locality or setting where the tourism operations take place. This setting will contribute to the economic interactions as a number of intermediate factors. The outcome of this economic interaction is that the setting and the actors modify each other, as can be seen in Figure 3 on the following page. (Rátz and Puczó 2000, 101.)

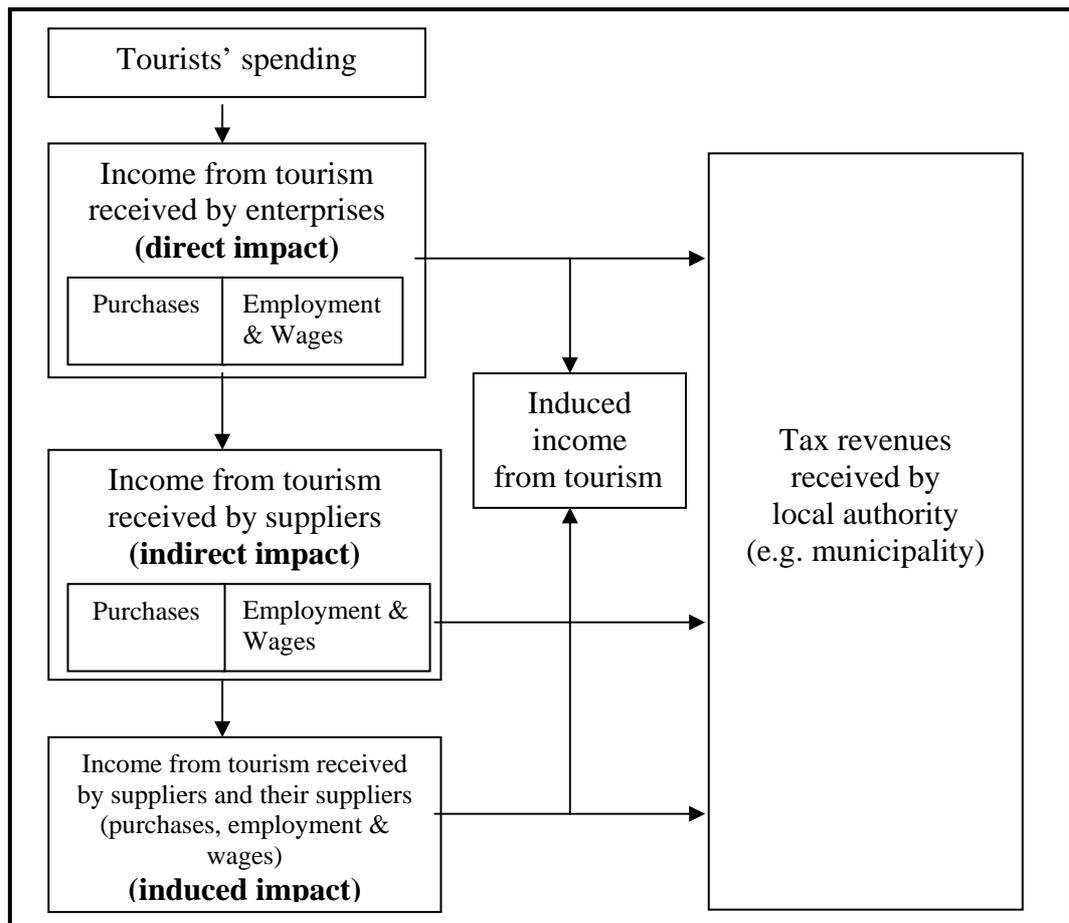


Figure 3. Model of the economic impacts of tourism (Rátz and Puczkó 2002, 101)

Another way of seeing it is that “the spending of tourists in a given region induces income and leakage, which results in further income and leakage”. The multiplier shows the share of total income “generated in the economy by a unit of tourist expenditure”. (Rátz and Puczkó 2000, 80.)

Income generation and the distribution of tourist spending

Tourism is very flexible concerning price and income and decisions are heavily influenced by minor changes in price and income. As price elasticity has frequent and immediate effects it is more easily recognisable than the elasticity of income. These changes are more progressive and the effects can only be identified after a certain period of time. (Mathieson and Wall 1992, 39.)

The total income earned from tourist spending, increases when the area of measurement is extended. This is due to the fact that leakage is reduced and thus reflects the ability of a larger area to supply the goods and services needed, instead of importing. (Mathieson and Wall 1992, 73-75.) Some of the tourism industry establishments are totally dependent on tourist spending, whereas others also profit from the local residents and thus gain only a small part of their revenues from tourism. Governments get income from tourism through direct taxation on tourist manpower, tourism and transport enterprises, fees and service charges, as well as from indirect taxation on customs duties, goods consumed by tourists, interest and loan repayments as well as from revenue gained by government-owned or financed tourism enterprises. (Ibid.)

Employment

Tourism employs more and more people in the less developed countries. However, they are mostly employed at the lower performance level, in order to keep the salaries low. The managerial staff is on the other hand brought with the multinational corporations. Thus the income from tourism is not sufficiently let to grow in the destinations. (Hemmi 1999, 22.) However, it is generally agreed that tourism does create employment and that this is a beneficial impact (Mathieson and Wall 1992, 77).

There are three different types of employment offered by tourism. *Direct employment* is employment at tourism facilities, resulting from tourist consumption. *Indirect employment* is also a result of employment in the tourism supply sector, however not directly resulting from tourist expenditure. *Induced employment* occurs as additional employment resulting from tourism multiplier effects. (Ibid.) To a certain extent, the impacts of employment and income are related as direct, indirect and induced effects can be distinguished in both cases. There is also a connection between increased income and increased employment, although the pace of growth is not necessarily of equal standard. The type of tourist activity influences the effects on employment, as different types of tourism are labour-intensive at different levels; for example the accommodation facilities employ a large number of labour force at destinations and thus often require greater amounts of capital as well. (Mathieson and Wall 1992, 79-81.)

Effects of employment are also influenced by the local skills and the employment structure as well as the seasonality of employment often thought of as disadvantages. (Mathieson and Wall 1992, 79-81.)

The employment effects of tourism are often invisible or covered as tourism might employ people from other sectors or people that would not otherwise be considered to belong to the available workforce, thus it is difficult to measure and see the real impacts tourism has on employment. The seasonal employment may also attract people away from full-time employment whereby non-tourist industries might be discouraged from stationing in the area. Generally, it can be said that the fact that tourism creates employment is beneficial to the economy. (Ibid.)

