

Tourism and sustainability in Brazil

The tourism value chain in Porto de Galinhas,
Northeast Brazil

October 2006



This report examines the tourism industry in Brazil. Using the case study of Porto de Galinhas, a small village in Brazil's Northeast, the authors analyse sustainability issues in the tourism industry and map the value chain of tourism to Brazil.

Porto de Galinhas has 7,000 permanent residents, but during weekends and holidays, the village's population triples. Porto de Galinhas has experienced a boom in tourism over the past five years, and the village is struggling to harness the benefits of this growth without losing its socio-cultural identity or compromising the local environment. Many local entrepreneurs and workers acknowledge that tourism is key to the development of the region, and they want to ensure the sustainability of the industry, both in terms of retaining as much value as possible in the region and guaranteeing the native population's future prosperity and wellbeing.

The case of Porto de Galinhas is in many ways illustrative of the challenges faced by small and mid-size communities in Brazil as an effect of the rapid growth of tourism. This is why SOMO, the Netherlands Committee for IUCN and the Rio de Janeiro-based research organisation CICLO decided to conduct research on the value chain of tourism in Porto de Galinhas. Value chain analysis and research on the sustainability of the Brazilian tourism industry are the cornerstones of this SOMO report. The authors give recommendations on how companies, local entrepreneurs, governments and tourists can act to ensure that tourism contributes to the sustainable development of local communities in Brazil and elsewhere in the world.

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Northeast Brazil**

SOMO & IUCN - NL

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Colophon

**Tourism and sustainability in Brazil -
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Northeast Brazil**

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Introduction

In 2004, SOMO (Centre for Research on Multinational Corporations) and the IUCN National Committee of the Netherlands (IUCN NL, part of IUCN, the World Conservation Union) started a project to develop an innovative method for the analysis of value chains in the tourism sector. The aim of this project was to raise awareness among Dutch tour operators and Brazilian entrepreneurs in the tourism sector about the sustainability issues of international tourism. The following results were expected:

- ❑ Development of an innovative research method and a model for value chain analysis in the tourism sector;
- ❑ Increased awareness among decision makers in the Dutch travel industry, non-governmental organisations and, eventually, Dutch tourists about the different aspects of sustainable tourism;
- ❑ Increase in the capacity of Dutch and Brazilian civil society organisations to undertake value chain research.

In order to attain these results, SOMO and IUCN NL partnered with CICLO, a Brazilian civil society organisation based in Rio de Janeiro. SOMO organised a workshop with CICLO in Rio de Janeiro to discuss research methodologies and to agree on a case study that would exemplify an international value chain in tourism. The project partners opted for a small village in the northeast of Brazil called Porto de Galinhas. This village, about 70 kilometres from Recife, the capital of the State of Pernambuco, has experienced an enormous growth of international tourism in last ten years. Porto de Galinhas is easily accessible for foreign tourists with buses from the Recife airport.

After the workshop, SOMO, CICLO and IUCN NL developed a framework for value chain research on a package deal to the Northeast region of Brazil. A CICLO researcher visited Porto de Galinhas twice and applied the research framework with the collaboration of hotel managers, workers, shopkeepers and assistants, restaurant owners and other stakeholders. In addition, Mieke Kuiters, a master's student from the Centre for Latin American Research and Documentation in Amsterdam carried out a series of interviews with Dutch tourists in Porto de Galinhas. The objective of the interviews was to find out about the perceptions and knowledge of the Dutch tourists regarding tourism and sustainability.

CICLO elaborated a research report with recommendations on how to make the value chain of tourism in Porto de Galinhas more sustainable and how to retain more value in the region. This case study report is available in Portuguese and Dutch on SOMO's website (www.somo.nl).

The findings contained in CICLO's report are included in this report, which is one of the deliverables of the research project. The report provides an in-depth analysis of Brazil's tourism industry, its main environmental, social and economic sustainability issues, and

the case study of Porto de Galinhas. For the analysis of the value chain of tourism in Porto de Galinhas, we have applied a theoretical framework developed by James Gollub, Amy Hosier and Grace Woo.¹ In “Using cluster-based economic strategy to minimize tourism leakages”, published in 2002, these authors describe how leakages in the tourism sector can be avoided or minimized. These leakages are amounts subtracted from tourist expenditures for taxes, repatriated profits, wages paid outside the region, and for imported good and services. As it is difficult to measure leakages accurately, we do not intend to make exact calculations. Rather, we provide some recommendations on how even more value can be retained in the region.

¹ J. Gollub, A. Hosier and G. Woo, “Using Cluster-Based Economic Strategy to Minimize Tourism Leakages”, ICF Consulting, p. 12, World Tourism Organization website, <<http://www.world-tourism.org/quality/E/docs/trade/trsmleaks.pdf>> (29 August 2006).

Chapter 1

Outline of the tourism industry

1.1. Brief description of the sector

Tourism is one of the world's most important and fastest growing industries with a gross output of over US\$7 trillion (7.000.000.000.000). It employs 11% of the globe's workforce (over 200 million people) and forms 11.5% of global GDP.² Tourism is a sector that encompasses an extremely diverse range of markets. The main products and services of the tourism sector in Brazil are travel accommodation (hotels, hostels, camping, etc.), transportation (air, rail, bus, ferry), restaurants and cafés, car rental, travel retail (package travel deals, excursions, etc.), local retail (souvenirs, etc.), and tourist attractions (museums, national parks, zoos, etc.).

The tourism sector includes the International Standard Industrial Classification (ISIC) Sector H (Division 55 - Hotels and Restaurants) and Sector I (Transport). Within Sector H, subdivision 551 comprises hotels, camping sites, and other provision of short-stay accommodation while subdivision 552 encompasses restaurants, bars, and canteens. Sector I can be broken down into Division 60 (land transport by rail (601) or other (602)), Division 61 (water transport on the sea (611) or inland (612)), Division 62 (air transport scheduled (621) or unscheduled (622)), and Division 63 (supporting and auxiliary transport activities; activities of travel agencies). While these are the principal areas of the tourism industry, nearly all service sectors are impacted by tourism. For example, environmental services, such as garbage collection and beach cleaning, as well as health-related services, such as hospital, are influenced by people travelling outside of their usual place of residence. The International Labour Organisation (ILO) estimates that each job in the sector generates an estimated one-and-a-half additional (indirect) jobs in tourism-related sectors.³

1.2. Industry structure

Generally, the tourism sector is regarded as being relatively liberalised, with a large number of different highly-integrated and extremely-interdependent sub-sectors.⁴ For example, tour operators rely heavily on accommodation and restaurant services to house

² United Nations Environment Programme (UNEP), "Tourism: Destination Sustainability", no date, <www.unep.org/PDF/sc/Tourism_resourcekit-7.pdf> (30 September 2005).

³ ILO, "Hotel, catering and tourism employment expanding worldwide, but globalization leaves many small and medium sized enterprises behind", 2 April 2001, <www.ilo.org/public/english/bureau/inf/pr/2001/13.htm> (4 October 2005).

⁴ H. Handszuh, "Tourism Services under GATS", World Tourism Organization (1995), p. 16-26.

and feed travellers at their desired destination. Restaurants and hotels, in turn, rely on transportation services to deliver the tourists to their places of businesses.

Despite the wide range of products and services associated with tourism, one of the industry's most prevalent trends is the vertical integration of the industry's sub-sectors. This trend is reflected in the corporate strategies of some of the industry's major players in several different sub-sectors. Tour operators have long attempted to buy into both forward and backward areas of service and production, such as hotels and charter airlines (backward integration) and promotion and marketing of package deals (forward integration). Airlines have also attempted to integrate vertically, using their charter airline services to gain influence among tour operators, retailers, and travel agencies. Even airports are seeking to expand their operations to grab a bigger piece of the tourism pie. Amsterdam's Schiphol Airport is active in joint-ventures and strategic alliances with airport operators in the Netherlands Antilles, Indonesia, and China. Hotel chains are somewhat of an anomaly in the industry, rarely pursuing vertical integration.⁵

Vertical integration has been accompanied by stiff competition among tourism providers and the resulting high-profile takeovers of competitors (horizontal integration). The industry's landscape, thus, reveals a trend of diagonal integration, with oligopolistic companies seeking to become a provider in as many tourism related service markets as possible. Diagonal integration "is the process by which firms use information technologies to logically combine services (e.g. financial services and travel agencies) for best productivity and most profits".⁶ This strategy is expected to become more prevalent and the sector's market concentration more extreme as information technology develops.

1.3. Tourism value chain

The tourism value chain is comprised of the suppliers of all the goods and services that go into the delivery of tourism products to consumers. This includes all suppliers of goods and services that may not necessarily be directly contracted by tour operators or by their agents or suppliers.

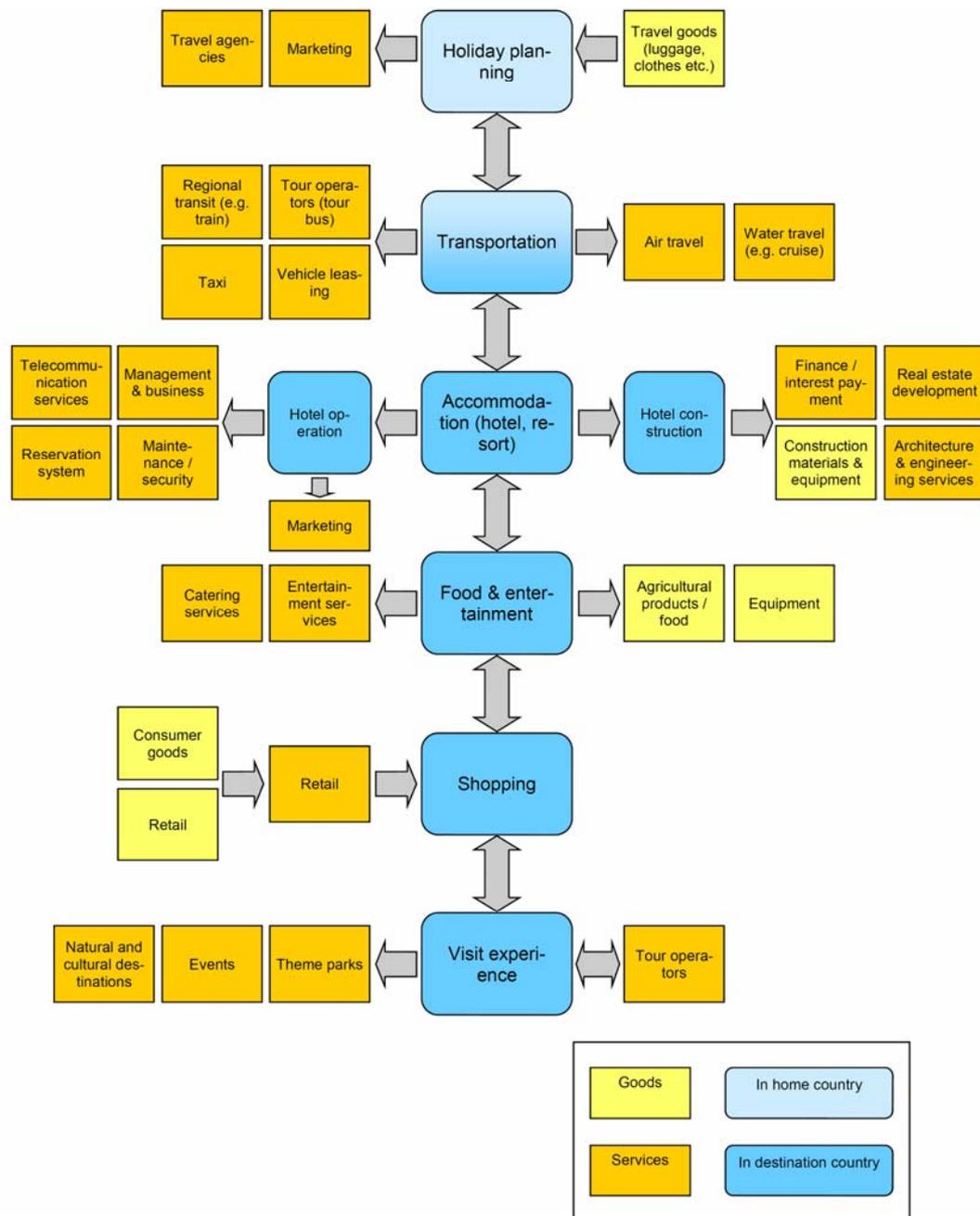
Figure 1 reveals that tourism supply chains are relatively complex, involving many components - not just accommodation, transport and excursions, but also bars and restaurants, handicrafts, food production, waste disposal, and the infrastructure (energy, water, roads) that supports tourism.

One of the major issues with regard to tourism value chains is a phenomenon known as "leakage". Financial leakages in the tourism occur when revenue arising from tourism-related economic activities in destination countries is not available for (re-)investment or consumption of goods and services in the same countries. Leakage may also include secondary costs of international development, such as damage to natural resources.

⁵ J. Seifert-Granzin and D.S. Jesupatham, "Tourism at the Crossroads: Challenges to Developing Countries by the New World Trade Order", *epd-Entwicklungspolitik*, VI-99 (1999), p.8.

⁶ A. Poon, "Tourism, Technology, and Competitive Strategies", UK- Wallingford: CAB International, 1993.

Figure 1 - Tourism value chain⁷



⁷ Adapted from J. Gollub, A. Hosier and G. Woo, "Using Cluster-Based Economic Strategy to Minimize Tourism Leakages", ICF Consulting, p. 12, World Tourism Organization website, <www.world-tourism.org/quality/E/docs/trade/trsmleaks.pdf> (29 August 2006), p. 28.

Financial leakages occur in many industries and sectors, but since tourism is often billed as one of the few profitable economic sectors for developing countries, it is particularly relevant here. Despite the complex integration of tourism and tourism-related services, the value-adding effects of tourism for developing country economies remain limited. The World Tourism Organization (WTO) has acknowledged that the tourism sector is “characterised by a marked absence of developing countries’ suppliers in the distribution channels”.⁸ As a result, only a small portion of tourism production value actually stays in the host country, and most of tourists’ expenditures are either sent back to their country of origin (for example when a tourist purchases imported goods or services) or never leave their home country in the first place (such as travel agent commissions, foreign airline tickets and tour operator profits). Experts estimate that between 60 – 90% of the total holiday price “leaks” out of the destination country and thus does not contribute to local economic development.⁹

Leakages are not unavoidable, but avoiding them requires building a domestic value chain for goods and services that would otherwise be purchased externally. Local support activities (backward linkages in the value chain) such as finance, technology, advertising, food production, building construction, and on-site services should be developed so that the tourism sector may make a higher contribution to domestic value added and economic development of developing countries.¹⁰ However, the increasing demand for “all-inclusive” packages, which are isolated from the host country by home country products and services, is likely to increase the level of leakage. Local suppliers are often left out as international tour operators tend to work with established international businesses for car rentals, food supply and accommodation.

The development of domestic linkages is also being hampered by the vertical integration strategies of major players in some of the industry’s sub-sectors. Tour operators based in developed countries often buy out local services such as hotels and charter airlines and bring the additional profits back home. Large airlines and even airports have also attempted to integrate vertically, setting up operations in tourist destinations and using their influence among tour operators and travel agencies to channel tourists toward their services rather than those of local companies.

Another major issue with regard to tourism value chains is ensuring that each element in the chain is sustainable. Tour operators have enormous influence over activities throughout the tourism value chain since they direct and influence the volume of tourism, the tourist destinations and facilities that are used.¹¹ Thus, if tour operators indicate that their sole criteria for selecting a supplier is (low) price rather than environmental or social performance, suppliers will likely forego environmental and social concerns in order to lower the price. At the same time, tour operators can use their influence to help in

⁸ H. Handszuh, “Tourism Services under GATS”, World Tourism Organization (1995), p. 16-26.

⁹ M. Hemmati and N. Koehler, “Financial Leakages in Tourism”, Sustainable Travel & Tourism, 2000, p. 25-29.

¹⁰ J. Seifert-Granzin and D.S. Jesupatham, “Tourism at the Crossroads: Challenges to Developing Countries by the New World Trade Order”, *epd-Entwicklungspolitik*, VI-99 (1999), p.13.

¹¹ R. Tapper and X. Font, “Tourism Supply Chains”, Leeds Metropolitan University, no date.

promoting general improvements in sustainability performance as part of good commercial practice. In order to support suppliers in reaching sustainability goals, long-term partnerships and fair pricing are particularly important in the operator-supplier relationship.

Chapter 2

The Brazilian tourism industry

2.1. Major players in the Brazilian tourism industry

In Brazil, tourism activities are essentially carried out by the private sector. The leading companies in the sector are Accor Hotels Brazil (accommodation), Varig (transportation), Localiza Rent-a-Car (car rental), Carlson Wagonlit Travel (travel agencies), and Viagens CVC (excursions). In terms of tourist attractions, national parks attract the largest number of visitors (with Amazon National Park topping the list), but theme and amusement parks bring in the most money.