Entrepreneurial activity

Co-operation and linkages between the local entrepreneurs of tourism and the tourist sector depends on the demand of different types of supply and produce and what kind of capacity the local suppliers have to meet these demands. It also depends upon how the tourism industry has developed in the area and the kind of development that has taken place. (Mathieson and Wall 1992, 82.) It is important that the tourism industry is serviced by local producers in order for the local economy to benefit. In order for this to happen, the linkages between the local entrepreneurs should be strengthened. Just as employment, local entrepreneurial activity is seen as being beneficial for the economy, it is regarded as a positive impact of tourism activity, one indirect benefit being the improved economic and social services. However, the direct profits tend to benefit only a minor part of the local community. (Mathieson and Wall 1992, 85.)

Opportunity costs

It is commonly known that tourism involves opportunity costs, although they are not easily defineable (Mathieson and Wall 1992, 86). When destination areas invest in the development of tourism, they rarely consider what the same resources could provide when invested in another industry. Thus what needs to be researched is “the relative economic benefits of investing in tourism as opposed to investing in another industry”; these are the opportunity costs. (Mathieson and Wall 1992, 86-87.)

In order to measure the opportunity costs, the possibilities that have been relinquished when choosing tourism should be carefully examined, outlined and valued. Because of the difficulty in measuring and seeing these costs, they are often forgotten, thus leaving the economic impacts of tourism look more beneficial than they perhaps are. (Mathieson and Wall 1992, 86-87.)

Overdependence

When destinations become overdependent on tourism, they make themselves vulnerable to tourists' changes in demand. Tourism is a sensitive industry and influenced by change, both domestic and international. The change can comprehend changes in price and trends, political events and political unrest as well as accessibility of electricity. Areas with political unrest have lost out on tourists, who choose to travel to other, more stable destinations. In order to avoid economic disturbance due to changes in demand, tourist destinations should promote a diversified tourist industry and base economy. (Mathieson and Wall 1992, 87-88.)

Inflation and land value

The changes in land-use patterns from an agricultural society to the tourism industry introduces modified land-use patterns as tourism increases land prices as a result of competition and thus encourages sales. This means that small units of land are sold at high prices thus contributing to inflation. This affects young residents when they try to buy land. Simultaneously self-sufficiency is decreased and dependency on national and international economic conditions is increased. (Mathieson and Wall 1992, 85-86.)

The consequences of inflation might arise in many different ways. Rich tourists buy products at higher prices and when the suppliers realise that this increases their profits, they raise the prices further. This means that companies servicing tourists easily can compete with those servicing the local population. (Mathieson and Wall 1992, 88.) As a consequence however, the locals are forced to pay more and maybe even have to go further away in order to get what they need, as the local enterprises concentrate on a more limited range of products. (Ibid.)

Seasonality

As the tourism product cannot be stored and is highly seasonal, it needs to earn enough during high season in order to fight and survive the decline during the rest of the year. This also has obvious implications for employment and investment. (Mathieson and Wall 1992, 38.) The seasonality of tourism leads to a division between high- and low season. Take the hotel sector as an example. Some of the hotels are closed during low season, whereas others suffer great losses in income. (Mathieson and Wall 1992, 88-89.) As fixed costs cover a big part of the total costs, the hotels try to ensure as good as possible incomes. The accommodation sector is however not the only sector suffering from seasonality. Tour operators face reluctance from outside investors to get financially involved in marketing seasonal enterprises. This has led to the fact that local investors are carrying a much bigger financial responsibility. (Ibid.)

Leakage

Rátz and Puczko (2002, 82) define leakage as “financial processes through which less money gets back into the economy”. Leakage occurs mainly in two different ways; as import or export leakage. When tourists demand standards that the host country cannot supply, import leakage occurs and this especially in less developed countries. As import is necessary, most of the income from tourist expenditure leaks out of the country in order to pay for the imports. According to UNCTAD (UNEP 2004) import-related leakage for less developed countries and small economies is on average between 40% and 50% of gross earnings whereas the same figure for advanced and diversified economies is between 10% and 20%. Export leakage occurs when foreign investors, financing resorts and hotels, collect their profits back to their country of origin. This is a substantial part of the leakage that occurs in less developed countries as multinational corporations are the only ones there with enough capital to invest in tourism infrastructure and facility construction. (UNEP 2004.) The main argument for tourism development in less developed countries has been that of foreign exchange. However, it seems as if those countries that need the foreign exchange make the lowest profits. (Krippendorff 1987, 47.) As they are the least developed ones, they are also the ones that need to import the most. The most extreme cases show that 80 to 90 percent of the foreign exchange leaks out before any improvements have taken place. (Ibid.)

Capital investment and development

Another factor why the money does not reach the local economy, is that the governments of the host destinations usually offer tax-free spurs to foreign developers and investors and thus the income they gain from their all-inclusive resorts, leak out of the country and the local economy gains very little. As an example, it has been estimated that 60% of the £4 billion annual tourism revenue in Thailand leaves the country. As the all-inclusives are westernised from beginning to end, the tourists end up spending their money in western hotels, they consume western food and drink and thus the small amount of money that actually reaches the destinations, mostly leaves it again as profits to western companies in terms of imports. (Tearfund 2002, 19.)

External costs

The development of tourism also impose other costs on the residents of tourism destinations, such as increased costs of garbage handling and increased costs of maintaining tourist attractions that have been damaged by excess of the carrying capacity and vandalism. However, there has been little study into these kinds of costs. (Mathieson and Wall 1992, 89.)

In brief, the tourist system changes overtime which means that as tourist numbers increase, the control by locals decreases thus increasing the control by the tourism industry which again leads to increased impacts (Prosser 1994, 26-27).

4. METHOD

The empirical part of this thesis is a qualitative study comparing the products of two tour operators in Finland. The aim is to find out the differences between a regular tour operator and a tour operator operating on a Fair Trade basis, especially with regard to pricing and the distribution of money between the host destination and the tourist sending country. The operators that have been studied are Aurinkomatkat and Peter Pan Maaailma. The interviewed persons are Kristiina Juvonen, part owner and financial manager of PeterPan Maaailma and Tom Selänniemi, Manager for Sustainable Tourism at Oy Aurinkomatkat – Suntours Ltd Ab and Chairman of TOI (Tour Operators' Initiative for Sustainable Tourism Development).