Brazil's accommodation market is the only sub-sector of the industry that is highly fragmented and dispersed. As Table 1 shows, Accor Hotels, the country's leading hotel chain, controls only 2.5 percent of the total market. The Accor Group operates hotels under five major global brands: Sofitel, Novotel, Ibis, Mercure, and Formula 1. In addition to Accor, other major players include Choice Atlântica Hotels Inc (which operates a number of international brands such as Sleep Inn, Comfort, Quality, Clarion, and Radisson), Blue Tree Hotels, Sol Meliá, and Hotéis Transamérica.¹² The market is evenly divided between chain outlets (50.3% of market share in 2003) and independent hotels.¹³

Table 1 - Hotel companies in Brazil and their market share (% retail value), 2001-2005¹⁴

Hotel company	Country of origin	2001	2002	2003	2004	2005
Accor Group	France	1.4	1.5	1.3	1.6	2.5
Blue Tree Hotels	Brazil	0.4	0.5	0.5	0.7	1.2
Choice Atlântica Hotels	Brazil	0.2	0.4	0.2	0.3	0.6
Sol Meliá SA	Spain	0.2	0.4	0.4	0.5	0.8
Hotéis Transamérica	Brazil	0.2	0.4	0.4	0.4	0.5
Others	-	97.6	96.8	97.2	96.5	94.4

In the transportation sub-sector, airlines represent the largest share of the market sales, with over 80% historically. Being the most affordable method of transportation within the country, buses are the most common form of transport for the majority of Brazilians. Brazil's rail network is small and totally devoted to cargo. River transportation has little

¹² Euromonitor, "Travel and Tourism in Brazil," July 2006, p. 51.

¹³ Euromonitor, "Travel and Tourism in Brazil," February 2004, p. 30-36

¹⁴ Euromonitor, "Travel and Tourism in Brazil," July 2006, p. 51.

relevance for tourism, but sales of cruises have grown strongly in Brazil in recent years. As Table 2 shows, TAM Airlines is the largest player in the sector, with 40 percent of market share in 2005. Varig has experienced serious financial trouble over the past few years (in 2003 some of its planes were impounded in Miami and Paris for lack of leasing payments¹⁵). In early 2005, Varig was close to bankruptcy and failed to achieve governmental support to continue its activities. VASP ceased its activities in January 2005 due to high debts. The company's employees had not been paid for months, aircrafts had been withdrawn and the electricity supply to the company's headquarters cut off.¹⁶

Table 2 - Brazilian Airline Companies and Market Share (% retail value), 2001-2005¹⁷

Airline company	2001	2002	2003	2004	2005
Varig	28.7	26.7	36.5	37.5	39.9
TAM Airlines	30.7	35.0	34.6	34.9	40.0
VASP	14.4	12.7	9.3	8.1	-
Rio Sul	8.8	8.9	0.9	-	-
GOL	4.7	11.8	13.9	16.0	18.0
Transbrasil	7.8	-	-	-	-
Others	4.9	4.9	4.8	3.5	2.1

2.2. Tourism value chain in Brazil

The major players in the Brazilian tourism industry are part of a larger tourism value chain that stretches from tour operators in tourists' home countries to local restaurateurs and vendors in the smallest of Brazilian tourist destinations. Like other tourism host countries, Brazil faces the problem of financial leakage that stems from the vertically-integrated tourism supply chain. However, the Pro-Poor Tourism Partnership observes that countries with large and diversified domestic economies, such as Brazil, may experience *lower* levels of leakage than the poorest tourist destination countries.¹⁸ This is because countries with diversified economies are more able to provide locally-owned tourism infrastructure, such as in-country transport and domestic hotels, than very poor countries that depend on multinational companies to provide this infrastructure (and that then take the revenues home).

With regard to ensuring the sustainability of the supply chain, one example of the issues faced by a large country like Brazil is the negative environmental impact of in-country and international tourist transport, especially flying. Brazil offers diverse and physically distant tourism destinations, and tourists often fly from one tourist destination to the other. Tour operators often remark that they do not have the ability to influence the sustainability of air transport (in terms of carbon emissions). However, tour operators do have some choice over mode of travel, and over the operation of ground transportation that they use. For

¹⁵ Euromonitor, "Travel and Tourism in Brazil," February 2004, p. 42

¹⁶ Euromonitor, "Travel and Tourism in Brazil," July 2006, p. 60.

¹⁷ Euromonitor, "Travel and Tourism in Brazil", February 2004, p. 36-42

¹⁸ id21 insights, "Linkages and leakages: Local supply and imports", Issue 62, June 2006, p.5.

example, in the Pantanal region of Brazil, Sweden-based tour operator World Horse Riding has supported its suppliers in replacing environmentally unfriendly two-stroke boat engines with cleaner four-stroke engines and small, solar-powered electric motors.¹⁹

Figure 2 - Number of tourists and tourism receipts in Brazil, 2000-2005²⁰

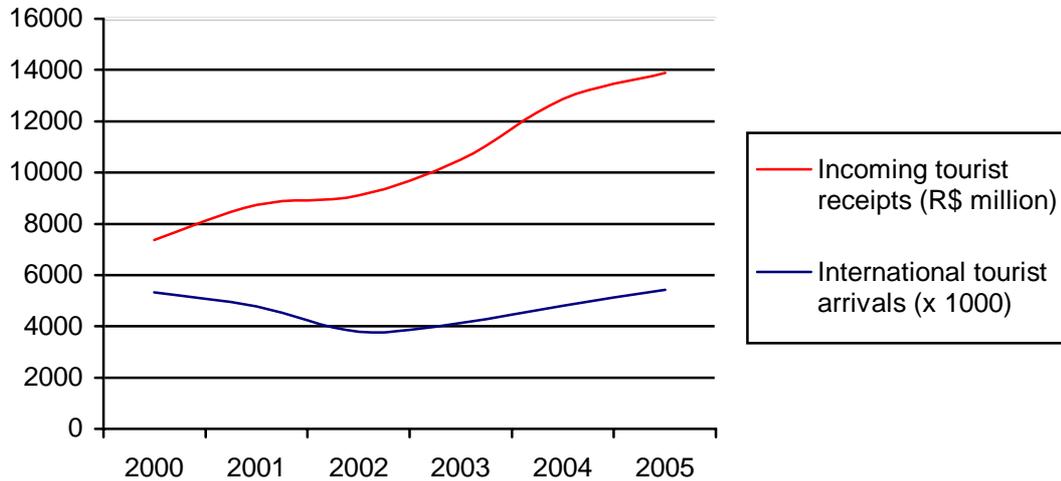
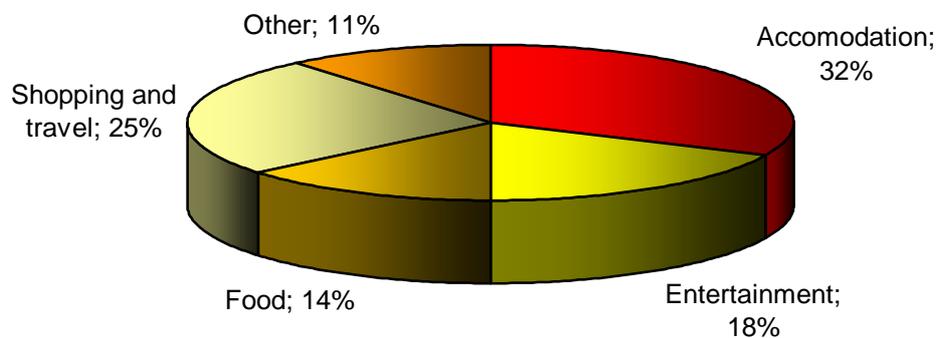


Figure 3 - Tourism spending in Brazil by sector, 2005²¹



¹⁹ World Horse Riding website, <www.worldhorseriding.com> (10 August 2006).

²⁰ World Tourism Organization (WTO), Tourism Market Trends, 2005 Edition – Annex 5 & 17, <www.world-tourism.org/facts/eng/pdf/indicators/ITA_Americas_2004.pdf> and <www.world-tourism.org/facts/eng/pdf/indicators/ITReu_Americas_2004.pdf> (25 July 2006); Euromonitor, “Travel and Tourism in Brazil,” July 2006, p. 25-26.

²¹ Euromonitor, “Travel and Tourism in Brazil,” February 2004, p. 30

2.3. Statistics on tourism in Brazil

Tourism is very important for Brazil's economy, occupying the third place overall in Brazil's exports, behind soy and iron ore.²² Worldwide, Brazil ranks 30th in the list of top countries visited by tourists. In terms of income, 2004 international tourism receipts brought in € 2.6 billion. Total international and domestic tourism accounts for over eight percent of the country's GDP. This figure compares favourably with Latin America's average of 5.1 percent, but it is below the world average of 10.2 percent. In 2003, the average international visitor stayed 13.55 days in Brazil and spent US\$ 87.99 during his stay there.²³

The tourism industry is one of the country's biggest employers, employing one in every eleven workers. In 2005, the tourism industry generated around 250,000 new jobs, and it is expected to create even more in the future.²⁴ Overall, almost nine million jobs were linked to Brazil's travel and tourism industry in 2004.²⁵

Brazil, like many other tourism destinations around the world, experienced a downturn in international tourist arrivals in 2001 as a result of terrorist attacks and economic recession, among other factors (see Figure 2).

Broken down by sector, accommodation accounts for the largest chunk of tourist spending, followed by shopping and travel and entertainment (see Figure 3).

2.4. International flows of tourism to Brazil

Neighbouring South American countries account for the largest numbers of tourists coming to Brazil. Argentines, Uruguayans, Paraguayans and Chileans comprised 32 percent of the total in 2005. Overall, after seven years of continuous growth, the number of foreign tourists in Brazil has dropped considerably in the past four years. At the all-time peak in 2000, 5.3 million visitors travelled to Brazil, but the number of incoming tourists plummeted to 4.7 million in 2001 and 3.8 million in 2002, a reduction of over 40 percent in three years.²⁶ The decline was largely due to the terrorist attacks of September 11, 2001,

²² CIA Factbook, Brazil exports, <www.cia.gov/cia/publications/factbook/geos/br.html#Econ> (13 October 2005).

²³ World Tourism Organization (WTO) website, "International Tourism Receipts by Country of Destination", September 2003, <<http://www.world-tourism.org/facts/tmt.html>> (9 June 2005); EMBRATUR, Estatísticas básicas do turismo, Brasil, atualizado em abril de 2005, <http://200.189.169.141/site/arquivos/dados_fatos/evolucao/EstatisticasBasicasdoTurismo.pdf> (26 Juli 2006), p. 15

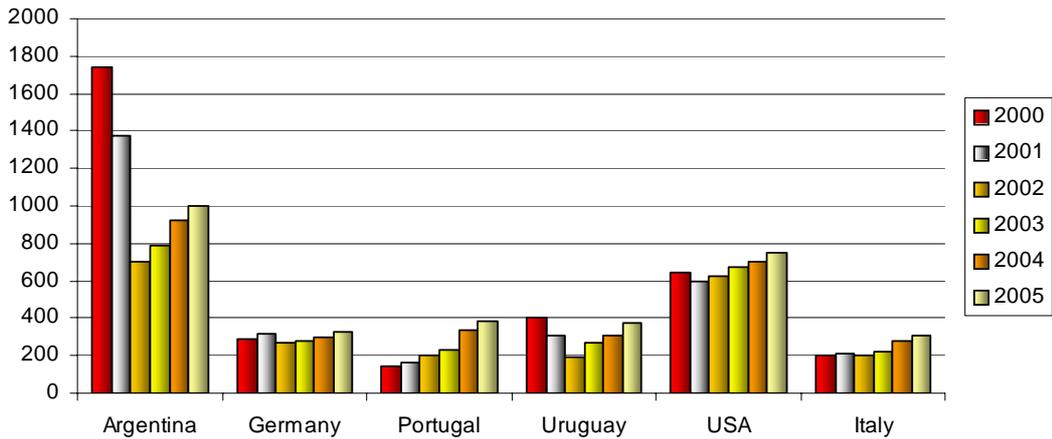
²⁴ Brazil-Arab News Agency, "Tourism to generate 250,000 jobs in Brazil in 2005," June 2005, <<http://www.anba.com.br/ingles/noticia.php?id=7479>> (13 October 2005).

²⁵ US Country Studies website, "Brazil: Tourism", 2003, <<http://countrystudies.us/brazil/77.htm>>, (9 June 2005).

²⁶ World Tourism Organization (WTO) website, "International Tourist Arrivals by Country of Destination", September 2003, <www.world-tourism.org/facts/tmt.html> (9 June 2005).

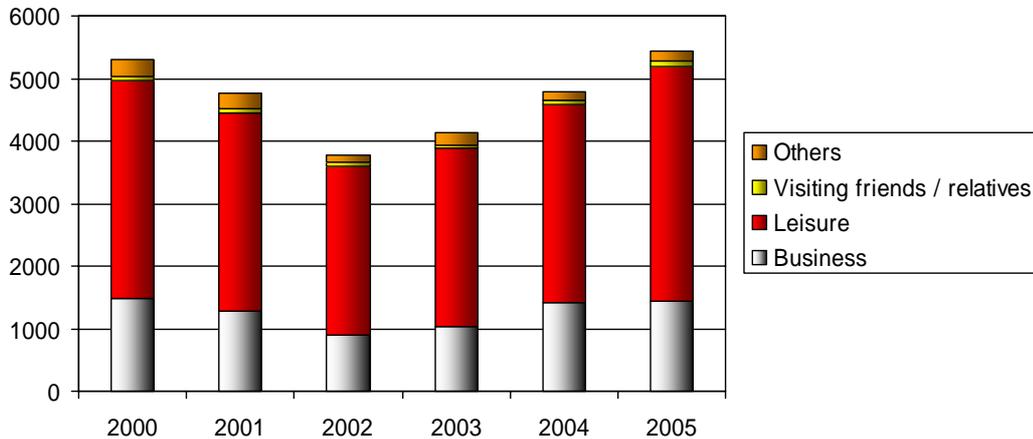
and economic uncertainty in Brazil. The largest fall was within Latin America, especially Argentinians, who, suffering their own economic and political turmoil, cut deeply in travel expenses. The number of incoming Argentinians fell by almost half. Despite the decline, Argentina is still the largest source of tourists travelling to Brazil. Among positive performances, the number of incoming US visitors has grown in recent years, as has the number of Dutch visitors (see Figure 4).²⁷

Figure 4 - Arrivals in Brazil by main countries of origin (x 1000), 2000-2005²⁸



The vast majority of tourists travel to Brazil for leisure purposes, although there is a significant number of business travellers and a small number of people visiting friends and relatives (see Figure 5).

Figure 5 - Arrivals by purpose of visit: 2000 – 2005 (x 1000)²⁹



²⁷ Euromonitor website, "Travel and Tourism in Brazil: Executive Summary," February 2004, <http://www.euromonitor.com/Travel_and_Tourism_in_Brazil> (9 June 2005).

²⁸ Euromonitor, "Travel and Tourism in Brazil", July 2006, p. 28.

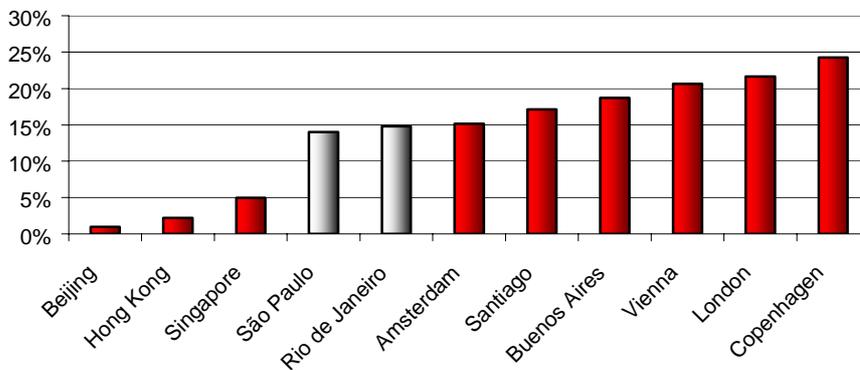
²⁹ Euromonitor, "Travel and Tourism in Brazil", July 2006, p. 28.

In terms of domestic tourism, the number of national flights and tourists has been on the rise for the past seven years, reaching a peak of 374 million domestic trips in 2000, and then declining somewhat to 363 million trips in 2003. The weakness of the Brazilian real compared to other international currencies probably had a large role in persuading Brazilians to travel within their own country rather than go abroad. Among domestic tourists, the country's economic centre, São Paulo, is by far the top tourist destination. This is because São Paulo has attracted the largest amount of investment in tourist infrastructure, such as hotels and restaurants. Rio de Janeiro and Bahia occupy, respectively, the second and third domestic tourist destinations.³⁰

2.5. Tourism taxes in Brazil

Tourism taxes are charges and fees levied on meals, lodging, car rentals, and airport arrivals and departures. According to the World Travel and Tourism Council, Brazil's top two tourist cities, Rio de Janeiro and São Paulo, occupy, respectively, the 24th and 22nd place in a ranking of the world's top 52 tourist destinations based on tourism taxes (1=least taxes, 52=most taxes). In Rio de Janeiro, taxes account for an average of 14.79 percent of a tourists total vacation cost; in São Paulo, the figure is 14.03%.³¹ Figure 6 compares tourism taxes in the two Brazilian cities to other top tourism destinations. It is also interesting to note that, with specific regard to airport taxes, both the Rio and the São Paulo airports charge US \$36.00 per international arrival/departure (41st rank), while Amsterdam Schiphol airport charges US \$17.39 (21st rank).³² Airport taxes include international departure and arrival taxes, international passenger service and security charges, and numerous miscellaneous inspection and immigration charges.

Figure 6 - Tourism taxes as a percentage of total trip cost in selected cities, 2002³³



³⁰ Euromonitor, "Travel and Tourism in Brazil", February 2004, p. 27-28.