This chapter will start by briefly introducing the chosen research method and research objects. It will then cover the economics of tour operation, in order for the reader to get some understanding of the field, as well as act as a basis for developing a price structure. Finally the interview questions will be presented.

4.1 Chosen research method

Qualitative research is by nature comprehensive acquiring of information and the research material is collected in real, natural situations. It is not possible for the researcher to achieve objectivity in the traditional sense, as the researcher and the information are linked (Hirsjärvi, Remes and Sajavaara 2000, 160). What is typical for qualitative research is the reduction of observations, focusing on the essential and combining 'raw observations' (Alasuutari 1999, 40). What is essential for the success of a qualitative research is rather the representativeness of the sample than the size of the research material. Interviewing is a good way of gathering information when studying a topic that lacks much previous information. A negative side of interviewing is its expensive and time-consuming nature. Furthermore, it is complicated to analyse, interpret and report the free-formed research material, as no ready-made models are necessarily available. (Hirsjärvi and Hurme 2001, 35.) As Fair Trade in tourism is still on a hypothetical level and a relatively new field of study where little research has been done, the most suitable method for the research is qualitative.

4.2 Chosen research objects

Tour operators are those intermediaries that package and shape elements including transport, accommodation and other tourist services and then sell them, often as all-inclusives and often through travel agencies, to the public. The basic elements of an inclusive tour are aircraft seat, accommodation at destination, return transfer from airport to accommodation, services of a tour operator representative and insurance. Optional add-ins include car hire, excursions and eating. (Page 2003, 186-187.) The fact that only two tour operators were interviewed and studied will not affect the results greatly. The Finnish tour operator market is relatively small and the operators studied here represent both extremes of the industry; mass and small scale. The tour operators chosen for the study of this thesis will be briefly presented below.

4.2.1 Oy Aurinkomatkat – Suntours Ltd Ab

Oy Aurinkomatkat - Suntours Ltd Ab was founded in 1963 and is today the biggest Finnish tour operator. They carry 300 000 passengers to 140 destinations on an annual basis, thus covering about 40% of the Finnish travellers. Aurinkomatkat is part of the Finnair Group and has a turnover of 195 million euros (2003). Aurinkomatkat has started a programme for sustainable tourism and are a member of TOI, Tour Operators' Initiative for Sustainable Tourism Development. (Aurinkomatkat 2004b.) TOI has 25 members and together they service 35 million tourists annually (Selänniemi 6.5.2004). The mission of TOI is to "improve the sustainability of the tourism industry" (TOI 2004).

4.2.2 PeterPan Maaailma

PeterPan Maaailma is a small politically and religiously independent Finnish tour operator. PeterPan Maaailma has been operating for eight years and their number of customers has been increasing steadily. PeterPan Maaailma has approximately 300 customers per year. In 2003, 28 trips were sold and the size of the groups varies from four to fourteen. The turnover is approximately 300 000 euros. (Juvonen 7.5.2004.) PeterPan Maaailma state that they follow the basic principle and criteria of Fair Trade in tourism and a crucial part of their 'travel philosophy' is to buy the services in the destinations directly from the locals. (PeterPan Maaailma, 2004a.)

4.2.3 The economics of tour operation

The typical cost structure of an inclusive tour includes three main inputs; transport, accommodation and services. Costs will also arise in the company's headquarters, including administration, marketing, reservations etc. The cost of commission and service to retailers will also need to be met. (Holloway 1998, 216.)

The most significant expense in tourist packages is the cost of transportation and thus "the location of the tourist exporter in relation to tourist-generating countries is a significant factor in the total vacation package cost structure" (Mathieson and Wall 1992, 47). Because many less developed countries lie at a great distance from the principal tourist generating countries it is vital that their tourist products are sold at competitive prices. As less developed countries seldom possess own air carriers, they are forced to rely on foreign carriers and are thus at a comparative disadvantage; the carriers demanding high prices whereas the receiving countries need to keep the prices low. (Mathieson and Wall 1992, 48).

As can be observed in Table 1 on the following page, the profits gained by tour operators are relatively narrow, as little as one to three per cent of revenue, when all the costs (including agency commissions) have been covered. This is why the tour operators will try to "top up" their revenue in some other way e.g. sale of insurance policies, additional services such as excursions and car hire and cancellation fees. (Holloway 1998, 216-217.)

There is a great financial risk that goes with tour operation. Specialist tour operators and major tour operators have different ways of covering this risk. The specialist tour operators deal with niche markets, use scheduled air transport and hotels for which reservations may be readily cancelled if the minimum number of participants for the tour are not met. The major tour operators on the other hand, try to secure their market position through vertical integration and purchasing 'in bulk'. (Cooper et al. 1998, 264.)

Table 1, the price structure for a typical mass-market inclusive tour, has been the base for developing and comparing the price structure in the analysis. Some points, such as excursions and eating have had to be added.

Table 1. *The price structure for a typical mass-market inclusive tour*

<u><i>Item</i></u>	<u><i>(%)</i></u>
Price	100
Direct costs	
Accommodation.....	40
Air seat (including tax).....	36
Transfers, excursions etc.....	2
Agent's commission.....	10
Total	88
Gross margin	12
Indirect costs	
Payroll expenses.....	4
Marketing.....	3
Office expenses.....	2
Total	9
Net income	
Trading profit.....	3
Interest on deposits.....	1
Total	4

(Cooper et al. 1998, 266)

4.3 Interview questions

The interviews took place in Helsinki, May 2004. The questions of the interviews were made with the objective to get answers helping to analyse the research problems and answer the questions regarding the economic impacts of Fair Trade in tourism. With the help of the answers, a comparison between the economic impacts of standard tour operators as opposed to "Fair Trade tour operators" will be made. The questions aim to develop a structure of pricing in order to find out where the tourists' money goes.

The interviews that took place were semi-structured, thus offering the possibility to develop the issues further. Both interviews surrounded the same theme, Fair Trade in tourism and the extent of fairness of tour operations.

The questions and answers are attached as Appendix 1 and 2 (PeterPan Maailma) and Appendix 3 and 4 (Aurinkomatkat). The results of the interviews will be analysed in the following chapter, chapter five. The interviews were recorded and lettered and lasted for approximately one hour each.