³¹ World Travel and Tourism Council, "World Travel and Tourism Tax Barometer", n.11, June 2002, p.4.

³² Ibid., p.8.

³³ Ibid., p.4.

2.6. Industry outlook

Despite the downturn in the number of tourists travelling to Brazil, investment in new hotels has boomed over the past several years (US\$6.5 billion only in 2001), but this led to oversupply in many areas. Occupancy rates plunged from more than 80% in the early 1990s to around 50- 60% in the last two years. Despite this decline, Brazil is expected to gain almost 30,000 new rooms by 2005. On the north-eastern coast alone, Brazil's leading tourist region, 21 new resorts will be built in the coming years.³⁴

The transportation industry experienced sluggish growth in 2002, due mostly to the serious crisis that hit the aviation industry. Varig, the country's largest carrier, almost went out of business in late 2002 and lingered on the brink of bankruptcy in 2006. An attempted merger with TAM Airlines, Brazil's second largest carrier, was not successful.³⁵

2.7. Types of tourism

Brazil is a country of continental proportions where a wide array of tourism activities can be undertaken. The country hosts tourists seeking all kinds of vacations, from adventure tours to beach holidays. Rio de Janeiro is the country's top tourist destination, closely followed by São Paulo. The new strategy of Embratur, the Brazilian Institute of Tourism, includes taking part in as many international tourism-related trade fairs as possible as well as competing in the international market of events, such as conventions and meetings. In 2005, Embratur participated in 40 international fairs and 72 workshops, and it maintains nine international offices (seven in Europe, including one for the Benelux region, one in the US, and one in Japan).³⁶

Ecotourism is a niche market in Brazil's tourism sector. According to the Brazil Ecotourism Guidelines³⁷, the official definition of ecotourism is "a segment of tourism that uses the natural and cultural heritage in a sustainable way, stimulates its conservation and builds an environmentalist conscience through environmental interpretation and also promoting the well-being of the populations involved". However, although there are currently more than 100 nature-based destinations in Brazil, there is, in practice, little true ecotourism in the country. Ecotourism in Brazil has become a catch-all phrase for activities ranging from a walk in the woods to a stay at an "eco-resort". Unrealistically high expectations of the size and profitability of the market have led to the failure of many investments.

In recent years, Brazil has actively promoted eco-tourism, especially in the Amazonas and Pará states and the Pantanal, which enjoy better infrastructure and greater security than

³⁴ Euromonitor website, "Travel and Tourism in Brazil: Executive Summary", February 2004, <www.euromonitor.com/Travel_and_Tourism_in_Brazil>, (9 June 2005).

³⁵ Ibid.

³⁶ Brazil-Arab News Agency, "Tourism to generate 250,000 jobs in Brazil in 2005", June 2005, <www.anba.com.br/ingles/noticia.php?id=7479> (26 July 2005).

³⁷ Instituto EcoBrasil website, "Brazil Ecotourism Guidelines," 1994, <www.ecobrasil.org.br> (31 August 2005).

other areas of the Amazon. Eleven states in Central Brazil comprise the eco-tourism corridor, in which a wide array of ecological attractions is provided by local and international operators.³⁸

Sea cruising has been identified as an area for expansion in Brazilian tourism, and both local and international companies have shown interest in developing this market. In 2001, cruise passenger arrivals represented nearly 3% of total arrivals. Rather than bringing foreign tourists to Brazil, most international cruise lines that come to Brazil in the summer cater to the steady demand of Brazilians wishing to travel along their own country's coastline.³⁹

2.8. Governmental policies and incentives

Since coming into office in 2002, the administration of president Luiz Inácio Lula da Silva has promoted a restructuring in federal tourism offices. Embratur has become an agency primarily devoted to promoting Brazil abroad and attracting conferences and events. The management and bureaucratic work is now the task of the Ministry of Tourism.

According to the current government's own assessment, Brazil's tourism industry is currently characterized by the absence of an evaluation process of the effects of policies related to the sector, inappropriate regulation of activity and low-quality control in the provision of services, and the non-existence of a structuring process for the productive chain.⁴⁰

In 2003, the Brazilian government created the Ministry of Tourism and publicized its National Tourism Plan 2003-2007, which is aimed at strengthening, diversifying and decentralizing Brazil's tourism industry. The Plan is based on public-private partnerships and decentralized management. Seven Macro-Programs are being implemented as part of the Plan. These include:

1. Institutional Management and Relationships, which will strengthen the private sector's representative channels to government and decentralize decision-making;
2. Promotion, with the goal of attracting more investment and facilitating access to credit for the private sector (focus on small and medium enterprises);
3. Infrastructure, including improving infrastructural conditions in tourism cities and access to remote tourist spots;
4. Structuring and Diversification of Tourism Supply, to increase the number of quality tourism products made available for commercialization;
5. Quality of the Tourism Product, in which the regulation, standardization, and qualification of tourism activities and personnel will be strengthened and decentralized;

³⁸ Euromonitor, "Travel and Tourism in Brazil", February 2004, p. 17-18.

³⁹ Ibid., p. 18-19.

⁴⁰ Brazilian Ministry of Tourism, "National Tourism Plan: Guidelines, Goals and Programs 2003-2007", 29 April 2003.

6. Promotion and Support to Commercialization, designed to improve and diversify the country's image as a tourist destination; and
7. Tourism Information, which will collect information on Brazil's tourism demand and supply for use by public and private tourism managers.⁴¹

One specific initiative is the Brazil Sustainable Tourism Certification Program (PCTS), which entered its implementation phase in 2004. The PCTS is coordinated by the Instituto de Hospitalidade and aims to improve the quality and competitive position of small and medium tourism enterprises by improving their operational, environmental, socio-cultural and economic performance. The program sees certification as a means to an end and places great emphasis on stakeholder participation, disseminating information, training, creating consumer awareness and international promotion.⁴²

In Brazil, there is no specific legislation against organizing and advertising sex tourism, but there are several measures designed to protect child prostitution. There are penalties (including fines and jail time) for the user of child prostitution and the manager, controller, pimp or owner of a child prostitute or place of child prostitution.⁴³

⁴¹ Ibid., p. 31-45.

⁴² Instituto de Hospitalidade, PCTS <www.pcts.org.br/pubpcts/cgi/cgilua.exe/sys/start.htm?sid=113> (25 July 2006).

⁴³ WTO website, "Brazilian Legislation to Protect Children", no date, <www.world-tourism.org/protect_children/legislation_country/brazil.htm> (8 September 2005).

Chapter 3

Sustainability in the tourism sector

Companies in the tourism industry have a responsibility to ensure that their business practice does not add to the deterioration of the working and living conditions in the tourism destination and around the world. Issues related to corporate social responsibility (CSR) in the sector can be derived from Agenda 21, introduced at the United Nations Rio Summit in 1992.⁴⁴ These issues are encompassed by three overarching principles:

1. **Ecological sustainability:** development that is compatible with the maintenance of essential ecological processes, biological diversity, and biological resources
2. **Social and cultural sustainability:** development that increases people's control over their lives, that is compatible with the culture and values of people affected by it, and that maintains and strengthens community identity
3. **Economic sustainability:** development that is economically efficient, with managed resources that can support future generations.

In 2001, the General Assembly of the United Nations officially recognised the World Tourism Organization's Global Code of Ethics for Tourism (GCET). The ten-point GCET addresses issues like tourism's contribution to mutual understanding and respect between peoples and societies, tourism as a vehicle for individual and collective fulfilment, tourism as a factor of sustainable development, tourism's contribution to the enhancement of the cultural heritage of mankind, tourism as a beneficial activity for host countries and communities, and rights of the workers and entrepreneurs in the tourism industry.⁴⁵

The International Labour Organisation (ILO) also has developed conventions concerning minimum labour standards that apply to the tourism industry. Some of the most important are⁴⁶:

- ❑ C.29 and C.105 – Convention concerning forced labour and Abolition of forced labour: "Each member country undertakes to suppress the use of forced or compulsory labour in all its forms within the shortest possible period".
- ❑ C.138 – Convention concerning minimum age: "Each member country undertakes to pursue a national policy designed to ensure the effective abolition of child labour and to raise progressively the minimum age for admission to employment

⁴⁴ "CSR is a process in which corporations take responsibility for the social, ecological and economic consequences of their actions – throughout their product and service delivery chains – making themselves accountable, and engaging in a dialogue with all those involved." Cf. Coalition of Dutch CSOs & Trade Unions actively promoting CSR, *CSR Frame of Reference* (Amsterdam: 2003).

⁴⁵ World Tourism Organization website, "Global Code of Ethics for Tourism", 1999, <www.world-tourism.org/code_ethics/eng/global.htm> (8 September 2005).

⁴⁶ ILO website, "Database of International Labour Standards", no date, <www.ilo.org/ilolex/english/convdisp1.htm> (9 September 2005).

or work to a level consistent with the fullest physical and mental development of young persons”.

- C.111 – Convention concerning discrimination: “All human beings, irrespective of race, creed or sex, have the right to pursue both their material well-being and their spiritual development in conditions of freedom and dignity, of economic security and equal opportunity. Each member country undertakes to declare and pursue a national policy designed to promote, by methods appropriate to national conditions and practice, equality of opportunity and treatment in respect of employment and occupation, with a view to eliminating any discrimination in respect thereof”.
- C.98 – Convention concerning the right to organise and to bargain collectively: “Workers shall enjoy adequate protection against acts of anti-union discrimination in respect of their employment”.
- C.87 – Convention concerning freedom of association: “Workers and employers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organisation concerned, to join organisations of their own choosing without previous authorisation”.
- C.100 – Convention concerning equal treatment: ensures “equal remuneration for men and women workers for work of equal value without discrimination based on sex”.

Under the Convention of Biological Diversity (CBD), UN members agreed upon ‘International Guidelines for tourism in ecologically sensitive areas’. Since 2004, this voluntary set of guidelines is a tool for development of sustainable tourism destinations, including conservation issues.

In the tourism industry, the value chain of a product or service to end-users is often not controlled by solely one party or individual and different elements are often operated by multiple stakeholders. This leads to difficulties in controlling elements of corporate social responsibility.⁴⁷

Despite international aims towards sustainability as mentioned above, the tourism industry requires improvement in many areas. Tourism industry workers in many countries continue to suffer low and unpredictable pay, long hours and casual employment. Natural areas are converted for the development of tourism infrastructure; consumption of water and production of waste remain problems. In this chapter we will explore some of the areas needing improvement in greater detail.

⁴⁷ R. Dodds & M. Joppe, *CSR in the tourism industry? The status of and potential for certification, codes of conduct and guidelines* (June 2005), p. 10.

3.1. International standards, codes of conduct and certification schemes in tourism

In most industries, CSR related standards and practices have been developed by the private sector to respond to pressure from civil society organisations and sometimes governments. In tourism, however, the use of codes of conduct and certification is not widespread and is not yet based upon agreed international standards.⁴⁸

3.1.1. International standards

There are a number of international standards that are applicable to most multinational corporations and their suppliers. These standards are relevant especially for tour operators, as they constitute a key element in most supply chains in the tourism sector. Some important standards are:

- ❑ The Universal Declaration of Human Rights⁴⁹
- ❑ The UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights⁵⁰
- ❑ The Conventions of the International Labour Organisation (ILO)⁵¹
- ❑ The OECD Guidelines for Multinational Enterprises⁵²

The Conventions of the International Labour Organisation (ILO) are most specific in defining corporate behaviour regarding employment. The ILO has issued almost 200 conventions on working conditions. Eight of these ILO conventions specify the four fundamental labour rights. These four labour standards are:

- ❑ Freedom of association and collective bargaining (ILO conventions 87, 98 and 135)
- ❑ No forced labour (ILO conventions 29 and 105)
- ❑ No child labour (ILO conventions 138 and 182)
- ❑ No discrimination, for example with reference to the sexes (ILO conventions 100 and 111)

The Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy extends the ILO conventions, listing corporate responsibilities with regard to labour

⁴⁸ Ibid., p. 8.

⁴⁹ Cf. UN website, Universal Declaration of Human Rights, no date, <www.unhchr.ch/udhr/lang/eng.htm> (9 August 2006).

⁵⁰ Cf. UN website, *Norms on the responsibilities of transnational corporations and other business enterprises with regard to human rights*, 26 August 2003, <[www.unhchr.ch/huridocda/huridoca.nsf/\(Symbol\)/E.CN.4.Sub.2.2003.12.Rev.2.En?Opendocument](http://www.unhchr.ch/huridocda/huridoca.nsf/(Symbol)/E.CN.4.Sub.2.2003.12.Rev.2.En?Opendocument)> (9 August 2006).

⁵¹ Cf. ILO website, ILOLEX, no date, <www.ilo.org/ilolex/english/convdisp1.htm> (9 August 2006).

⁵² Cf. OECD website, Text of the OECD Guidelines for Multinational Enterprises, no date, <www.oecd.org/document/28/0,2340,en_2649_34889_2397532_1_1_1_1,00.html> (9 August 2006).

issues and also including a number of additional labour standards falling under the specific responsibility of corporations:

- ❑ The right to security of employment (Tripartite Declaration, Art. 24-28)
- ❑ A living wage that covers basic needs (ILO conventions 26 and 131)
- ❑ Healthy and safe working conditions (ILO convention 115)
- ❑ Compliance with the maximum number of working hours (48 + 12) (ILO convention 1)

3.1.2. Codes of conduct

A good code of conduct does not only describe CSR issues and good practise, but also contains mechanisms and principles for its execution.⁵³ The following elements, based on international standards and guidelines, should be included in prominent codes of conduct:

1. Labour norms have to be in accordance with the ILO conventions

Many state-of-the-art codes mention the following eight norms:

- No forced labour (ILO conventions 29 and 105)
- No discrimination, for example with reference to the sexes (ILO conventions 100 and 111)
- No child labour (ILO conventions 138 and 182)
- Freedom of association and collective bargaining (ILO conventions 87, 98 and 135)
- A living wage that covers basic needs (ILO conventions 26 and 131)
- No excessive overtime (ILO convention 1)
- Healthy and safe working conditions (ILO convention 115)
- Legal labour contracts (ILO Tripartite Declaration of Principles Concerning Enterprises and Social Policy)

National legislation is always preferred if it establishes higher standards.

2. Environmental aspects

Codes of conduct have to specify how their environmental requirements and recommendations can contribute to sustainable development. Clear links should be established between a healthy and clean environment and the welfare of all stakeholders involved. The Aarhus Convention (1998) was the first to link human rights with environmental rights. This Convention includes important clauses on stakeholder participation, transparency and access to justice. A number of general principles have been stated in the EC treaty and the Rio Declaration, designed to prevent adverse effects on safety and the environment:

- The principle of preventive action (Art. 174 (130 R, section 2) EC Treaty)

⁵³ SOMO defines a code of conduct as a statement about the social, environmental and executive standards that a company should abide by in its worldwide activities.

- The precautionary principle (Rio Declaration, Art.15 and Art. 174 (130 R, section 2) EC Treaty)
- Tackling environmental damage at the source (Art. 174 (130 R, section 2) EC Treaty)
- “The polluter pays” principle (Rio Declaration, Art. 16, Art. 174 (130 R, section 2) EC Treaty)⁵⁴

3. **Implementation and monitoring**

A code of conduct does not only exist in theory, it also has to be executed. Companies have to develop an internal system to make sure that suppliers follow the code and to be able to assess the progress of this process.

4. **Multi-stakeholder influence**

The backing of civil society is essential to the credibility of a code of conduct. A state-of-the-art code of conduct is based on the interaction between the stakeholders: companies, labour unions and non-governmental organisations (NGOs). This is relevant to the actual development of the code and to its elaboration on a local level, i.e. when a local community has to decide to which concrete improvements should be given priority.

5. **External control**

An independent organisation has to verify whether a company actually follows its code of conduct. This is to make sure that stakeholders get an objective guarantee of the company's actions regarding its code of conduct. Codes of conduct can only be effective if they include solid rules for implementation. This means that a code has to be integrated into the company's management system and has to be verified externally and independently.

6. **Reasonable commercial conditions**

A company has to give its suppliers the opportunity to implement the code of conduct without obliging them to make excessive financial sacrifices. This can be done by offering suppliers long-term contracts and fair prices.

Codes of conduct in the tourism industry were first developed in the 1970 and 1980s and were primarily focused on visitor management and environmental management. There are a number of these codes in the tourism industry, created by international bodies (World Tourism Organisation (WTO), United Nations, The International Ecotourism Society (TIES) etc.). However, no general awareness has been raised nor has compliance with these codes has ever been monitored. Codes of conduct in the tourism industry tend to be voluntary or informal and vary considerably according to sub-sector (hotels, cruises, airlines and operators) and the issues that are addressed (labour, environment, social and economic aspects).⁵⁵

⁵⁴ MVO Platform (Coalition of Dutch CSOs & Trade Unions actively promoting CSR), *The CSR Frame of Reference* (Amsterdam: 2003).

⁵⁵ R. Dodds & M. Joppe, *CSR in the tourism industry? The status of and potential for certification, codes of*

Roughly, one can define two types of codes of conduct in the tourism sector: sectoral and company code of conduct. The sectoral codes are usually created by organisations such as the World Tourism Organization (WTO) or by industry associations. Company codes of conduct are self-imposed guidelines of what corporations deem ethical business behaviour. According to reports published by the World Bank, there is virtually no effective monitoring or implementation mechanism yet in place for CSR practices in the tourism sector. Moreover, even defining sustainable tourism is difficult, as criteria are interpreted differently by different stakeholders.

Currently, some large-scale tour operators are developing sustainable supply chain policies. In spite of the increasing popularity of these initiatives, there is a lack of uniformity among codes of conduct that address supply chain issues. Most companies in the tourism industry prefer setting their own standards to using certification schemes. The main reason for this is that these certification schemes do not exist in many travel destinations. Often, it is not even possible to find certified products or services in countries that are popular among tourists. Tour operators also feel that the number and variety of different schemes are confusing for their customers and their staff.⁵⁶

3.1.3. Certification schemes

Certification and labelling procedures are used as a means of communicating information about the social or environmental conditions with regard to the production of goods or the provision of services. Examples of these are the Fairtrade label, organic certification, and the Forest Stewardship Council initiative, which certifies landowners matching a series of criteria for sustainable forest management. Labels can help setting common standards for certain sectors and, ideally, help prevent confusion among consumers. They generally ensure better stakeholder representation in the negotiation of standards than enterprise initiatives, such as company codes of conduct.⁵⁷

In the tourism sector, the phenomenon of certification began to spread the early 1990s. Since 1992, a great number of certification schemes have been developed. Tourism certification is provided by a wide range of initiatives that provide a marketable logo to companies that exceed (or claim to exceed) a specific standard. The logo allows businesses to demonstrate their sustainability credentials. There are many specific certification schemes - perhaps more than a hundred worldwide - with regard to sustainability in the tourism industry.⁵⁸

In 1999, the UN Commission on Sustainable Development (CSD) recommended that tourism certification schemes should:

conduct and guidelines (June 2005), p. 26.

⁵⁶ Ibid., p. 28.

⁵⁷ S. Ponte, *Standards and sustainability in the coffee sector: a global value chain approach* (Winnipeg, Canada: International Institute for Sustainable Development, 2004), p. 9.

⁵⁸ Synergy, *Tourism certification: an analysis of Green Globe 21 and other tourism certification programmes* (WWF-UK, August 2000), p. 1.

- ❑ require companies to comply with national and regional regulations as an absolute minimum;
- ❑ have the potential to surpass regulatory requirements in a way which is cost-effective;
- ❑ be developed with multi-stakeholder participation;
- ❑ include monitoring, assessment and verification systems to generate confidence and support from all parties; and
- ❑ include reference to the need for education focusing on travellers, investors, workers and host communities.⁵⁹

The results of the plethora of certification schemes in the tourism industry seem to have been unsatisfactory so far, primarily due to the relatively small amount of certified products and services available in the sector. According to Font, there were 7,000 tourist products certified worldwide in 2003, 6,000 of which are in Europe.⁶⁰ Moreover, the majority of certification schemes for tour operators address ecotourism operations rather than large mass market operators that supply the bulk of all tourism products in the world. Tour operators simply do not have enough products to choose from to fill their travel catalogues.⁶¹ The four best known certification programmes for ecotourism and small and medium-size enterprises (SME) have less than 2,000 members in total. In Costa Rica - one of the best-known destinations for ecotourism – only five percent of all hotels have been certified, and of that five percent, only 46 percent have used their certification in advertisements.⁶²

3.2. Ecological sustainability

As nature and landscape are often ingredients of a tourism experience, many tourism developments coincide with areas of high biodiversity, but large numbers of travellers can damage fragile ecosystems. Most damage to ecosystems happens through land conversion: natural areas are converted into areas with tourism infrastructure (resorts, transport facilities, leisure centres). Often, there is a lack of adequate planning of new developments, or considerations on biodiversity are not part of the planning process. Other problems related to tourism development are use of water and resources for energy, production of waste, litter and waste water, and disturbance of species by the presence of tourists.

Especially in developing countries, tourist centres often overuse scarce resources such as water and energy, and there is a lack of suitable waste management systems. Showers,

⁵⁹ Ibid., p. v.

⁶⁰ X. Font, "Labelling and certification: benefits and challenges for sustainable tourism management and marketing", Ecoclub.com E-Paper Series, nr. 9, July 2003, <<http://ecoclub.com/library/epapers/9.pdf>> (8 August 2006).

⁶¹ R. Dodds & M. Joppe, *CSR in the tourism industry? The status of and potential for certification, codes of conduct and guidelines* (June 2005), p. 20.

⁶² Ibid., p. 21.

swimming pools and watering of lawns can destroy water reserves, and often tourists ignore the fact that the local populations lack water for their personal use and for irrigation. Tourist complexes also generate literally tons of garbage (a single cruise ship produces 70,000 tons of trash every year⁶³) that must be treated and disposed of by local, often inadequate infrastructure.

Serious environmental degradation is also incurred as a result of tourism-related air travel, which causes air pollution, in particular through greenhouse gas emissions. Per passenger mile travelled, CO² emissions of aircraft are five times higher than those of cars and twenty times higher than those of rail traffic. The tourism industry exhibits a considerable and growing demand for long haul trips requiring air travel that has an unequivocally negative ecological effect. According to the UN Environmental Programme, 60 percent of all international air traffic is for tourism. In 2003, 1.6 billion passengers, two-thirds of whom were holidaymakers, checked in at airports.⁶⁴ In Brazil, over 70 percent of incoming tourists arrived by air in 2003.⁶⁵

Box 1 - Vacation footprint

COOL Flying estimates that a single roundtrip flight from Amsterdam in the Netherlands to Recife in Brazil generates 4.15 tons of greenhouse gasses.⁶⁶ The Dutch organisation De Kleine Aarde approximates that earth can provide the equivalent of 17,000 m² of productive land and water for each human being's yearly use.⁶⁷ A 10-day beach vacation in Brazil, including roundtrip flight from Amsterdam, accommodation in a four-star hotel, and a rental car, has a footprint of 12,412 m². That amounts to 3/4ths of the total resource budget that one person could 'fairly' use in one year.

The growing concern about environmental issues in the tourism industry is sometimes dealt with through certification schemes. In the last decade, the number of certification schemes and the number of certified tourism suppliers has grown rapidly (although it still is a very small percentage of the total market, and most certified suppliers can be found in developed countries). Certification schemes usually focus principally on environmental issues such as water, waste, and energy management. However, attention to social issues has increased over the last few years. Still, very few checklists of certification or monitoring schemes feature biodiversity or conservation issues. When they do, the largest threat to biodiversity, land conversion, is not addressed.

⁶³ United Nations Environment Programme (UNEP), "Tourism: Destination Sustainability," no date, <http://www.unep.org/PDF/sc/Tourism_resourcekit-7.pdf> (27 September 2005).

⁶⁴ United Nations Environment Programme (UNEP), "Tourism: Destination Sustainability," no date, <http://www.unep.org/PDF/sc/Tourism_resourcekit-7.pdf> (30 September 2005).

⁶⁵ Euromonitor website, "Travel and Tourism in Brazil: Executive Summary", February 2004, <http://www.euromonitor.com/Travel_and_Tourism_in_Brazil>, (4 October 2005).

⁶⁶ COOL Flying website, <<https://www.coolflying.nl/index.php?id=29>> (30 September 2005).

⁶⁷ De Kleine Aarde website, <<http://www.dekleineaarde.nl/vakantievoetafdruk/vv.php>> (30 September 2005).

3.3. Social and cultural sustainability

Environmental aspects have been prioritised in certification programmes and other CSR initiatives since the early 1980s. Only recently has some attention been given to social issues related to CSR in the tourism industry. Particularly in the area of human and labour rights, many issues can be of relevance. In the following paragraphs, we mention the most important social and environmental issues that should be addressed by companies in the sector. One should stress that most of these issues have not been caused solely by the activities of companies in the tourism sector. Nevertheless, companies should make an effort to contribute to solving these issues. The issues mentioned in the following paragraphs are particularly relevant for the tourism sector in Brazil.

3.3.1. Child prostitution, child pornography and the sale of children

The sex industry is currently experiencing a boom worldwide, accompanied by a rise in child prostitution, which is growing due to increased tourism. Tourism is certainly not the cause of child sex tourism, but it is a channel that provides offenders with a way to gain access to children. As a result, the tourism industry is well-placed to play a vital role in protecting children.

After Thailand, Brazil has the second-largest number of underage prostitutes in the world, about 500,000.⁶⁸ According to research undertaken by the Brazilian government in 2005, almost one in five of the country's large cities harbours well-organised underage sex rings. Nearly a third of all child prostitution crimes take place in the northeast of Brazil, a region with many international tourist destinations. Three state capitals in the northeast - Fortaleza, Recife and Salvador - have set up special courts to deal with child prostitution. Prostitution is legal in Brazil at eighteen, but there is such a high demand for prostitutes and such poverty among the local population that many minors are drawn into the industry. Income from child prostitution benefits people engaged in an entire chain of activities (managers of bars and cabarets, middlemen, guides, hotel staff, taxi drivers, etc.), making it that much harder to eradicate.

Brazil's penal code may also have been culpable for the country's notoriety regarding child prostitution. The current Brazilian penal code defines sexual crimes against children and adolescents as "offences against public morals" rather than "sexual crimes", which carry a more severe penalty. Furthermore, rape is classified as a violation only when the victim is female, making it difficult to punish attacks on boys. In addition, existing legislation only considers *international* trafficking of people for sexual ends a crime, often leaving traffic within Brazilian territory unpunished.⁶⁹

The Statute of the Child and Adolescent (*Estatuto da Criança e do Adolescente – ECA*), adopted in 1990, is a comprehensive act on children's rights. At the time of its adoption, it

⁶⁸ C.J. Gentile, "Brazil cracks down on child prostitution", *San Francisco Chronicle* (5 February 2005).

⁶⁹ B. Mendonça, "Brazil too lenient on child sex predators," Agência Brasil, <<http://www.brazil.com/2004/html/articles/may04/p114may04.htm>> (27 September 2005).

represented a significant advancement in the recognition of children as people with rights. The ECA foresees the establishment of an institutional framework to protect children's rights. Almost 16 years on from its adoption, several provisions of the ECA are yet to be fully implemented.⁷⁰

The Brazilian administration under President Lula has shown some political will to make change in the anachronistic laws regarding the sexual exploitation of children. In 2004, Brazil ratified the *Optional Protocol to the Convention on the Rights of the Child on the Sale of Children, Child Prostitution and Child Pornography* by decree. Recently, proposals have been sent to the Brazilian parliament to change the legislation with reference to the sexual exploitation of children.⁷¹

The international NGO ECPAT (End Child Prosecution and Trafficking) is working together with the tourism industry to combat the problem of child prostitution. The ECPAT Code of Conduct is implemented by a number of players in the industry, among which are the hotel chain ACCOR, the leading hotel chain in Brazil, and TUI NL, the leading tour operator in the Netherlands. Implementing the Code leads to a number of steps, including company staff training on the issue and contract clauses stating that business with suppliers will be ended if child prostitution occurs on the premises. A number of airlines (amongst which Air France, Lufthansa and Austrian Air) diffuse in-flight videos on long-haul flights to raise awareness about the problem of child sex tourism.⁷²

In Brazil, a National Committee to Combat Sexual Violence against Children and Adolescents was created in 2002 as a permanent national association composed of civil society, governmental, non-governmental, and international organisations. They are working together in order to monitor the implementation of the National Plan of Action to Combat Sexual Violence against Children and Adolescents.⁷³

In 2005, the Ministry of Tourism began a campaign against child sex tourism, targeting industries related directly to tourism. The National Plan to Fight the Sexual and Commercial Exploitation of Adolescents and Children in Tourism (*Plano Nacional de Enfrentamento à Exploração Sexual e Comercial de Adolescentes e Crianças no Turismo*) was launched at the World Social Forum at Porto Alegre in 2005. The Brazilian government works directly with companies in the tourism industry, including car rental outlets, hotels, bars, restaurants, airlines and taxi drivers, particularly in areas with a large tourist appeal. The airlines Gol, TAM and Varig are already taking part in the campaign

⁷⁰ J.M. Petit, "Rights of the Child," Report of the Special Rapporteur on the sale of children, child prostitution and child pornography, January 2004, <www.unhcr.ch/pdf/chr60/9add2AV.pdf> (3 August 2006), p. 13.

⁷¹ J. Chequer, "Panorama da proteção de crianças e adolescentes", Ibase, 14 July 2006 <www.uff.br/obsjovem/mambo/index.php?option=com_content&task=view&id=93&Itemid=9&PHPSESSID=457b79e5a95532b72c47c6b70e9eb109> (2 August 2006).

⁷² ECPAT website, programmes, "preventing child sex tourism", no date <www.ecpat.net/eng/ecpat_inter/projects/sex_tourism/sex_tourism.asp> (3 August 2006).

⁷³ See <<http://www.violenciasexual.org.br>> (3 August 2006).

and promote it on their flights. The government also intends to distribute leaflets for the tourists informing them about their situation.⁷⁴

Box 2 - Dutch consulate helps convicted child porn traders escape

In September 2002, two Dutch men were arrested in Brazil in for trading in child pornography. A Brazilian court had previously imposed an 11-year sentence on one of the men and eight years on the other. They were convicted of masterminding a plan to have 8,850 pictures taken of naked girls aged 12 and older and taken into custody on remand for 11 months. The two men appealed their conviction, and a Brazilian judge allowed them to await further legal proceedings in freedom, under the condition that the Dutch Consulate would guarantee that the two convicted men would not leave the country. The Dutch Consulate accepted this condition but then proceeded to issue the men emergency passports, allowing them to escape back to the Netherlands.

In October 2004, the Dutch Minister of Foreign Affairs stated that the emergency passports should not have been issued and could have been refused on lawful grounds.⁷⁵ In September 2005, a network of Brazilian human rights organisations took the Dutch state to court for having helped the two men in their escape.⁷⁶

According to the Coalition on Child Prostitution and Tourism (ECPAT) International, the Philippines and Thailand used to be the destinations of choice for Dutch paedophiles, but currently the child abusers have also turned their attention to Brazil because of the budget airfares available.⁷⁷

3.3.2. Child labour

The ILO estimates that ten to fifteen percent of the people working in the tourism industry worldwide are children. Children work shining shoes, selling flowers, carrying luggage, working in kitchens and as small vendors in the tourism industry, in addition to the millions more minors labouring in the informal sector.⁷⁸ The ILO observes that many juveniles are

⁷⁴ Euromonitor, "Travel and Tourism in Brazil," July 2006, p. 8.

⁷⁵ Ministerie van Buitenlandse Zaken, Beantwoording van vragen over de betrokkenheid van het Nederlands consulaat-generaal te Rio bij strafontloping door in Brazilië veroordeelde Nederlandse kinderpornohandelaren, 25 October 2006
<www.minbuza.nl/default.asp?CMS_ITEM=1392248745BE4D95A840C60BFA764ECB3X50086X75> (3 August 2006).

⁷⁶ Vítimas de pornografia infantil processam o estado holandês, 21 September 2006
<<http://www.pautasocial.com.br/pauta.asp?idPauta=5992>> (2 August 2006).

⁷⁷ Coalition on Child Prostitution and Tourism (ECPAT) International website, "Dutch consulate helped child porn traders escape," September 2004, <www.ecpat.net/eng/ECPAT_news/Nederland.htm> (27 September 2005).

⁷⁸ C. Plüss, "Wenn einer eine Reise tut...haben andere viel zu tun. Die Toursimusforschung entdeckt Frauen und Kinder," Blätter des iz3w, 214 (June/July 1996), p. 26.

“employed in condition of great deprivation equivalent to bondage”.⁷⁹ The employment of children is not limited to cheap or low-quality establishments, but frequently occurs in mid-range hotels and restaurants.

3.3.3. Sex tourism

Sex tourism is tourism, partially or fully for the purpose of having sex. A sex tourist is usually defined as an adult who travels in order to have legal consensual sexual relations with another adult, often for the exchange of money or presents.

Often the term "sex tourism" is wrongly interchanged with the term "child sex tourism". A tourist who is having sex with a child is almost always committing a criminal offence in the host country, and possibly the country that the tourist is a citizen of. In contrast, legal-age prostitution is legal in many countries, including Brazil.

The exploitation and harassment of women as a result of sex tourism further exacerbates gender inequality in the industry. According to the World Health Organization (WHO), sex tourism negatively affects women’s physical health in many ways, including:

- ❑ Increased risk of HIV/AIDS
- ❑ Risk of sexually transmitted infections
- ❑ Risk of unwanted pregnancy
- ❑ Rape
- ❑ Physical abuse
- ❑ Confinement

Furthermore, sex tourism encourages men to view and treat women as objects. Thus, not only are the prostitutes themselves harmed, but all women are affected by sex tourism. Such degrading and exploitative treatment can lead to mental health problems such as depression, resignation, and substance abuse.

Juan Miguel Petit, United Nations’ special envoy on the sale of children, child prostitution and child pornography, believes that tourism providers and government agencies have a role in the propagation of sex tourism because of the stereotypes they use to sell vacation packages. In a January 2004 report, Petit explained, "The touristic image of Brazil is all too often associated with stereotypical representations of young women, mainly Afro-Brazilians, portrayed half-naked in tourist catalogues to convey the message that exotic sexual adventures can easily be available to tourists during their stay in the country".⁸⁰

⁷⁹ ILO 1990. Cited in J. Seifert-Granzin and D.S. Jesupatham, "Tourism at the Crossroads: Challenges to Developing Countries by the New World Trade Order," *epd-Entwicklungspolitik*, VI-99 (1999), p. 20.