5. ANALYSIS

This chapter will present and analyse the results of the interviews. Here the questions have been divided into five groups in which the answers of both tour operators will be analysed. The five groups are; fairness of operations, monitoring of operations, difference between “fair” and “standard” tour operating, pricing issues and finally, implementing Fair Trade in tourism. This division makes it possible to compare the answers of Aurinkomatkat and PeterPan Maailma.

5.1 Interview results

The price of fairly traded coffee for the Finnish consumer is at the moment approximately 10€/kilo and ordinary coffee is about 4-5€/kilo. The producer receives 2,30€ (23%) directly of the price of fairly traded coffee and 0,67€ (about 15%) of ordinary coffee. (Reilun kaupan edistämisyhdistys ry 2004a.) There is no such comparison of tourism products yet, but it is hoped that the results of this thesis will enlighten this issue to some extent. It is important to point out the fact that the results of this study will depend heavily on how the tour operators claim they work. Thus the results are not definitive and they do not necessarily mirror the reality to 100%.

5.1.1 Fairness of operations

PeterPan Maailma originates in the owners' interest; travelling among ordinary people, locals, mostly at long-haul destinations. This attitude is maintained in the business operations and that is something Kristiina Juvonen (7.5.2004) emphasises when asked about the fairness of operations. The way PeterPan Maailma operates today is how they operated eight years ago when they started, at a time when nobody talked about Fair Trade in tourism. It came down to personal know-how and what was perceived as being right as opposed to being wrong.

According to Tom Selänniemi (24.05.2004) Aurinkomatkat does, to a certain extent follow the basic criteria of Fair Trade in tourism.

Aurinkomatkat is probably one of the leading companies in adopting Fair Trade policies, says Selänniemi, as they do not own their own any of the properties they use in the destinations, and they always try to make contracts with locals. Aurinkomatkat has an in-house policy to, as far as possible, primarily contract locally owned hotels or accommodation and secondly if none of these are available or the quality is unsatisfactory, other hotels will be contacted. Aurinkomatkat also relies on local incoming-agents. Basically, as Selänniemi puts it, the fairness of Aurinkomatkat is all about partnerships.

PeterPan Maailma stays among locals when planning their travels and they buy their services directly from the local entrepreneurs, when possible, thus spreading the income more evenly. PeterPan Maailma on the other hand does not buy ready made incoming packages offered by different travel agents or tour operators at the destinations, but they buy for example their accommodation directly from the hotel owner. The way PeterPan Maailma operates is, according to Juvonen (7.5.2004), that the group leader or the guide, “has the money in his wallet, walks with the group to the village and buys the hotel, pays the accommodation with cash, buys the food with cash and goes to the grocery store and buys the lunchbox with cash”. On the question of how long-term these kinds of relationships are, Juvonen says that some have been used for all the eight years of operation, but what needs to be taken into account is that in countries like e.g. Vietnam, “the next time you visit, the hotel that you’ve used might have changed owner or completely disappeared” (Juvonen 7.5.2004). Thus, with regard to long-term relationship, Aurinkomatkat is, in a sense, operating more fair as locals are contracted for the entire season, sometimes even a year.

Another factor that came up when discussing fairness of operations, was that PeterPan Maailma supports the local villages and their small industries by showing them to the tourists and giving the consumer the option to make fair decisions *at* the destinations as well. “In a sense I see that our fairness also is a kind of instructional education, and it works for us as we have small groups and the customers are of a certain kind” (Juvonen 7.5.2004). By this she means that the small groups are easier to influence. Usually the people travelling with PeterPan Maailma are environmentally aware and realise the limitations involved when travelling to less developed countries.

Here, Aurinkomatkat has found it popular with self-catering apartments that make the tourists enter the local economy, as they need to buy their groceries themselves, or visit local restaurants and cafés. The responsibility of the degree of fairness thus lies in the hands of the consumer and whether they use Mac Donald's or the local small tavern is their choice. (Selänniemi 24.5.2004.)

A Fair Trade allowance of \$0,10/kilo of coffee is paid to the producer co-operative for common social projects (Reilun kaupan edistämisyhdistys ry 2004a). In tourism, what could be the equivalence to this are donations and financial support of the destination communities. PeterPan Maaailma avoids giving money as such, as it might always end up in the wrong hands. On the contrary, they might for example participate in getting books to a local school. By ordering the books from a local bookshop, income is generated to the local economy and the books are delivered in person to the school children in order to avoid "disappearance". (Juvonen 7.5.2004.) Through TOI, Aurinkomatkat has some specialised projects in certain destinations and it is a way of "channelling the money in the tourism industry into projects that benefit the future of tourism in that destination (Selänniemi 24.5.2004).

5.1.2 Monitoring of operations

As Fair Trade in tourism is only yet on a conceptual stage, there is no monitoring of the operations of PeterPan Maaailma. Thus it is up to the consumer to decide whether to consider their operations as being "fair" or not. On the other hand, the travels of PeterPan Maaailma are also sold through Avara Maaailma, a travel agency whose travels are claimed to be done in accordance with the fair trade principles. The owner is also the chairman of Reilun Matkailun Yhdistys ry. This might thus influence the consumer in the decision-making process. However, in a sense, Aurinkomatkat has a competitive advantage in that they are part of TOI, thus obligated to follow certain rules and their operations are, through TOI, monitored by UNEP, the United Nations Environmental Programme. (Selänniemi 24.5.2004.)

5.1.3 Difference between “fair” and “standard” tour operating

PeterPan Maaailma deals with small groups and operates at a grass roots level and has the possibility to educate and inform their customers. “Being a small, entrepreneurial tour operator, we can afford to speak out and we are here and now with our personal values, as opposed to being a mass organisation, staying in the background surrounded by principles and statements” says Kristiina Juvonen (7.5.2004). Aurinkomatkat on the other hand deals with large numbers of tourists who might not be as easily influenced.

Another difference between the two tour operators concerns the price. Juvonen sees that the reason for their prices being higher mostly depends on the scale of their operations. Tom Selänniemi (24.5.2004) explains that why Aurinkomatkat can offer cheaper prices is because they book the hotels in advance and for the entire season, thus they receive discounts. At the same time Aurinkomatkat takes all the risk for the rooms they book and thereby they are a kind of an insurance for the hotel, if the season turns out bad. The rooms that the hotel sells on top of those booked by Aurinkomatkat are usually pure profit. A small hotel normally makes the break-even with the tour operator.

Another thing that needs to be taken into consideration when comparing tour operators is scale. Comparing Aurinkomatkat with PeterPan Maaailma or with a giant tour operator such as TUI, will give completely different results. To quote Tom Selänniemi (24.5.2004):

“So because of the scale and because of the nature of our operations and maybe because of the geopolitical and the cultural situation where we operate, we have the possibilities in integrating also principles of sustainability and fairness into the mass tour operator market.”

Thus Selänniemi considers it possible for a mass tour operator to integrate fair trade and sustainability principles into their operations. He says it is not even that difficult and that Aurinkomatkat regard them as an insurance for the future and business survival. What should not be confused here are the mass tour operators and the all-inclusive resorts where the story is completely different. (Selänniemi 24.5.2004.)

All-inclusive resorts might be completely ‘Westernised’ in that they are owned by ‘Western’ companies, they employ ‘Western’ people and they import all the material they need from ‘the West’. Being all-inclusives, the tourists pay for both accommodation and eating to the ‘Western’ company, thus making sure that the local economy does not benefit, but the money leaks back to the ‘West’.

5.1.4 Pricing and the distribution of income

Tom Selänniemi (24.5.2004) points out that prices nowadays mostly are market-determined, which makes it very difficult to buy for less than the normal market price, a price that *should* cover all the costs. However, as the sector is fiercely competitive, this is not always the case. Selänniemi sees that Aurinkomatkat to a great extent provides their partners with a fair price as he believes they would not continue the partnerships otherwise. Selänniemi emphasises the fact that Aurinkomatkat has very long-term relationships, some include over 30 years of co-operation and in a sense this is a part of the fair price. It is clear that a big tour operator bargains for the price, which is not always seen as fair. However, Selänniemi points out the fact, that on an international scale, Aurinkomatkat is a relatively small tour operator and does not have the power to dictate the prices in any way, it is again rather a question of negotiations. (Selänniemi 24.5.2004.)

PeterPan Maaailma determines the Fair Price as being the list price, thus they avoid bargaining and discounting when using local services and buying local products. (Juvonen 7.5.2004.) When it comes to pricing issues, both Juvonen (7.5.2004) and Selänniemi (24.5.2004) point out the fact that there is an enormous difference in price between different tours, depending on the destinations, the length of the tour, the services provided etc.

The essential difference that came up when discussing the price structure was that Aurinkomatkat does not include excursions or eating in their price, whereas PeterPan Maaailma does. There was also some difference in where the costs of the guide were to be placed but surprisingly enough, the proportion of the air seat was almost the same in both cases.

Tom Selänniemi explains this as being typical for the Finnish market, as so far there has been a monopoly situation with Finnair being the only leisure flight provider. The majority of the European major tour operators also own their own airlines, thus it is easier for them to press down the costs. In Finland, leisure flights are operated with the cost structure of a scheduled airline and this makes the leisure flights so much more expensive. The only way to press down prices in the Finnish charter flight business is through volume. (Selänniemi 24.5.2004.)

The pricing issues will be discussed further in the analysis of the results, where the price structure models also will be presented.

5.1.5 Implementing Fair Trade in tourism

Regarding a possible Fair Trade in tourism label, Kristiina Juvonen (7.5.2004) says that PeterPan Maa ilma indeed would be interested in that kind of certification. However, she emphasises the fact that as the company has already started out like this, following the Fair Trade criteria, they will continue to do so, with or without the label.

Tom Selänniemi finds it extremely difficult to calculate the amount of fairness and is a bit sceptical towards the concept and its guidelines. Things he for example thinks should be very heavily calculated into the concept of Fair Trade in tourism are “how you channel the consumption by clients in the destination”, “how you calculate the filtration of income” and “how do you combine the concept of fair trade with airlines”? (Selänniemi 24.5.2004.)

Because of the problems imbedded in the concept of Fair Trade, the Tour Operators’ Initiative for Sustainable Development is not very keen on promoting it as the way forward, they rather concentrate on integrating the principles of sustainability, which might be in accordance with Fair Trade. Selänniemi sees it as being unfair towards those destinations that are now struggling with the impacts of mass tourism, to start focusing on Fair Trade in new destinations. “One of the key responsibilities we have in the tourism industry today is to keep those destinations (the “old” mass tourism destinations) alive and revert the development into more sustainable”. (Selänniemi 24.5.2004.)

5.2 Analysing the results

Both PeterPan Maailma and Aurinkomatkat claim that they follow the criteria of Fair Trade in tourism to a certain extent. It is however important to once again point out that there is no independent and objective body monitoring this. PeterPan Maailma buys their services ‘then and there’. Thus it is questionable how long-termed the relationships are.

Aurinkomatkat on the other hand is a member of TOI and has a great power in destinations that are dependent on tourism. Take Turkey as an example, 75% of the tourists to Turkey come through members of TOI, thus giving TOI a substantial political power. This in a sense perpetuates neo-colonialism, or as Tom Selänniemi puts it, “sustainable neo-colonialism”, thus being far from fair. (Selänniemi 6.5.2004.)

Both tour operators also say that they contract locals, *when possible*. It could be discussed how fair it is to implement the Fair Trade in tourism criteria ‘when possible’ and what that actually signifies. Both Aurinkomatkat and PeterPan Maailma use Finnish guides on their tours instead of employing locals, thus reinforcing leakage. Instead, locals could be educated and employed or encouraged towards entrepreneuriality.

The following price structures have been constructed on the basis of the interviews and existing price structure models (Appendix 5). Table 2 shows the price structure of a small-scale specialised tour operator and Table 3 shows the price structure of a mass tour operator. The given price is fictional and the profit is included in the indirect costs, thus the figures do not show any profit margins and this means that the figures are merely ‘trend-setting’. What also needs to be remembered, as the figures here compare the same price, is that the bigger the price is, the bigger the percentages will be. This means that when the tours of mass tour operators in general are cheaper than those of specialised operators, the amount of money that goes to the local economy will decrease as well. As an example; the price used in tables 2 and 3, is 2000€. In reality, if the price of the specialised tour operator is 2000, the price of the mass tour operator would perhaps be around 1300€. The percentages will stay the same, but the amount of money will decrease. In this example, the accommodation provider would get 390€ instead of 600€, the percentage being 30%.