⁸⁰ J.M. Petit, "Rights of the Child," Report of the Special Rapporteur on the sale of children, child prostitution and child pornography, January 2004, <www.unhchr.ch/pdf/chr60/9add2AV.pdf> (3 August 2006).

For decades the state-owned Brazilian Institute for Tourism (Embratur) promoted Brazil as a utopian destination for tourism by displaying images of young women in two-piece bathing suits in brochures and film material. Embratur used insinuating slogans such as “Woman: the greatest attraction” (*“Mulher: a maior atração”*), accompanied by photos of women on beaches to attract foreign tourists. According to researcher Louise Prado Alfonso, the dissemination of this sort of campaigns has contributed to the increase of sex tourism in Brazil.⁸¹ A few years ago, Embratur decided to change its policies and marketing campaigns. Currently, it advises tourism promotion boards and travel agencies not to use images of women in bikinis. Instead of seductive women, these organisations are recommended to promote Brazil’s abundant flora and fauna and its cultural attractions.⁸²

3.3.4. Quality of jobs

That the tourism industry has a positive effect on reducing unemployment in the destination country is not in question. However, the fact that the industry can employ many workers with little starting capital and little education also means that the jobs created by tourism are often low quality jobs. In fact, insecure, poorly paid, and unskilled jobs are typical in the sector.

Because of a perceived downturn in global tourism since 2001, hotels are increasingly using casual or part-time workers for long-term staffing solutions in order to achieve greater efficiency. Workers hired without a contract (or, at best, with a temporary contract) receive none of the benefits of full-time employment such as paid holidays, maternity and sick leave, welfare benefits, severance pay, union membership, professional development, or promotion opportunities. The lack of a proper contract also allows the firing of tourism employees on a whim.⁸³ In many countries, climatic conditions that vary throughout the seasons result in considerable seasonal fluctuation in the availability of work and jobs. This has a particularly harsh impact on the informal sector, which, in some countries, encompasses up to 50 percent of tourism-related jobs. Because of the lack of employment opportunities in developing countries, women and minors are often forced to take up small business activities in the informal sector of the tourist industry.

Tourism jobs are often characterised by long shifts, irregular hours, income insecurity, frequent contact with second-hand smoke, cost-cutting measures by managers and owners, alcohol consumption, and the often sexualised nature of tourism, which introduces the danger of contracting HIV/AIDS. All of these factors create a high-risk zone for the health and safety of employees and an extremely stressful working environment. In

⁸¹ R. do Carmo Santos, “O uso da mulher na propaganda e o crescimento do turismo sexual”, *Jornal da Unicamp, Universidade Estadual de Campinas*, 17 to 23 April 2006, <www.unicamp.br/unicamp/unicamp_hoje/jornalPDF/ju319pg08.pdf> (4 August 2006), p. 8.

⁸² A. Werneck & J. Ribeiro, “Ação contra mercadores do sexo”, *O Globo*, 9 February 2006 <<http://clipping.planejamento.gov.br/Noticias.asp?NOTCod=104518>> (4 August 2006).

⁸³ Tourism Concern, “Labour standards, social responsibility and tourism,” 12 August 2004.

2000, the European Agency for Safety and Health at Work named the hotel and catering industry one of the sectors most prone to physical violence in the European Union.⁸⁴

Furthermore, the International Labour Organisation (ILO) has concluded that “the remuneration of employees in hotels and restaurants seems to be at the lower end of the salary spectrum”.⁸⁵ According to the ILO, tourism workers earn on average at least 20 percent less than workers in other economic sectors.⁸⁶ The tourism industry relies heavily on unskilled labour and low wages, which owners and managers justify by citing added service charges and tips. Unfortunately, employers frequently withhold the service charges from the employees, and tips rarely guarantee workers a decent, consistent income. Tipping customs vary from country to country, and tourists often leave less than the percentage used to justify a low fixed wage for hotel and restaurant employees. In some countries tipping is discouraged if service charges are added to the bill, but it is often difficult for the customer to know what percentage of the service charge goes to the individual worker.

Within the tourism industry there are few opportunities to progress from entry-level positions to senior management. Because of the high rate of turnover among tourism employees (due to the low pay and quality of the jobs), many employers are reluctant to invest in training and education for their workers. Furthermore, most multinational hotels recruit senior management from within the parent company or through international recruiting rather than the pool of local employees, who often work five or ten years in the same position.

The extremely low level of unionisation in the sector (less than ten percent) further exacerbates the problem of low wages and hazardous, stressful working conditions and allows for greater exploitation of tourism workers.

Women are heavily represented in the tourism industry, accounting for more than 70 percent of the official workforce in countries with an established tourism industry, and as much as 80 percent in some countries.⁸⁷ Women are found significantly more in part time and/or temporary employment than men, and women working in the tourism industry are paid only 70 percent of what men are paid for the same amount of work.⁸⁸ Although recent years have seen an increase in women's involvement in the tourism industry, this has not corresponded with any substantial change in the amount of hours women are expected to

⁸⁴ European Agency for Safety and Health at Work, “Monitoring the state of occupational safety and health in the European Union. Pilot study summary report,” Bilbao, 2000.

⁸⁵ ILO 1990. Cited in J. Seifert-Granzin and D.S. Jesupatham, “Tourism at the Crossroads: Challenges to Developing Countries by the New World Trade Order,” *epd-Entwicklungspolitik*, VI-99 (1999), p.19.

⁸⁶ ILO, “Hotel, catering and tourism employment expanding worldwide, but globalization leaves many small and medium sized enterprises behind,” 2 April 2001, <<http://www.ilo.org/public/english/bureau/inf/pr/2001/13.htm>> (4 October 2005).

⁸⁷ United Nations Environment and Development – UK Committee, “Gender & Tourism: Women's Employment and Participation in Tourism,” <www.earthsummit2002.org/toolkits/women/current/gendertourismrep.htm#sum> (30 September 2005).

⁸⁸ *Ibid.*

spend on domestic duties. The result is much longer actual working hours for women. One should take into account that these figures do not include the informal sector, where conditions tend to be much worse for women and the disparity between men and women greater.

Box 3 - Poor quality jobs

Employment in the tourism industry often means working a poor quality job. In a report on labour standards and tourism, Tourism Concern relays some elucidatory accounts⁸⁹:

In Gran Canaria, Mari and her nine colleagues are laundry workers for a group of six hotels. Every day they iron 3,000 sheets, 5,000 towels, 3,000 napkins and 12,000 tablecloths. The average temperature in the laundry room is 40°C.

In the Dominican Republic, Segunda works a nine-hour day and cleans 21 rooms (including bathrooms and verandas). She is a widow with two teenage children. When she takes her holidays, she does not get paid for them, and when she works overtime, which she does frequently, it also goes unpaid. She would like to join a union to give her security, but a hotel has not agreed to have a union on the premises.

3.3.5. Cultural impacts

The degree to which tourism affects the socio-cultural system and organisation of the host country is hotly debated. Nevertheless, there appear to be some indisputable effects of tourism on culture. Tourism influences esteem for material goods and cultural commodities. The ILO maintains that “the contact of rich tourists with the poor populations of developing countries constitutes a social shock. The local culture succumbs to commercial gain. Tourism brings about dollarisation of trade, which impoverishes inhabitants who have local money and drives them to profit from the tourist trade”.⁹⁰ In impoverished countries, qualified professionals (doctors, teachers) are often driven to leave their jobs to become unlicensed taxi drivers - paid in dollars.

By speeding up the abandonment of traditional patterns of production, tourism also leads to the abandonment of activities guaranteeing autonomy. For example, the construction of a large number of hotels rapidly reduces the amount of agricultural land, which can cause a country to become dependent on imports for its food requirements.

The transformation of local power relations and the introduction of new commercial forms of resource management associated with tourism development can lead to a rapid process of structural change in the local nature-society interaction, disrupting resident peoples’ livelihoods strategies. The creation of a national park and touristic development,

⁸⁹ C. Beddoe, *Labour standards, social responsibility and tourism*, Tourism Concern, 2004.

⁹⁰ B. Manier, “Seeking socially responsible tourism”, ILO World of Work, 39, (June 2001).

for example, in the Lençois Maranhenses region of north-eastern Brazil “have neither fulfilled their major role of ‘protecting the environment’ nor brought any benefit for resident peoples. Conversely, it has conditioned contextual patterns of interaction between different actors and the environment, compromising resident peoples ability to control the main source of their livelihoods. As a result, this political rationality has represented resident peoples impoverishment and the systematic degradation of their natural resource base”.⁹¹

In some cases, local populations are physically and forcibly removed from their traditional land so that it may be used for tourism. The ILO cites, for example, the expulsion of the Masai tribe from their lands in Tanzania to create a place for safaris. Similarly there have been evictions of fishermen from a coastal zone of Kerala, India, in order to establish a mega-tourist complex using 47 million litres of water per day, and producing 58 tons of daily trash.⁹²

Box 4 - Tourism threatens traditional cultural celebrations in Brazil

At many traditionally sacred sites, traditional pilgrimages and customary rites are being threatened by leisure tourism.

In Brazil, tourism operators use the traditional Afro-Brazilian religious syncretism of Candomblé to attract tourists, to whom they sell admission to traditional rites and dances. At one *terreiro* in Bahia, tourism planners installed a sound-and-light show at the site.

In many areas of north-eastern Brazil, local people who had long celebrated the traditional ceremonies such as the *Bembé do Mercado* are now forced to pay or brave crowds of camera-bearing tourists in order to merely glimpse their own rituals as the events are held exclusively for foreign tourists in a local stadium.

As these examples illustrate, the relegation of traditional practices to modern tourist attraction disables people from participating meaningfully in their own cultural celebrations.⁹³

⁹¹ S. Abakerli, “A critique of development and conservation policies in environmentally sensitive regions in Brazil”, *Geoforum*, 32:4 (November 2001), p. 551-565.

⁹² ILO, “Seeking socially responsible tourism”, *World of Work*, 39 (June 2001), <www.ilo.org/public/english/bureau/inf/magazine/39/tourism.htm> (30 September 2005).

⁹³ J. Seifert-Granzin and D.S. Jesupatham, “Tourism at the Crossroads: Challenges to Developing Countries by the New World Trade Order”, *epd-Entwicklungspolitick*, VI-99 (1999), p.21.

3.4. Economic sustainability

3.4.1. Poverty alleviation and income (in)equality

At the World Summit on Sustainable Tourism in Johannesburg, in 2002, the World Tourism Organisation (WTO) launched a report called *Tourism and Poverty Alleviation*. The report argued that tourism is one of the few development opportunities for the poor and constituted a call for action. According to Harold Goodwin, proving the benefits of tourism in addressing poverty is a challenge because there is very little data that demonstrates the impact of tourism on poverty. Nevertheless, it is generally assumed that, through a “trickledown” process, local communities benefit from employment (direct, indirect and induced) and through the local economic development impact of spending in the destination. There is, however, little hard evidence to support this view.⁹⁴

The tourism industry is easily accessible for entrepreneurs, as in many cases little investment and infrastructure is needed to start a tourism activity. It offers many labour-intensive and small-scale opportunities.⁹⁵ As a result, many developing organisations see tourism as an instrument towards poverty alleviation. However, experience also shows that tourism tends to increase income inequality. Organised tourism can displace local restaurants, accommodation facilities, and transportation and service providers in favour of organized operators that are often subsidiaries of a vertically-integrated multinational tourism company. Furthermore, the tourism market is not only highly seasonal, but can also be unreliable in the long term. The tourism market shifts easily according to changing political situations and external factors such as the SARS disease in Asia in 2003.

Some organisations aim at combining poverty alleviation and nature conservation through tourism. Tourism is often based on natural assets, and brings income for the local population. Natural assets thus get an economic value and will be conserved, and the local population can develop its economy with tourism activities. One form of nature tourism can be found in and around national parks and protected areas. However, national parks systems often reveal the contradictory character of nature tourism. When governments create national parks, they often force natives living on the land to relocate since no human habitat is allowed exist inside the park. Nevertheless, the government then builds lodges inside the park to attract nature and wildlife tourism and leases them to tour operators who claim to be eco-friendly. The result is that the native people, who cared for the natural area as their home for generations, are displaced by tourism operations that are, oxymoronically, designed to generate money to save a fragile ecosystem that is threatened by the very presence of tourists. In addition, Jörg Seifer-Granzin and D. Samuel Jesupatham note that, “where conservation efforts are in place for the sake of

⁹⁴ H. Goodwin, “Measuring and reporting the impact of tourism on poverty”, Proceedings from Cutting edge research in tourism new directions, challenges and applications, School of Management University of Surrey, 6 – 9 June 2006, < <http://www.haroldgoodwin.info/resources/measuring.pdf>> (9 August 2006).

⁹⁵ WTO, “Tourism and Poverty Alleviation: Recommendations for Action”, 2004.

tourism, they are seldom to the benefit, and often at the cost, of the local people affected".⁹⁶

Tourism often diverts crucial resources such as water and energy away from local, often poor populations as well as small-scale farmers and agricultural production. In many cases, it is obvious that land acquisition, expropriation, and eminent domain laws are widely used to appropriate land from the poor for use in tourism development that has dubious "public interest".⁹⁷ For example, a resident in what is now the Lençóis Maranhenses National Park in north-eastern Brazil explains,

"The tourists do not contribute to improving our lives. You have to understand that tourism is good only for those who have something to invest... we do not have the means even for the education of our children... why would people invest what they do not have in something uncertain?"⁹⁸

Brazil constitutes somewhat of an exception to the common practice of displacing indigenous populations in order to create tourist havens. The country has done more than other tourist destinations to protect its indigenous people, their land and their rights, a practice enshrined in the 1988 Brazilian Constitution. Chapter VIII, Article 231 of the Constitution states, "The lands traditionally occupied by the Indians are earmarked for their permanent possession, and they are entitled to the exclusive usufruct of the resources of the soil, the rivers and the lakes existing on such lands".⁹⁹ The more than 95 million square hectares of indigenous lands in Brazil, most of which are located in the Amazon region, cover an area three times the size of all other classes of non-indigenous protected lands (parks, national forests and extractive reserves).

Local Community Based Tourism (CBT) initiatives and international initiatives like STEP (Sustainable Tourism Eliminating Poverty) focus on conditions that are necessary to let tourism development contribute to poverty alleviation. Given the fact that tourism is a growing market, the ways in which tourism can make a contribution to poverty alleviation should be further explored.

Some years ago, the term "pro-poor tourism" was coined. Pro-poor tourism is defined as tourism which generates net benefits for the poor – it is neither a product nor a sector. Any form of tourism can be pro-poor. Pro-poor tourism aims to unlock economic and other livelihood opportunities for the poor. What actually constitutes poverty will vary from destination to destination. The WTO has identified seven different ways in which spending associated with tourism can reach the poor:

⁹⁶ J. Seifert-Granzin and D.S. Jesupatham, "Tourism at the Crossroads: Challenges to Developing Countries by the New World Trade Order", *epd-Entwicklungspolitik*, VI-99 (1999), p.23.

⁹⁷ *Ibid.*, p.18.

⁹⁸ S. Abakerli, "A critique of development and conservation policies in environmentally sensitive regions in Brazil", *Geoforum*, 32:4 (November 2001), p. 551-565.

⁹⁹ Federal Constitution of the Republic of Brazil (1988), Chapter VIII, Article 231.

1. Employment of the poor in tourism enterprises;
2. Supply of goods and services to tourism enterprises by the poor or by enterprises employing the poor;
3. Direct sales of goods and services to visitors by the poor (informal economy);
4. Establishment and running of tourism enterprises by the poor (SMEs or community-based enterprises);
5. Taxes or levies on tourism revenues or profits with proceeds benefiting the poor;
6. Voluntary giving of resources (money, goods, time) by tourists and enterprises in ways which benefits the poor;
7. Investment in infrastructure which provides livelihood benefits to the poor.

According to Harold Goodwin, it is clear that the impacts of tourism on the poor are diverse and that both positive and negative impacts need to be considered.¹⁰⁰

¹⁰⁰ H. Goodwin, "Measuring and reporting the impact of tourism on poverty", Proceedings from Cutting edge research in tourism new directions, challenges and applications, School of Management University of Surrey, 6 – 9 June 2006, < <http://www.haroldgoodwin.info/resources/measuring.pdf>> (9 August 2006).

Chapter 4

Case study: Tourism in Porto de Galinhas

4.1. Introduction

In 2005, SOMO and the IUCN National Committee of the Netherlands commissioned CICLO, a Brazilian research organisation, to undertake research on the tourism value chain in the village of Porto de Galinhas, in the northeast of Brazil. In the same year, Porto de Galinhas had been elected as the “best beach town” by the readers of a renowned Brazilian tourism magazine. In the last three decades, Porto de Galinhas transformed itself from a fishermen’s village into one of the principal tourism destinations in the northeast of Brazil. Porto de Galinhas is located in the poor state of Pernambuco, which has experienced an explosive growth of visits by foreign tourists in the last five years. In 1999, Pernambuco received 2.3 million tourists. Five years later, in 2004, this figure increased by 50 percent. The significant growth of the total number of visitors in a relatively short period of time has raised some questions. Some stakeholders want to know more about the profile of the visitors, while others are interested in the impact of the influx of foreign visitors on local and regional development. Other more specific questions are:

- ❑ Can tourism in this region be considered sustainable from an economic, social and environmental point of view?
- ❑ How is the value chain in the tourism sector in Porto de Galinhas structured?
- ❑ Which segments govern the value chains in this sector?
- ❑ Do these segments operate in a socially responsible manner?
- ❑ How does the value chain affect local development and the local community?

In order to find answers to these questions, CICLO conducted field research in Porto de Galinhas. SOMO, IUCN NL and CICLO chose to undertake research in Porto de Galinhas because of its vocation for tourism and its potential for sustainable growth. The village is located near the city of Recife, the capital of the state of Pernambuco. Usually, foreign tourists only stay about three days in Recife due to high levels of urban crime and the impossibility to swim at its polluted beaches, which are notorious for shark attacks. These tourists then go to other places along the coastline of Brazil, such as Porto de Galinhas, where they stay for a longer period (9 to 16 days). Porto de Galinhas is part of the municipality of Ipojuca. Ipojuca has about 70,000 inhabitants. The municipality estimates that only 7,000 people live in the village of Porto de Galinhas. During weekends and holidays, the size of the Porto de Galinhas’ population triples.

The natural beauty of its surroundings is the main attraction of Porto de Galinhas for foreign and Brazilian tourists. Porto de Galinhas is located on an island in the delta of a river, bordered to the east by the Atlantic Ocean, to the west by mangrove swamps, to the south by the Maracaípe River and to the north by the Merepe River. The total extension of Porto de Galinhas' beaches is 18 kilometres. The foreign tourists that visit Porto de Galinhas are mainly couples and families looking for sun, beaches, nature and a relaxing environment.

In 2004 and 2005, several airlines initiated charter flights from European capitals to Recife. This has led to an increase in the amount of foreign tourists that visit Porto de Galinhas. Most of the visitors from outside South America come from Portugal, Italy and Germany. The number of Dutch and Scandinavian tourists is increasing. The impact of the influx of tourists will be discussed in the following paragraphs.

The core report for the case study is available in Portuguese and in Dutch on SOMO's website (www.somo.nl). In this chapter we will highlight the outcomes of this research.

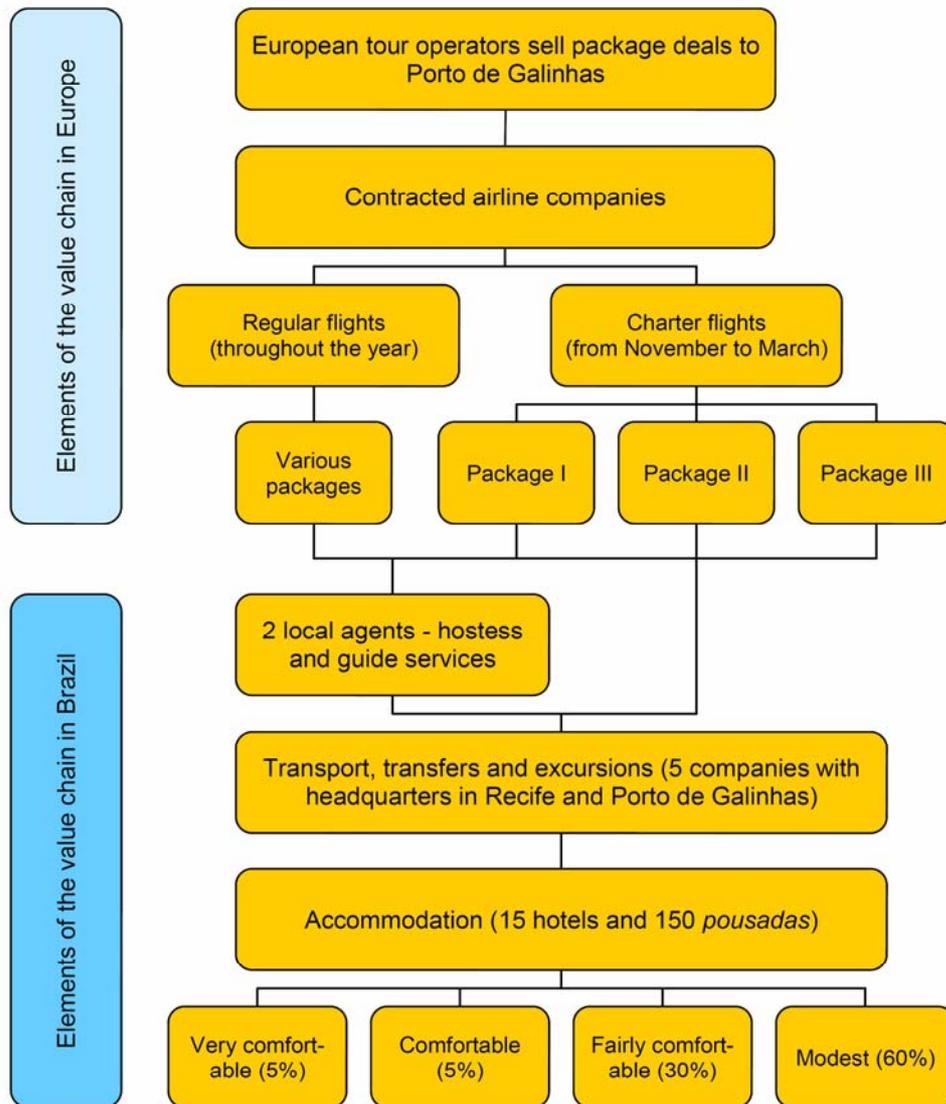
4.2. The tourism value chain in Porto the Galinhas

The significant growth of tourism in Porto de Galinhas is a recent phenomenon. The influx of foreign tourists intensified in 2002 due to the inauguration of several resorts and the inclusion of Porto de Galinhas as a destination in catalogues issued by international travel agencies. Most foreign tourists arrive in charter flights to Recife. There are direct charter flights from Finland and the Netherlands to Recife and from Norway, Denmark and Finland to Natal. From November 2004 to March 2005, some charter flights were suspended, partly due to the high airport tax in Recife (R\$ 36 per person). This tax is high when compared to the taxes of other Brazilian airports. Most foreign tourists that visit Porto de Galinhas purchase a travel package in their home country. These packages usually include a return ticket, a hotel with breakfast included, transfers from the airport to the hotel and back, the services of a hostess and bilingual tour guides. Sometimes these packages include all food expenses (in the case of a resort) and one or two one-day excursions to other places, for example Recife-Olinda or Itamaracá-Igarassu.

Some expenses are not included in the package, such as expenses in restaurants and bars, entertainment (boat trips, diving, nightlife, horseback riding etc.), and the purchase of handicrafts and other souvenirs. When tourists acquire these services and products, they will, in most cases, contribute to the local economy. Large hotels and resorts tend to enter into contracts with local or non-local providers to ensure that these extra expenses are made on the premises of the hotel or resort. Tourists that stay in smaller hotels usually spend more money to acquire products and services outside their hotels.

Figure 7 shows an outline of the value chain of package deals to Porto de Galinhas. All elements of the value chain that are usually included in package deals are shown.

Figure 7 – Value chain of package deals to Porto de Galinhas



Package I: 9 to 16 days in Porto de Galinhas;

Package II: 23 days (14 days for a tour through Brazil and 9 days in Porto de Galinhas);

Package III: 4 nights in Recife and a tour through Brazil (this package can include a visit to Porto de Galinhas).

Virtually all foreign tourists that visit Porto de Galinhas have purchased some sort of package deal in their home countries. The function and the importance of the elements of the local value chain will be described in the following paragraphs.

4.2.1. Local agents

There are only two offices of tour operators in Porto de Galinhas. They facilitate many services and products regarding inbound tourism, such as transport, accommodation and excursions. They may also provide assistance to foreign tourists and help them find their way in Porto de Galinhas, but they are not always necessary. In the case of Porto de Galinhas, most European tour operators have established direct relations with local tourism service providers, such as hotels and inbound tourism service providers. Additional excursions, for example, can easily be purchased at the reception of a hotel.

4.2.2. Transport, transfers and excursions

Depending on the type of package deal, these services may or may not be included. There are only a few companies that receive tourists and organize trips and excursions. In Porto de Galinhas, five companies provide these services. Most of these companies started their business less than two years ago. Some of them operate inside hotels or other place easily accessible to tourists, such as shops in small shopping centres.

4.2.3. Accommodation

In Brazil, the international star system used for to indicate the quality of a hotel is often replaced by the system used by the popular and authoritative *Quatro Rodas* Guide. Brazil is still trying to get its hotels rated. The international star system has not proven to be effective in Brazil; since 2002, when it was defined by Embratur and ABIH (Brazilian Association for the Hotel Industry), only 26 hotels (out of 18,000) have been awarded stars. Due to the costs incurred in meeting the standards of the rating scheme, many hotels prefer no to be assessed by Embratur.¹⁰¹ Therefore, for the purpose of this research, we have used the classification system defined by the *Quatro Rodas* Guide. *Quatro Rodas* classifies hotels and *pousadas* according to the following categories: luxury, very comfortable, comfortable, fairly comfortable and modest.

There are far more *pousadas* than hotels in Porto de Galinhas. *Pousadas* can be very luxurious, but most of them offer low-budget accommodation and familiar service. *Pousadas* are usually found near beaches, forests or other natural tourist attractions. Most *pousadas* do not serve lunch or dinner, but breakfast is often included in the daily rates.

In the village of Porto de Galinhas, most *pousadas* with the classification “modest” can be found in the centre. Walking away from the centre of the village, in the northern direction (Merepe) and the southern direction (Maracaípe), one can find more hotels and *pousadas* classified as “fairly comfortable”. “Comfortable” and “very comfortable” hotels are located even more distant from the village, in the northern direction (Cupe and Muro Alto). Accommodation in these categories includes large hotels, serviced flats and resorts are included. Despite the growth of high-end tourism, there are no hotels classified as “luxury” in Porto de Galinhas, and there is little influence of international investors. Most investments are made by regional and national firms. There is a chain of hotels and

¹⁰¹ Euromonitor, “Travel and Tourism in Brazil,” July 2006, p. 47.

pousadas classified as “fairly comfortable” that belongs to one local family. The majority of the hotels and *pousadas* only expand by increasing the number of rooms, not by opening subsidiaries. In some cases, owners of a hotel or a *pousada* in Porto de Galinhas have built hotels near other beaches in the region.

None of the hotels or *pousadas* in Porto de Galinhas has a quality certification, such as an ISO or Ecotourism related certificate.

The mid-range hotels and *pousadas* have been pioneers for tourism in the region and govern the value chain on a local level. Some of them play a key role in Porto de Galinhas’ Hotel Association. This association was founded by seven or eight hotels in 1992 after an outbreak of cholera in the Northeast region. This outbreak affected tourism, and the hotel occupancy rate in the region plummeted to zero. The aim of the Hotel Association was to improve the image of Porto de Galinhas as a destination for tourism. The Hotel Association has been very successful in accomplishing its objective by organising a series of events to promote regional festivities and by inviting tour operators, travel agents, journalists and advertisers to visit the region. The association has also organised workshops and seminars in the Southern part of Brazil to promote Porto de Galinhas as a tourism destination. The campaigns initiated by the Hotel Association raised awareness among local entrepreneurs about the importance of undertaking joint marketing activities. Other elements of the value chain reacted very positively to the initiatives of the Hotel Association. *Pousadas*, bars, restaurants, buggy drivers, boat owners and artisans started to contribute to these campaigns by offering discounts and complimentary products. The dynamism of the Hotel Association has in fact stimulated the development of other elements in the chain, such as bars, restaurants, nightclubs, clothes shops, handicrafts, trips and excursions, outdoor activities (surf, diving etc.). It has also been a driver for the development local suppliers of goods and services (supermarkets, bakeries, fishmongers, grocer’s shops, etc.).

Today, the more luxurious hotels and *pousadas* offer entertainment programs (fitness classes, dance, sports, folkloric shows, gymkhanas, contests, ecological trips, and kids’ entertainment, among other activities). In these hotels, one can find restaurants, bars and other services, such as the small shops that sell souvenirs, bathing suits and handicrafts. The high-end hotels and *pousadas* have a limited impact on local economic dynamics, because most of them work with suppliers from Recife.¹⁰² With regard to their impact on local employment levels, it is safe to say that the high-end hotels are as important as hotels in other segments. Unskilled and semi-skilled labour is easily found in Porto de Galinhas. Hotels employ local people for jobs that require no or little professional qualification such as chambermaids, bellboys, waiters and gardeners. For jobs that require a higher educational level, high-end hotels employ professionals from Recife and states in the southern and southeast regions of Brazil.

Pousadas qualified as “modest” with about 10 to 25 rooms generally employ seven or eight people. Mid range *pousadas* and hotels usually have 25 to 60 rooms and employ 70 to 90 people. High-end hotels have more than a 100 rooms and employ 80 to 100 people,

¹⁰² The distance between Porto de Galinhas and Recife is about 70 kilometres.

whereas large resorts offer up to 200 rooms and sometimes employ about 300 people. The occupancy rates of the high-end hotels are higher than those of the mid-range and low-end hotels and *pousadas*. The resorts have an occupancy rate of 85 percent and receive one foreign tourist for every three Brazilian tourists.

Many of the workers employed by hotels and *pousadas* come from neighbouring communities, such as the district of Nossa Senhora do Ó, about eight kilometres from Porto de Galinhas. Most of these workers used to work in factories (mainly sugar cane factories) and found better working conditions and higher salaries in the tourism sector. Labour disputes, however, are commonplace. In spite of the current absence of trade unions in the region, there is a long tradition of union struggle inherited from the sugarcane and alcohol sector in the state of Pernambuco. Workers are aware of their rights and do not hesitate to complain if they need to. As a saleswoman in a shop in Porto de Galinhas put it: “The people from Nossa Senhora do Ó are famous for filling complaints against employers with the labour court, even after only a few months of work”.

Most of the hotels and *pousadas* are unfamiliar with the concept of Corporate Social Responsibility (CSR). Some of the hotel managers interviewed mentioned sporadic philanthropic activities, through the support of local projects (kindergartens, aid for poor communities, educational projects for children and adolescents, donation of food, etc.). There are no hotels with codes of conduct or specific certifications regarding CSR. In general, the hotels and *pousadas* interviewed state that they do not make use of child labour and that they do not select their employees on the basis of race or gender. Some hotels offer free or low-cost transport and housing to their employees. Only a small number of accommodations are equipped to receive disabled tourists.

Although the management of most hotels and *pousadas* in Porto de Galinhas is aware of the environmental issues in the tourism sector, there are very few that have actually developed and implemented practises to improve their environmental performance. In Porto de Galinhas, there is only one hotel that uses a system to improve its environmental performance and sees this as a way to attract environmentally-conscious tourists. Other hotels and *pousadas* mentioned the following practises: separate collection of waste, reduction of the number of insect disinfections, reduction of energy consumption by using fluorescent light bulbs, reduction of water consumption by installing automatic taps in toilets (two accommodations) and the reduction of energy consumption by using solar energy (two accommodations).

Many hotels are located near coral reefs, mangrove swamps and areas where tortoises lay their eggs. There is evidence that some hotels were constructed in preservation areas and mangrove swamps.

4.2.4. Bars, restaurants and nightlife

In Porto de Galinhas, there is an enormous diversity of bars, snack bars, ice-cream parlours and restaurants in different price ranges. Altogether, there are more than a

hundred businesses in this economic segment, most of which are located in the centre of the village or in its surrounding area.

In addition to companies in the formal market, informal ambulatory street vendors (hawkers) sell all sorts of food and drinks (fried fish, crabs, cottage cheese, snacks, fruit, soft drinks, beer, ice-cream, cocktails, etc.) on beaches and in the main streets of the village. The municipality makes an effort to contain the growth of the informal market by registering all hawkers and by controlling the conditions of hygiene and food security.

According to interviews carried out by CICLO at local restaurants, 60 to 70 percent of their guests are Brazilians. About 20 percent of these Brazilians are summer holidaymakers. Approximately 30 to 40 percent of the restaurants' guests are foreign tourists. These tourists are predominantly Portuguese, Finnish, Dutch, Italian and German. Large restaurants employ, on average, from 40 to 60 people. Restaurants of regular size employ from 15 to 20 workers. During the high season, the demand for labour increases considerably.

In bars and restaurants, most of the employees (more than 80 percent) are men, especially among those employees who work in a kitchen or as waiters. This is mainly due to the harsh working conditions in most restaurants and bars. Employees work long shifts in a very hot environment where they have to stand up most of the time. Women often suffer health problems after doing this work for a few months.

Many entrepreneurs in this stage of the value chain own more than one restaurant or bar. Sometimes they own businesses in other stages of the value chain, such as shops or *pousadas*. These entrepreneurs usually come from outside the village, mainly from Recife or the southern and southeast regions of Brazil. Entrepreneurs have little knowledge about concepts and practises of corporate social responsibility (CSR). Some restaurants sponsor philanthropic activities and distribute food in poor areas of the region.

Complaints from the community and tourists in this stage of the value chain are: poor sanitation, the quality of tap water (most restaurants and bars use low-quality water from wells, with mineral water or water delivered by tankers), lack of urban planning near the beach, and the increasing number of hawkers and vendors in places with many tourists.

4.2.5. *Souvenirs, handicrafts and sportswear*

About 150 shops in Porto de Galinhas sell sportswear (mainly bikinis), souvenirs and handicrafts. There are also many hawkers who sell the same products. The municipality allows these vendors to sell their products in marquees in a Cultural Centre, located in one of the main streets of the village.