Table 2 below shows the price structure of a 'fairly traded inclusive tour'. The percentages are smaller than those in Table 3 as the income is distributed between a greater number of stakeholders. It is also noticeable that the indirect costs are much higher for a specialised tour operator than for a mass tour operator.

Table 2. *The price structure of a 'fairly traded inclusive tour'*

ITEM	€	%
Price	2000	100
Direct costs:		
Air travel	1080	54
Accommodation	130	6,5
Eating	80	4
Excursions	130	6,5
Guide	80	4
Transfers and agent's commissions	80	4
Total	1580	79
Gross margin	420	21
Indirect costs including:		
Marketing		
Payroll expenses		
Office expenses		
Insurance		
Taxes		
Total	420	21

A simple conclusion that can be made when looking at this figure is that 54% of the price that the consumer pays for an all-inclusive with a small-scale specialised tour operator goes to the air carrier. 21% or 25% (if guide included here) stand for indirect costs, including the trading profit and finally locals gain 21% of the total amount, in terms of accommodation, excursions, eating and transfers or 25% if the costs of the guide are included here. Of course, this is again based on the tour operators' saying. The figures show the average, as different tours might vary heavily. Tours that include visits to national parks, for instance, tend to get more expensive due to the high entrance fees (Juvonen 7.5.2004).

There is also little knowledge of how, in reality, the amount that goes to the locals is divided in between them. In this example, the assumption is that accommodation, eating, excursions, transfers and guiding costs generate money to the local economy as the ‘fair trade tour operator’ claims to use these services locally. If this is not the case, the percentage will of course decrease dramatically.

The price structure of the mass tour operator differs from the specialised one, in that no excursions or eating have been included in the price. The guide is also included in the payroll expenses. When discussing the pricing of tour operators with Tom Selänniemi (24.5.2004), he emphasised the difference in price between different tours. Table 3 shows the pricing of a standard charter tour, if the tour would be a long-haul round trip the proportion of the flight would be around 45%, instead of 50-60% and the accommodation costs would be higher, around 40%.

Table 3. *The price structure of a ‘standard inclusive tour’*

ITEM	€	%
Price	2000	100
Direct costs:		
Air travel	1000	50
Accommodation	600	30
Eating		
Excursions		
Transfers and agent’s commissions	200	10
Total		
Gross margin	200	10
Indirect costs:		
Marketing	80	4
Payroll expenses, incl. Guide	80	4
Other indirect costs	40	2
Total	200	10

Table 3 shows that 30%-40% of the money paid for a charter tour with a standard tour operator goes to the local community through accommodation and local incoming-agents. Thus, in cases when these are not local, no part of the price paid is directly generated to the local economy.

As a conclusion based on the information provided by the chosen tour operators, it is evident that the assumption that the 'Fair Trade tour operator' would 'inject' more money into the destination, is not as clear-cut as it would seem. What on the other hand became clear was that even a mass tour operator can, to some extent, operate on a Fair Trade basis. As Tom Selänniemi (24.5.2004) puts it: "the way of building fair mass tourism is to integrate it firmly into the local economy by using local contracts and having the customers to use their money on the local level".

5.3 The economic impacts of Fair Trade in tourism

What can be understood from the research done in this thesis is that the economic impacts a tour operator has on the local destination directly concern income, employment and entrepreneuriality. The GNP, the balance of payments and the currency flows will of course be affected as well and the multiplier effect is constantly present. By implementing Fair Trade in the operation of tour operators, the impacts are mostly beneficial or positive. A tour operator that follows the guidelines of Fair Trade in tourism will contract local businesses for e.g. accommodation and eating, thus inducing income into the local economy and providing employment. This reduces leakage and also includes a fairly negotiated price, covering the 'costs of production', and fair wages and working conditions. Both of the interviewed tour operators claimed they operate more or less accordingly. With regard to tour operations, what needs to be remembered however, is that in the end "the main goal is to make profits, not to save the environment or to employ local people" (Selänniemi 6.5.2004).

Without consistent assessment and monitoring criteria, the extent of fairness is impossible to measure and label. In order for Fair Trade in tourism to become a working method by which to improve the economic impacts of tourism, the evaluation criteria need to be made clear-cut and consistent. It is also evident that Fair Trade does not have a major influence on the economic impacts of tourism, unless it is implemented on a larger scale.

6. DISCUSSION

The final chapter of the thesis will analyse the validity, reliability and objectivity of the thesis, come up with suggestions for further research and conclude the thesis by combining context and theory with the outcomes of the empirical part.

6.1 Validity, reliability and objectivity

What needs to be taken into account when evaluating the research, is its reliability, validity and objectivity. Reliability is, in general, more easily measurable in a quantitative study than a qualitative one. This is because reliability shows how reliable, accurate and precise the research tools are, which in turn is judged by how consistent they are in the results that they give. This obviously means that the methods of data collection can be standardised and neutral. However, this is difficult in qualitative research, as many methods of gathering data in a qualitative way, are non-standardised. What needs to be demonstrated with regard to reliability in a qualitative study is that the data generation and analysis have been appropriate to the research questions, they have been thorough, careful, honest and accurate. (Mason 2002, 187-188.) The interview questions of the thesis have been set in order to meet the research problem. As what was wanted was a model of the price structure, a quantitative study would not have been relevant. The reliability would however be higher if more tour operators would have been interviewed. It is however also possible that the results would have been more or less the same.

When judging validity, what is actually judged is if what is claimed to be measured is really measured. Jennifer Mason (2002, 189-191) gives two ways of looking at validity; validity of data generation methods and validity of interpretations. Concerning the validity of the thesis, what can be said is that the material gathered strongly relates to the research problem and it has been processed and analysed thoroughly by the interviewer (Appendix 1-5).

It is however good to keep in mind that the results will be based on the tour operators' own information, as they are the ones to be interviewed and thus will provide the empirical information which in turn gives the answer to the research problem. This means that the results should not be generalised without some criticism. The material answered the research problem and filled the aims.

With regard to the objectivity, the material has been thoroughly processed and analysed. The interviews were taped and lettered, so the results are not based on vague memories or own opinions of the writer. The answers are on the other hand highly objective as the companies interviewed are likely to have favoured their own opinions and operations. The analytical part aims to critically view the answers from other perspectives as well.

6.2 Suggested further studies

All in all, Fair Trade in tourism is a relatively new approach and it needs to be researched further in order to develop understanding and avoid becoming an empty concept without meaning.

Mari Mero (12.5.2004) offers some suggestions for further research; studying to what extent attention is given to how the money is divided inside the local community, something that Tom Selänniemi (24.5.2004) emphasises as well, and researching if there is a compensation for lost income. Lost income in terms of e.g. the fisherman that loses his livelihood when (fishing) tourism is introduced to the area.

It could also be interesting to do a case study of e.g. a tour operator that claims to follow the Fair Trade in tourism criteria, one interesting case being the Swedish tour operator Läs och Res. Läs och Res offers quite similar products as PeterPan Maailma, but they use local guides and provide their customers with literature packages and lectures concerning the destination, as part of the preparation for the travel. The length of their tours is also longer. (Läs och Res 2004.)

The implementation of Fair Trade in tourism should also be studied, in order to specify the limitations and possibilities of the concept. It is also essential to try to come up with new ideas that would help joining Fair Trade in tourism with Fair Trade in commodities.

Consumer attitude and motivation researches are also necessary for companies to know whether Fair Trade in tourism is a competitive alternative or not. This is however difficult to study, as many consumers might want to 'be fair' but end up being something else due to e.g. financial issues.

What could offer a very interesting, although time-consuming and expensive, research perspective would be to study Fair Trade in tourism from the destination stakeholders' point of view. Studying the distribution of income, the working conditions and the partnerships at the actual destination as part of the local community.

This thesis has been done from a Finnish perspective; it would however be extremely interesting to compare a small, specialised 'fair' tour operator or even a mass tour operator such as Aurinkomatkat, with a giant tour operator such as MyTravel or TUI. The results would without doubt be quite different from the ones presented in this thesis.

A more practical approach would be to develop a 'fairly traded tourism product', with the help of professionals in the field.

6.3 Conclusion

The thesis has probably raised as many questions as it has answered, as Fair Trade in tourism is a new and little studied phenomenon. This was in a sense also one of the aims, to initiate discussion and further research.

The results of the interviews show that Fair Trade in tourism can be incorporated both in small and in larger scale. Fair Trade in tourism can also be incorporated into already existing tourism products, by companies implementing the guidelines into their business operations. The extent to which the products and organisations actually are fair, is rather unclear and hard to measure.

There is however a danger that Fair Trade in tourism will be a new buzz word like ecotourism, as the concept and its criteria are not clear-cut or easily measurable. Fair Trade in tourism would benefit from a label to show the consumers that the product they buy actually is 'fair'. And how do you eventually measure the amount of fairness? Which option is the right one, when you have long-term relationships but a market determined, 'bargained' price or short-term relationships but pay the list price and divide the money more evenly in the destination? A large foreign owned hotel might induce as much, or even more, income to the local economy as a small locally owned hotel. Again, it is a question of scale. And it seems quite obvious that mass tourism being operated accordingly with the principles of Fair Trade and sustainability, in the long run will benefit the destinations more than small-scaled, rather 'fickle' tourism.

The reality is that as long as the world continues developing, tourism will continue to grow. The tourism businesses can only strive towards fairness, because in the end, the power lies in the hands of the consumers, the tourists.

REFERENCES

Written

- Airey, D. 1978. Tourism and the balance of payments. *Tourism International Research – Europe*. 3rd quarter. 2-16. In Mathieson, A. and Wall, G. 1992. *Tourism. Economic, Physical and Social Impacts*. Essex: Addison Wesley Longman Limited.
- Alasuutari, P. 1999. *Laadullinen tutkimus*. Osuuskunta Vastapaino: Tampere
- Cooper, C. Fletcher, J. Gilbert, D. Wanhill, S. and Shepherd, R. 1998. *Tourism Principles and Practice*. Second edition. Essex: Pearson Education Limited.
- Harrison, David (ed.). 1995. *Tourism & The Less Developed Countries*. West Sussex: John Wiley & Sons Ltd.
- Hemmi, J. 1999. *Matkailun globalisaatio ja talous* in Saukkonen, P. 1999. *Matkailu ja globalisaatio*. Helsinki: Suomen YK-Liitto.
- Hirsjärvi, S. Remes, P. and Sajavaara, P. 2000. *Tutki ja kirjoita*. Kirjayhtymä Oy, Helsinki.
- Hirsjärvi, S. and Hurme, H. 2001. *Tutkimushaastattelu, Teemahaastattelun teoria ja käytäntö*. Yliopistopaino, Helsinki
- Holden, A. and Burns, P. 1995. *Tourism. A New Perspective*. Hertfordshire: Prentice Hall Europe.
- Holloway, C. 1998. *The Business of Tourism*. Essex: Pearson Education Limited.
- Kalisch, A. 1996. *Tourism and Fair Trade in Trading Places: Tourism as Trade*. London: Tourism Concern.
- Krippendorf, J. 1987. *The Holiday Makers. Understanding the Impacts of Leisure and Travel*. Oxford: Butterworth-Heinemann.
- Mann, M. 2000. *The Community Tourism Guide*. London: Earthscan Publications Ltd.
- Mason, J. 2002. *Qualitative Researching*. 2nd edition. London: SAGE Publications Ltd.
- Mason, P. 2003. *Tourism Impacts, Planning and Management*. Oxford: Butterworth-Heinemann.
- Mathieson, A. and Wall, G. 1992. *Tourism. Economic, Physical and Social Impacts*. Essex: Addison Wesley Longman Limited.

McLaren, D. 1999. Johdanto matkailuun ja globalisaatioon in Saukkonen, P. 1999. Matkailu ja globalisaatio. Helsinki: Suomen YK-Liitto.

Meethan, K. 2001. Tourism in Global Society: Place, Culture, Consumption. New York: Palgrave.

Mowforth, M. and Munt, I. 1998. Tourism and Sustainability. New Tourism in the Third World. London: Routledge.

Page, S. 2003. Tourism Management. Managing for Change. Oxford: Butterworth-Heinemann.

Pearce, D. 1989. Tourist Development. Second edition. Essex: Longman Group UK Limited.