In spite of the large number of shops, the production of local handicrafts is almost insignificant. Most handicrafts sold in Porto de Galinhas come from Recife or Caruaru, also located in the State of Pernambuco. The distance between Caruaru and Recife is

about 140 kilometres. Approximately 80 percent of all ceramic products sold in Porto de Galinhas hail from Caruaru.

About 10 workshops in Porto de Galinhas produce paintings, sculptures and decoration objects. Some of these workshops are renowned for using roots and trunks of coconut palms. According to shop owners and employees, Brazilian visitors always ask questions about the origins of the handicrafts and are surprised to know that Porto de Galinhas does not have a significant local production of handicrafts. For foreign tourists this is not an issue, as they are usually interested in the cultural heritage of the Northeast region as a whole and are unable to distinguish between handicrafts produced in different (micro) regions. This might be one of the reasons why Brazilian tourists buy fewer handicrafts than foreigners, who buy 50 to 60 percent of all products in some shops.

4.2.6. Sightseeing

In Porto de Galinhas, there are many ways to spend leisure time. Many tourists go on boat and raft trips to visit lagoons in the coral reefs. These tours usually last one hour and include the possibility of snorkeling in the lagoons.

The protection of the marine ecosystem has improved since the Association of Raft Owners was founded. This association schedules trips and coordinates when and where rafts can enter the coral reef.

One-day trips are organised by small tourism offices and vary in price range. Children up to five years of age do not pay, and children under 11 have discounts. One-day trips usually have the following destinations: Recife – Olinda (city tour), Igarassu – Itamaracá, Cabo de Santo Agostinho, Maragogi (in the State of Alagoas) and João Pessoa (in the State of Paraíba). Tourists can also fly to the island of Fernando de Noronha (540 kilometres out of the coast of Pernambuco) for a three or four-day trip.

Tourists interested in visiting the surroundings of Porto de Galinhas can opt for “rural tourism”, which basically means that one visits sugar mills, sugar factories, flour houses (mills). During these trips, local food is served. Quite some local tourism products are sold and characterised by local tourism offices as ecotourism:

- ❑ Project “Shark Harbour” (aquarium), which was not open at the time that research was conducted.
- ❑ The “Mangrove Swamp Path”, where many species of the local flora and fauna can be found.
- ❑ A kayak tour through the mangrove swamps (motorboats are prohibited in these areas).
- ❑ Project Hippocampus, which aims to protect the seahorse species by raising awareness and undertaking scientific research.
- ❑ A private reserve Sítio de Nossa Senhora da Conceição do Outeiro de Marcaípe. This nature reserve accommodates many different species and a Franciscan church built in the 17th century.

- ❑ Horseback riding.
- ❑ One-day boat trips.
- ❑ Buggy tours to the beaches of Porto de Galinhas and to municipalities in the surroundings. This is one of the most popular excursions, although it does not seem to be an activity that can be defined as ecotourism.

Among local entrepreneurs, ecotourism is yet not a very popular strategy to attract tourists. Nevertheless, it is apparent that there are many possibilities to transform Porto de Galinhas into a successful ecotourism destination.

4.2.7. Diving, surfing and kite surfing

There are some companies that offer sports lessons and activities for tourists. Many sports can be practised, but sports on or in the water are predominant. Most of the suppliers in this stage of the value chain are from outside Porto de Galinhas. Diving equipment, for example, has to be bought in Recife or São Paulo. The personnel of the companies that organise sports activities usually come from other parts of the country. Diving instructors are hard to find among the locals of Porto de Galinhas.

4.3. Possible leakages in the value chain of tourism in Porto de Galinhas

In order to analyse the possible leakages¹⁰³ in the tourism value chain in Porto de Galinhas, we use some elements of a theoretical framework developed by James Gollub, Amy Hosier and Grace Woo.¹⁰⁴ In “Using cluster-based economic strategy to minimize tourism leakages”, published in 2002, these authors describe how leakages in the tourism sector can be avoided or minimized by applying regional cluster-based economic development. Using this theoretical framework, we will analyse the current structure of the value chain of tourism in Porto de Galinhas and provide some recommendations on how even more value can be retained in the region.

Research undertaken by Adam Blake, Jorge Saba Arbache, Vladimir Teles and Thea Sinclair has demonstrated that tourism benefits the lowest income sections of Brazilian population and has the *potential* to reduce income inequality. According to these scholars, the lowest income households are not, however, the main beneficiaries of tourism.¹⁰⁵ Therefore, it is important to stress that avoiding leakages in tourism does not necessarily lead to higher net benefits for the poor.

¹⁰³ Tourism leakages generally are defined as the amounts subtracted from tourist expenditures for taxes, repatriated profits, wages paid outside the region, and for imported goods and services.

¹⁰⁴ J. Gollub, A. Hosier and G. Woo, “Using Cluster-Based Economic Strategy to Minimize Tourism Leakages,” ICF Consulting, World Tourism Organization website, <<http://www.world-tourism.org/quality/E/docs/trade/trsmleaks.pdf>> (29 August 2006).

¹⁰⁵ A. Blake et al. Tourism and poverty alleviation in Brazil, 2005 <www.unb.br/cet/noticias/Adam_Blake.pdf> (1 September 2006).

4.3.1. *Holiday planning and transportation to the region*

Package deals to Porto de Galinhas for foreign tourists are usually sold by tour operators in the country of origin. These tour operators contract the services of an airline, a local transport provider and a hotel or *pousada*. Sometimes other services and products are included, such as a local agent, hostess or guide. The core activities of the foreign tour operators – marketing and sales – cannot easily be carried out by local companies. Most foreign tourists need to be addressed in their own language at the holiday planning stage. The internet has opened a window of opportunities for direct sales and marketing by local travel agencies, hotels or *pousadas*, but many foreign tourists still book their holidays through a tour operator in their country of origin. In Porto de Galinhas, there are not many international hotel chains. These hotel chains usually have the ability to reach foreign tourists directly, although many tourists also use tour operator to book hotels from international chains.

Leakages in the holiday planning stage are not easily avoided. Companies in Porto de Galinhas need access to international tour operators in order to attract foreign tourists. In order to reduce leakages in this stage, it might be interesting for some local companies (mainly the larger hotels and *pousadas*) to focus on the following areas:

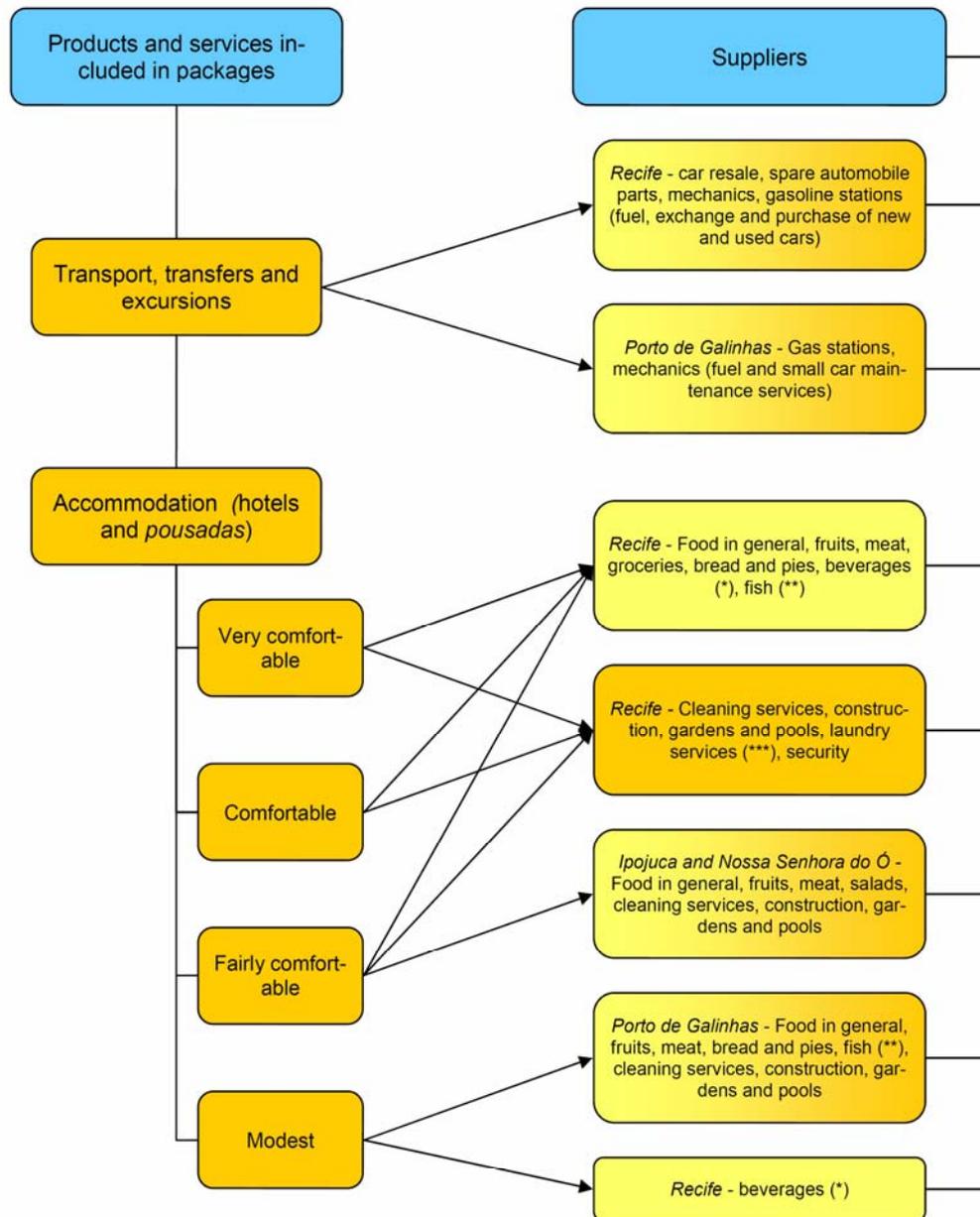
- ❑ **Market planning and strategy:** Some larger accommodations may hire external services to support their planning and strategy. If the hotel is managed by or affiliated with an international hotel chain or tour operators, services may be partially provided outside of the region. Development of partnerships with local firms may initially necessitate training, but as the partnerships evolve, the capabilities of local service providers will be increased.
- ❑ **Direct marketing and public relations services:** Local public relations firms (from Recife, for example) may be employed to prepare materials that will be used to reach target markets through channels such as direct mail or business-to-business promotions.
- ❑ **Production of marketing materials:** The printing and production of brochures and related promotional materials can be sourced locally; however, quality and technical needs may require the use of non-regional providers.¹⁰⁶

In the to-destination travel stage it is equally difficult to avoid leakages. Most airlines that offer regular or charter flights to Recife are foreign-owned companies. Brazilian airlines TAM and Varig have flights from Recife to Europe, but these two companies are not main carriers for tourism travel. Varig is currently experiencing severe financial problems and was on the verge of bankruptcy in August 2006.

Avoiding leakage for within-region transportation is relatively easy, except where all-inclusive packages to externally-owned destination properties are used and when vehicle

¹⁰⁶ Adapted from J. Gollub, A. Hosier and G. Woo, "Using Cluster-Based Economic Strategy to Minimize Tourism Leakages," ICF Consulting, World Tourism Organization website, <<http://www.world-tourism.org/quality/E/docs/trade/trsmleaks.pdf>> (29 August 2006), p. 30.

Figure 8 – Products and services included in package deals to Porto de Galinhas



(*) Beverages (soda, beer, lemonade etc.) for all types of accommodation are delivered directly by distributors based in Recife.

(**) Most hotels, *pousadas*, restaurants and bars prefer to purchase fish and seafood from specialised shops or supermarkets in Recife, because it enables them to pay in instalments (30 days). Local fishermen, using 13 boats, supply about 50 percent of all fish and seafood consumed in restaurants, hotels and bars. The other 50 percent comes from neighbouring municipalities.

(***) Due to the characteristics of the water in Porto de Galinhas (dark coloured and smelly), most hotels do their laundry in Recife. Some laundries provide delivery services.

rentals are made with foreign-owned companies.¹⁰⁷ Most agents, hotels and *pousadas* in Porto de Galinhas have partnership agreements with one or more of the five transportation companies in the region. Consequently, leakages in this stage are minimal.

4.3.2. Accommodation

Figure 8 shows how local and regional businesses and suppliers are linked to the accommodation stage of the tourism value chain in Porto de Galinhas. Notably, most of the products and services used by hotels, *pousadas* and other businesses that provide services included in package deals are supplied by companies in the region. Depending on the perspective, one could say that Recife is also part of the same region, as the distance between Porto de Galinhas and Recife is only 70 kilometres.

Leakages in the accommodation stage of the value chain are minimal, as hotels and *pousadas* work with suppliers located in or near Porto de Galinhas. The high-end hotels tend to purchase goods and services in Recife, while cheaper hotels and *pousadas* source from suppliers in Porto de Galinhas.

Most hotels and *pousadas* take their laundry to Recife because of the poor quality of the water in Porto de Galinhas. This is something that could be changed in the local value chain by improving the water supply to the community of Porto de Galinhas and by improving public sanitation.

The following issues should be taken into account to avoid leakages in the accommodation stage of the value chain:

Planning and design of new tourist accommodations:

- ❑ **Land purchase and preparation:** Ownership is sometimes syndicated with international partners (investors, tour and hotel companies, pension funds), which means that future profits from the project will be earned outside the region. This may not benefit the community of Porto de Galinhas.
- ❑ **Planning, design and engineering services:** High value-services are sometimes procured by developers from international firms, perhaps in cooperation with local consultants. However, the quality of Brazilian designers and engineers is high enough that these services could be provided by local companies.
- ❑ **Financing:** Loans for construction and longer-term mortgage on the facility are sometimes serviced by non-local banks with debt service accruing to institutions outside the region. National and regional banks should, therefore, continue to provide credit for accommodations in Porto de Galinhas.
- ❑ **Professional services:** Legal and insurance services are sometimes be provided by firms outside the region, in some cases, with international partners (depending on the nature of the project).

¹⁰⁷ J. Gollub, A. Hosier and G. Woo, "Using Cluster-Based Economic Strategy to Minimize Tourism Leakages," ICF Consulting, World Tourism Organization website, <<http://www.world-tourism.org/quality/E/docs/trade/trsmleaks.pdf>> (29 August 2006). p. 31.

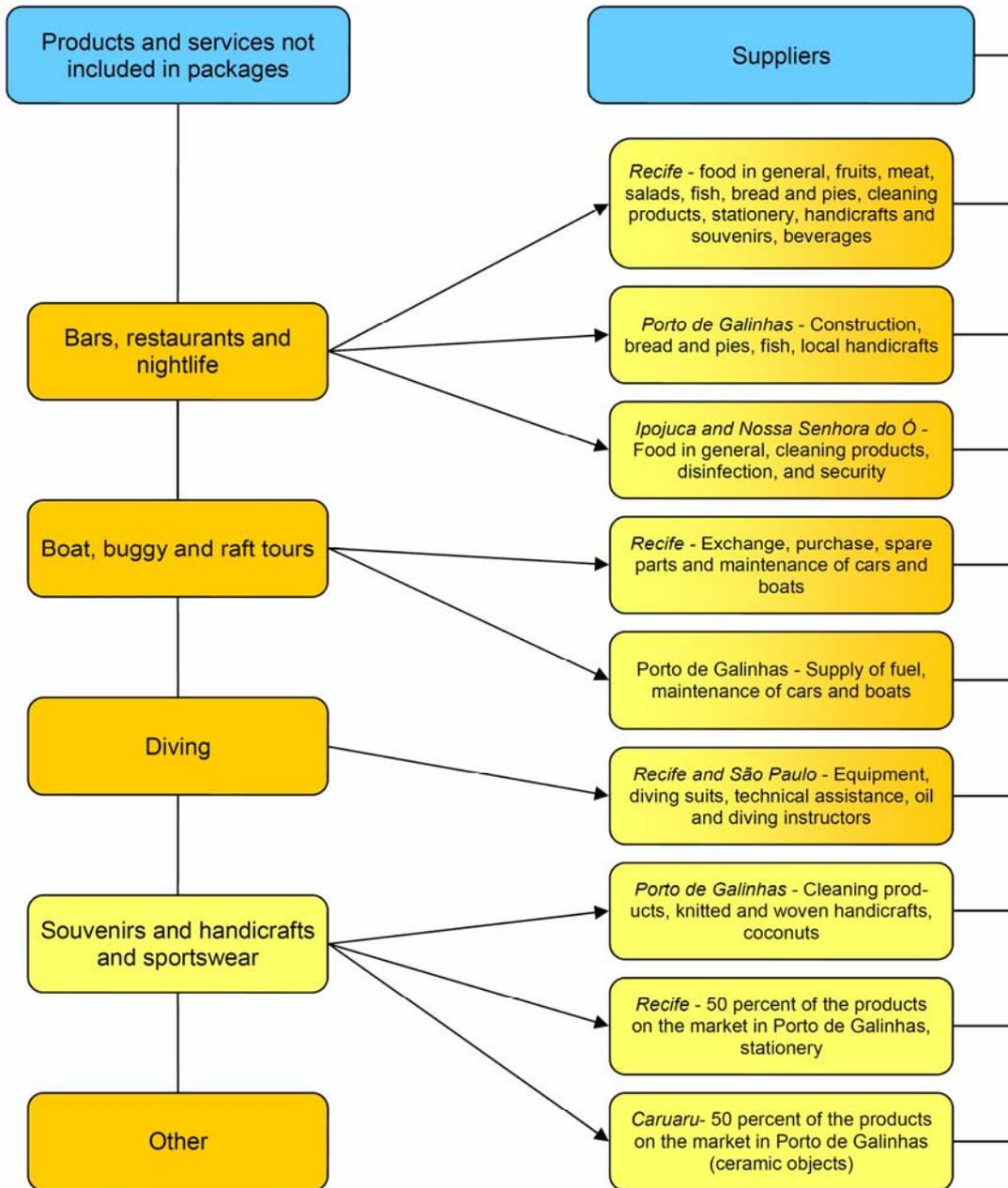
- ❑ **Construction management:** Developers sometimes contract with non-local, mostly Brazilian construction firms from other regions who provide specialized expertise for the project.
- ❑ **Construction materials and equipment:** Materials and equipment selected for construction may not be available within the region and may be imported through domestic distributors or directly. Materials and equipment available in the region of Porto de Galinhas should be used as much as possible.
- ❑ **Construction labour and support:** Workforce capabilities, human resource administration, housing and medical services are sometimes brought in from outside the region in certain cases by a project manager.

Operations:

- ❑ **Management:** Some hotels and *pousadas* seek professional management from international "brand" hospitality companies to ensure quality and attractiveness to travel agents, tour operators, and to tourists making independent bookings. Privately developed hotels sometimes also contract with international firms to manage or lease their facility. Others sell their hotels to international firms. In each of these instances a percentage of the total revenue from the regional operations is paid to the management company. Therefore, local management is preferable.
- ❑ **Professional services:** Accommodations frequently hire accounting and payroll firms to manage those functions. Similarly, large hotels will have insurance and law firms serving as their brokers or agents for these products. If an international insurance product is used, fees or commissions will go out of country.
- ❑ **Reservation and communications systems:** Some hotels and *pousadas*, although not many in Porto de Galinhas, purchase or subscribe to reservation systems that permit them to be connected to larger travel agency reservation networks. These hotels and *pousadas* have to pay license fees for software, lease or buy hardware, and pay service fees or commissions for participation in certain systems, which are often international. These same conditions may apply to internal phone systems. Regionally, mobile or cellular telephone systems are often developed through partnerships between domestic firms and international manufacturers and suppliers of phones, transmission and switching systems.
- ❑ **Furnishings:** Some high-end hotels and *pousadas* may purchase products produced in the southeast or south regions of Brazil to meet standards of international visitors. Local alternatives should be preferred.
- ❑ **Workforce:** While smaller and privately owned accommodations employ primarily local personnel at the management and staff level, larger hotels - particularly those affiliated with international firms - will seek and employ non-national professionals, who may, in some cases, become residents of the region, but may not remain indefinitely.¹⁰⁸

¹⁰⁸ Adapted from J. Gollub, A. Hosier and G. Woo, "Using Cluster-Based Economic Strategy to Minimize Tourism Leakages," ICF Consulting, World Tourism Organization website, <<http://www.world-tourism.org/quality/E/docs/trade/trsmleaks.pdf>> (29 August 2006), p. 31-33.

Figure 9 - Products and services not included in package deals to Porto de Galinhas



4.3.3. *Bars, restaurants and nightlife*

Figure 9 demonstrates that restaurants and bars source locally from companies in Porto de Galinhas, Recife, Ipojuca (Porto de Galinhas is part of the municipality of Ipojuca) and the neighbouring municipality of Nossa Senhora do Ó.

The employees of bars and restaurants usually are natives of the State of Pernambuco. Only some highly qualified personnel at high-end hotels come from the southern or southeast regions of Brazil. In some bars and restaurants, working conditions are harsh. In order to improve these working conditions, hotels and *pousadas* could advise tourists to avoid restaurants and bars that do not comply with local labour laws and the conventions of the ILO. It is difficult, however, to monitor compliance with labour regulations in this sub-sector, as most of restaurants and bars are not in the direct sphere of influence of tour operators or other multinational companies in the tourism industry. Restaurants and bars generally do not have a direct relation with tour operators, as they provide services and goods that are not included in package deals. Therefore, the local governments in Ipojuca (Porto de Galinhas is part of the municipality of Ipojuca) and the State of Pernambuco should play a critical role in improving labour conditions in restaurants and bars.

It is equally important to provide training to local people so that the poorer segments of the population can also benefit from the formal job market created by the growth of tourism.

Leakages in this stage of the value chain in Porto de Galinhas may arise with respect to the following:

- ❑ ***Agricultural commodities and processed foods:*** Many regions do not have effective linkages between their domestic food production and food processing industries and the hospitality industry, although this does not seem to be the case in Porto de Galinhas. As a result of the lack of effective linkages, hotel and restaurant procurement includes greater reliance on non-local imported foods, both raw and processed/packaged, even when these products are available locally. Visitors often do not know what is regional, and regional food providers often do not produce for the visitor market, whether repackaged as new products (e.g., exotic fruits, spices) or as parts of meal dishes. In addition, many tourism segments demand goods not produced locally (e.g. wine, grapes, whisky when in the northeast of Brazil) as well as assurances of food safety that imported brand products easily provide.
- ❑ ***Food production equipment:*** Food production equipment, from planting and harvesting to processing and packaging is often imported, while services are often regional.
- ❑ ***Media and entertainment services:*** Small scale media and entertainment services - often under the labour of event production - are usually local or regional, including in Porto de Galinhas. Larger media ventures, including radio and television broadcasting, while often privately owned, are sometimes joint ventures with international partners as are publications. Leakages arise with

tourist (and growing local) demand for global access. Addressing such leakages is very difficult at the regional level.

- **Entertainment equipment:** Much entertainment equipment is procured from distributors representing international producers, as the domestic market is not large enough to sustain independent operations. When markets are large enough, such as the Brazilian national market, there may be demand for local producers or contract manufacturers of equipment that serve both domestic and international markets.
- **Professional services:** Most professional services required to service the food and entertainment marketplace are regional, with the exception of certain major destinations or a major resort, where services are provided by the parent company or through outsourcing to foreign providers. There are some large resorts near Porto de Galinhas.¹⁰⁹

The food and entertainment stage of the value chain offers numerous opportunities for economic leakages, essentially driven by proprietors' desire for international foods and products to serve to visitors. Nevertheless, there also are many opportunities to reinforce and build local capacity in this part of the value chain.¹¹⁰

4.3.4. *Souvenirs, handicrafts and sportswear*

Souvenirs and handicrafts sold in Porto de Galinhas are supplied by small companies and artisans from other municipalities in the State of Pernambuco (see Figure 9, p.53). There are not many artisans in Porto de Galinhas that actually make handicrafts or souvenirs. Sportswear (mainly bikinis) is sold in many shops. Bikinis are often knitted in Porto de Galinhas, but the cloth comes from Recife or other Brazilian cities.

In this stage of the value chain the informal market is also very important. The municipality of Porto de Galinhas has made an effort to legalise the activities of vendors and hawkers who sell souvenirs and handicrafts.

When tourists purchase necessities such as toiletries and medications during their stay in Porto de Galinhas, economic leakages occur. However, where quality assurances for locally-produced products cannot be made and in instances where language issues complicate purchases, providing access to these types of important goods to serve the tourist market increases confidence and satisfaction among tourists. Significant opportunities for adding value exist in upgrading souvenirs and handicrafts available to the tourist market, expanding their variety, and marketing them appropriately.¹¹¹ It is important, however, to continue supplying low-cost and accessible products to local people, who often are marginalised by the consequences of gentrification and the affluence of foreign tourists.

¹⁰⁹ Adapted from J. Gollub, A. Hosier and G. Woo, "Using Cluster-Based Economic Strategy to Minimize Tourism Leakages," ICF Consulting, World Tourism Organization website, <<http://www.world-tourism.org/quality/E/docs/trade/trsmleaks.pdf>> (29 August 2006), p. 34-35.

¹¹⁰ Ibid., p. 35.

¹¹¹ Ibid.

4.3.5. Sightseeing and sports

In Porto de Galinhas, there are many so-called “experience activities”, such as walking, hiking, diving, surfing, and buggy riding. Market segments such as eco-tourism, adventure tourism, and historic/cultural tourism all accommodate these types of activities. Leakages may occur when an activity requires the use of goods and services from outside the region. In Porto de Galinhas, most activities are organised by local entrepreneurs. “Experience” tourism is more likely to be in an area where leakages occur when the investment and management of the destination is beyond the scale and capacity of local producers and suppliers to carry out. This is not the case in Porto de Galinhas. As tourism in Porto de Galinhas develops, it may be possible to “brand” certain activities (such as the raft tours through the coral reefs). These activities can then be marketed by regional firms, either on an individual business basis or through regional marketing consortia. If this is done, other external distribution channels will be bypassed more frequently.¹¹²

¹¹² Ibid., 37.

Chapter 5

Recommendations

The case of Porto de Galinhas is in many ways illustrative of the challenges faced by several small and mid-size communities in Brazil as a result of the rapid growth of international tourism. Many coastal villages and towns in Brazil face with similar issues. Although the recommendations in this chapter are directed at local authorities and companies that do business in Porto de Galinhas, they are equally relevant for many other local communities that want to improve their position in tourism value chains. Therefore, the recommendations should be interpreted as generic.

On the basis of the case study of the tourism value chain in Porto de Galinhas, we would like to highlight a few important points with reference to the debate on sustainability and corporate social responsibility in the tourism industry. The local government and companies that are part of the tourism value chain in Porto de Galinhas are advised to take these points into consideration in order to make the tourism industry in the region more sustainable.

Recommendations for the local government:

- ❑ Practically all stakeholders in the tourism value chain in Porto de Galinhas think that it is very important that the municipality **complete the construction of the sewage and water supply system**. Stakeholders are concerned about the risks of pollution of the groundwater and the quality of the drinking water in the community (many businesses now use low-quality water from wells, with mineral water delivered by tankers).
- ❑ Mechanisms should be created to strengthen the coordination between different stakeholders. The **development of policies concerning tourism planning and a zoning plan** can be very important, provided that this process is conducted **in an open and participative manner** to ensure that the growth of the tourism sector in Porto de Galinhas is sustainable.
- ❑ A **cheaper and more adequate public transport system** would benefit the tourism industry, workers, and the local population in general. The competition of new public transport companies would be welcomed in order to improve the quality of the services provided to the users of the system. The so-called vans that operate on the informal market should be registered and inspected regularly.
- ❑ **Safety measures** for the local population and tourists should be taken. A larger police detachment should be assigned to Porto de Galinhas, both during the low and the high season. Furthermore, campaigns should be organised and measures should be taken to prevent sex tourism and the exploitation of children.

Recommendations for local, national and multinational companies in Porto de Galinhas' tourism value chain:

- ❑ An **efficient and reliable information and hotel classification system** is fundamental in the decision-making process of many holidaymakers. It is equally important for investors and other business partners. In Porto de Galinhas, there is no database with clear information on the quality of hotels and *pousadas*.
- ❑ Companies need to invest in **human capital**, be it through educational and re-training programmes, language courses or investments in the regular school system. Capacity building and professional training should be provided without losing sight of the local cultural characteristics.
- ❑ Companies in the value chain should **promote local sourcing and hire local people**. More jobs, a better income and better working conditions (especially in restaurants and bars) should be provided to local people.
- ❑ Companies should acknowledge that they **are co-responsible for local development** and **comply with internationally agreed upon standards of corporate social responsibility** (CSR). Local, national and multinational companies should partner with their suppliers to implement CSR practices in all stages of the value chain. CSR in the tourism industry should go far beyond supporting philanthropic projects.

Recommendation for the local government and companies in the sector:

- ❑ In addition to offering adequate services and goods to tourists, the local government and companies in the tourism industry must also **cater to the needs of the local community**. Most inhabitants of Porto de Galinhas are unable to use the same services or purchase the same goods that may seem inexpensive to a foreign tourist. The economic growth brought about by international tourism is not perceived as entirely positive by everyone in the village. Some goods and services have become more expensive to local people. As one villager eloquently puts it: "Tourism in Porto de Galinhas is not for everyone. Everything is very nice, very *chic*, but the life of the population and the local workers has not changed much".

Chapter 6

Glossary of terms

Benchmarking

Benchmarking is the process of comparing performance and processes within an industry to assess relative position against those who are 'best in class'. Successful benchmarking is more than an exchange of statistics. It is the exchange of information that enables managers to make continual performance improvements a reality and to enhance individual contributions to overall success of a company's policies.

Certification programmes

Tourism certification programmes cover the wide range of initiatives that provide a logo to those companies that exceed (or claim to exceed) a baseline standard. This logo primarily allows these businesses or destinations to demonstrate their environmental credentials to consumers. Certification programmes include eco-labelling programmes, programmes for which membership criteria are set and a membership fee is paid in return for use of a logo, self-assessed accreditation programmes, and third-party audited and externally verified initiatives.

Corporate reporting

Publication of verifiable information about the company's environmental, social, ethical or sustainable performance. Publication can either be in annual reports or stand alone reports.

Eco-labelling

Ecolabel is a term used to describe an officially-sanctioned scheme in which a product may be awarded an ecological label on the basis of its 'acceptable' level of environmental impact. The acceptable level of environmental impact may be determined by consideration of a single environmental hurdle, which is deemed to be particularly important, or after undertaking an assessment of its overall impacts. International guidelines for the development and operation of ecolabels have recently been agreed upon by the ISO and form the ISO 14023 standard.

Ecotourism

Strictly defined, ecotourism embraces responsible travel to natural areas that is determined by local people, sustains their well-being, and conserves the environment. This is a difficult definition for real-life business situations. As a result, the term is widely used to embrace a range of tourism experiences, which may or may not adhere to the sustainability criteria underpinning true ecotourism, including safaris, travel to remote or isolated areas, adventure travel (including walking, rafting, kayaking and mountain biking), travel specifically to view nature, travel to view cultural heritage, and travel to national parks.

Environmental impact assessment

The process of predicting and evaluating the impacts of specific developments or actions on the environment. Associated with the development planning process and found in some form in most countries, the conclusions of the EIA process are used as a tool in decision making. The purpose of an EIA is to prevent degradation by giving decision makers better information about the likely consequences the action could have on the environment. An EIA cannot in itself achieve that protection. The EIA process involves reviewing the existing state of the environment and the characteristics of the proposed development, predicting the state of the future environment with and without the development, considering methods for reducing or eliminating any negative impacts, producing the environmental impact statement for public consultation which discusses these points, and making a decision about whether the development should proceed in the proposed site along with a list of relevant mitigation measures.

Environmental management system

The part of the overall management system that includes the organisational structure, responsibilities, practices, procedures, processes and resources for determining and implementing the environmental policy (Council Regulation 1836/93/EEC of 29 June 1993). Environmental management systems include tools such as environmental impact assessments, environmental auditing and strategic environmental assessments.

ISO 14001

The international standard for environmental management systems.

Life-cycle assessment

An objective process to evaluate the environmental burdens associated with a product, process or activity by identifying and quantifying energy and materials used and wastes released to the environment and evaluating opportunities for reducing the impacts of these processes.

Mass tourism

A term commonly, but loosely, applied to a popular form of leisure tourism pioneered, for example, in Southern European, Caribbean and North American destinations in the 1960s and 1970s. It involves the movement of a large number of people on nominally standardised packaged tour holidays to resorts that are mainly purpose-made or adapted for the purpose. Such tourism is often associated with high volume, low prices and heavy environmental impact.

SA 8000

A standard for social auditing management systems developed by The Council on Economic Affairs.

Small and medium enterprises (SME)

Small and medium businesses. Generally small and medium companies employ less than 250 but more than ten individuals. Companies employing less than ten individuals are often embraced under the term, but are also sometimes referred to as micro-enterprises.

Social auditing

A management tool comprising a systematic, documented, periodic and objective evaluation of how well social organisation, management and equipment are performing with the aim of helping to safeguard the culture and community by: facilitating management control of practices and assessing compliance with company policies which would include meeting regulatory compliance.

Stakeholder

Any person, entity or interest group that has some association with the company either as a shareholder, with a contractual relationship, neighbours, non-governmental organisations, unions, local authorities, government and other representative bodies.

Tourism certification

Tourism certification attempts to ensure the quality of products and services beyond simple labelling. Current efforts to certify tourism include sustainable tourism certification, responsible tourism certification, and fair-trade tourism certification—the latter is unique as it focuses on the combination of sustainable development, fair labour and wages, and human rights. Tourism certification is difficult as it often promotes voluntary certification and centres on services as oppose to products (such as products like coffee that can easily be formally certified from farm to consumer). Certification is easier to verify for businesses (camping sites, youth hostels, guest houses, alpine huts, farm houses, restaurants) and more difficult for community development (local tours, cultural preservation, integrated development strategies). Certification labels serve as useful marketing tools and can motivate the industry to develop more environmentally friendly products. They can also provide consumers with valuable information on sustainable tourism products, helping them to make more informed travel choices.

Value chain

The concept of the value chain describes input and output relationships and identifies key actors who play a critical role in coordinating production in the chain. Through value chain analysis, researchers try to define who (which company or producer) is to perform what role, what standards are to be met in participating in the chain and who influences the distribution of returns among the various parties participating in the chain. Most global chains are characterised by the participation of many intermediaries and the use of undue power by one or more actors. These actors are called “chain governors”.