Prosser, R. 1994. Societal Change and the Growth in Alternative Tourism (pp.19-39) in Cater, E. and Lowman, G. (eds.) Ecotourism. A sustainable Option? West Sussex: John Wiley & Sons Ltd.

Ransom, D. 2001. The no-nonsense Guide to Fair Trade. Oxford: New Internationalist Publications Ltd.

Rátz, T. and Puczkó, L. 2002. The Impacts of Tourism. An Introduction. Hämeenlinna: Häme Polytechnic.

Ritchie, B. and Crouch, G. 2003. The Competitive Destination. A sustainable tourism perspective. Oxon: CABI Publishing.

Tourism Concern. 1998. Tourism and Human Rights. London: Tourism Concern.

Internet

Oy Aurinkomatkat - Suntours Ltd Ab. 2004a. Aurinkomatkojen kestävän matkailun ohjelma. URL: http://www.aurinkomatkat.fi/am_internet/general/general_info.asp?id=7&subid=32 Accessed: 05.05.2004

Oy Aurinkomatkat - Suntours Ltd Ab. 2004b. Yritysinfo / Company Profile. URL: http://www.aurinkomatkat.fi/am_internet/general/general.asp?id=7 Accessed: 05.05.2004

Avara Maailma. Reilu Matkailu – Onko Sitä? URL: <http://www.avaramaailma.com/reilu.html>. Accessed: 10.04.2004.

Bowen, B. 2001. 'Let's go fair!' in the Fair Trade Yearbook 2001. URL: <http://www.eftafairtrade.org/yearbook.asp> Accessed: 22.01.2004.

Chaliand, G. THIRD WORLD: Definitions and Descriptions URL: http://www.thirdworldtraveler.com/General/ThirdWorld_def.html. Accessed 10.04.2004.

De Schutter, R. What is At Stake in World Trade. The Fair Trade Yearbook 2001. URL: <http://www.eftafairtrade.org/yearbook.asp> Accessed: 22.01.2004.

Finnish UN Association. Mikä on Kestävä kehitys? URL: <http://www.ykliitto.fi/yktieto/kestava.htm>. Accessed: 22.04.2004.

Läs och Res. 2004. Vår Filosofi. URL: <http://www.lasochres.se/information.rxml?id=1&lang=sv> Accessed: 20.05.2004

PeterPan Maailma. 2004a. Filosofiamme. URL: http://www.peterpanmaailma.com/filosofia_perusfilosofia.htm Accessed: 05.05.2004

PeterPan Maailma. 2004b. Tarjolla Tänään. URL: www.peterpanmaailma.com/tarjollatanaan.htm Accessed: 05.05.2004

Reilun kaupan edistämisyhdistys ry. 2004a. Kymmenen kysymystä reilusta kaupasta. URL: www.reilukauppa.fi. Accessed: 05.05.2004

Reilun kaupan edistämisyhdistys ry. 2004b. Reilun kaupan periaatteet. URL: www.reilukauppa.fi Accessed: 05.05.2004

Reilun kaupan edistämisyhdistys ry. 2004 c. Reilun kaupan takana on laaja joukko järjestöjä. URL: www.reilukauppa.fi Accessed 05.05.2004

Reilun kaupan edistämisyhdistys ry. 2004d. Sokerista tuli Suomessa neljänneksi tärkein reilu tuote. URL: www.reilukauppa.fi Accessed: 05.05.2004

Tearfund. Tourism. An Introduction to Tourism & Development. URL: www.tearfund.org/uploads/documents/11%20Tourism%20-%20Intro%20sheet.pdf. Accessed: 20.02.2004.

Tearfund. 2002. Worlds Apart – A call to responsible global tourism? URL: <http://www.tearfund.org/uploads/documents/Worlds%20Apart%20tourism%20report.pdf>. Accessed: 10.01.2004.

TOI. Tour Operators' Initiative for Sustainable Tourism Development. Mission. URL: www.toinitiative.org Accessed: 15.05.2004

Tourism Concern. About Us. URL: http://www.tourismconcern.org.uk/about_us/about_us.htm. Accessed: 20.01.2004

Tourism Concern. 2000a. Bulletin 2 Corporate Social Responsibility. URL: <http://www.tourismconcern.org.uk/pdfs/corporate.pdf>. Accessed: 20.01.2004

Tourism Concern. 2000b. Bulletin 1 Fair Trade in Tourism Spring 2000. URL: <http://www.tourismconcern.org.uk/pdfs/fairtrade%20in%20tourism.pdf>. Accessed 20.01.2004.

Tourism Concern. 2001/2002. Bulletin 3 GATS And the Tourism Industry. URL: <http://www.tourismconcern.org.uk/pdfs/gats.pdf>. Accessed: 20.01.2004

Tourism Concern. 1999. The International Network on Fair Trade in Tourism. URL: <http://www.tourismconcern.org.uk/pdfs/introduction.pdf>. Accessed: 20.01.2004.

UNDP Human Development Report Office. 1999. Human Development Report 1999. URL: www.hdr.undp.org. Accessed: 20.01.2004.

UNEP, United Nations Environment Programme. Economic Impacts of Tourism. URL: <http://www.uneptie.org/pc/tourism/sust-tourism/economic.htm>. Accessed: 21.04.2004.

UNEP, United Nations Environment Programme. Sustainable Tourism. URL: <http://www.uneptie.org/pc/tourism/sust-tourism/home.htm>. Updated 30.09.2003. Accessed: 15.04.2004

Interviews

Juvonen, Kristiina. PetePan Maailma. Part-owner and Financial Manager. 7 May 2004. Interviewed by Linda Krause.

Mero, Mari. Avara Maailma. Owner. Reilun Matkailun Yhdistys Ry. Chairman. 12 May 2004. Interviewed by Linda Krause.

Selänniemi, Tom. Oy Aurinkomatkat – Suntours Ltd Ab. Manager for Sustainable Tourism. Chairman of TOI. 24 May 2004. Interviewed by Linda Krause.

Other

Oy Aurinkomatkat – Suntours Ltd Ab. Aurinkomatkojen Lomaopas. Syksy-Talvi-Kevät 2004-2005.

Selänniemi, Tom. Oy Aurinkomatkat – Suntours Ltd. Ab. Manager for Sustainable Tourism. Chairman of TOI. Conference at Helia Porvoo – Borgå. 6 May 2004.